

READING BOROUGH COUNCIL

AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

~~DRAFT FOR CONSULTATION~~
~~OCTOBER 2020~~ ADOPTED MARCH 2021

*Supplements Policies H3 and H4 of the
Reading Borough Local Plan (adopted November 2019)*

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1. Introduction

- 1.1 One of the biggest issues that Reading faces is ensuring that there is sufficient access to decent and affordable housing to meet needs. This presents a challenge across the country, but it is a particular difficulty in areas of economic success such as the Thames Valley, where house prices are high and there is significant demand for new homes. The Council's Corporate Plan 2018-21 sets 'improving access to decent housing to meet local needs' as one of its six priorities, and identifies a need for a new Housing Strategy to address the issue.
- 1.2 The housing crisis needs to be addressed using a wide range of tools across local and national government functions, but the key contribution that a local planning authority can make is to secure the provision of affordable homes as part of new development. Affordable housing has a specific definition in the National Planning Policy Framework (NPPF), but the key point is that it responds to a need that cannot be met by the market. The most recent assessment of the level of need for affordable housing in Reading found a need for 406 affordable homes each year from 2013 to 2036, which represents almost 60% of ~~the Reading's~~ total need for new homes (Berkshire (including South Bucks) Strategic Housing Market Assessment, 2016). To achieve even a reasonable proportion of this overwhelming need requires a substantial contribution from new development.

Purpose and applicability of this document

- 1.3 The purpose of this Supplementary Planning Document (SPD) is to provide further information to supplement policies in the Reading Borough Local Plan (adopted November 2019) in achieving affordable housing. It replaces the previous Affordable Housing SPD, adopted in July 2013.
- 1.4 In line with adopted policies, this SPD applies to residential developments of one dwelling or more, with the exception of:
- Replacement of a single dwelling with another single dwelling; and
 - Conversion of a dwelling to self-contained flats where there is no new floorspace.
- 1.5 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.
- 1.6 The policy will not be applied to student accommodation, residential care ~~facilities~~ ~~(or other specialist provision falling~~ within the C2 use class) or proposals for serviced apartments, 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
 - in the case of an apart-hotel, arrangements for accommodation allow tenancies of more than 3 months.
- 1.7 The policies will also not apply to changes of use between a single dwelling house and a house in multiple occupation, where unrelated residents live communally and share common facilities within the single residential property. It will apply to new-

build houses in multiple occupation, as well as to emerging forms of accommodation such as co-living.

- 1.8 Affordable housing provided in line with this SPD includes housing 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 H6 where such housing is being provided as affordable accommodation.

- ~~1.9 This SPD was adopted on 15th March 2021, following consultation undertaken in October and November 2020.~~

~~***Consultation and next steps***~~

- ~~1.9 This version of the SPD is a draft for consultation, and we welcome your views. Please provide any comments by 5 pm on Friday 13th November 2020.~~

- ~~1.10 Comments should be made in writing, either by e-mail or post. Please e-mail responses to:~~

~~planningpolicy@reading.gov.uk~~

~~Or send responses by post to:~~

~~Planning Policy
Reading Borough Council
Civic Offices
Bridge Street
Reading
RG1 2LU~~

- ~~1.11 Your comments will be taken into account in producing a final version of the SPD, which will be adopted for use in determining planning applications.~~

2. Policy background

National planning policy

- 2.1 Affordable housing is defined in the National Planning Policy Framework (NPPF) 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)”* (see NPPF Glossary).
- 2.2 The importance of providing affordable housing is emphasised in national policy. The NPPF, in paragraph 61, makes clear that the housing need for various groups, including those requiring affordable housing, should be assessed and reflected in planning policies. This includes the size, type and tenure of the housing required. According to paragraph 62, the need for affordable housing should be specified, and should be met on site unless:
- “a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
b) the agreed approach contributes to the objective of creating mixed and balanced communities.”
- 2.3 Paragraph 63 of the NPPF contains some matters that were previously introduced by a written ministerial statement. The paragraph states that affordable housing should not be sought for residential developments that are not major developments (i.e. less than ten dwellings), other than in designated rural areas. It also introduces a credit for vacant buildings, so that the contributions sought towards affordable housing are reduced by an amount proportionate to the floorspace of any vacant buildings to be re-used or redeveloped. However, local approaches to these matters apply in Reading, which are described below in paragraphs 2.10 to 2.12.
- 2.4 There is a requirement in paragraph 64 of the NPPF that, for major developments involving housing provision, 10% of the total housing should be for an affordable home ownership product, with certain caveats, and excluding proposals for entirely affordable developments and build to rent schemes. As policy H3 requires 30% on-site affordable housing on major developments, this means that national policy expects one third of the affordable element to be for affordable home ownership. More recently, in August 2020, the government consulted on a proposal that 25% of on-site affordable housing will be in the form of ‘First Homes’, which is expected to replace in part the affordable home ownership provision, although this policy is not yet in place.
- 2.5 The NPPF also deals with viability of policy expectations in paragraph 57. This states that:
- “Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.”*

- 2.6 The Local Plan policy requirements were subject to viability testing, which was undertaken in 2018¹, which took into account the other costs of complying with policies in the plan, for example on energy efficiency and the Community Infrastructure Levy. Further viability testing has been undertaken on the tenure split for on-site contributions set out in this SPD. The policy requirements have been found to be viable, and therefore the default position is that there should not usually be a need for contributions at lower than the policy requires.
- 2.7 Paragraph 57 also makes clear that any viability assessments undertaken “*should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available*”.

Local planning policy

- 2.8 This SPD provides specific guidance on how affordable housing will be secured in Reading, but forms part of a wider planning policy framework, and should be read in conjunction with other relevant planning policy documents, particularly the Local Plan.
- 2.9 This document is a Supplementary Planning Document (SPD), meaning that it supplements and expands upon higher level planning policies. A SPD should therefore be linked to a ‘parent’ policy in a development plan. This SPD supplements policy H3 in the Reading Borough Local Plan, adopted on 4th November 2019. The policy, including supporting text, is included in full in Appendix 1. Policy H3 sets out under which circumstances affordable housing will be sought, and what form that contribution should take. The policy text makes clear that an SPD will be required. This was originally intended for 2019, but, for various reasons, not least the time taken to receive the Inspector’s Report on the Local Plan itself, this was delayed to 2020.
- 2.10 In relation to paragraph 63 of the NPPF referring to small sites, the stance taken by the Local Plan is that the need for affordable housing in Reading is so significant that there is a justification for seeking contributions to affordable housing from all sizes of residential development, from one dwelling upwards. This was found to be sound in the Inspector’s Report of September 2019, and therefore forms part of adopted policy H3. The only exceptions offered by policy H3 are for one-for-one replacement dwellings and for residential conversions from houses to flats.
- 2.11 The Council’s stance on seeking affordable housing from developments of less than ten dwellings has been strongly supported at appeal, both since the adoption of the Local Plan and before it, when similar policies applied. The requirement for an affordable housing contribution on a small housing site has been reflected in more than 30 appeal decisions at the time of publication of this SPD, dating back to 2016. It is clear that there are exceptional circumstances in terms of affordability and housing need in Reading that justify the local approach.
- 2.12 In terms of the vacant building credit, also set out in NPPF paragraph 63, this does not form part of the adopted Local Plan policy. Planning Practice Guidance states that, in considering how the credit should apply to a particular development, local planning authorities should have regard to the intention of national policy. The purpose of the credit is to incentivise use of brownfield land. However, the vast

¹ Affordable Housing: Reading Borough Council Viability Testing Report, BPS Chartered Surveyors, March 2018

majority of residential development in Reading already takes place on brownfield land. Between 2013 and 2020, 90% of new dwellings completed have been on previously developed land. There is no local need to incentivise the delivery of brownfield sites. As such, the vacant building credit should not generally be applied in Reading unless there is clear evidence that a long-term vacant site (vacancy of five years or more) would not otherwise be brought forward for development. For clarity, where the floorspace of an existing building is discounted within a Community Infrastructure Levy calculation due to it qualifying as 'in-use', it will not be possible to also argue that the vacant building credit should apply.

- 2.13 This SPD also supplements policy H4 of the Local Plan, which deals with build-to-rent developments, and which requires a distinct approach to affordable housing. Policy H4 is included in Appendix 2. Paragraphs 4.15 to 4.26 of this document relate specifically to build-to-rent, although the general provisions of the SPD also apply unless otherwise stated.

Other local policy

- 2.14 One of the priorities of Shaping Reading's Future: Reading Borough Council's Corporate Plan 2018-2021 is 'Ensuring access to decent housing to meet local needs', and the need to deliver additional affordable homes is an essential part of this.
- 2.15 The Plan aims for almost 800 additional affordable homes over the period 2017 to 2022, although it should be noted that these aims are still some way below the actual identified need for new homes set out in section 3. At March 2019, 224 of these homes had been delivered. The Plan also aims to reduce the number of families in bed and breakfast with shared facilities to zero from 2018.
- 2.16 The Corporate Plan identifies the production of a new Housing Strategy as one of the next steps. The Council is in the process of preparing this Housing Strategy, and it is expected to be adopted in autumn 2020. The preparation of the strategy has taken place alongside this SPD and the content is therefore consistent. The Housing Strategy has six priorities:
- Deliver high quality and sustainable homes;
 - Facilitate a supply of housing that will meet the identified needs of all residents;
 - Enhance the quality, safety and sustainability of existing homes;
 - Create attractive and connected neighbourhoods;
 - Prevent homelessness and help people sustain their accommodation; and
 - Enable residents to access support, maintain their independence and have a voice to in respect to the services they receive.
- 2.17 The Housing Strategy is a high-level document, and there are a number of other existing and proposed strategies that sit within its framework and provide greater detail. This includes the Homelessness Strategy, Accommodation with Care Strategy and Empty Homes Strategy.

3 Affordable housing in Reading

Need for affordable housing

- 3.1 Reading is the heart of the Thames Valley, an economically successful area with excellent transport links and a high quality of life. One of the difficulties with this success is that there are significant issues with affordability of housing in Reading. Figures from the Office of National Statistics show that median house prices in Reading were 9.06 times median gross annual workplace-based earnings in 2019, and that affordability has been progressively worsening over the last 20 years. This issue is accentuated still further when lower-quartile house prices are compared to lower-quartile earnings, which gives a better view of where the affordability issues are likely to arise in particular. The Berkshire (including South Bucks) Strategic Housing Market Assessment (SHMA, 2016) shows that over time, lower quartile affordability in Reading is consistently worse than median affordability². Put simply, in Reading, people on lower wages struggle to be able to afford housing at the lower end of the market.
- 3.2 This manifests itself in a high level of demand for affordable housing. At May 2020, there were 3,417 households on the Housing Register. During 2019-2020, 1,066 households approached the Council at risk of homelessness.
- 3.3 As a result, the need for affordable housing in Reading is very substantial. The most up-to-date full assessment of need for affordable housing is within the SHMA. This calculated that there was a need for 406 affordable homes each year up to 2036 to meet existing and newly arising needs, which would equate to almost 60% of the total housing needs over the same period. A more up-to-date sensitivity test of the SHMA conclusions based on more recent information³ found that the need for affordable housing in Reading was significantly higher, at 503 homes per year. To meet even a reasonable proportion of this need, there will need to be very high levels of delivery of new affordable homes, from all sources, whether through contributions from private developments, or through new dwellings delivered by the local authority or other providers.
- 3.4 Failure to provide homes that people can afford would not only impact those in housing need, but would potentially affect the whole economy. The lack of affordable housing is frequently identified as a barrier to economic growth in the area. The economy cannot grow sustainably if the workforce needed cannot afford to live in the area. As well as providing for those in need, sufficient affordable housing should also be regarded as an essential piece of infrastructure to support the economy.
- 3.5 The Council maintains the Housing Register for the Borough and monitors and manages allocations. There is a high need for rented housing (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 needs.

² See figures 92 and 93:

https://images.reading.gov.uk/2019/12/Berkshire_Strategic_Housing_Market_Assessment_Feb_2016.pdf

³ OAN Sensitivity Testing, March 2018: http://www.reading.gov.uk/media/8648/EV034-Western-Berkshire-OAN-Sensitivity-Testing-March-2018/pdf/EV034_Western_Berkshire_OAN_Sensitivity_Testing_March_2018.pdf

Supply of affordable housing

3.6 Over the period of the Local Plan so far (2013-2020), 648 new affordable homes have been delivered, which equates to an annual average of 93 homes. It is therefore clear that the supply is falling some way short of the assessed need of 406 per year. It is therefore essential that all sources of affordable housing are maximised.

3.7 There are three main sources of new affordable housing:

- Local authority new build;
- Development by another registered provider; and
- Provision as part of a developer contribution.

Over the first part of the Local Plan period, the majority of new affordable housing has been provided as an on-site contribution on private developments. Of the affordable homes provided between 2013 and 2019, 84% have been for rent (with a mix of affordable rent at up to 80% of market rents and social rent) with 16% for shared ownership.

3.8 To help address the shortfall in affordable housing, in 2014 the Council launched its own new-build affordable housing programme on Council-owned land. This uses a combination of Housing Revenue Account (HRA) borrowing, Right to Buy receipts and Section 106 receipts. Phase 1 of the Local Authority New Build (LANB) programme has now been completed, whilst Phase 2 of the programme is underway. By Spring 2019, 104 homes had been completed within Phases 1 and 2. Preparations are underway for Phase 3 of the programme, and the Council's Corporate Plan 2018-21 (Spring 2019 Review) expected planning applications for 182 homes under Phase 3 to be submitted in Summer 2020.

3.9 Where the Local Plan policy, as supplemented by this SPD, is to be fulfilled by an off-site financial contribution, this may be put towards the LANB programme. Other registered providers also develop affordable homes in Reading, albeit often at quite a small scale, and this new provision by other registered providers may also be grant funded by off-site financial contributions.

3.10 However, development by registered providers does not nearly suffice to meet needs, and on-site homes provided as a contribution by housing developers are essential to providing the necessary levels of affordable housing in Reading, and to ensuring that communities are mixed and balanced. Over recent years, this on-site provision has formed the vast majority of new-build supply. Even with the LANB programme having started to deliver between 2018 and 2020, 67% of affordable housing completions over those two years still came from on-site provision by private developers. Therefore, despite the Council having ambitious plans for building its own homes, on-site contributions from developments will continue to be absolutely essential if a significant proportion of the need is to be met.

4 On-site affordable housing

- 4.1 On developments of ten or more dwellings, provision of affordable housing is expected to take the form of on-site provision, as specified by Local Plan policy H3. This means provision of either completed units or serviced land. Policy H3, as well as H4 in the case of build-to-rent proposals, specifies that 30% of the dwellings proposed should be affordable. This relates to the total provision on-site, not to the net increase in dwellings.

Tenure

- 4.2 In general, of the on-site affordable housing provided to comply with policy H3, the tenure split will be as follows:
- Affordable rented accommodation at 'Reading affordable rent' levels - at least 62%; and
 - Affordable home ownership (shared ownership or another product) - maximum 38%.
- 4.3 The above will not apply where the purpose of the proposal is the delivery of affordable housing. It will also not apply to the build-to-rent developments, which are dealt with in paragraphs 4.15 to 4.26 below.
- 4.4 The tenure expectations in this section have been subject to viability testing to ensure that developments should generally be able to provide policy-compliant affordable housing at these levels without an adverse effect on viability levels. The results of this viability testing are available to view on the Council's website.

Reading affordable rent

- 4.5 The expectation is that all affordable homes for rent secured through on-site provision on developments will be let at 'Reading affordable rent' levels, or lower.
- 4.6 'Reading affordable rent' is a tenure which is considered affordable to those in housing need in Reading. 'Reading affordable rent' is defined as rental levels capped at 70% of market rates. To assist with implementation of this requirement, the Council will produce an annual statement specifying what 70% of market rents equates to for Reading and publish this on its website. The rates for 2019-20 are set out in Appendix 3. The 70% cap includes service charges.
- 4.7 'Reading affordable rent' has been set at this level based on calculations of local affordability. The median weekly household income for the South East (to which Reading tracks quite closely) is £610. Good practice indicates that households should not spend more than 35% of their income on housing, which for a median weekly income is around £210. This equates to 70% of the weekly market rent for a 3-bed property (£300) in Reading. This is therefore affordable for the median household without requiring support from Housing Benefit or the housing element of Universal Credit.
- 4.78 An exception to the ~~above~~ 'Reading affordable rent' requirement will apply if the rental element is to be provided as key worker housing or supported accommodation. Provision of the rented element as key worker housing or supported accommodation will only be acceptable where the Council has identified a specific need that will not be met elsewhere.

4.89 'Reading affordable rent' will also not apply to affordable private rental properties provided as part of a build-to-rent development. The tenure expectations for build-to-rent are set out in paragraphs 4.16 to 4.17.

4.10 The purpose of 'Reading affordable rent' is to strike a balance between maximising the amount of affordable housing which can be secured on-site and ensuring that rents are at a level which are genuinely affordable to those in housing need in Reading. The level at which 'Reading affordable rent' has been set has been calculated with reference to the affordability of housing in the local area for Reading's residents, based on a median household income, spending 35% of that income on housing.

4.11 The requirement that 62% of the affordable housing element be let a 'Reading affordable rent' was subject to viability testing, based on the same scenarios and assumptions used in setting the overall requirement in the Local Plan. It was found to be generally viable in most scenarios.

Shared ownership and affordable home ownership

4.12 The NPPF (paragraph 64) requires that 10% of major housing developments should be available for affordable home ownership. This includes shared ownership, as well other intermediate tenures such as discounted market sale at least 20% below local market value. As the overall on-site affordable housing requirement in Reading is 30%, this means that at least one third of on-site affordable housing should be for affordable home ownership products. In Reading, this has been increased to 38% to ensure that the whole on-site affordable housing package, including those units to be let at 'Reading affordable rent', is viable.

4.13 Shared ownership is a tenure where a proportion of the property is purchased and the remainder rented from the Registered Provider. In recent years, almost all of the dwellings provided in Reading for affordable home ownership have been shared ownership. This tenure is particularly suited to first time buyers, but may also be important for older people in housing need downsizing and freeing up a home elsewhere.

4.14 The NPPF includes starter homes within its definition of affordable housing. Starter homes are new dwellings, available for purchase by first time buyers between the ages of 23 and 39 only, sold at a discount of at least 20% of market value and, in Reading, for less than £250,000. Starter homes are defined in legislation. The Council's view is homes for sale at 80% of market value in Reading do not represent a truly affordable product that meets needs, and neither does any product that is not secured in perpetuity. It will not therefore expect provision of starter homes as part of developments.

4.15 In August 2020, the government consulted on a proposal to introduce a requirement that 25% of the affordable housing provided on-site by private developments should be in the form of 'First Homes'. First Homes are an affordable housing tenure consisting of homes for sale to first-time buyers at a minimum 70% discount, which will continue to apply when the house is sold. The preferred approach was that the First Homes requirement would be in place of other affordable home ownership requirements, and in the case of Reading would replace some of the shared ownership element. This change would need to be made by changes to the NPPF and Planning Practice Guidance, and at the time of adoption of this SPD those changes had not yet been made. Any future national

~~requirement for inclusion of First Homes will need to be considered in conjunction with local policy including this SPD. The consultation on this draft SPD is taking place immediately after the First Homes consultation, and the final version may need to be amended to take account of any changes to national policy.~~

- 4.4416 The proportion of the affordable homes that will be for intermediate sale is expressed as a maximum, as these products make a less significant contribution to those in housing need in Reading than affordable rented homes. The priority is therefore for the provision of homes rented at 'Reading affordable rent'. For this reason, if overall on-site affordable housing provision is reduced below 30% for viability reasons, it will not be considered acceptable to increase the proportion of that provision that is shared ownership or other affordable sale purely in order to continue to meet the 10% requirement of the NPPF.

Build to rent

- 4.4517 Build to rent involves purpose-built development held in a single ownership and intended for long-term rental. It is a relatively recent form of development for Reading, with the first such local scheme under construction in 2020. However, it is now prevalent elsewhere, such as in London, and is expected to grow. It has recognition in the National Planning Policy Framework (NPPF), which includes acceptance that this form of development has characteristics which necessitate a distinct approach to affordable housing. The Local Plan includes policy H4 dealing specifically with build to rent schemes, which is included as Appendix 2.

Rental levels

- 4.4618 For build to rent proposals, policy H4 expects that, as for other schemes of ten homes or more, 30% of the dwellings will be affordable housing, provided on site, subject to viability considerations as detailed in supporting text to policy H4 of the Local Plan. National and local policy requires that this on-site provision will be in the form of 'affordable private rent'. Affordable private rent is a housing tenure introduced in the NPPF specifically to form the affordable housing element of build to rent developments. As for other forms of affordable housing, it must be at least 20% below local market rents, but the key difference from affordable rent is that it can be provided by the owner of the build to rent development rather than by a Registered Provider.

- 4.4719 Paragraph 4.4.33 of the Local Plan makes clear that rental levels for affordable private rent, deducting from this ceiling the cost of service charges, must be set in relation to Local Housing Allowance (LHA) levels for Reading. Any changes in rents must also be linked to changes in LHA levels. Failing to link rents to this level would mean that there is little prospect of such housing remaining genuinely affordable to those in need. Rental levels which are 80% of the market rent for the unit may only be applied where these are at or lower than LHA levels. Should LHA be replaced in the future, the applicable rent will be the lower of (a) 80% of market rent or (b) the last published LHA rate as increased by an amount equivalent to any increase in the CPI-market rents from the date on which the LHA rate was last published to the date the affordable private rent is calculated.

Management

- 4.4820 Where affordable private rent dwellings are to be delivered on site, the management process will be dealt with in the Section 106 agreement. This will either involve agreeing the details within the agreement itself, or the submission and agreement of a management strategy before occupation. In accordance with

Planning Practice Guidance, the details to be covered should include the parameters of the lettings agreement, the rent levels, apportionment of the homes across the development, a management and service agreement, and a marketing agreement setting out how their availability is to be publicised (see PPG, 60-006-20180913)⁴.

4.1921 In line with Planning Practice Guidance, there will also need to be an annual statement, required by the Section 106 agreement, “confirming the approach to letting the affordable units, their ongoing status, and clearly identifying how the scheme is meeting the overall affordable housing level required in the planning permission” (60-006-20180913).

Eligibility

4.2022 ~~The Section 106 agreement will need to set out the approach to eligibility for the development.~~ Paragraph 4.4.35 of the Local Plan states that “affordable housing will be allocated to eligible households on Reading’s housing waiting list”. For at least four weeks, the properties should be marketed exclusively to households ~~nominated by the Council on the Housing Register~~, and thereafter to other households meeting qualifying criteria agreed in the Section 106 agreement including those ~~nominated by the Council on the Housing Register~~. This should apply both to the initial letting upon the development’s completion, and to any subsequent re-letting.

4.2123 ~~The following criteria may be taken into account when setting out q~~Qualifying criteria for affordable private rented homes ~~should be agreed between the developer and Council, and should be set out in thea~~ Section 106 agreement. ~~The Council’s view is that the following criteria are appropriate, and that additional criteria will need to be suitably justified:~~

- Whether household size is appropriate to the size of the property;
- The degree to which the rents are affordable to the household (including any benefits for which the household is eligible);
- Suitable references and credit history;
- Recent convictions, within five years; and
- Demonstration of an understanding of the responsibilities within the tenancy agreement.

~~The Council will not expect the owners to apply additional criteria to those set out in the Section 106 agreement without written agreement.~~

4.2224 Households should be offered tenancies of at least three years in the first instance, with a six month break clause in the tenant’s favour, in line with the tenancies for the market rental dwellings as set out in policy H4.

Changes in circumstances

4.2325 Affordable private rented accommodation, as for other forms of affordable housing, should be secured in perpetuity. In addition, policy H4 states that the whole of a build to rent development should be secured in single ownership for the rental market for at least 20 years. Nevertheless, Planning Practice Guidance recognises that there may be cases where developers may have to sell all or part of a development so that it no longer qualifies as build to rent, and, in exceptional cases may need to convert affordable private rent to an alternative tenure. PPG expects that the Section 106 agreement for build to rent permissions should

⁴ <https://www.gov.uk/guidance/build-to-rent>

anticipate this and include ‘clawback’ measures to ensure that the value of the affordable housing contribution is maintained.

4.2426 There are therefore two different scenarios to consider, and which should be built into a Section 106 agreement for build to rent schemes. Firstly, there is the sale of market build to rent units so that they no longer qualify as build to rent. Secondly, there is the sale of affordable private rented units or conversion into other tenures.

4.2527 In the eventuality of the owner of a build to rent development transferring ownership of some or all of the units so that they no longer qualify as build to rent, the key element to consider will be the difference in value between the unit(s) as build-to-rent and as general homes. The developer would be expected to provide valuations of both uses, and a proportion of any uplift in value should be captured as a financial contribution. This proportion should be in line with the relevant affordable housing contribution for the size of scheme set out in policy H3 (with the size of scheme meaning the development as a whole and not just the amount of units proposed to be sold or changed). For developments of ten dwellings or more, which will usually be the case for build to rent, this will mean ~~30~~15% of the uplift in Gross Development Value, in line with the approach in paragraph 5.10.

4.2628 The second possibility would be the sale of an affordable private rented unit or units, or conversion into other tenures. In the first instance, such a sale should be to a Registered Provider, for conversion to an alternative affordable tenure, at a value which reflects the value of the units including the affordable rental levels. Any other sale would result in the permanent loss of an affordable unit. For this reason, the Council wishes to avoid this scenario. However, in an exceptional case where this is necessary, the priority will be to ensure that the unit is replaced. The preference should be for the owner to replace the unit with equivalent provision, either within the same building or complex, or elsewhere in Reading. Where this cannot be achieved, a financial contribution to off-site affordable housing will be required. This should reflect the cost of providing an alternative dwelling. ~~, which, as~~ set out in section 5, this can be estimated as 50% of a unit’s market value. Therefore, in the instance that an affordable private rented unit were to be converted to market tenure, unless an alternative calculation is agreed between the Council and developer and includes in the Section 106 agreement, a financial contribution of 50% of sale price would generally be ~~required~~expected.

Size and priority needs

4.2729 The size and type of affordable housing secured on-site will need to take the circumstances of the site and the development into account. A town centre flatted scheme on a small site will clearly need to have a different mix of size and type of affordable housing than a development of new houses in a larger suburban location. Therefore, the affordable housing to be provided will depend the mix of sizes and types within the overall development, and the expectation is that the homes to be provided will broadly reflect the overall mix of sizes and types.

4.2830 However, the mix will also need to reflect needs. In terms of size of affordable homes needed, the priority is for family-sized accommodation. Policy H3 refers to the priority being for homes of two or more bedrooms. Within this, the greatest need is for larger homes with three or more bedrooms. The Berkshire SHMA examined the need for different sizes of both market and affordable accommodation, and concluded that around 90% of the need for affordable homes

in Reading was for two-bed or more, and 60% was for three-bed or more⁵. Since the SHMA was published in 2016, this need has only been exacerbated by recent affordable delivery, which has been mainly for one- or two-bedroom properties, reflecting the overall type of housing provided on these sites. Some sites are better placed to deliver the larger properties for which the needs are greatest and opportunities to meet these priority needs should be taken.

4.2931 Previous affordable housing policies have referenced other priority needs including the provision of extra care accommodation. There is not currently considered to be any particular need for affordable extra care accommodation, as a substantial amount has been provided in recent years. The same applies to other specialist housing needs. However, the Council will keep this under review, and specific needs may arise in relation to a particular development. The Council may, from time to time, publish additional information on the nature of the affordable housing being sought to meet identified needs. Advice from the Council's Housing section, and any needs identified in an up-to-date Housing Strategy, will be taken into account.

4.30-32 Policy CR6 of the Local Plan refers to the need to avoid an overconcentration of social rent for single people in the town centre. As the rented elements of on-site provision are expected to be capped at Reading affordable rent, this will become less of an issue for the planning process and more for a RP to consider in setting rental levels.

Design, quality and layout

4.3433 The design, construction and quality of the affordable housing should be in keeping with the character, appearance and quality of any market housing on the site, and in line with the general policies on matters such as design and amenity in the Local Plan. It is vital that all residents of new developments are able to enjoy a high quality of life. There should be no compromises on meeting the policy requirements for new housing in terms of design and amenity for the affordable element of developments, so the design must be 'tenure-blind'. Affordable homes will need to meet the relevant standards under policy H5 of the Local Plan in terms of sustainability, water efficiency, internal space and accessibility that apply to any developments.

4.3234 In terms of distribution within a development, it is important to bear in mind the purpose of provision of affordable, which is the creation of mixed and balanced communities. This objective should also apply to individual sites. Developments should not set out to segregate the affordable elements from the market housing, and a mix across the site should be achieved wherever this is possible. It is accepted that, for practical reasons, it may be necessary for affordable homes to be provided in groups rather than 'pepper potted' around a development, but a proposal which separates affordable housing out from the market elements and from access to open spaces, play areas ~~and~~, amenity areas, local facilities and transport links will not be acceptable. Poor quality entrances and amenity space for the affordable elements will also not be permitted. The dwellings which are to be provided as affordable homes should be clearly marked on a plan included within the Section 106 agreement.

⁵ See Table 107 of the Berkshire SHMA - https://images.reading.gov.uk/2019/12/Berkshire_Strategic_Housing_Market_Assessment_Feb_2016.pdf

4.3335 It is expected that affordable dwellings will have the same level of, and access to, car parking provision as market dwellings of equivalent sizes on the same site.

4.3436 Sites in a single ownership should not be artificially sub-divided to reduce the level of affordable housing below the threshold for on-site provision, 10 dwellings. Where a site has been divided to assist delivery, it will generally be expected that a phased outline permission with a single Section 106 agreement will cover the site. Where it is considered that there is clear scope for an uplift in dwellings that would result in the site exceeding the threshold for on-site provision, a Section 106 agreement will be expected to agree that such a combined development will be judged against the policy requirements for a site of that size.

4.3537 Developments of 20 or more new-build dwellings are required under Local Plan policy H5 to provide at least 5% wheelchair user dwellings, under M4(3) of the Building Regulations. In some cases, these may form part of the on-site affordable housing element. Where the Council is responsible for allocating or nominating an individual to these homes, they will need to be 'wheelchair accessible' as defined in Part M.

5 Off-site provision

- 5.1 This section applies to instances where the contribution to be made to affordable housing would be off-site, rather than, or in addition to, securing on-site affordable units.

Provision on surrogate sites

- 5.2 In some cases on sites of ten units or more, the Council may accept 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.
- 5.3 It is important that, where a surrogate site is to be provided, the affordable housing to be provided is in addition to what would have been expected on the site in any case. If a site is already identified as suitable for housing use, which can include Local Plan allocations as well as sites identified in other policy tools such as housing land supply calculations, a housing trajectory or brownfield land register, affordable housing to be provided on site as a surrogate for another site should be in addition to the policy-compliant level of affordable housing provision on that site.
- 5.4 Where a proposal to provide affordable housing on a surrogate site is accepted, the Council will expect that the affordable housing to be provided will be subject to the same requirements as on-site housing (see section 4), and 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; and
 - The mix of affordable housing types and sizes provided on the surrogate site will be equivalent to the affordable housing that would have been provided on the principal site.
- 5.5 An exception to the points above may be accepted where there are good reasons, supported by evidence, for providing a different product on the surrogate site.

Financial contributions to off-site affordable housing

- 5.6 On sites of less than ten dwellings, policy H3 of the Local Plan requires a financial contribution to off-site affordable housing, rather than an on-site contribution. On sites of 1-4 dwellings, this will equate to 10% of the development, and on sites of 5-9 dwellings, this will equate to 20%. In exceptional circumstances, a financial contribution may also be accepted on sites of 10 dwellings or more, as described in paragraph 4.4.21 of the Local Plan, where an on-site contribution cannot be made and an opportunity to make provision on a surrogate site is not available. Sites in a single ownership should not be artificially sub-divided to reduce the level of financial contribution required.
- 5.7 Any financial contribution should be equivalent to the contribution that would have been made to provide the housing on-site. It should be of a sufficient amount to enable a registered provider, including the Council, to provide a dwelling or dwellings of an appropriate size at an appropriate rental level to meet the identified need.

- 5.8 A registered provider can borrow against rental streams and use their own resources to purchase or construct 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.
- 5.9 At the time of producing this SPD, 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 the remaining 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/adjusted 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 RP in the current market. This takes account of the fact that the costs of complying with a variety of housing standards can be different for a unit of affordable housing.
- 5.10 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 usually be directly proportionate to the GDV of the scheme assuming it is 100% private sales. As the financial contribution required by an RP to fund one unit is 50% of a unit's market value, the financial contribution equates to 50% of the proportion required under policy. Therefore, the following will generally apply:
- For sites of 1-4 dwellings, where the contribution required by policy H3 is 10%, this will equate to 5% of GDV of the development;
 - For sites of 5-9 dwellings, where the contribution required by policy H3 is 20%, this will equate to 10% of the GDV of the development; and
 - For sites of 10 dwellings or more, where the contribution required by policy H3 is 30% and where, in exceptional circumstances, a justification has been made for an off-site rather than on-site contribution, this will equate to 15% of the GDV of the development.
- For the avoidance of doubt, for mixed use developments, where the 'development' is referred to above, this means the new dwellings.
- 5.11 An applicant proposing an off-site financial contribution should provide the details of their calculation of the GDV of a development. This should consist of scheme-specific achieved values - total and individual values for different dwelling types - accompanied by independent supporting evidence consisting of at least two independent valuations from suitably qualified local estate agents or benchmarked against Land Registry values. Where these values are estimated, they should be supported by relevant analysed sales evidence of genuinely comparable property with sales verifiable through Land Registry records.
- 5.12 It is important to note that paragraphs 5.9 to 5.10 above are based on the current estimated costs of providing an affordable housing unit. Where there is strong evidence that these costs have changed, the Council may apply an alternative calculation.

Financial contribution from student accommodation, residential care or serviced apartments

- 5.13 In paragraph 1.6, it is made clear that the requirement for contributions to affordable housing will not apply to student accommodation, residential care ~~or specialist provision falling within the C2 use class~~ or serviced apartments other than in specific circumstances. This section clarifies where it would apply, and how it will be operated.
- 5.14 Contributions to affordable housing will only be sought where these forms of development takes place on a site which is allocated for housing (and where the policy text of the allocation does not also explicitly refer to other forms of accommodation) or where residential development including affordable housing provision would have been otherwise anticipated. An example of such a site is where there is an existing residential permission which would contribute to affordable housing, or a site which otherwise appears for general housing within the latest Housing Trajectory or housing land supply calculations. Additionally, for serviced apartments only, contributions would only be sought where the development allows for tenancies of more than three months.
- 5.15 The reason for this is that, whilst there is an argument that these forms of residential accommodation can free up existing housing by drawing people out of houses or houses in multiple occupation, it does not address the significant affordable housing need. Therefore, the loss of a housing site which would have contributed to affordable housing should be mitigated by seeking an affordable housing contribution from the alternative development. Since policy H12 of the Local Plan generally directs student accommodation away from these locations, it is expected that such instances will not be frequent for student accommodation. For clarity, student accommodation located on the sites prioritised by policy H12 will not be required to contribute to affordable housing.
- 5.16 In these cases, the contributions sought will need to take the form of a financial contribution that equates to those set out in policy H3.
- 5.17 For serviced apartments, this would mean a 10% contribution for sites of 1 to 4 serviced apartments, 20% for sites of 5 to 9 and 30% for sites of 10 or more, calculated on the basis of GDV as set out in paragraph 5.10.
- 5.18 For student accommodation, a dwelling equivalent will need to be calculated, and the Local Plan includes such a methodology for the purposes of calculating housing supply in Appendix 1. This states that:
- “Where there is a cluster of bedrooms with shared kitchen and living room facilities, this is considered to be equivalent to a single dwelling, as are studios which are entirely self-contained. More frequently, accommodation is in the form of study bedrooms with some shared facilities, and in these cases we assume that four bedrooms equates to one dwelling.”
- 5.19 For residential care, the Local Plan methodology states that:
- “Some accommodation for older people, such as extra care housing, tends to count as a C3 dwelling anyway, where it is a wholly self-contained residential unit. In care accommodation with shared facilities, the assumption is that two new residential care spaces free up one new home.”

- 5.20 Once translated into dwellings, the relevant requirements in H3 for the scale of development will be applied, with all requirements expected to take the form of a financial contribution calculated on the basis of GDV as set out in paragraph 5.10.

Other forms of accommodation

- 5.21 A financial contribution will also be sought from some other forms of residential development that do not take the form of dwellinghouses. This will apply to new-build houses in multiple occupation, for instance. In addition, ‘co-living’ is a new form of accommodation which is emerging as a response to the housing crisis, and may well gain traction in Reading. These forms of development do not lend themselves to on-site affordable housing provision which would involve transfer to a registered provider, and therefore in most cases, regardless of size, an off-site financial contribution is more likely to be appropriate than on-site provision.
- 5.22 The off-site contribution should be calculated by converting the bedspaces to dwelling equivalents (usually on the basis of four bedspaces equating to one dwelling, unless there is an alternative methodology which is clearly more appropriate) and applying the relevant percentage contribution as set out in policy H3 on the basis of GDV, as set out in paragraph 5.10.

Spend of financial contributions

- 5.22 Commuted sums collected by the Council in lieu of on-site provision of affordable housing will be spent on delivery of affordable housing schemes across Reading. The Council is building new affordable homes through its Local Authority New Build programme, and may also grant fund other Registered Providers to deliver new affordable homes.
- 5.23 The First Homes requirement on which the government commenced consultation in August 2020 includes a provision that 25% of affordable housing contributions would be delivered as First Homes, and this would include off-site financial contributions. The Council will ensure that a final version of this SPD takes account of any changes to national policy, but wherever it can will continue to prioritise the funding of affordable housing that most clearly meets the needs, which is generally rented housing at or below Reading affordable rent.
- 5.24 As of December 2020, the Council is required to produce an annual Infrastructure Funding Statement, which sets out how financial contributions under Section 106 (as well as CIL) have been spent.

6 Viability

- 6.1 In line with national policy, the Local Plan requirements, including those for affordable housing, should generally be assumed to be viable. The viability of those requirements as a whole were subject to testing at plan-making stage and have been found to be sound. In most cases, there should be no need for deviation from these policy requirements.
- 6.2 However, the Council is still aware that the viability of a residential development will vary from site to site, and that this may in some circumstances affect whether a development can provide a level of affordable housing that complies with policy requirements. Policies H3 and H4 and their supporting text make clear that, where applicants can demonstrate exceptional difficulties in bringing a site to market, the Council will be prepared to consider detailed information on viability to potentially reduce the affordable housing requirement. The onus will be on a developer to clearly demonstrate the circumstances justifying a lower affordable housing contribution. In line with Planning Practice Guidance, this should include identifying and justifying where there are changes from the assessment at Local Plan examination stage⁶.

Viability assessments

- 6.3 Planning Practice Guidance⁷ contains guidance on how viability assessments to justify a reduced affordable housing contribution should be carried out, and this will apply equally to development in Reading.
- 6.4 Essentially, carrying out a viability assessment for the purposes of demonstrating a case for a reduced affordable housing contribution involves comparing the residual land value (the gross development value minus costs) with the benchmark land value (which is generally the current land value, with some additional allowances). PPG contains high-level guidance on how this should be approached which ~~will take precedence over other guidance, whilst the Royal Institute of Chartered Surveyors (RICS) is in the process of updating the more detailed guidance *Financial Viability in Planning* to accord with the NPPF and PPG~~ is the main source of national-level guidance on viability matters.
- 6.5 The factors that may render a development unviable in exceptional cases will vary from site to site, but might include particularly high existing use values, the need to provide particularly costly infrastructure, or unusual site conditions, which might include unusually high remediation costs. The Council is, however, clear that the purchase price of the land does not justify deviation from the policy requirements, and this is also strongly emphasised in the PPG.
- 6.6 Viability assessments should generally be carried out on the basis of an expected profit to the developer of 15-20%, as specified in Planning Practice Guidance, with profit levels related to the scale, complexity and risk of the proposed development. For instance, the lower end of that range will often be appropriate for smaller, less complicated schemes, whilst larger brownfield developments including taller buildings will reflect the upper end of the range. A deferred

⁶ The viability assessment for the Local Plan is on the Council's website at https://www.reading.gov.uk/media/8686/EV006-Viability-Testing-Report-March-2018/pdf/EV006_Viability_Testing_Report_March_2018.pdf

⁷ <https://www.gov.uk/guidance/viability>

contributions mechanism may be used to capture a future increase in profit, and this is covered in paragraph 6.12 onwards.

- 6.7 Policy H3 is clear that viability assessments will be on the basis of an open-book approach, with all relevant information submitted to be 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 and CIL requirements.
- 6.8 Viability assessments, where submitted, are critical to understanding the decision that has been taken on an application, and should be open to public inspection. Information submitted will therefore be published on the Council's website alongside other planning application records. Where an applicant has a particularly strong reason why certain information should be redacted when placed on the public record, this case should be made when the information is submitted.
- 6.9 Paragraphs 7.3 to 7.13 summarise the information that will need to be submitted at planning application stage to set out the viability case for any deviation from affordable housing policy. Checklists of the specific information required are also included in Appendices 5 and 6.

Evaluation of viability assessments

- 6.10 The Council has in-house expertise which is used to evaluate submitted viability assessments, although external consultants are also used in some cases. The fee for this will be charged to the applicant. The fee structure is tailored to the scale of the application scheme. The current fees in 2020 are set out below, although these may change over time:
- 1 unit- £1,500
 - 2-4 units - £2,500
 - 5 - 9 units - £4,000
 - 10 - 14 units - £5,000
 - 15 - 29 units - £8,000
 - 30 + units - £10,000
 - Multi-phase schemes - £15,000
- 6.11 Carrying out these assessments needs to be factored into the timescales for a planning application, and it underlines why viability assessments should be provided as early as possible. [The Council will share the outcome of the assessment with the applicant in a timely manner to ensure the application can move swiftly to determination.](#)

Deferred contributions

- 6.12 The viability of a development can change significantly over time, as market conditions change. The viability situation when a development is implemented can be very different to when the assessment at planning application stage was carried out, and this can particularly arise where a development is large or will be delivered in phases. The Council's policy is that an appropriate contribution to affordable housing will be made. It is therefore considered that, where a reduced contribution to affordable housing was agreed at application stage, a mechanism should be included within the Section 106 agreement that ensures that a proportion of increased profits are secured for affordable housing. This is referred to as a planning deferred contributions mechanism.

- 6.13 There are a number of options for the form of such a mechanism, as follows:
- (i) Profit share - this is the standard approach based on an Open Book assessment at a key stage of delivery (usually when ~~90~~⁷⁵% of the units have been sold or let, although this may be varied, in particular where there are longer-term or phased schemes) whereby all scheme costs including land value and agreed profit are deducted from the GDV and any surplus shared between the Developer and the Council on an equal basis.
 - (ii) Private sales share - in default of (i) above the Council may agree to a share of uplift in private sales based on an equal share of any actual sales increase in value in excess of those estimated at the time of grant of planning.
 - (iii) Build costs share - in default of (i) above the Council may agree to a share of savings on build costs based on an equal share of any actual build cost savings against those estimated at the time of grant of planning.
- 6.14 As the profit share approach is the standard approach which is expected to be used in the majority of cases, the Council will usually apply a formula to its calculation. The relevant formula is set out in Appendix 4. The deferred contribution will be ~~capped at~~limited to policy-compliant levels, and a suggested formula for the ~~cap~~upper limit is also set out in Appendix 4, although an alternative approach can be used if it better reflects the specific circumstances of the development. The appropriate form and application of the deferred contribution mechanism will be case-specific and at the discretion of the Council.

7 Application process

- 7.1 The provision of affordable housing, both on-site provision and off-site contributions, will generally be secured through a Section 106 agreement. The provision that a development will make for affordable housing is a critical part of the consideration of a development proposal, and will need to be considered from the outset.

Pre-application stage

- 7.2 It is advisable for heads of terms for Section 106 agreements to be discussed and documented prior to the submission of any planning application, to enable the determination of planning applications within target timescales. The Council encourages pre-application discussions, partly 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, so timely consideration of affordable housing at pre-application stage is important. A draft heads of terms and Affordable Housing Statement as part of a pre-application enquiry will therefore ensure that the best possible advice can be given.

Planning application information requirements

- 7.3 There are a number of pieces of information that are required to be submitted as part of the planning application where affordable housing would be required by policy. Failure to submit an important piece of information will mean that the application will not be validated. More information can be found in the Council's Validation Checklist, which is available on the website⁸.
- 7.4 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.

Affordable Housing Statement

- 7.5 An Affordable Housing Statement is required for all residential developments which are required to provide affordable housing, i.e. all proposals for one dwelling or more (other than replacement of a single dwelling with another single dwelling, and conversion of a dwelling to self-contained flats where there is no new floorspace). The Affordable Housing Statement should specify what is being proposed with regard to affordable housing and should provide justification for the amount and type proposed.
- 7.6 A typical Affordable Housing Statement for developments of 10 or more dwellings, where the expectation is that provision is on-site, should include details of the following:
- the total number of all residential units;
 - the number of affordable units; numbers of bedrooms and property types across all tenures to demonstrate representative mix of unit types and sizes;
 - plans showing the location of units;

⁸ <https://www.reading.gov.uk/planningadvice>

- the different levels or types of affordability or tenure proposed for different units- this should be clearly and fully explained in line with policy expectation, and include rent levels where appropriate; and
- demonstration that the affordable units have proportionate car parking spaces in line with policy expectation.

7.7 A typical Affordable Housing Statement for developments of less than 10 dwellings, where an off-site financial contribution is expected, should include the following information:

- the total number of all residential units;
- details of the Gross Development Value (GDV) of the whole development, based on two separate valuations by suitably qualified estate agents of the completed development; and
- the proposed level of financial contribution.

Viability Assessment

7.8 Where an application cannot, for reasons of viability, provide the level of affordable housing contribution required by policies H3 or H4 or this SPD, a viability assessment will need to be submitted to justify the deviation from the policy.

7.9 As provision of affordable housing is a critical element of the acceptability of any development, it is vital that information that justifies provision below policy levels is publicly available. The Local Plan (paragraph 4.4.24) notes that viability considerations will be on an open-book basis. The expectation is therefore that viability assessments will be published on the Council’s website as part of the application information.

7.10 In order to fully assess whether the case made by an applicant for not meeting the policy requirements is reasonable and justifiable the Council will require the applicant to submit a residual valuation which covers all of the key items necessary to assess whether the viability case is robust.

7.11 The amount of detail required under these headings will differ depending on whether the development is for 10 dwellings or more. Larger developments will need to provide more detail, whilst for smaller developments of less than 10 dwellings, a brief schedule of the main elements of the valuation together with estate agents’ valuations will usually be sufficient. The appendices to this SPD contain two checklists for viability assessments that set out the information needed. Appendix 5 is relevant to sites of 10 or more dwellings, whilst Appendix 6 relates to sites of less than 10 dwellings.

Heads of Terms and Section 106 Information

7.12 Where an application would be required to contribute towards affordable housing in line with policy, applicants will need to provide the following information as part of the application submission, as set out in the Council’s Validation Checklist, which can be found on the planning pages of the Council’s website (<https://www.reading.gov.uk/planning/help-with-planning/>):

- proposed heads of terms of the legal agreement;
- copies of the “title deeds”;
- 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; and
- (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.

7.13 The Council will process negotiations and agreements on Section 106 agreements in a positive and proactive manner and as quickly as is reasonable. However, it can be a complicated legal process and ample time is needed for its completion. 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.

After planning permission

7.14 It may be necessary for a Section 106 agreement to specify that certain information needs to be submitted at some point after the application is approved. For instance, where deferred contribution mechanisms are included to capture any uplift in profits at the time the development is delivered, there will be requirements for information submission at a later stage, usually when 90% of dwellings are sold or let. The Council will closely monitor developments to identify when certain triggers are reached.

8 Process of making the contribution

- 8.1 The processes that will generally be followed when securing either new affordable homes (on site or on a surrogate site) or a financial contribution to providing affordable housing elsewhere are set out below.

Provision of homes

- 8.2 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.
- 8.3 Where on-site provision is made, 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 RP. 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 RP, which will generally be the case for build-to-rent developments for instance, 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 a Section 106 agreement.
- 8.4 Developers are advised to involve an RP from the earliest possible stage of the scheme. Involvement from pre-application stage will be helpful, as it will assist with consideration of deliverability, and will ensure that inputs into any viability calculations are more robust.
- 8.5 All Council and Housing Association properties in the Borough are currently let through Reading Borough Council's Choice Based Lettings Scheme. Applicants are awarded priority for housing based on their level of housing need, taking into account criteria such as overcrowding, homelessness, or medical or welfare needs.
- 8.6 Local plan policy is clear that affordable housing contributions should be secured in perpetuity. Therefore, if it is agreed that Section 106 agreements must provide for exceptional circumstances in which a forced disposal of affordable homes is required, the agreement must ensure that safeguards are in place to enable the units to be passed to another provider in the first instance.

Provision of a financial contribution

- 8.6 Payment of contributions will generally be sought upon first occupation of a development unless it is agreed that an alternative stage in development is appropriate and acceptable. Payments will be made to the Council. 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

the occupation of 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.

- 8.7 The Council will choose the registered providers to which to direct the funding for the provision of affordable housing. Funding will be directed towards schemes to meet the housing needs of Reading Borough. The Council's annual Infrastructure Funding Statement will specify how contributions secured under Section 106 agreements have been spent.

9 Glossary

9.1 Please note that, for a full definition of some of the items below, there will be a need to refer to the relevant legislation, which may change over the lifetime of this SPD.

Affordable housing	Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the definitions in Annex 2 of the NPPF (source of definition: NPPF)
Affordable Housing Statement	A statement submitted as part of a planning application to cover the matters in paragraphs 7.5 to 7.7.
Affordable private rent	An affordable housing product specific to build to rent schemes, offered for rent by the private landlord of the build to rent development at up to 80% of market rates. Reading Borough Local Plan policy specifies that the rents should be related to LHA rates.
Affordable rent	An affordable housing product offered for rent by a Registered Provider at up to 80% of market rates.
Alternative use value	The value of land for uses other than its existing use. These uses should be limited to uses that comply with relevant development plan policies in full.
Benchmark land value	For the purposes of viability assessment, benchmark land value is in most circumstances the existing use value (EUV) of a site plus a minimum premium at which a reasonable landowner would be willing to sell their land. Alternative use value will be considered where it can be demonstrated these are fully compliant with relevant Council policies, there is evidenced demand for the uses and a full explanation provided as to why this use is not being pursued.
Build to rent	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. (definition from NPPF)
Co-living	A form of living accommodation with a focus on community that shares some facilities and amenities. These may include but are not limited to living and dining areas, leisure and working spaces.
Community Infrastructure Levy	A charge which local authorities can charge on most new types of development in their area, to be spent on infrastructure to support the development of the area. CIL was introduced in Reading in April 2015.
Consumer Prices Index (CPI)	The official measure of inflation in consumer prices.
Deferred contribution	Financial contribution by a developer based on a re-assessment of scheme viability either prior to implementation or at a late stage in the development and subject to a <u>cap on upper limit</u> in potential contributions equal to the shortfall on policy compliance.
Existing Use Value (EUV)	The value of a site in its existing use.
First Homes	A new affordable housing product proposed by government that would be homes for sale to first-time buyers at a minimum 70% discount.

Gross Development Value (GDV)	The market value of a development assuming that the development is complete as at the date of valuation in the market conditions prevailing at that date.
Housing association	A non-profit organisation which provides affordable housing to those in housing need.
Index linking	A method of ensuring that financial sums are linked to an index of prices (such as the Retail Prices Index) to ensure that they take account of inflation and the changing cost of living.
Intermediate housing	Affordable housing provided for sale or rent at levels above social rent but below market levels, and which includes shared ownership.
Key worker	A public sector worker who provides an essential service to the community.
Local Authority New Build	New build housing developed by the local authority and intended to be rented at an affordable level to those in housing need.
Local Housing Allowance rates	The rates used by the Valuation Office Agency (VOA) used to calculate housing benefit for those who are private renting. These vary according to area and dwelling size, and can be calculated on the VOA website ⁹ .
Reading affordable rent	A locally-set level of affordable rent which is designed to be affordable to those needing affordable housing in Reading, and which is calculated in accordance with paragraphs 4.5 to 4.10 of this SPD. Reading affordable rent levels for 2019-20 are set out in Appendix 3.
Registered provider	Landlords of affordable housing, including local housing authorities and housing associations, which are registered with the Regulator of Social Housing.
Residual land value	The sum left over after deducting all development costs including benchmark land value and developer profit from anticipated scheme gross development value (GDV).
Retail Prices Index	A measure of inflation published on a monthly basis by the Office for National Statistics (ONS).
Section 106 agreement	A legally binding agreement or obligation entered into by the local authority and a land developer over an issue related to a planning application, under Section 106 of the Town and Country Planning Act 1990.
Serviced apartments	A use falling between hotels and housing, providing basic facilities for self-sufficient living but also the amenities of a hotel, and let on short-term tenancies, often less than three months. Generally classed as C1 hotels for planning purposes.
Shared ownership	An affordable housing product where a proportion of the property is purchased and the remainder rented from the Registered Provider.
Social rent	A rental level set by central government according to a formula (also known as formula rent).
Starter homes	A new dwelling available to purchase only by first time buyers between 23 and 39 years old, to be sold for 80% of market value, up to a price cap outside London of £250,000. Other restrictions may be specified in Regulations.

⁹ <https://lha-direct.voa.gov.uk/>

Supported accommodation	Accommodation where housing, support and sometimes care services are provided together ¹⁰ .
Surrogate site	A site to be used for the provision of the affordable housing that would otherwise be delivered on the principal development site.
Target rent	A social rent level calculated by government which council and housing associations should use to move their social rents to over time (source of definition: Chartered Institute for Housing)

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/572454/rr927-supported-accommodation-review.pdf

APPENDIX 1: POLICY H3 OF THE READING BOROUGH LOCAL PLAN

Affordable Housing

H3: AFFORDABLE HOUSING

Residential development will make appropriate contribution towards affordable housing to meet the needs of Reading

- ***on sites of 10 or more dwellings, 30% of the total dwellings will be in the form of affordable housing;***
- ***a financial contribution will be made that will enable the equivalent of 20% of the housing to be provided as affordable housing elsewhere in the Borough; and***
- ***on sites of 1 - 4 dwellings, a financial contribution will be made that will enable the equivalent of 10% of the housing to be provided as affordable housing elsewhere in the Borough.***

For sites of 10 or more dwellings, provision should be made on site in the first instance with a financial contribution being negotiated to make up the full requirement as appropriate.

In all cases where proposals fall short of the policy target as a result of viability considerations, 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 contribution.

In determining residential applications the Council will assess the site size, suitability and type of units to be delivered in relation to the current evidence of identified needs. The Council will seek an appropriate tenure mix of affordable housing to include social rented, affordable rent, intermediate rent and shared ownership affordable units. The affordable units provided should be integrated into the development.

Priority needs are currently for housing with two or more bedrooms that can house families. The Council will regularly monitor and review the need for, and delivery of, affordable housing.

The following types of residential development will be exempt from the requirement to provide affordable housing:

- ***Replacement of a single dwelling with another single dwelling; and***
- ***Conversion of a dwelling to self-contained flats where there is no new floorspace.***

4.4.17 Affordable housing is subsidised housing that enables the asking price or rent to be substantially lower than the prevailing market prices or rents in the locality, and is subject to mechanisms that will ensure that the housing remains affordable for those who cannot afford market housing. It 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." The Government has consulted on changes to this definition to classify some other tenures as affordable, including starter homes.

- 4.4.18 The NPPF indicates that in order to boost significantly the supply of housing, local authorities should ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area. It goes on to indicate that local planning authorities need to plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community in order to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities.
- 4.4.19 The Berkshire (with South Bucks) Strategic Housing Market Assessment (SHMA, 2016) has once again emphasised the critical need for affordable housing within Reading as well as the remainder of Berkshire. The SHMA identified a need for 406 new affordable homes per year in Reading, which represents the majority of the overall housing required. The consequences of not providing much-needed affordable homes would be severe, and would include homelessness, households in temporary or unsuitable accommodation, overcrowding and younger people having to remain living with parents for increasing periods. Insufficient affordable housing will also act as an impediment to economic growth, as firms will face increasing problems with accommodation for their workforce. Meeting even a substantial proportion of the identified housing need presents significant challenges, and it is therefore critical that new residential development of all sizes makes whatever contribution it can.
- 4.4.20 A Ministerial Statement in November 2014 sought to remove sites of ten or less dwellings from the need to provide affordable housing. Although subsequent challenges in the courts¹¹ have upheld this statement, they have also clarified that the statement does not have the effect of overriding local policies where there is evidence of exceptional need for affordable housing. Such a need clearly exists in Reading, and it is therefore appropriate that sites of ten or less dwellings contribute to meeting this need. However, on a practical level, it is more difficult to make such provision from residential conversions and from one-for-one replacement, which means that such developments will be exempted from the provisions of policy H3.
- 4.4.21 Affordable housing contributions will be sought from residential-only developments and mixed-use developments. On-site provision (serviced land or completed units) of affordable housing will always be sought in the first instance on sites of 10 dwellings or more. Where there are exceptional reasons, the provision of surrogate sites (serviced land or completed units) or commuted sums that will enable the provision of a commensurate number and mix of affordable units, will be considered. Examples of exceptional circumstances may include sites where there are existing concentrations of particular types of affordable housing, where there are demonstrable benefits to be gained by providing the new units elsewhere (e.g. to create more socially-balanced communities), or where there is an opportunity to provide a particular type of much needed housing elsewhere (e.g. family housing). In the case of commuted sums, the Council will choose the registered provider to which to direct the funding or may use the contribution for Local Authority New Build. Under this policy it is accepted that affordable housing provision can take place off site or through contributions in the case of sites of less than 10 dwellings.
- 4.4.22 Affordable housing contributions must be secured in perpetuity and thus be available to successive generations of households in recognised housing need. The

¹¹ <http://www.bailii.org/ew/cases/EWCA/Civ/2016/441.html>

most effective way of doing this is through the involvement of a registered provider (RP).

- 4.4.23 The target set in the policy has been determined as the result of an assessment of the viability of development of sites of various sizes in the Borough in accordance with the requirements of the NPPF. This will be the expected level of affordable housing provision.
- 4.4.24 However, 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. Where applicants can demonstrate, to the satisfaction of the Council, exceptional difficulties in bringing a site to market, the Council will be prepared to consider information on the viability of a particular scheme and, where justified through an open book approach, to reduce the affordable housing requirement. The information required will be proportionate to the scale of development, and, where a proposal is for less than 10 dwellings, will be more limited in scope and length. For sites of less than 10 dwellings, a brief schedule of the main elements of the viability calculations, supported by estate agent valuations, will generally suffice. The Affordable Housing SPD, to be revised later in 2019, will contain more detail on information to be submitted. 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. The Council will generally secure provision of affordable housing through a Section 106 agreement.
- 4.4.25 The tenure, size and type of affordable housing provided as part of any scheme should respond to the identified need for affordable housing taking account of the most up-to-date information, including information in an Affordable Housing Supplementary Planning Document¹² or other Supplementary Planning Document. The SPD may need to be updated to take account of any changes to the affordable housing definition, as well as other matters. Taking account of the 2016 SHMA, housing with two or more bedrooms that can house families is a priority. Paragraph 4.4.8 considers this in more depth. New development should therefore include a range and mix of tenures, sizes and types (e.g. house types, flats) of affordable housing (as appropriate depending on site size) to reflect local needs and to 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).
- 4.4.26 At the time of producing the Local Plan, the tenure split below reflects the most up to date position on needs within Reading. However, a revised Affordable Housing SPD, to be produced during 2019, will look at this issue in detail. The needs below are therefore subject to change within the SPD.
- Social rented or affordable rent housing of no more than target rent - 70% of affordable housing units; and
 - Intermediate and/or shared ownership housing - 30%.

¹² The most up-to-date Affordable Housing SPD at the time of publication is that adopted in July 2013: <http://www.reading.gov.uk/media/1063/Affordable-Housing-Supplementary-Planning-Document-Adopted-July-2013/pdf/Affordable-Housing-Supplementary-Planning-DocumentJul13.pdf>

APPENDIX 2: POLICY H4 OF THE READING BOROUGH LOCAL PLAN

H4: BUILD TO RENT SCHEMES

Planning permission will be granted for developments of self-contained, private rented homes which:

- 1 Are secured in single ownership providing solely for the rental market for a minimum 20 year term with provision for clawback of affordable housing contributions should the covenant not be met; and*
- 2 Provide tenancies for private renters for a minimum of three years with a six month break clause in the tenant's favour and structured and limited in-tenancy rent increases agreed in advance; and*
- 3 Provide a high standard of professional on-site management and control of the accommodation; and*
- 4 Provide a commitment to high-quality rental arrangements, through meeting Reading Borough Council's voluntary Rent with Confidence Standards or equivalent measures; and*
- 5 Provide for a mix of unit sizes in accordance with Policy H2 or CR6; and*
- 6 Meet the standards of design set out in Policy H5; and*
- 7 Provide 30% on-site affordable housing, either in accordance with Policy H3 and any relevant Supplementary Planning Document; or in the form of Affordable Private Rent Housing as defined and set out in a relevant Supplementary Planning Document.*

4.4.27 Planning Practice Guidance, under the heading 'The private rented sector', indicates that:

“some privately rented homes can come from purpose built schemes held in single ownership which are intended for long term rental. The economics of such schemes differ from build for sale and should be determined on a case by case basis. To help ensure these schemes remain viable while improving the diversity of housing to meet local needs, local planning authorities should consider the appropriate level of planning obligations, including for affordable housing, and when these payments are required. So these homes remain available to rent only, local planning authorities may choose to explore using planning obligations to secure these schemes for a minimum period of time. Local planning authorities should enforce these planning obligations in the usual way.” (reference 10-018-20150326)

4.4.28 A large part of the housing stock in Reading is privately rented although mostly through landlords who own a limited number of separate properties. Development interest in large, institutionally owned, private rented schemes has increased in Reading recently. Thames Quarter, a development of 315 residential units on the corner of Vastern Road and Napier Road was approved in principle in 2017, subject to the applicant entering into a planning agreement to retain it in single ownership and in occupation as a private rented scheme. In line with emerging government policy, including the NPPF, it is considered that the local plan for Reading needs to contain a policy covering this form of development.

4.4.29 Build to Rent developments are long term investment vehicles that it is hoped will be attractive to financial institutions. Financial institutions will be looking for large-scale, professionally managed developments. Such developments will bring new providers into the UK housing market (financial institutions play major roles on

housing provision in much of Europe and North America), thus increasing competition. They will bring higher quality and better managed accommodation and associated services to the private rental market. They will operate with longer tenancies as the model seeks to retain occupants for as long as possible.

- 4.4.30 Private rented sector (PRS) housing meets the housing needs of residents who cannot afford to buy or do not want to buy private homes or who cannot get access to social housing or subsidised housing in Reading. It can benefit the local and regional economy as it enables greater household mobility. However, there are many issues associated with private renting in the Borough revolving around poor quality and poorly managed accommodation with limited security of tenure and unjustified rent increases.
- 4.4.31 The Council wishes to encourage a private rented sector which provides high quality, professionally managed accommodation and a greater level of security for tenants than that which is offered by much of the current PRS market. We will support institutional investment in the sector where benefits are secured for residents and the economy of the Borough and where this produces high quality development with positive benefits for the Borough. Such schemes will normally be larger scale developments of more than 50 units to achieve the level of quality and facilities and to efficiently provide the high quality of management that is needed to support such accommodation.
- 4.4.32 It is accepted that as Build to Rent developments are dependent on long term rental income rather than early sales, their funding is inevitably long term, and operates to different viability models compared to for sale schemes. Government policy therefore sees a need for some flexibility, particularly in relation to affordable housing provision. Nevertheless, where such justification is being made, the Council will expect the viability assessment to also provide information on the viability of the development as a for sale scheme.
- 4.4.33 The Council will expect rental levels for the affordable housing or Affordable Private Rent housing to be related to Local Housing Allowance rate levels (including service charges) and be affordable for those identified as in need of affordable housing in the Borough. An Affordable Housing SPD, to be produced in 2019, will set out further detail. The Council will expect such housing to remain affordable in perpetuity.
- 4.4.34 That policy acknowledges the need to tie such schemes to providing rental accommodation for a minimum period of time, particularly where the planning authority has been flexible over affordable housing provision or in the use of the Affordable Private Rent housing. Therefore, where viability assessments show that the full target affordable housing cannot be provided or where the provider proposes the provision of Affordable Private Rent Housing, managed by the owner of the development, the Council will expect the application to agree to a covenant tying the development to providing solely private rented accommodation for a minimum period of 20 years. Where viability testing demonstrates that affordable housing contributions are unviable, clawback mechanisms will be included as part of the planning permission to recoup the loss of affordable housing if any residential units are sold out of single ownership within the covenant period. Comments on assessing viability within policy H3 and its supporting text also apply to schemes under H4. A charge towards the provision of additional affordable housing will be triggered where any private rented homes are sold within the development within 20 years of occupation of the completed development.

- 4.4.35 Affordable housing will be allocated to eligible households on Reading's housing waiting list. Affordable Private Rent Housing must be allocated in the first instance to eligible households on Reading's housing waiting list.
- 4.4.36 Any on-site affordable housing (or exceptionally where such housing is provided off-site) will be provided in perpetuity. Affordable Private Rent Housing must be provided in perpetuity.

APPENDIX 3: READING AFFORDABLE RENT LEVELS 2020

‘Reading affordable rents’, which is the capped rental level for the rented portion of an on-site affordable housing contribution (see paragraphs 4.5 to 4.10), is set at 70% of market rents. The tables below set out what that would equate to at 2019-20 levels.

The rents below are only relevant at the time of publication. The Council will publish a revised schedule on its website on an annual basis to guide applicants and developers.

Size	Current market rent (median)		Reading affordable rent	
	Per month	Per week	Per month	Per week
1-bed	£823	£189.92	£576.10	£132.94
2-bed	£1,101	£254.08	£770.70	£177.86
3-bed	£1,300	£300	£910	£210
4-bed	£1,700	£392.31	£1,190	£274.62

APPENDIX 4: CALCULATION FOR PROFIT SHARE APPROACH TO DEFERRED CONTRIBUTIONS

This appendix sets out a standard calculation to use where a profit share approach is to be used to calculate a deferred contribution for a development where the affordable housing contribution has been reduced on viability grounds.

Calculation of deferred contribution (X)

$$X = (((A + B) - C) - ((D + E) - F) - P) \times 0.5$$

A = GDV achieved on sale/lease of 90% of residential units and GDV from other parts of the development sold/let and other income receipts (£)

B = Estimated GDV for parts of the development that are yet to be sold/let and other income sources (£)

C = GDV determined as part of the assessment of viability at the time planning permission was granted (or as determined in previous review) (£)

D = Build-Development costs incurred at the time of review (£)

E = Estimated build-development costs for remainder of the development (£)

F = Total build-development costs determined as part of the assessment of viability at the time planning permission was granted (or as determined in previous review) (£)

P = (A + B - C) * Y; Developer profit on change in GDV (£)

Y = Developer profit as a percentage of GDV as determined at the time planning permission was granted (%)

Notes:

(A + B) - C = The change in GDV from the grant of planning permission (or previous review) to the late stage review (£)

(D + E) - F = The change in build-development costs from the grant of planning permission (or previous review) to the late stage review (£)

P = Developer profit on change in GDV (£)

0.5 = Any surplus profit, after deducting the developer profit (P), will be shared equally between the developer and the Council, with the Council share being used for the provision of affordable housing within Reading

Calculation of deferred contribution ~~cap~~-upper limit (Z)

A ~~cap~~-upper limit (Z) will be applied to the deferred contribution to ensure that it, in combination with the already agreed affordable housing contribution, does not exceed a policy-compliant levels of affordable housing. This ~~cap~~-upper limit will be calculated as follows:

$$Z = ((A + B) \times 0.5) \times G) - H$$

A = GDV achieved on sale/lease of ~~90~~75% of residential units and GDV from other parts of the development sold/let and other income receipts (£)

B = Estimated GDV for parts of the development that are yet to be sold/let and other income sources (£)

G = relevant proportion to achieve policy compliance, depending on the size of scheme. For schemes of 10 dwellings or more, G is 0.3. For schemes of 5-9 dwellings, G is 0.2. For schemes of 1-4 dwellings, G is 0.1.

H = The financial value of the existing affordable contribution that has already been agreed either at planning permission stage or at an earlier viability review.

APPENDIX 5: CHECKLIST FOR VIABILITY ASSESSMENT OF SITES OF 10 DWELLINGS OR MORE

INFORMATION REQUIRED		COMMENTS	✓
BASIC INFORMATION			
Site plan with building footprints	At 1:500		
Gross and net site area	In Hectares (ha)		
Schedule of existing floorspaces	Areas measured and provided in accordance with the RICS Code of Measuring Practice, specifying both NIA and GIA		
Schedule of unit numbers and sizes	Including number of bedrooms and other habitable rooms		
Summary case of why provision of a policy-compliant level of affordable housing cannot be provided.	Short summary using bullet points where appropriate		

VIABILITY FACTORS			
DEVELOPMENT VALUE			
Value of private sale units	Estimated achieved values, for scheme and individual dwellings. Two independent valuations supported by analysed relevant market sales evidence of genuinely comparable properties.		
Value of private rental units (for build to rent developments)	Estimated capitalised net rental income. This should be supported by relevant evidence of market lettings of genuinely comparable properties and analysed comparable market sale of rental investments.		
Value of the affordable housing provision, where relevant, together with tenure assumptions and calculation of any commuted sum	Assumptions as to the proposed unit types, tenures and values of providing the affordable housing or the financial contribution proposed including details of tenure assumptions and evidence or estimates of RP offers where appropriate. Detailed assumptions adopted in computing the value of the affordable units should also be provided including rents, yields, discount period, allowances and deductions sufficient to reproduce the valuation.		
Details of any grants/non developer financing towards affordable housing provision	e.g. Homes England or local authority grants, charitable funding, direct and indirect funding from the partner registered housing provider		
Other values generated by the scheme	e.g. the value any non-residential uses, any ground rents, car parking, temporary income, etc.		
Gross development value (GDV)	The total of items above.		
Marketing and sales costs and fees	Estimated fees for property agents, marketing, legal fees etc		
Net development value	GDV minus marketing and sales costs		

<u>RESIDUAL LAND VALUE DEVELOPMENT COSTS</u>		
Estimated construction costs	BCIS costs or, if higher, supported by Tender costs or QS schedule. should be accompanied by a full elemental cost plan. Include contract related fees and itemised/defined 'abnormals'. Include any costs of complying with policy, e.g. sustainability standards, SuDS etc.	
Itemised preliminary costs	Site specific costs e.g. demolition, and other works arising from ecological, geotechnical, archaeological and other site investigations, decontamination, stabilisation, land forming/raising, infrastructure and servicing, site set up and contractor/ contract preparation. These would be expected in normal circumstances to be reflected within the purchase price. Should be verified by independent cost consultants.	
Contingency	A development contingency allowance to cover unforeseen costs.	
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.	
Planning costs as advised by the LPA	Policy compliant costs under Section 106 agreements and CIL unless otherwise advised	
Financing details	Following valuation convention it is expected the scheme appraisal will reflect an assumption of 100% debt finance reflecting a single overall interest rate.	
Estimated profit	It is expected that profit will be expressed in terms of a percentage return on GDV and where more than one use is in the proposal it is expected relevant rates will be applied to each element to reflect the different levels of risk involved including affordable housing.	
<u>RESIDUAL LAND VALUE</u>		
Residual land value	The residual land value, i.e. the gross development value minus the <u>development</u> costs set out above. There should be a fully detailed scheme appraisal showing the computation which generates the residual value.	

BENCHMARK LAND VALUE		
Current/Existing Use Value	Value of site in its current use, prior to the deduction of land related costs, supported by an independent valuation, including fully justified assumptions, copy leases etc where appropriate and a fully reasoned justification for the land owner premium proposed.	
Land costs	Including legal and agent's fees, site promotion, taxes and duties, together with any exemptions or tax-efficient delivery vehicles. These should be based on the land value benchmark not price paid for the site.	
Premium	Assessed premium to landowners for retaining site in current use. <u>This will vary by site but will generally be within 10% to a maximum of 30%. The premium will be lower where the existing use is to be retained on site. Items such as relocation costs will be excluded.</u>	
Benchmark Land Value	The current use value less costs and profit. This should in most circumstances be based on an EUV plus approach. AUV approach will only be accepted where these can be supported by a relevant planning consent, or can demonstrate to the satisfaction of the Council that the proposed use is fully compliant with the Council's prevailing policies, w. <u>Where the use is capable of being implemented and</u> demand for the use can be evidenced, and <u>where</u> detailed reasons are provided why the applicant has chosen not to pursue this use. Analysis of market land transactions will only be considered useful as a cross check where it can be demonstrated that the transactions reflect the current policy background and are fully compliant with those policies. As such on sales of land with consent are likely to be suitable for this purpose.	
OTHER CONTEXTUAL INFORMATION		
Land acquisition price	Including evidence of price paid.	
Details of purchase process	Details of process used, e.g. private treaty, open market bid, auction etc.	
Basis of purchase	Details of basis of purchase, e.g. outright purchase, option, contract etc.	
Terms of acquisition	Details of any terms of acquisition, e.g. subject to planning, soils, ground conditions survey, etc.	
Construction timescales, programme and phasing	Should include any proposed phasing, particularly where it would result in phased CIL payments.	

Detailed cashflow for the development	Showing the proposed phasing amounts and timings of all the income and expenditure forecasts and payments	
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SUMMARY		
Residual value summary - policy compliant	Summary of calculation of residual value including policy compliant affordable housing contribution	
Residual value summary - as proposed	Summary of calculation of residual value including proposed affordable housing contribution	
Evidence of sensitivity testing	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.	
Comparison of residual valuation with benchmark site values	Site Value should equate to the market value providing that the value has regard to development plan polices and all other material planning considerations and disregards that which is contrary to the development plan.	

APPENDIX 6: CHECKLIST FOR VIABILITY ASSESSMENT OF SITES OF LESS THAN 10 DWELLINGS

INFORMATION REQUIRED		COMMENTS	✓
BASIC INFORMATION			
Site plan with building footprints	At 1:500		
Gross and net site area	In Hectares (ha)		
Schedule of existing floorspaces	Areas measured and provided in accordance with the RICS Code of Measuring Practice, specifying both NIA and GIA		
Schedule of unit numbers and sizes	Including number of bedrooms and other habitable rooms		
Summary case of why provision of a policy-compliant level of affordable housing cannot be provided.	Short summary using bullet points where appropriate		
VIABILITY FACTORS			
DEVELOPMENT VALUE			
Value of private sale units	Estimated achieved values, for scheme and individual dwellings. Two independent valuations or benchmarked against Land Registry values.		
Other values generated by the scheme	e.g. the value any non-residential uses, any ground rents, car parking, temporary income, etc.		
Gross development value (GDV)	The total of items above.		
Marketing and sales costs and fees	Estimated fees for property agents, marketing, legal fees etc		
Net development value	GDV minus marketing and sales costs		
RESIDUAL LAND VALUE/DEVELOPMENT COSTS			
Estimated construction costs	BCIS costs or, if higher, supported by Tender costs or QS schedule. Include contract related fees and itemised/defined 'abnormals'. Include any costs of complying with policy, e.g. sustainability standards, SuDS etc.		
Itemised preliminary costs	Site specific costs e.g. demolition, and other works arising from ecological, geotechnical, archaeological and other site investigations, decontamination, stabilisation, land forming/raising, infrastructure and servicing, site set up and contractor/ contract preparation. These would be expected in normal circumstances to be reflected within the purchase price.		

Contingency	A development contingency allowance to cover unforeseen costs.	
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.	
Planning costs as advised by the LPA	Policy compliant costs under Section 106 agreements and CIL unless otherwise advised	
Financing details	Following valuation convention it is expected the scheme appraisal will reflect an assumption of 100% debt finance reflecting a single overall interest rate.	
Estimated profit	Basic estimated profit	
RESIDUAL LAND VALUE		
Residual land value	The residual land value, i.e. the gross development value minus the <u>development costs</u> set out above. There should be a fully detailed scheme appraisal showing the computation which generates the residual value.	

BENCHMARK LAND VALUE		
Current/Existing Use Value	Value of site in its current use, prior to the deduction of land related costs.	
Land costs	Including legal and agent's fees, site promotion, taxes and duties, together with any exemptions or tax-efficient delivery vehicles. These should be based on the land value benchmark not price paid for the site.	
Premium	Assessed premium to landowners for retaining site in current use. <u>This will vary by site but will generally be within 10% to a maximum of 30%. The premium will be lower where the existing use is to be retained on site. Items such as relocation costs will be excluded.</u>	
Benchmark Land Value	The current use value less costs and profit. This should in most circumstances be based on an EUV plus approach. AUV approach will only be accepted where these can be supported by a relevant planning consent, or can demonstrate to the satisfaction of the Council that the proposed use is fully compliant with the Council's prevailing policies. W , where <u>the use is capable of being implemented and demand for the use can be evidenced, and where detailed</u>	

	reasons are provided why the applicant has chosen not to pursue this use. Analysis of market land transactions will only be considered useful as a cross check where it can be demonstrated that the transactions reflect the current policy background and are fully compliant with those policies. As such on sales of land with consent are likely to be suitable for this purpose.	
OTHER CONTEXTUAL INFORMATION		
Land acquisition price	Including evidence of price paid.	
SUMMARY		
Residual value summary - policy compliant	Summary of calculation of residual value including policy compliant affordable housing contribution	
Residual value summary - as proposed	Summary of calculation of residual value including proposed affordable housing contribution	
Comparison of residual valuation with benchmark site values	Site Value should equate to the market value providing that the value has regard to development plan polices and all other material planning considerations and disregards that which is contrary to the development plan.	