

# Runnymede 2030

## Local Plan

### Affordable Housing Supplementary Planning Document (SPD)

April 2022



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Photo on the front cover is from a housing scheme in Farm Close in Egham.

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# 1.0

## Introduction

### 1.1

#### Executive Summary

- 1.1.1 This supplementary planning document (SPD), **which was adopted on 13<sup>th</sup> April 2022 (and implemented on 20<sup>th</sup> April 2022)** focuses on affordable housing in Runnymede and helps to implement the Council's Local Plan policies for affordable housing particularly Policy SL20: Affordable Housing and Policy SL19: Housing Mix and Size Requirements. This SPD contains four distinct sections: part one sets out the policy context at both a national and local level; part two provides details as to how affordable housing will be delivered in the Borough; part three considers viability; and part four provides additional information about planning obligations for affordable housing schemes.
- 1.1.2 Applicants should consider all policies within the adopted Runnymede 2030 Local Plan when making planning applications in the Borough.

## 1.2 Background

- 1.2.1 It is paramount that local people in Runnymede have the opportunity to live in decent and affordable homes. Securing homes for all is key to ensuring that people have decent life chances, and it also helps to build strong communities and boost the economy.
- 1.2.2 The Office for National Statistics publishes information on house price affordability and the latest figures for Runnymede show that the cost of accommodation in the Borough is high. Median house prices in the Borough are nearly 10 times median gross annual workplace-based earnings<sup>1</sup>. The average price for a property in Runnymede stood at £434,562 in May 2021, according to HM Land Registry data. Mortgages were historically expected to be agreed at 3 x gross salary and although this has extended to 4 or 5 x salary with longer payback periods, it is apparent that Runnymede residents within the lower income groups are very unlikely to be able to afford to buy their own homes. Shared ownership models require a smaller deposit and mortgage but as the rent on the unpurchased share is calculated at 2.5 – 3% of the value of the remaining share this can also be prohibitive.
- 1.2.3 Many residents therefore often need to rent a home and the private rented market is therefore buoyant, with most rents set above the level payable by housing benefit or the housing element of Universal Credit. This results in households, including those in employment, being unable to access good quality rented properties within the Borough. This includes a large proportion of public sector staff and those working in retail, as well as carers, and those working in building trades and other jobs which are essential to provide services for the residents of the Borough.
- 1.2.4 As a result, there are a high number of households in Runnymede in affordable housing need with 1196 households on the Housing Register, as at March 2022. The SHMA Update (2018) estimates that the annual level of need for affordable housing in the Borough is 471 dwellings per hectare (dpa). This is almost equal to the full housing allocation in the adopted Runnymede 2030 Local Plan of 498 housing units each year until 2030. Setting a target in relation to the need for affordable housing in the Local Plan was not considered to be realistic or viable, given that the majority of affordable housing will come forward in market schemes. The SHMA therefore advises that the Council should seek to maximise the delivery of affordable housing where opportunities arise<sup>2</sup>.
- 1.2.5 The Council is therefore committed to increasing the delivery of affordable housing, as set out in the Runnymede Housing Strategy Statement 2021-2026 (February 2021). The Council's aspiration, as set out in the Housing Strategy Statement, is "for sufficient and affordable, good quality housing that is accessible and suitable for local people in Runnymede. We are

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<sup>1</sup> Median workplace-based affordability ratios (Table 5c) 1997-2020 Officer for National Statistics

<sup>2</sup> Strategic Housing Market Assessment Update (2018) para. 4.34

responding to the changing demographic and economic needs of our communities to deliver housing that promotes health, wellbeing and financial stability.”

- 1.2.6 This SPD sets out the Council’s approach to securing planning obligations in respect of affordable housing from new development across the Borough. It also aims to provide clarity and guidance on implementing the Runnymede 2030 Local Plan affordable housing policy (Policy SL20) by setting out when, how and what affordable housing the Council expects in new developments. The SPD is a material consideration in decision making.
- 1.2.7 This Supplementary Planning Document (SPD) replaces the existing Runnymede Affordable Housing Supplementary Planning Guidance (adopted on 13<sup>th</sup> December 2007).
- 1.2.8 The Council is committed to keeping this SPD under review, as part of the wider monitoring of affordable housing delivery for the Local Plan. If monitoring indicates that the affordable housing targets of the Plan are not being met, the Council may need to take remedial action by reviewing this SPD.

## 1.3 Policy Context – National level

- 1.3.1 The National Planning Policy Framework (2021) includes a definition of what is meant by affordable housing. Homes that don't meet this definition are unlikely to be considered affordable housing for the planning process. The NPPF defines affordable housing as:

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

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### Affordable Housing Definitions (NPPF Annex 2: Glossary)

#### Affordable housing for rent

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

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#### Starter Homes

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

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#### Discounted market sales housing

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

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## Other affordable routes to home ownership

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

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### Other relevant Definitions – First Homes

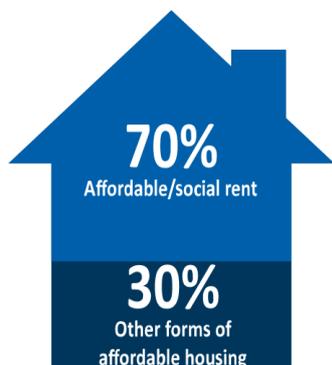
are a new form of discounted market sales housing, introduced by the Government on 28<sup>th</sup> June 2021. They provide homes for first-time buyers at a discount of a minimum of 30% against the market value and the first sale of the home must be at a price no higher than £250k (outside London).

First Homes are the Government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered through planning obligations, according to the Government's [Planning Practice Guidance on First Homes](#) and the [Written Ministerial Statement](#).

**An Interim Policy Statement (IPS) has been produced for First Homes. This sets out how this new form of affordable housing will be applied in Runnymede. As First Homes are being introduced quickly by the Government and, as a result, we don't currently have evidence to include the full extent of local eligibility criteria in the Borough, it is considered that the position on First Homes in Runnymede should be set out in an Interim Policy Statement, as opposed to within this SPD. This will enable future updates to be made as and when more supporting evidence becomes available.**

## 1.4 Policy Context – Borough level

- 1.4.1 The Runnymede 2030 Local Plan was adopted on 16<sup>th</sup> July 2020. Policy SL20: Affordable Housing of the Plan requires that development proposals of 10 or more



(net) additional units will be expected to provide **35% of dwellings** as affordable units with a tenure split which includes 10% of homes for affordable home ownership (as per NPPF para. 65) .

Policy SL20 applies to all types of residential development falling under Use Class C3 including change of use, conversions and mixed-use sites that incorporate an element of residential development. The only exceptions are for Gypsy and Traveller pitches or Travelling Showpeople plots.

Where sites are sub-divided or not being developed to their full potential, each smaller development must contribute proportionally towards achieving the amount of affordable housing which would have been appropriate on the whole or larger site.

## Other Key Local Plan Policies

The policies an application for affordable housing is considered against will depend on the scheme. However, there are several key policies in the Local Plan that may need to be considered:

SL19: Housing Mix and Size Requirements

SD1: Spatial Development Strategy

SD2: Site Allocations

SD7: Sustainable Design

This list is not exhaustive, and applicants should consider all policies within the adopted Plan when making planning applications, particularly those relating to specific site allocations.

## Delivery

### 2.1 Planning Application Process

#### Pre-application Stage

- 2.1.1 All applicants are encouraged to make use of the Council's pre- application advice service before making a planning application. Pre application discussions with a registered provider may also be appropriate.
- 2.1.2 Pre-application dialogue is particularly important where the proposed development may give rise to an affordable housing requirement. This will allow issues such as local housing need and demand to be considered in addition to the form of any affordable housing contribution.
- 2.1.3 The discussions with the local planning authority and registered provider will need to include the following, as appropriate:
- Clarify the amount, type, size, and tenure of affordable housing to be provided;
  - Identify the Council's preferred affordable housing providers and contact details to discuss the delivery of the affordable housing element of the development; and,
  - Whether specialist providers will need to be engaged in relation to the proposed development, in order to gain a better understanding of any requirements they might have in relation to the proposed development;

#### Planning Application Stage

- 2.1.4 At the application stage, where affordable housing is required, applications will need to be accompanied by draft Heads of Terms, set out within the supporting Planning Statement. The agreement will need to detail the number, type and tenure mix of the affordable housing, including a draft nominations agreement if necessary (further information on this can be obtained by contacting the Housing Business Development and Policy team at the Council). If an application for 10 units or more (net) does not set out how the affordable housing requirement will be provided, the application will not be validated and will be returned to the applicant. Once the affordable housing provision has been agreed and the fees paid, the Council will draft an appropriate Section 106 agreement, based on the template set out in Appendix 2 below . **Please check with Legal Services to see the latest version of the s106 agreement.**

#### Affordable housing providers

- 2.1.5 The Council's preference is for affordable housing to be provided and managed by established affordable housing providers or by the Council. The Council works with a number of affordable housing providers that meet the following criteria:
- Own and manage stock in the Borough;

- Have a commitment to developing in the Borough;
  - Have a commitment to maintaining a proactive housing management presence in the Borough;
  - Have a proven ability to working in partnership on the Council's Tenancy Strategy priorities; and/ or
  - Have a proven ability to fund and deliver sustainable affordable housing.
- 2.1.6 A list of the Council's preferred affordable housing providers ([Preferred RP Development Partners \(runnymede.gov.uk\)](https://runnymede.gov.uk)) is available on the Council's website.
- 2.1.7 The Council will encourage developers to work in partnership with preferred affordable housing providers. However, if a developer proposes to provide affordable housing other than through a preferred provider, the Council will consider this, taking account of the following:
- Whether the organisation has **a local and responsive housing management and maintenance service** ~~any other affordable housing in the Borough or in neighbouring local authority areas;~~
  - ~~● Past commitment and performance in the Borough;~~
  - ~~● Local management base and arrangements for interaction with tenants;~~
  - Management arrangements for external amenity space;
  - Affordable Rent levels set within Local Housing Allowance levels;
  - Nomination arrangements;
  - ~~● Track record in delivering and funding affordable housing;~~
  - ~~● Participation in community sustainment;~~
  - Genuine community led development, via a Community Land Trust;
  - **Positive engagement with the local authority, supporting the Borough's Housing Strategy;**
  - **Demonstrable commitment to Equality and Diversity in the local setting;**
  - **High levels of customer satisfaction;**
  - **Commitment to Net Zero and sustainability; and**
  - **Commitment to affordability and tenancy sustainment.**
- 2.1.8 **The Council has established good relationships with a number of Partner Registered Providers (known as 'Partner RPs') that operate effectively in partnership with the Council to provide affordable housing that meets local housing need. As such, the Council encourages developers to meet their affordable housing obligations by forming a partnership with one of the Council's Partner Registered Providers following discussion with the Council's Housing department. Applicants should contact the Council for an up-to-date list of Partner Registered Providers and advice on which Registered Provider would be most appropriate for their development.** In all cases the provider of on-site affordable housing will need to meet the requirements of this document.

## 2.2 Provision of affordable housing

- 2.2.1 The site threshold at which affordable housing will be sought is set out in Policy SL20: Affordable Housing of the adopted Runnymede 2030 Local Plan (see paragraph 1.4.1 above).
- 2.2.2 In considering the capacity of sites for development, applicants should make appropriate and efficient use of the land in accordance with Policy EE1: Townscape and Landscape Quality of the adopted Local Plan and the NPPF<sup>3</sup>. If the development does not make optimum use of the site (for example, by providing uncharacteristically large plot sizes, and/or failing to provide smaller dwellings to meet identified housing needs), the Council may conclude that the use of the land is not appropriate, and/ or that not enough affordable housing is being provided.
- 2.2.3 Policy SL20 specifically states that developers may not circumvent the policy by artificially subdividing sites or by failing to develop a site to its full potential. The development site itself (as identified by the 'red line') should include all existing elements of built development that are being materially modified (e.g. extended, reconfigured or converted). As such, any existing dwelling or building on a plot proposed for development should only be excluded if there is no material alteration to that building proposed. If there are changes to the access, garden or parking, serving an existing dwelling or building, the Council may well conclude that the land and building in question form part of the same development site.
- 2.2.4 Should two or more separate planning applications come forward within 5 years for adjacent sites within the same ownership and/or which have a clear functional link, the Council may conclude that the developments should be considered as a single scheme. The Council will, in such cases, consider evidence including land transaction data, the closeness in time of the applications being made, and appropriate evidence of ownership at the times the respective applications were made.
- 2.2.5 The purpose of the following examples is to demonstrate how this calculation of the larger developable area works in practise:

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<sup>3</sup> Paragraphs 124 and 125c of the National Planning Policy Framework

**Example 1:** Prior Approval is sought to convert an existing office building into flats through permitted development. Planning permission is also being sought to redevelop part of the existing office car park into 8 flats. No affordable housing is required for the conversion of the offices. It is considered that the flats in the car park form part of a larger developable area and as such a contribution of 35% affordable housing will be required to be provided for the 8 additional flats i.e. 2.8 (rounded up to 3) affordable units will need to be provided on that site.

**Example 2:** It is proposed that a new access road is built for the development of 8 new dwellings. A subsequent application is submitted to use the same access road for an additional 4 dwellings. It is clear that whilst neither of the developments triggers the affordable housing requirement in its own right, the two sites together, regardless of ownership, form part of a larger developable area. Both sites would therefore be expected to provide a proportion of the affordable housing on a pro rata basis i.e.  $35\% \times 8$  (3 units) and  $35\% \times 4$  (1.4 round down to 1).

## 2.3 Mix, size and Tenure

- 2.3.1 Policy SL19: Housing Mix and Size Requirements of the Runnymede 2030 Local Plan aims to ensure that housing development sites deliver a range of (general) housing sizes and types that reflect the needs of the Housing Market Area (HMA) over the plan period taking into account the current housing stock and projected demographic changes.
- 2.3.2 The affordable **housing mix** shown in the table below is taken from the Council’s 2018 Strategic Housing Market Assessment (SHMA). Overall, the SHMA shows that the greatest need for affordable housing is for 2- and 3-bedroom properties.

**Table 1: shows the need for affordable housing in Runnymede Borough**

Housing Mix	1 bedroom	2-bedroom	3-bedroom	4-bedroom
Low cost home ownership	15-20%	40-45%	25-30%	10-15%
Rented (social/affordable rent)	10-15%	40-45%	35-40%	5-10%

Source: Section 6 of the 2018 SHMA Update

- 2.3.3 Development proposals which depart significantly from the required mix of housing will only be supported where evidence submitted by the applicant demonstrates that such a mix would not be feasible or viable. This issue is considered in more detail below, in part 3 of this document.
- 2.3.4 In terms of **size considerations for affordable housing developments**, the Council expects high quality homes to be delivered over the period of the Local Plan, which are designed to ensure sufficient space is available for furniture, activity, and movement. The Government has produced **Nationally Prescribed Space Standards**. These standards set out the minimum acceptable gross internal area in square metres for dwellings depending on the number of bedrooms, the number of intended occupiers and the number of storeys.
- 2.3.5 The Council’s evidence which underpinned the Local Plan indicated a need for these national space standards to be applied in the Borough for 1-to-3-bedroom units, and consequently they now form part of Policy SL19 of the adopted Runnymede Local Plan. The purpose of these standards is to ensure that homes in the Borough are designed with sufficient internal space. The minimum gross internal floor areas and storage spaces expected in new developments (sqm) are included as part of Policy SL19 but are reproduced below for convenience.
- 2.3.6 Applicants are encouraged to seek confirmation of the Council’s current requirements for the mix, size and tenure of properties as part of pre-application discussions. This is particularly important for rented properties as housing needs can fluctuate.

**Table 2: shows the minimum gross internal floor areas expected for affordable housing units in new developments in Runnymede Borough**

Number of bedrooms (b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built in storage
1 b	1p	39 (37) *			1.0
	2p	50	58		1.5
2 b	3p	61	70		2.0
	4p	70	79		
3 b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	

\*Where a 1b1p has a shower room instead of a bathroom, the floor area may be reduced from 39sqm to 37sqm, as shown bracketed.

- 2.3.7 The Council recognises that not all sites will be able to accommodate the full range of housing types and sizes due to location, individual site characteristics or viability. The Council will therefore take into account the nature and location of the scheme, and in particular whether there are any genuine reasons why the mix of types and sizes sought cannot be delivered in practice.
- 2.3.8 In terms of **tenure**, the overall housing target, **as set out in Policy SL20 of the adopted Local Plan**, is to provide 70% of the total dwellings as social/affordable rented properties and 30% as other forms of affordable housing. Social rent is the preferred form of tenure of affordable housing needed in the Borough.
- 2.3.9 The revised NPPF 2021 expects at least 10% of the total number of homes to be available for affordable home ownership on major developments involving the provision of housing (some exemptions are listed in the NPPF) and this is embedded into Policy SL20 of the Local Plan.
- 2.3.10 As set out above (para. 1.3.1), the Council’s adopted Local Plan does not make any provision for First Homes, a new form of affordable home ownership. **The details of the implementation of First Homes in Runnymede are set out separately in an Interim Policy Statement (IPS). However, it is important to note that the introduction of First Homes results in the tenure mix of affordable housing in Runnymede changing from the 70:30 split outlined in para. 2.3.8 above, to 25% First Homes, 53% social/ affordable rent and 30% other forms of affordable housing, as is clearly set out in the IPS.**
- 2.3.11 Where the calculation of the number of affordable units required results in a figure of less than a dwelling, the Council will round up to the nearest number of whole units where the number is

0.5 or above, or down where it is below 0.5. However, if the split of dwellings results in 0.5 of rented, and 0.5 of another type of affordable housing, it is the rented accommodation that needs to be rounded up, as this is the predominant form of affordable housing need in the Borough.

**2.3.12 The Council expects applicants to be transparent, as far as practicable, at the application stage about the tenure mix proposed for a particular site. However, it is recognised that this is not always possible, as the tenure mix will often depend on what grant the provider is able to achieve. For sites with planning permission that later propose to include additional affordable housing on the site over and above the policy requirement of 35% set out in policy SL20 of the Local Plan, consideration will be given to the scale, location, tenure mix, local housing need, design, sustainability (energy efficiency), impact on infrastructure, and future management of the site.**

**2.3.13 For the avoidance of doubt, where the Council is minded to grant planning permission for a development proposal, S106 agreements will confirm the amount of affordable housing required to be provided on a site, in line with the application proposal before the Council. If an applicant wishes to amend their planning consent at a later date to propose additional affordable housing, a Deed of Variation will be required to vary the existing S106 agreement.**

## 2.4 Design Requirements

2.4.1 The Council's expectation for new developments is that the affordable homes should be indistinguishable from, and well-integrated within, the market housing on the site. In other words, the design quality of the affordable housing should be as good, if not better, than the private market housing. The Council adopted a [Design Supplementary Planning Document](#) (SPD) in June 2021 for new build developments in the Borough. The Design SPD sets out guidance for applicants to ensure that design and quality is fully considered for development proposals in the Borough, including those which include affordable housing.

2.4.2 In addition, adopted and emerging neighbourhood plans may also contain design policies, and these may well also need to be taken into consideration, depending on where in the Borough the proposed dwellings are located.

2.4.3 Existing design policies from the adopted Runnymede 2030 Local Plan also need to be considered when designing affordable housing. These include Policy EE1: Townscape and Landscape Quality, which sets out the criteria for achieving good urban design within the context of national advice. Other policies in the Local Plan that deal with design issues which may need to be considered for affordable housing developments include:

- Policy SD4: Highway Design considerations;
- Policy SD7: Sustainable design; and
- Policies SL2 to SL18, SD9 and Policies IE7 to IE11.

2.4.4 The Council would normally expect the affordable homes to be distributed throughout the site, dependent on the scale and design of the development, to promote an inclusive, sustainable community.

- 2.4.5 The Affordable Housing Units shall be constructed in accordance with the requirements imposed by Homes England's Design and Quality Standards (mandatory items) current at the time of construction.
- 2.4.6 The majority of residents of affordable housing are car users. Parking for affordable housing should meet the Council's current parking standards at the time of the application. The Council expects the same parking provision to be made available for affordable and market housing of the same size. Tenure neutrality is also required in the design of car parking for affordable housing.

## 2.5 Off Site Provision

- 2.5.1 Normally affordable housing will be required to be on-site in line with the NPPF (2021: paragraph 63) but in exceptional circumstances where management of the units would be difficult, the Council might allow a commuted sum to be paid instead of on-site provision.

### What is a commuted sum?

- 2.5.2 A commuted sum (or payment in lieu) is an amount of money, paid by a developer to the Council. These are only applied in exceptional circumstances where the size or scale of a development triggers a requirement for affordable housing, but it is not possible to achieve appropriate affordable housing on site.
- 2.5.3 Where a commuted sum is proposed, the onus will be placed on the applicant to demonstrate why it is not possible to provide the affordable housing on site. The applicant will also need to show that other options – for example cross-subsidy between rented and shared ownership units/other affordable tenures or providing the affordable housing on another site – have been considered, and why they were not viable.
- 2.5.4 This route will be followed only where more direct provision of affordable homes has been explored and the Council is satisfied that due to the provision of robust and evidenced reasons, it is not workable given the particular circumstances.
- 2.5.5 The commuted sum payment will need to take full account of how much it would cost for these affordable dwellings to go elsewhere, including the land costs of the replacement site. The final sum agreed will be at the Council's discretion.

### What are the steps in calculating the payment?

- 2.5.6 **The Council commissioned a consultant, BPS, to provide a robust methodology to calculate affordable housing commuted sum requirements in the Borough. The detailed report setting out how this formula has been derived is set out as Appendix 3 to this SPD. This approach should be followed by applicants for calculating any commuted sum payments that are likely to be required in lieu of on-site affordable housing for schemes that have been agreed with the Council.**

### How will the money be used?

- 2.5.7 The Council will use financial commuted sums in a number of ways and will require the flexibility to do so to be reflected in the Section 106 Agreement or Unilateral Undertaking.
- 2.5.8 Affordable housing providers can apply to the Council for commuted sum funding for their schemes; these funds can also be spent on Council new build developments.
- 2.5.9 Commuted sums will be earmarked to enable the provision of affordable housing through a variety of means. Decisions on the expenditure of financial contributions will be made in accordance with [Council's Constitution](#), details of which are available on the Council's website.

## 2.6 Vacant Building Credit

- 2.6.1 The Government's PPG on Planning Obligations states that a vacant building credit will be applied to applicable developments where a vacant building is either converted or demolished. The credit is equivalent to the gross internal floor area (GIFA) of the building to be demolished or brought back into use.
- 2.6.2 The credit does not apply when a building has been abandoned or where a building has been made vacant for the sole purpose of re-development. Certain evidence will be required from applicants to demonstrate that the form and length of the marketing campaign has been appropriate. Evidence of a good marketing campaign should include:

### a. a year's worth of robust advertising

- The site must have been made available to the market at a realistic price and actively marketed to a wide range of potential clients through a recognised firm of commercial property consultants, with a track record of selling/ letting similar properties in the Borough for a minimum of a year.

### b. Evidence to be included in the marketing report

- Dated photographs of marketing boards on display during the time that the site was marketed.
- Detailed records kept and recorded of any interest that has been shown in the site.
- Web-based marketing undertaken through relevant search engines, recorded by date of adverts.
- Dated copies of any advertisements placed in target publications.
- The price and terms at which the property was marketed should be in a format that enables easy comparison, using equivalent and comparable expressions of price per unit of floorspace. Where the price changed during the period of the marketing campaign, the reasons for this should be recorded and included in the marketing report.

- 2.6.3 Where it can be satisfactorily demonstrated that the building is eligible for vacant building credit and the evidence, set out in the table above, has been provided, a vacant building credit will be included for the scheme. Below is a worked example of how the vacant building credit is calculated in Runnymede Borough.

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### **Worked example of a scheme using VBC credit:**

If a scheme comes forward for **20 units** with a GIFA of 2,500sqm

The existing building on the site which is proposed to be demolished has an area of 625sqm, has been vacant for over a year and has been advertised

The affordable housing requirement is **7 units** (35% of 20).

Proposed GIFA: **2,500sqm**

Existing GIFA: **625sqm**

Existing divided by proposed x 100

$$625 / 2,500 \times 100 = \mathbf{25\%}$$

$$20 \text{ units} \times 25\% = \mathbf{5 \text{ units}}$$

## Viability

### 3.1 Development Viability

- 3.1.1 Runnymede Borough Council has an up-to-date Local Plan, having been adopted in July 2020. The policies in the Local Plan have been tested through the Whole Plan Viability Study (January 2018) and found to be sound by the Inspector.
- 3.1.2 This study included the Council's best estimates of the expected contributions for infrastructure (including from CIL), considered necessary for the developments to proceed and the levels and type of affordable housing required.
- 3.1.3 Delivery of affordable housing is a key priority for the Council. Therefore, if a viability issue arises, consideration is expected to be given to a range of alternative options before a reduction or removal of affordable housing will be considered. This will include prioritising the provision of affordable housing over other less critical infrastructure contributions to ensure viability. The decision to prioritise affordable housing over other infrastructure will need to be made on a case-by-case basis, depending on where the site is and what the infrastructure is like in the vicinity.
- 3.1.4 In line with revised national planning policy and guidance, it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability appraisal at the planning application stage. It is clear from the PPG that there will be limited circumstances where viability testing at the planning application stage is considered necessary.
- 3.1.5 Examples of circumstances where a Viability Appraisal will be accepted, set out within the PPG, and relied upon by the Council in its approach include:
- where development is proposed on unallocated sites of a wholly different type to those used in the viability assessment that informed the plan;
  - where further information on infrastructure or site costs is required;
  - where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or
  - where a recession or similar significant economic changes have occurred since the plan was brought into force.
- 3.1.6 Planning applications that are accompanied by a viability appraisal should be based upon and refer back to the viability appraisal that informed the Local Plan. The applicant should provide evidence of what has changed since then, in line with national policy advice, to demonstrate the need for a viability appraisal to be undertaken.

3.1.7 In accordance with guidance, set out in the Planning Practice Guidance and also in the adopted Runnymede 2030 Local Plan (para. 6.36), the price paid for land is not a relevant justification for failing to accord with relevant policies in the Plan.

## Basis of the Financial Viability Appraisal

3.1.8 Viability appraisals are sensitive to minor changes in the figures used to calculate viability and also to variations in methodology. Where viability is cited as a barrier to development and is supported by a financial viability appraisal (FVA) (if justified in accordance with paragraph 3.1.4 above), the Council will expect the developer to pay for the independent review of the FVA by the Council's retained viability consultants.

3.1.9 The Council expects an FVA to be undertaken using a residual land value approach. The Residual Land Value is the amount that a developer is able to pay for a site, whilst still being able to deliver the project once all reasonable costs have been met. It is the difference between the value of the completed development on the one hand, and the overall cost of the development on the other. The figure below shows a simplified form of how this calculation works.

3.1.10 To establish whether a scheme is viable, the residual land value is compared with a benchmark land value (BLV). This is defined as the value of the site in its existing use (the existing use value or EUV), plus a premium for the landowner which is the minimum return at which it is considered reasonable that a landowner would sell their land for development.

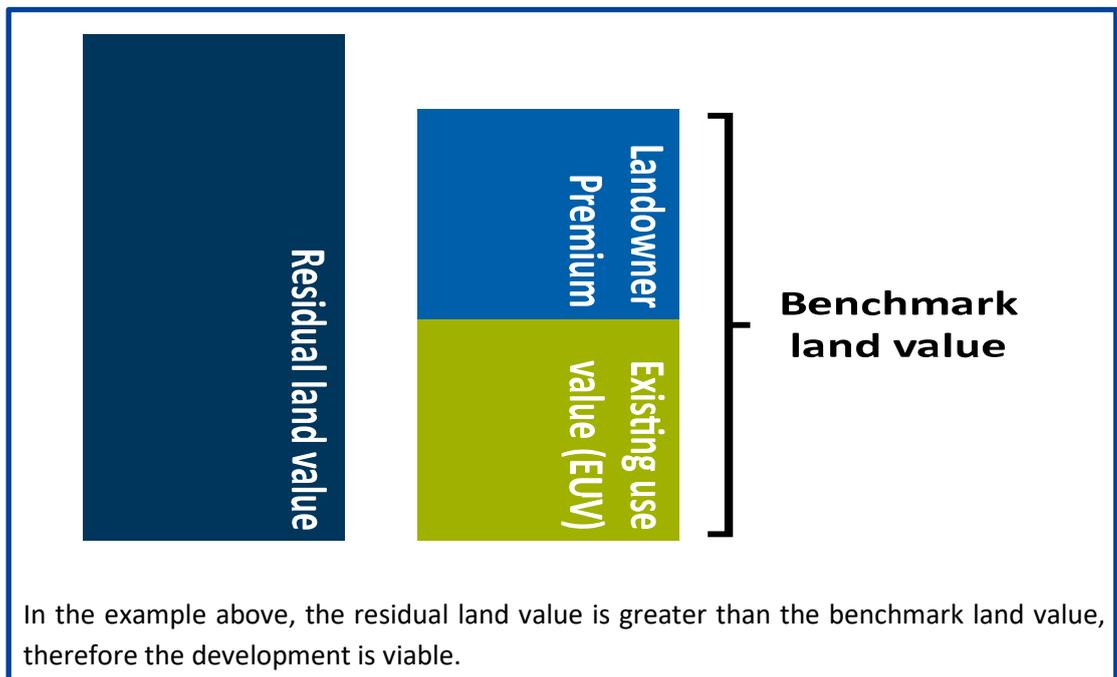


3.1.11 When assessing the viability of a scheme, a number of key inputs are required. The minimum content for an applicant's viability appraisal is set out in Appendix 1. In brief, the viability submission should include as the key elements:

- A summary clearly stating the request to vary the usual affordable housing requirements and setting out (with explanation) the reasons why, in the applicant's view, the development is unviable when policy compliant affordable housing provision is included; and,

- Detailed Financial Viability Appraisal(s) with supporting information, and all sources stated, demonstrating how the applicant’s assumptions and reasoning come together to inform in detail the submitted viability view.

3.1.12 The Residual Land Value should be supported by evidence from comparable development land sales (this can provide a sense check). In addition, the Council will expect confirmation of the price paid for the property/land or the price expected to be paid for the property/land on the grant of planning permission together with confirmation of the contractual terms relevant to the determination of the purchase price within any contingent sale agreement or option agreement including minimum price and overage provisions. Price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy.



3.1.13 The Council will assume that the cost of meeting the affordable housing requirements in Policy SL20 of the adopted Local Plan should be reflected in the price paid, or price to be paid for the land, and should be based on the following:

- No public subsidy or grant;
- Payment by the provider of the affordable housing should be based on the provision meeting current Homes England guidance on Design and Quality Standards (mandatory items);
- Any site constraints and the development scope (including as influenced by planning policies) including abnormalities should be reflected in the price paid, or to be paid, for the land; and
- In accordance with the relevant viability guidance, the land value to be used in the calculation or as a land value benchmark should be based on the current existing use land value, not necessarily the amount paid for the land.

- 3.1.14 Where a developer raises viability concerns in relation to contributions for an application, the Council will, as set out in the adopted Runnymede 2030 Local Plan, expect a full “open-book” viability assessment for the scheme, unless in **exceptional circumstances** the applicant can clearly demonstrate why parts of the assessment are so commercially sensitive that they must be redacted. The applicant must highlight the scope of this prior to submission, in order for the Council to make a judgement as to what information is released for public view. The weight to be given to a viability assessment will take into account the transparency of the applicants’ approach.
- 3.1.15 The Council will ordinarily request an independent review of the viability appraisal and its supporting evidence by their retained viability consultants to ensure the robustness and validity of the assumptions and methods used. This review would be required to be funded by the applicant. The applicant will also be required to provide a written undertaking to cover the costs before the viability consultant is appointed. Viability reports resulting from this process will be shared and discussed with the applicant.
- 3.1.16 If an applicant wishes to make a viability submission, this should be included as part of the planning application. A draft Unilateral Undertaking may also be included at the applicant’s discretion. It should be noted that planning applications without the required information or documentation are unlikely to be validated.
- 3.1.17 A Financial Viability Appraisal, including the conclusions drawn, and information/sources relied upon is only current at the time it is prepared. Financial viability will vary over time with the changing economic and property markets. On large sites that are expected to build or sell over phased periods of a number of years, and particularly where the planning application is in Outline, viability may need to be assessed at multiple/varying points. It will likely need to be considered at pre-application/initial application stage and updated when the Reserved Matters application is made or prior to the commencement of each phase.
- 3.1.18 Where, following the above process, conflicts of opinion about scheme viability remain, additional viability work may be necessary. If this is the case, the applicant must first undertake to reimburse the Council in respect of additional costs incurred.

## **Outcome of the assessment of scheme viability**

- 3.1.19 Where the Council is satisfied that the usual policy requirements for affordable housing cannot be met in full due to viability issues, it will decide on the appropriate level of reduction or other revision to the affordable housing requirement to enable the scheme to remain financially viable.
- 3.1.20 Where the level of affordable housing provision is reduced due to an accepted viability submission position, clawback or top up by way of an affordable housing financial contribution will be pursued by the Council with the developer prior to the grant of planning permission if it is believed that, should market circumstances materially alter between the granting of permission and delivery, the development of the site may potentially prove to be

significantly more viable on completion than as indicated in the initial viability submission. **Where a viability case has been accepted on an outline planning application this should be reviewed at the reserved matters stage. For other non-policy compliant schemes, clawback or a similar alternative arrangement will be considered. Appropriate triggers for reviews at different stages of development or phases may be required in agreements.**

### **Late-stage viability reviews**

- 3.1.21 If the Council decides a clawback or similar arrangement is required, this will be incorporated into an initial Section 106 Agreement with the developer, which will include details of the mechanism for calculating any clawback or top up provision. This will be based on the estimated initial cost plan, values, revenues, etc. of the proposed development from the viability submission made with the application, and the s106 will provide for this to be reviewed subsequently on the completion of the development, if the Council considers this is required. In the event of disagreement between the parties, any further viability assessment that may be necessary will be carried out by an independent RICS-qualified surveyor/valuer. Where a development is to be carried out in phases, the s106 Agreement may provide for further viability assessment and possible clawback or top up payments on, or prior to, the completion of phases.
- 3.1.22 The method of indexation will be negotiated with the applicant and once agreed, will be specified within the Section 106 agreement. The method will generally be based on the published Retail Price Index (RPI) or an appropriate index published by the Build Cost Information Service (BCIS), which is the responsibility of the RICS. If there is a decrease in the relevant agreed index, the financial contribution payable shall not fall below the figure originally set out within the Section 106 agreement.

## Planning Obligations

### 4.1 Legal agreements

- 4.1.1 Planning obligations are used to make a development acceptable in planning terms. Legal agreements are the tool to secure planning obligations and are negotiated between local planning authorities and those with an interest in a piece of land (e.g. developers, landowners, agents). Planning obligations can be secured either through a bilateral Section 106 Agreement or through a 'Unilateral Undertaking' from a developer. Unilateral Undertakings are only signed by the landowner(s) and any other parties with an interest in the land, and not by the Council. These unilateral obligations are most frequently used in planning appeal situations but can also be used in other circumstances.
- 4.1.2 The statutory basis for allowing anyone with an interest in a piece of land in the area of a local planning authority to enter into planning obligations is Section 106 of The Town and Country Planning Act (TCPA) 1990 (as amended).
- 4.1.3 The Council will expect developers to enter into an appropriate Section 106 Agreement covering all aspects of the delivery of affordable housing on the application site. An estimate of the fee payable for this can be obtained from the Council's Legal Team. The fee will depend on the complexity of the agreement.
- 4.1.4 The Section 106 agreement will include requirements relating to:
- Definition of affordable housing and affordable tenures
  - The bed size, tenure mix and location of affordable housing
  - Agreement with the Council on the Affordable Housing provision
  - Safeguarding use of homes as affordable dwellings for future eligible households
  - Expectation to recycle any receipts or grant arising from the disposal of all or part of an affordable dwelling
  - Mortgagee in Possession clauses and limitations on the occupation of the affordable housing
  - Nomination agreements for allocating affordable housing.

- 4.1.5 A Template Section 106 Agreement is attached as Appendix 2 to this document.
- 4.1.6 The Section 106 Agreement should be finalised and ready for completion prior to the determination of the application (see para. 2.1.5). There may be circumstances, particularly with Outline applications, where the details of affordable housing provision have not been finalised. The Affordable Housing provision would need to be submitted to and approved by the Council prior to the commencement of the development. In the case of Outline applications, it is recommended that provision for affordable housing should be submitted as part of the Reserved Matters application, when known.
- 4.1.7 The details of the affordable housing provision to be provided are:
- a. Total number and % of affordable homes
  - b. Anticipated tenure/ bed size/ type/ gross internal floor areas
  - c. Site layout showing location of affordable homes
  - d. Affordable housing provider
  - e. Nomination and management arrangements
- 4.1.8 Planning obligations secured by way of a Section 106 agreement or Unilateral Undertaking are binding on the land and are therefore enforceable against all successors in title. They are registered as a local land charge and will remain on the register. They will, therefore, be revealed on local searches until the planning obligation has been fully complied with or the planning permission to which the Section 106 agreement or Unilateral Undertaking relates has expired.
- 4.1.9 If the Council has evidence that a planning obligation is not being complied with, the Council will consider whether enforcement action should be taken.

#### **Scheduling affordable housing delivery**

- 4.1.10 The Council will normally include triggers in the legal agreement in relation to the delivery of the affordable housing. These may vary from site to site, but a guide would be:
- Not to allow the commencement of development until a contract has been entered into with an Affordable Housing Provider to deliver the affordable housing.
  - Not to permit nor enable more than 50% of the Open Market Units (or as otherwise agreed in writing between the Borough Council and the Parties) to be in occupation until the date upon which the Parties or their successors in title have transferred the freehold interest in the Affordable Housing Land to the agreed Affordable Housing Provider.
  - Not to permit nor enable more than 75% of the Open Market Units to be in occupation until the date upon which the Parties or their successors in title have completed the affordable housing units.

### **Maintaining accommodation as affordable housing**

4.1.11 In order to ensure that the need for affordable housing in Runnymede Borough continues to be met in the future, there should be provisions that either preserve the status of the affordable housing, replace it, or, if it is no longer used for affordable housing, that resources derived from it are recycled to replace the dwelling(s) that have been lost.

4.1.12 The Council will, therefore, require provisions in the Section 106 agreement that:

- Keep the units within the definition of affordable housing; and
- Require any purchaser (other than an occupier) to preserve the accommodation as affordable housing in perpetuity, or replace it within the Borough, like for like; and
- Require any purchaser to take on the obligations in the Nomination Agreement or enter into a replacement Nomination Agreement.

### **Replacing affordable housing that is lost**

4.1.13 Affordable dwellings may be lost for a number of reasons. These include when a tenant's statutory acquisition of a rented dwelling occurs, shared ownership staircasing to 100% occurs and when the discharge of the charge on a shared-equity dwelling takes place. In all cases the Council expects the dwelling(s) to be replaced within the Borough, or any monies arising from the disposal of the dwelling(s) to be recycled to provide further affordable housing in the Borough, whenever possible.

## Glossary

**Benchmark Land Value (BLV):** This is defined as the value of the site in its existing use (the existing use value or EUV), plus a premium for the landowner which is the minimum return at which it is considered a reasonable landowner would sell their land for development.

**Cost plan: a plan setting out in detail what the actual costs associated with the development are likely to be, as opposed to what has been budgeted for.**

**Clawback or overage:** Planning overage is an **uplift payment due once planning permission has been obtained** because, due to the grant of such planning permission, the land value has increased significantly from the original price paid.

**Community Infrastructure Levy (CIL):** a planning charge, introduced as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It allows local authorities to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development.

**Existing Use Value (EUV):** the value of the site in its existing use.

**First Homes:** this form of discounted market sales housing was introduced on 28<sup>th</sup> June 2021. They provide homes for first-time buyers at a discount of a minimum of 30% against the market value and the first sale of the home must be at a price no higher than £250k (outside London).

**Financial Viability Assessment (FVA):** a process of assessing whether a site is financially viable by looking at whether the value generated by a development is more than the cost of developing it.

**Gross Internal Floor area (GIFA):** is the whole enclosed area of a building within the external walls taking each floor into account and excluding the thickness of the external walls.

**Homes England:** Homes England is the Government's national housing and regeneration agency for England. It provides investment for new affordable housing and to improve existing social housing, as well as for regenerating land. It is also the regulator for social housing providers in England.

**Indexation:** Indexation can be done to adjust for the effects of inflation, cost of living, or input prices over time, or to adjust for different prices and costs in different geographic areas.

**NPPF:** National Planning Policy Framework (2019) a document which sets out Government policy in relation to planning in England.

**Open market value:** The value a property might reasonably fetch if sold on the open market where there is a willing buyer and a willing seller.

**Overage:** see clawback above.

**Planning Obligation:** A legal agreement entered into under section 106 of the town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

**Planning Practice Guidance (PPG):** An online resource that sets out the government's planning guidance on a range of planning issues.

**Registered providers (RPs):** Defined in section 80 of the Housing and Regeneration Act (2008), registered providers include local authority landlords and private registered providers (such as not-for-profit housing associations and for-profit organisations).

**Residual land value:** This is the amount that the developer can afford to pay for the development site, once all reasonable costs have been met.

**Section 106 Agreement:** See '*Planning Obligation*'

**Shared Equity:** The purchaser acquires the whole of the property but effectively only pays a proportion of the value; the remaining value is secured by an equity loan. There have been, and are a variety of schemes available, some with Government support.

**Shared Ownership:** Shared ownership is a mechanism for purchasing a property for those who cannot afford full home ownership. A percentage of the equity is purchased by means of deposit and mortgage. The retained equity is held by an Affordable Housing Provider (or similar). The owner takes out a lease and pays rent on the retained equity. Owners can usually purchase further shares of the property over time – this is known as “staircasing”.

**Supplementary Planning Documents (SPD):** Documents which add further detail to the policies in the development plan. They can be used to provide further guidance for development on specific sites, or on particular issues, such as design. Supplementary planning documents are capable of being a material consideration in planning decisions but are not part of the development plan.

**Viability:** In planning terms relates to the assessment of a development scheme to establish that favourable conditions regarding the financial aspects will enable development to proceed

## Appendix 1- Financial Viability Appraisals (FVAs)

Any Development Viability Appraisal submitted in support of a developer’s case for reviewing or reducing planning obligations identified as necessary by the Council, should contain the following information and data as a minimum.

All information and data should be evidenced from an independent RICS-qualified expert or a reliable and reputable source in relation to secondary data.

Figures included within the appraisal should be benchmarked.

1. Methodology used for the appraisal and details of any appraisal software or toolkits used.
2. Land values, both current and at the time of purchase (if different)
3. Price paid for the land; & costs taken into account when arriving at the price paid for the land (if the land is not owned by the applicant – details of any option agreements or agreements to purchase)
4. Gross and net area of development
5. Number, size and type of units
6. Build costs (per square metre) (and comparison with appropriate published RICS data)
7. Abnormal or exceptional costs not reflected in the land value/price (Note: All abnormal and exceptional development costs should be supported by robust and costed specialist reports, including full technical data to support the stated costs)
8. Costs associated with bringing a heritage asset back into beneficial use or enabling development and/or costs of repairs (Note: all such costs should be supported by robust and costed specialist reports, including full technical data to support the stated costs)

9. Other costs (design, legal, consultants, planning etc.)
10. Cost of any other planning obligations including infrastructure requirements and financial contributions
11. Build programme and phasing
12. Interest rates, cap rates, loan costs, cash flows
13. Developer's profit and an explanation of its make up, and any company or financiers requirements
14. Anticipated phasing
15. Marketing and legal costs (and as a % of GDV)
16. Anticipated sales price for each unit type, and current assumed value of each unit type
17. Anticipated phasing of sales
18. Ground rents and services charges payable
19. Attach evidence of engagement with affordable housing providers

20. Anticipated price to be paid by the affordable housing provider, and the assumption on which this is based.
21. Substitution values and revenues for less or no affordable housing on site

Depending on individual site circumstances, further information may be required, including:

22. Developer's Market Analysis Report
23. Details of company overheads
24. Copy of financing offer/letter
25. Copy of cost plan
26. Board Report on scheme
27. Letter from Auditors re: land values and write offs
28. Sensitivity analysis showing different assumption options (e.g. low, medium & high)
29. For mixed use schemes similar information and data will be required on the non-residential uses.

## Appendix 2 - Template Affordable Housing Section 106 Agreement

### 1. Definitions

It is hereby agreed between the parties to this Deed that the following expressions have the following meanings:

<b>“Act”</b>	means the Town and Country Planning Act 1990 (as amended);
<b>“Affordable Housing”</b>	<p>means Social Rented Housing Dwellings, Affordable Rented Housing Dwellings and Shared Ownership Housing Units (as hereinafter defined) provided to specific eligible households whose needs are not met by the market and Affordable Housing shall:</p> <p>(a) Meet the needs of eligible households the Council could reasonably expect to occupy this Development having regard to its Allocation Scheme including availability at a cost low enough for them to afford; and</p> <p>(b) Include provisions for the homes to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision subject to any such recycling of subsidy being in accordance with the requirements of Homes England:</p>
<b>“Affordable Housing Dwellings”</b>	means [ ] Residential Units which are to be constructed pursuant to the Planning Permission and which are to be occupied as Affordable Housing in accordance with the Affordable Housing Scheme and “Affordable Housing Dwelling” is any of the Affordable Housing Dwellings capable of separate Occupation;
<b>“Affordable Housing for Rent”</b>	means housing that is either Affordable Rented Housing Dwellings or Social Rented Housing Dwellings, (including service charges where applicable);

<b>“Affordable Housing Scheme”</b>	means the provision of [ ] Affordable/Social Rented Housing Dwellings comprising [ ] x [ ] bed flats/houses and [ ] Shared Ownership/affordable home ownership Dwellings comprising [ ] x [ ] bed/flats/houses;
<b>“Affordable Rented Housing Dwelling”</b>	means Affordable Housing let by a local authority or private Registered Provider of social housing to households who are eligible for social rented housing where the rent level is capped at Eighty Percent (80%) of the Local market rent (including any service charges, where applicable) and within Local Housing Allowance rates.
<b>“Application”</b>	means the [full/outline] application for Planning Permission dated [ ] given planning reference number  RU.[ ] with a description of the Development for the erection of [ ];
<b>“CIL Regulations”</b>	means the Community Infrastructure Levy Regulations 2010 (as amended);
<b>“Collecting Authority”</b>	means Hampshire County Council who is the local authority appointed by Natural England to collect the SAMM Contribution;
<b>“Commencement Date”</b>	means the date of Commencement of Development;
<b>“Commencement of Development”</b>	means the carrying out of a Material Operation in respect of the Development and the words “Commence Development” and “Development Commences” shall be construed accordingly and in accordance with Section 56 (1) of the Act;
<b>“Community Facilities Contribution”</b>	means a sum of £[ ] ([ ]) to be paid to the Council as a contribution towards [ ];
<b>“Council’s Contributions”</b>	means the [SAMM Contribution and the SANG Contribution ]
<b>“County Council Contributions”</b>	means the [ contributions that are payable to the County Council]

<b>“Design SPD</b>	means the Runnymede Design Supplementary Planning Document adopted by the Council on 15 July 2021;
<b>“Development”</b>	means the development of the Site pursuant to the Planning Permission;
<b>“First Homes”</b>	means a Residential Unit which may be disposed of as a freehold or (in the case of flats only) as a leasehold property to a First Time Buyer at the Discount Market Price and which on its first Disposal does not exceed the Price Cap;
<b>“Help to Buy Agent”</b>	means such Registered Provider or such other organisation chosen from time to time by Homes England and its successors to register applicants for Shared Ownership Housing Dwellings in the Borough of Runnymede;
<b>“Highways Agreement”</b>	means an agreement under section 278 of the Highways Act 1980 (as amended);
<b>“Highways Improvement Contribution”</b>	means the sum of £ [ ] ([ ]) to be paid to the County Council as a contribution towards the provision of the Highway Works;
<b>“Highway Works”</b>	means [];
<b>“Homes England”</b>	means the national housing and regeneration agency formed pursuant to the Housing and Regeneration Act 2008 and shall include any statutory successor;
<b>“Index”</b>	means in regard to the Council the All-Items Index of Retail Prices issued by the Office for National Statistics and in regard to the County Council the [ ];
<b>“Index-Linked”</b>	means that with reference to the Council Contributions and the County Council Contributions the payment of such sums shall be uplifted to the extent of being Index-Linked by reference to the Index in accordance with the formula set out at Schedule [ ] of this Deed;

<b>“Interest Rate”</b>	means four per cent (4%) per annum above the Bank of England base rate such interest to be apportioned on a daily basis;
<b>“Local Housing Allowance”</b>	Local Housing Allowance (LHA) rates are used to calculate housing benefit for tenants renting from private landlords and are based on private market rents being paid by tenants in the broad rental market area as determined by the Valuation Office;
<b>“Material Operation”</b>	<p>means a material operation pursuant to Section 56(4)(a)-(e) of the Act provided that a Material Operation shall be deemed not to have taken place for the purposes of this Deed and for no other purpose:</p> <ol style="list-style-type: none"> <li>(1) Site Investigation,</li> <li>(2) Demolition,</li> <li>(3) Site Clearance;</li> <li>(4) Archaeological investigation,</li> <li>(5) The assessment of contamination</li> <li>(6) Remedial Action in respect of any contamination,</li> <li>(7) Ecological mitigation, investigative survey and remedial measures,</li> <li>(8) Construction of temporary access roads,</li> <li>(9) Service diversions, and</li> <li>(10)The provision of temporary services or the erection of any hoardings or fences around the site.</li> </ol>
<b>“Monitoring Fee”</b>	means the sum of [                    ] (£) payable to the Council for monitoring compliance with the provisions and obligations included herein;

<p><b>“Natural England”</b></p>	<p>means the statutory body established by the Natural Environment and Rural Communities Act 2006 which has responsibility for the promoting nature conservation and the protection of biodiversity;</p>
<p><b>“Nomination Agreement”</b></p>	<p>[means an agreement substantially in the form of the Draft Agreement attached at the [ ] Schedule and to be entered into between the Council and the Registered Provider which governs the Council’s nomination rights for Occupation of the Affordable Housing Dwellings and which will:</p> <ul style="list-style-type: none"> <li>(a) Provide for the Council to have nomination rights to all initial and subsequent vacancies of Affordable Housing for Rent in accordance with the Council’s Housing Allocation Scheme in force at the relevant time;</li> <li>(b) Require the Registered Provider not to unreasonably refuse a tenancy to a Nominee put forward by the Council;</li> <li>(c) Set out the arrangements for the selection of purchasers of affordable home ownership properties in accordance with the Council’s requirements; and</li> <li>(d) Refer to the Council’s tenancy strategy, the Council’s Housing Allocation Scheme and any Local Lettings Plan which is put in place for the Development;</li> </ul>
<p><b>“Nominee”</b></p>	<p>means a person who is selected by the Council and who is eligible for and in need of Affordable Housing;</p>
<p><b>“Occupation”</b></p>	<p>means occupation for the purposes permitted by the Planning Permission but not including occupation by personnel engaged in construction, fitting out or decoration or occupation for marketing or display or occupation in relation to security operations and "Occupied" shall be construed accordingly;</p>
<p><b>“Occupation Date”</b></p>	<p>means the date of Occupation of the [ ] Residential Units;</p>

<b>“Occupation Notice”</b>	means the written notice confirming the Occupation Date referred to in clause [ ] and served in accordance with clause [ ] herein;
<b>“Open Market Units”</b>	means those dwellings which are not Affordable Housing Dwellings;
<b>“Plan”</b>	means the plan attached hereto and marked “Plan” which delineates the extent of the Site;
<b>“Planning Permission”</b>	means the planning permission granted pursuant to the Application for Planning Permission;
<b>“Protected Occupier”</b>	<p>means a Nominee or other eligible person who:</p> <ul style="list-style-type: none"> <li>a. has exercised the right to acquire pursuant to the Housing Act 1996 or any statutory provision for the time being in force (or any equivalent contractual right) in respect of a particular Affordable Rented Housing Dwellings; or</li> <li>b. has exercised any statutory right to buy (or any equivalent contractual right) in respect of a particular Affordable Housing Dwellings; or</li> <li>c. has been granted a shared ownership lease by a Registered Provider (or similar arrangement where a share of the Affordable Housing Dwelling is owned by the tenant and a share is owned by the Registered Provider) and the tenant has subsequently purchased from the Registered Provider all the remaining shares so that the tenant owns the entire Affordable Housing Dwelling;</li> </ul>
<b>“Registered Provider”</b>	means a social landlord registered with the Regulator of Social Housing (“RSH”) under Chapter 3 of Part 2 of the Housing and Regeneration Act 2008 (as amended) or its successors and approved by the Council;

<b>“Residential Unit”</b>	means any dwelling to be constructed on the Site pursuant to the Planning Permission and “Residential Units” shall be construed accordingly;
<b>“SANG”</b>	means the existing suitable alternative natural green-space within the Borough of Runnymede;
<b>“SANG Contribution”</b>	means the amount of [ ] (£ ) (which for the avoidance of doubt is the sum of Nine Hundred and Three Pounds and Fifty Pence (£903.50) per net additional occupant as set out in the Strategy x [ ] ( ) which is the occupancy rate based on the number of net additional bedroom(s) developed on the Site as stated in the Strategy), to be paid to the Council by the Developer and/or the Owner(s) as a contribution towards the cost of facilitating upgrading and maintaining the SANGS in accordance with the Strategy;
<b>“Shared Ownership Housing Dwelling”</b>	means units let, leased or disposed of to households referred through the Help to Buy Agent System or if a household is not nominated through the Help to Buy Agent System to households selected in accordance with the Council’s selection criteria and where a percentage share of the equity is made available for sale and where the remaining percentage is retained by a Registered Provider who may charge an annual rent of not more than 2.75% of the value of the unsold equity and who will make the unsold equity available for sale to the occupant at market value if requested by the occupant;
<b>“Site Allocation Plan”</b>	means the plan annexed to this Deed at Schedule 4 headed “Site Allocation Plan”;
<b>“Site Layout Plan”</b>	means the plan annexed to this Deed at Schedule 4 headed “Site Layout Plan” showing the Application Site edged red;
<b>“Social Rented Housing Dwelling”</b>	means the Affordable Housing Dwellings provided by Registered Providers to households who are eligible for social rented housing, and for which guideline target rents are determined through the national rent regime;

<p><b>“SPA”</b></p>	<p>means the Thames Basin Heaths Special Protection Area classified as a special protection area in accordance with the European Commission Directive on the conservation of wild birds (79/409/EEC) on 9 March 2005;</p>
<p><b>“Strategic Access Management and Monitoring Contribution”</b></p>	<p>means the amount of [ ] (£ ) calculated on the basis of Three Hundred and Sixty Pounds (£360) per net additional occupant as set out in the Strategy x [ ] ( ) (the occupancy rate based on the number of net additional bedrooms developed on the Site (as stated in the Strategy) to be paid to the Council by the Owner as a contribution towards monitoring the effectiveness of the SANG in accordance with the Strategy, (hereinafter referred to as the “SAMM Contribution”);</p>
<p><b>“Strategy”</b></p>	<p>means the Thames Basin Heaths Special Protection Area Supplementary Planning Document adopted by the Council on the 14<sup>th</sup> April 2021;</p>
<p><b>“Travel Plan”</b></p>	<p>means [ ];</p>
<p><b>“Travel Plan Monitoring Contribution”</b></p>	<p>means the sum of £[ ] ([ ]) to be paid to the County Council as a contribution towards the future auditing monitoring and management of the Travel Plan;</p>

## COVENANTS WITH THE BOROUGH COUNCIL

### Part 2: Affordable Housing

The Owner covenants with the Council:

It will provide the Affordable Housing in accordance with the Affordable Housing Scheme.

The Affordable Housing Dwellings shall be built in accordance with any relevant national standard in place from time to time **PROVIDED ALWAYS** that such requirements are not inconsistent with the Planning Permission or the Council’s Design SPD.

In the case of the Affordable Housing for Rent they shall not be Occupied until the Owner has entered into a Nominations Agreement with the Council in respect of each Affordable Housing for Rent.

To Practically Complete and to make available for Occupation the Affordable Housing Dwellings prior to the Occupation of more than Seventy Five Percent (75%) of the Open Market Units.

Subject to paragraphs 2.1(f) and 2.1(g), to ensure the future retention and availability of the Affordable Housing for Rent as Affordable Housing in perpetuity (subject to paragraphs 2.1(h) and 2.1.(i)) and if the Owner intends to dispose of their interest in any of the Affordable Housing Dwellings they will use reasonable endeavours to ensure that the Affordable Housing Dwellings are sold leased or otherwise disposed of to a Registered Provider on the list attached at the [ ] Schedule.

If the Owner is unable to enter into a contract for the disposal of the Affordable Housing Dwellings to one of the Council's preferred partner Registered Providers despite having used all reasonable endeavours so to do within Four (4) months from the Commencement Date the Owner may propose another Registered Provider or Registered Providers to the Council for their approval (such approval not to be unreasonably withheld or delayed) and the Owner shall use reasonable endeavours to enter into a contract for the disposal of the Affordable Housing Dwellings to the Registered Provider's so approved.

If the Owner is unable to enter into a contract for the disposal of the Affordable Housing Dwellings to one of the Registered Providers listed in the [ ] Schedule or the other Registered Provider's approved in accordance with paragraph 2.1(f) despite having used reasonable endeavours so to do within Six (6) months of the Commencement Date then the Owner may enter into a contract for the disposal of the Affordable Housing Dwellings to any Registered Provider of its choosing.

The covenants set out in this Schedule shall not be binding or enforceable against any Protected Occupier or any mortgagee or chargee of the Protected Occupier or any person deriving title from the Protected Occupier or any receiver appointed by any mortgagee or chargee or any successors in title thereto and their respective mortgagees and chargees SAVE THAT if any successor in title to the Protected Occupier is a Registered Provider or any other provider of affordable housing the provisions of paragraph 2.1(e) shall thereupon once again become enforceable against the said Registered Provider or other provider of affordable housing and their successors in title subject as provided herein.

The covenants set out in this Schedule shall not be binding or enforceable against any mortgagee or chargee of a Registered Provider or any receiver (including an administrative receiver) appointed by any such mortgagee or chargee or any person appointed under any security documentation to enable such mortgagee or chargee to realise its security or any administrator (howsoever appointed) (each a "Receiver") of the whole or any part of the Affordable Housing Dwellings or any persons or bodies deriving title through such mortgagee or chargee or Receiver or any successors in title thereto and their respective mortgagees and charge PROVIDED THAT a mortgagee charge or Receiver acting pursuant to any event of default shall first give written notice to the Council of its intention to dispose of the Affordable Housing Dwelling and shall have used reasonable endeavours over a period of Three (3) months from the date of the written notice to dispose of the Affordable Housing Dwelling to another Registered Provider or to the Council for a consideration not less than the amount due and outstanding to the mortgagee under the terms of the mortgage or charge including all accrued principal monies interest and costs and expenses incurred by the mortgagee in respect of the mortgagee or charge and if such disposal has not been completed with Three (3) month period [as set out above] the mortgagee charge or Receiver shall be entitled to dispose of the Affordable Housing Dwelling free from the restrictions and covenants contained in this paragraph [ ] and Part 2 of the Third Schedule SAVE THAT if any successor in title to the mortgagee or chargee is a Registered Provider or any other provider of affordable housing the provisions of this Schedule shall thereupon once again become enforceable against

the said Registered Provider or other provider of affordable housing and their successors in title subject as provided herein.

The transfer of the Affordable Housing for Rent to the Registered Provider pursuant to this Schedule shall contain the following:-

the grant by the Owner to the Registered Provider of all rights of access and passage of other services and other rights reasonably necessary for the beneficial enjoyment of the Affordable Housing Dwellings provided that such rights shall not materially interfere with the construction sale and occupation of the Development and its good estate management;

A reservation of all rights of access and passage of services and rights of entry and rights of support reasonably necessary for the purpose of the Development (including its construction);

A requirement for the Registered Provider to pay a fair and reasonable service charge for the provision of services to the Development which will be enjoyed by the occupiers of the Affordable Housing Dwellings (whether exclusively or in common with others);

And such other terms as the Owner may agree with the Registered Provider.

The mix of Residential Units shall be as stated in the Affordable Housing Scheme or such other mix as may be agreed in writing between the Council and the Owner.

**Appendix 3- Methodology for calculating the commuted sum payment needed in-lieu of providing affordable housing on-site**

# Methodology for calculating the commuted sum payment needed in-lieu of providing affordable housing on-site

Report produced for and on behalf of the Runnymede  
Borough Council

15 March 2022



215a High Street, Dorking RH4 1RU  
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## **Annexures**

### **Annex 1 - Policy Compliant Appraisals**

Showing Local Plan Typologies

### **Annex 2 - Policy Compliant Appraisals**

Showing Local Plan Typologies

Giving a Residual Land Value Output

### **Annex 3 - Appraisals Showing an Affordable Housing Shortfall**

Showing Local Plan Typologies

Giving a Residual Land Value Output

### **Annex 4 - Appraisals Affordable Housing Shortfall Off Site**

Giving a Residual Land Value Output

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## Introduction

1.1 BPS Chartered Surveyors has been instructed by the Council to consider a methodology for computing payments in lieu of on-site affordable housing delivery. In accordance with the client brief, the methodology for calculating the payment must accord with CIL Regulation 122 and para. 57 of the NPPF.

1.2 This report looks at a method whereby a contribution can be defined in cash terms in circumstances where, for accepted reasons, a development cannot provide on-site delivery of affordable housing.

1.3 The approach considered by this report is equally capable of defining a maximum contribution or ceiling to any in lieu payment by reference to the requirements of Runnymede 2030 Local Plan Adopted 16th July 2020 Policy SL20: Affordable Housing which is extracted in part below:

*Development proposals of 10 or more (net) additional dwellings will be expected to provide 35% of dwellings as affordable units with a tenure split as above which includes 10% of homes for affordable home ownership (starter homes, discounted market sales housing and/or other products which provide affordable routes to home ownership in line with the definition contained in the 2019 NPPF)*

1.4 The intention is that the methodology explored through this report will be included within an Affordable Housing Supplementary Planning Document (SPD) in the form of a user guide.

1.5 This report explores an approach which is based on a comparison of two appraisals:

Appraisal 1 - being an all private appraisal of the proposed application scheme

less

Appraisal 2 - an appraisal of a policy compliant scheme

1.6 The difference in scheme residual values represents the totality in cash terms of the viability impact of meeting the requirements of SL20 in full, thus representing the contributions cap.

1.7 Where schemes have been viability tested, and it is agreed that a lesser contribution is commensurate with viability, the approach is slightly modified as follows:

Appraisal 1 - being an all private appraisal of the proposed application scheme

less

Appraisal 2 - an appraisal of the viability tested proposed scheme (assuming on site affordable delivery)

1.8 This approach identifies the difference in the respective residual values of the two

appraisals as the payment in lieu of on-site delivery.

- 1.9 This report summarises the findings of appraisal modelling to test the above approach. Given the recent date of the Local Plan's adoption we have utilised the typologies tested as part of the Plan's viability evidence base and utilised, where relevant, the assumptions as presented within the evidence base documents.
- 1.10 For the purposes of modelling the approach we have tested valuation scenarios assuming developments which are capable in financial terms of delivering policy compliance and then re-run the same appraisals with an assumed shortfall of on-site delivery to compute the payment in-lieu.
- 1.11 The intention of this modelling is to demonstrate that the approach proposed is anchored to the viability of the development proposed and reflects the viability of that development when computing the in-lieu sum

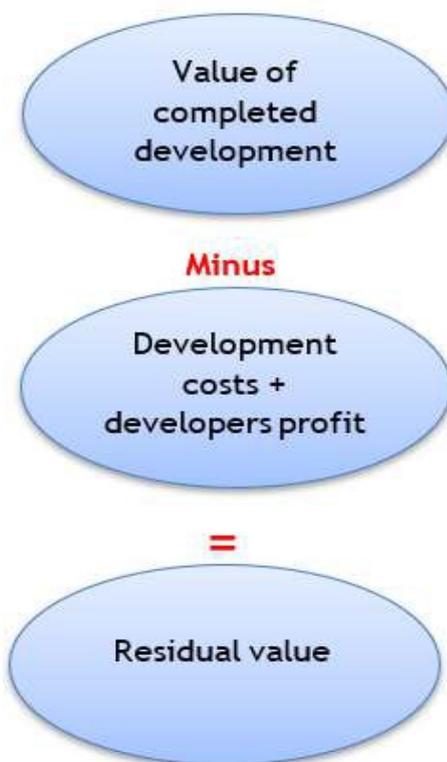
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## Approach

- 2.1 The approach taken with the initial modelling has followed the typologies used to inform the Local Plan namely the Runnymede A320 Impact and Longcross Garden Village Viability Study September 2019.
- 2.2 This document was the most up to date of the documents touching on viability for the Local Plan. It adopted a hypothetical approach to valuing a notional hectare of land in nine separate locations. It also considered site specific viability in relation to a number of strategic sites. For the purposes of this report, only the typologies have been adopted and recreated. This is considered to be sufficiently representative of the methodology and does not add complexity arising from consideration of site-specific appraisal inputs associated with the modelling of strategic sites.
- 2.3 In simple terms the appraisals have been recreated but adjusted to show a breakeven position by absorbing all apparent surpluses into an inflated land price. This provides the baseline for comparison with a scenario based on the same hypothetical development, but which assumes they cannot deliver policy compliance on site. For example, they may be able to justify a lack of demand from a Registered Provider. The approach then compares the residual value of the policy compliant scheme to the residual value of the scheme delivering the shortfall on affordable housing. The gap between the two residual values represents the in-lieu contribution.
- 2.4 To test whether this approach generates enough money to deliver affordable housing on a site within the local area, a further appraisal has been run adopting the same construction costs and values, but only for the units of affordable which have been omitted under the shortfall scenario. The aim is to test whether the contribution sum provides sufficient funding to meet the costs of development and fund the acquisition of land at broadly the same level as generated by the policy compliant residual appraisal.

**Step 1.**

- 2.5 The Local Plan Study undertakes a number of residual valuations of each of the nine sites. Residual valuations are usually used to derive the amount which can be paid for land and they follow a common methodology shown below:

**STAGE 1.****STAGE 2.**

- 2.6 For Local Plan testing the residual value is then compared to a benchmark land value to establish whether the development produces a surplus or deficit. Where deficits are identified the scale of planning obligations is then reduced until the residual value is equal or greater than the benchmark land value.
- 2.7 The Local Plan study adopted a benchmark land value of £2,000,000 per hectare for each of the nine sites in each of the following locations:
- Wentworth
  - Virginia Water
  - Engelfield Green
  - Ottershaw
  - Woodham
  - Chertsey
  - Egham
  - Addelstone
  - Staines

- 
- 2.8 All of the appraisals showed a surplus when assuming affordable housing delivery of 11 units from a total of 30 units equating to 36%. To test a possible method for establishing the contributions CAP the 9 appraisals have been recreated in Argus Developer using identical assumptions to the Local Plan Study.
- 2.9 To illustrate the approach, adopted hard copy versions of the appraisals have been inserted as annexures. Given the numbers of appraisals involved examples have been included from three areas, these being:
- Egham
- Ottershaw
- Wentworth
- 2.10 It can be seen that each of the appraisals shows a surplus expressed in terms of the net profit output (circled red on the appraisals), noting that the 20% of GDV profit target is already embedded as a cost (circled in green) as is the £2m land value. (see Annex 1)

**Step 2.**

- 2.11 Each of the appraisals has then been reworked. Instead of inputting a land cost of £2m the appraisal has been reconfigured to allow for a fixed developer profit and a residual land value (RLV). This reflects the position where the price paid for land was increased to the point where there was no surplus after allowing for profit.
- 2.12 In effect this step assumes that any surplus over and above the developer profit target would translate in practice to a high payment for land, therefore the more viable appraisals show a higher residual land value. This step is considered reasonable noting that higher residential value areas would expect to generate higher land values. The results are summarised below:

	Assumes residual land cost	Based on residual land cost	
	RLV	Land price per unit	Land price per MKT Unit
Wentworth	£13,894,625	£463,154	£731,296
Virginia Water	£6,054,793	£201,826	£318,673
Engelfield Green	£4,326,422	£144,214	£227,706
Ottershaw	£3,866,071	£128,869	£203,477
Woodham	£3,303,786	£110,126	£173,883
Chertsey	£3,070,962	£102,365	£161,630
Egham	£3,052,356	£101,745	£160,650
Addelstone	£2,486,762	£82,892	£130,882
Staines	£2,384,130	£79,471	£125,481

- 2.13 It can be seen, from the table above, that the RLV can be broken down to a land cost per unit (based on 30 units in each scenario) and a land cost based just on the market units (23 units) assuming there is a nil land cost contribution from the 11 affordable units. Reporting land cost on these approaches is relevant in terms of the analysis shown later on.
- 2.14 Again, three sample appraisals have been set out in the annexures. The residual value is highlighted circled in red and the profit allowance in green. The appraisal is effectively identical to the Local Plan appraisal but instead of showing a surplus the appraisals show a breakeven position through reflecting the previous surplus within an increased land value.

**Step 3.**

- 2.15 To test the approach outlined in this document, it is necessary to compare the residual value generated from an appraisal of the application scheme (assuming it offers a shortfall in on site delivery) to an equivalent development delivering policy compliance. The difference between the two appraisals representing the contributions cap.
- 2.16 To do this using the Local Plan appraisals we have run the same appraisals but reduced the affordable housing delivered. We have recreated all 9 appraisals modelling a shortfall from the Local Plan affordable housing assumptions of 11 units to deliver 7 units. The lost affordable units have been replaced with additional market units. This approach attempts to model a situation where the applicant is able to provide a case for reduced on site delivery.
- 2.17 A comparison of unit tenures is shown below:

**Local Plan (Policy Compliant)**

	1 bed	2 bed	3 bed	4 bed	Total
market housing	1	6	8	4	<b>19</b>
AR	2	2	1	0	<b>5</b>
SR	1	1	1	0	<b>3</b>
SO	1	0	0	0	<b>1</b>
Starter	1	0	0	0	<b>1</b>
Discount	1	0	0	0	<b>1</b>

**Shortfall Scenario**

	1 bed	2 bed	3 bed	4 bed	Total
market housing	3	7	9	4	<b>23</b>
AR	2	2	1	0	<b>5</b>
SR	0	0	0	0	<b>0</b>
SO	1	0	0	0	<b>1</b>
Starter	1	0	0	0	<b>1</b>
Discount	0	0	0	0	<b>0</b>

- 2.18 The appraisals from the shortfall scenarios have then been re-run. Each appraisal is more viable than the policy compliant equivalents because there are fewer lower value affordable units and more higher value market units.
- 2.19 To record this the shortfall appraisals have been run on a residual land value basis. In effect additional viability is reflected in a higher residual land value output.
- 2.20 We have again identified the profit (in green) and the residual land value (in red) in the three examples shown in the annexes.

#### Step 4. Establishing the Payment CAP

2.21 This step compares the RLV of the Local Plan (fully policy compliant development) with the RLV of shortfall scheme for each of the 9 locations. The contributions cap being the difference between the two figures.

2.22 This is shown in the table below:

	RLV Local Plan	RLV Shortfall	Contributions CAP
Wentworth	£13,894,625	£15,789,919	£1,895,294
Virginia Water	£6,054,793	£6,987,457	£932,664
Engelfield Green	£4,326,422	£5,046,718	£720,296
Ottershaw	£3,866,071	£4,531,182	£665,111
Woodham	£3,303,786	£3,900,899	£597,113
Chertsey	£3,070,962	£3,639,658	£568,696
Egham	£3,052,356	£3,624,022	£571,666
Addelstone	£2,486,762	£2,985,683	£498,921
Staines	£2,384,130	£2,871,126	£486,996

**Step 5.**

2.23 The next step is to test whether the contribution cap sum identified above would be adequate to deliver the 4 affordable units omitted from the shortfall appraisals. The aim being that the CAP sum should be sufficient to meet both the development costs and the land cost associated with these units.

2.24 To undertake this test, we have followed two further sub steps.

Step a)

2.25 We have created 9 further appraisals for each of the locations modelling just the 4 units of affordable housing using the same cost and value rates as were used in the original policy compliant appraisals and run these on a residual value basis. The RLV should broadly match the same land value output on a per unit basis as identified in step 2 above.

2.26 As with all the other appraisals the 4 affordable units generate a value. To reach an RLV the development costs are deducted from the values

Step b)

2.27 The RLV from the appraisals whether positive or negative is added to the contributions cap sum to provide a net overall RLV. The net RLV is then divided by 4 to derive a land value per unit which can be directly compared to the land value per unit derived from the policy compliant appraisals as shown in Step 2 above.

2.28 The results are shown below:

	Net RLV of Shortfall Scheme	Contributions CAP (CC)	CC less RLV Shortfall Scheme	Land Price per Unit 4 unit appraisal	Land Price per Unit 30 unit appraisal	Difference on Local Plan Policy Compliant
Wentworth	£74,600	£1,895,294	£1,969,894	<b>£492,474</b>	£463,154	<b>£29,319</b>
Virginia Water	<b>-£81,416</b>	£932,664	£851,248	<b>£212,812</b>	£201,826	<b>£10,986</b>
Engelfield Gre	<b>-£117,131</b>	£720,296	£603,165	<b>£150,791</b>	£144,214	<b>£6,577</b>
Ottershaw	<b>-£125,535</b>	£665,111	£539,576	<b>£134,894</b>	£128,869	<b>£6,025</b>
Woodham	<b>-£137,300</b>	£597,113	£459,813	<b>£114,953</b>	£110,126	<b>£4,827</b>
Chertsey	<b>-£142,369</b>	£568,696	£426,327	<b>£106,582</b>	£102,365	<b>£4,216</b>
Egham	<b>-£142,932</b>	£571,666	£428,734	<b>£107,184</b>	£101,745	<b>£5,438</b>
Addelstone	<b>-£153,636</b>	£498,921	£345,285	<b>£86,321</b>	£82,892	<b>£3,429</b>
Staines	<b>-£155,890</b>	£486,996	£331,106	<b>£82,777</b>	£79,471	<b>£3,306</b>

2.29 We have again included the three example appraisals showing the 4 unit affordable only appraisals. The RLV is circled in red.

## Conclusions

- 3.1 It can be seen that the land price per unit available from the Contributions CAP sum is slightly above the land price per unit established for the Local Plan compliant scenarios. This difference, although small, arises from the impact of interest on land costs and shows an excess rather than shortfall in land cost provision.
- 3.2 We have also set out in the table below a comparison with the land price per unit based just on the market unit analysis.

	Land Price per Unit 4 unit appraisal	Land price per MKT Unit	Difference on MKT unit Land Price
Wentworth	<b>£492,474</b>	£731,296	<b>-£238,823</b>
Virginia Water	<b>£212,812</b>	£318,673	<b>-£105,861</b>
Engelfield Gre	<b>£150,791</b>	£227,706	<b>-£76,915</b>
Ottershaw	<b>£134,894</b>	£203,477	<b>-£68,583</b>
Woodham	<b>£114,953</b>	£173,883	<b>-£58,930</b>
Chertsey	<b>£106,582</b>	£161,630	<b>-£55,048</b>
Egham	<b>£107,184</b>	£160,650	<b>-£53,467</b>
Addelstone	<b>£86,321</b>	£130,882	<b>-£44,561</b>
Staines	<b>£82,777</b>	£125,481	<b>-£42,704</b>

- 3.3 This analysis shows there is a shortfall on the land price per market unit, but this is not surprising as this analysis effectively assumes that only market units contribute a land value and therefore does not adopt an even spread of land cost across all units.
- 3.4 Overall, the analysis shows that the approach to establishing the contributions cap effectively follows the economics of the scheme being modelled and ensures that both an allowance for the actual costs of development are covered but also and importantly land costs associated with an off-site affordable provision. Also, that land costs are proportionate to the application scheme not a baseline which may become out of date over time.

## Formula for the Computation of the Payment in Lieu

The following formula should be adopted when assessing the scale of cash contributions in lieu of on-site affordable housing contributions

$$(A - (B+C)) = RV 1 - RV 2 = (D - (B+C))$$

Where

A = The gross development value of the proposed scheme on an all-private housing assumption

B\*1 = The costs associated with developing the proposed scheme including developer profit

C = The agreed benchmark land value

RLV 1 = the residual land value generated

D = The gross development value of the proposed viability tested scheme assuming on site affordable housing delivery

B\*1 = The costs associated with developing the proposed scheme including developer profit

C = The agreed benchmark land value

\*1 it should be noted that the profit allowance for market housing should remain consistent in calculating RV1 and RV2 but it is expected that a much lower profit assumption of circa 6% of GDV will be assumed in relation to affordable housing revenue assumed within RV2.

### Notes

The above formula can be satisfied through the production of standard residual valuations. The basic approach is summarised below

Gross Development Value (GDV) of the proposed scheme

### Less

Construction costs

Fees

Finance costs

developer profit

Land cost (this should follow NPPG requirements for an EUV plus or AUV based land value)

Marketing costs

S106 Contributions

=

Residual Value

The formula seeks to compare the residual value of an all-private scheme with the proposed scheme. The difference arising represents the payment in lieu.

Annex 1 - Policy Compliant Appraisals  
Showing Local Plan Typologies

Egham 30 DPH  
Fully compliant

Appraisal Summary for Phase 1

Currency in £

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	479,368	9,108,000
Affordable housing	<u>11</u>	138,555	<u>1,524,100</u>
<b>Totals</b>	<b>30</b>		<b>10,632,100</b>

**NET REALISATION** **10,632,100**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	2,000,000		
Fixed Price		2,000,000	2,000,000
Stamp Duty		89,500	
Effective Stamp Duty Rate	4.47%		89,500

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	444,420
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**MARKETING & LETTING**

Marketing	3.00%	318,963	318,963
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**Additional Costs**

Developer profit	20.00%	2,126,420	2,126,420
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		326,192	
Construction		339,565	
<b>Total Finance Cost</b>			<b>665,756</b>

**TOTAL COSTS**

**9,348,559**

**PROFIT**

**1,283,541**

**Performance Measures**

Profit on Cost%	13.73%
Profit on GDV%	12.07%
Profit on NDV%	12.07%
IRR% (without Interest)	18.36%
Profit Erosion (finance rate 6.750)	1 yr 11 mths

**Ottershaw 30 DPH**  
**Fully compliant**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	542,474	10,307,000
Affordable housing	<u>11</u>	145,459	<u>1,600,050</u>
<b>Totals</b>	<b>30</b>		<b>11,907,050</b>

**NET REALISATION** **11,907,050**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	2,000,000		
Fixed Price		2,000,000	2,000,000
Stamp Duty		89,500	
Effective Stamp Duty Rate	4.47%		89,500

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	444,420
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**MARKETING & LETTING**

Marketing	3.00%	357,211	357,211
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**Additional Costs**

Developer profit	20.00%	2,381,410	<b>2,381,410</b>
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		326,192	
Construction		339,565	
<b>Total Finance Cost</b>			<b>665,756</b>

**TOTAL COSTS**

**9,641,798**

**PROFIT**

**2,265,252**

**Performance Measures**

Profit on Cost%	23.49%
Profit on GDV%	19.02%
Profit on NDV%	19.02%
IRR% (without Interest)	26.77%
Profit Erosion (finance rate 6.750)	3 yrs 2 mths

Wentworth 30 DPH  
Fully compliant

Appraisal Summary for Phase 1

Currency in £

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	1,346,526	25,584,000
Affordable housing	<u>11</u>	193,927	<u>2,133,200</u>
<b>Totals</b>	<b>30</b>		<b>27,717,200</b>

**NET REALISATION** **27,717,200**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	2,000,000		
Fixed Price		2,000,000	2,000,000
Stamp Duty		89,500	
Effective Stamp Duty Rate	4.47%		89,500

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	444,420
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**MARKETING & LETTING**

Marketing	3.00%	831,516	831,516
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**Additional Costs**

Developer profit	20.00%	5,543,440	<u>5,543,440</u>
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		326,192	
Construction		339,565	
<b>Total Finance Cost</b>			<b>665,756</b>

**TOTAL COSTS** **13,278,132**

**PROFIT**

**14,439,068**

**Performance Measures**

Profit on Cost%	108.74%
Profit on GDV%	52.09%
Profit on NDV%	52.09%
IRR% (without Interest)	106.56%
Profit Erosion (finance rate 6.750)	10 yrs 12 mths

Annex 2 - Policy Compliant Appraisals  
Showing Local Plan Typologies  
Giving a Residual Land Value Output

Egham 30 DPH  
Fully compliant

Appraisal Summary for Phase 1

Currency in £

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	479,368	9,108,000
Affordable housing	<u>11</u>	138,555	<u>1,524,100</u>
<b>Totals</b>	<b>30</b>		<b>10,632,100</b>

**NET REALISATION** **10,632,100**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	3,052,356		
Fixed Price		3,052,356	<u>3,052,356</u>
Stamp Duty		142,118	
Effective Stamp Duty Rate	4.66%		
			142,118

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>
			3,703,500

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	
			444,420

**MARKETING & LETTING**

Marketing	3.00%	318,963	
			318,963

**Additional Costs**

Developer profit	20.00%	2,126,420	
			<u>2,126,420</u>

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		498,689	
Construction		339,565	
Total Finance Cost			838,253

**TOTAL COSTS** **10,626,030**

**PROFIT**

**6,070**

**Performance Measures**

Profit on Cost%	0.06%
Profit on GDV%	0.06%
Profit on NDV%	0.06%
IRR% (without Interest)	6.62%
Profit Erosion (finance rate 6.750)	0 mths

**Ottershaw 30 DPH**  
**Fully compliant**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	542,474	10,307,000
Affordable housing	<u>11</u>	145,459	<u>1,600,050</u>
<b>Totals</b>	<b>30</b>		<b>11,907,050</b>

**NET REALISATION** **11,907,050**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	3,866,071		
Fixed Price		3,866,071	<u>3,866,071</u>
Stamp Duty		182,804	
Effective Stamp Duty Rate	4.73%		182,804

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>

3,703,500

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	444,420
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**MARKETING & LETTING**

Marketing	3.00%	357,211	357,211
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**Additional Costs**

Developer profit	20.00%	2,381,410	<u>2,381,410</u>
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		632,069	
Construction		339,565	
<b>Total Finance Cost</b>			<b>971,634</b>

**TOTAL COSTS** **11,907,050**

**PROFIT**

**0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
IRR% (without Interest)	6.59%
Profit Erosion (finance rate 6.750)	0 mths

Wentworth 30 DPH  
Fully compliant

Appraisal Summary for Phase 1

Currency in £

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	19	1,346,526	25,584,000
Affordable housing	<u>11</u>	193,927	<u>2,133,200</u>
<b>Totals</b>	<b>30</b>		<b>27,717,200</b>

**NET REALISATION** **27,717,200**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	13,894,625		
Fixed Price		13,894,625	<u>13,894,625</u>
Stamp Duty		684,231	
Effective Stamp Duty Rate	4.92%		
			684,231

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	1,768	1,500.00	2,652,000
Affordable housing	<u>701</u>	1,500.00	<u>1,051,500</u>
<b>Totals</b>	<b>2,469 ft<sup>2</sup></b>		<b>3,703,500</b>
			3,703,500

**PROFESSIONAL FEES**

Professional fees	12.00%	444,420	444,420
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**MARKETING & LETTING**

Marketing	3.00%	831,516	831,516
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**Additional Costs**

Developer profit	20.00%	5,543,440	<u>5,543,440</u>
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		2,275,903	
Construction		339,565	
Total Finance Cost			2,615,467

**TOTAL COSTS** **27,717,200**

**PROFIT**

**0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
IRR% (without Interest)	6.63%
Profit Erosion (finance rate 6.750)	0 mths

Annex 3 - Appraisals Showing an Affordable Housing Shortfall  
Showing Local Plan Typologies  
Giving a Residual Land Value Output

**Egham 30 DPH  
Shortfall 1**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>Unit Price</b>	<b>Gross Sales</b>
Market housing	23	453,783	10,437,000
Affordable housing	<u>7</u>	158,529	<u>1,109,700</u>
<b>Totals</b>	<b>30</b>		<b>11,546,700</b>

**NET REALISATION** **11,546,700**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price		3,624,022	<u>3,624,022</u>
Stamp Duty		170,701	
Effective Stamp Duty Rate	4.71%		170,701

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>
Market housing	2,040	1,500.00	3,060,000
Affordable housing	<u>438</u>	1,500.00	<u>657,000</u>
<b>Totals</b>	<b>2,478 ft<sup>2</sup></b>		<b>3,717,000</b>

3,717,000

**PROFESSIONAL FEES**

Professional fees	12.00%	446,040	446,040
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**MARKETING & LETTING**

Marketing	3.00%	346,401	346,401
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		592,394	
Construction		340,802	
Total Finance Cost			933,196

**TOTAL COSTS** **9,237,360**

**PROFIT**

2,309,340

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	21.45%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

**Ottershaw 30 DPH  
Shortfall 1**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>Unit Price</b>	<b>Gross Sales</b>
Market housing	23	513,739	11,816,000
Affordable housing	<u>7</u>	165,836	<u>1,160,850</u>
<b>Totals</b>	<b>30</b>		<b>12,976,850</b>

**NET REALISATION** **12,976,850**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price		4,531,182	<b>4,531,182</b>
Stamp Duty		216,059	
Effective Stamp Duty Rate	4.77%		216,059

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>
Market housing	2,040	1,500.00	3,060,000
Affordable housing	<u>438</u>	1,500.00	<u>657,000</u>
<b>Totals</b>	<b>2,478 ft<sup>2</sup></b>		<b>3,717,000</b>
			3,717,000

**PROFESSIONAL FEES**

Professional fees	12.00%	446,040	446,040
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**MARKETING & LETTING**

Marketing	3.00%	389,306	389,306
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		741,091	
Construction		340,802	
Total Finance Cost			1,081,893

**TOTAL COSTS** **10,381,480**

**PROFIT**

**2,595,370**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	20.99%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

**Wentworth 30 DPH  
Shortfall 1**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Market housing	23	1,275,043	29,326,000
Affordable housing	<u>7</u>	200,057	<u>1,400,400</u>
<b>Totals</b>	<b>30</b>		<b>30,726,400</b>

**NET REALISATION 30,726,400**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price		15,789,919	<b>15,789,919</b>
Stamp Duty		778,996	
Effective Stamp Duty Rate	4.93%		778,996

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Market housing	2,040	1,500.00	3,060,000
Affordable housing	<u>438</u>	1,500.00	<u>657,000</u>
<b>Totals</b>	<b>2,478 ft<sup>2</sup></b>		<b>3,717,000</b>

3,717,000

**PROFESSIONAL FEES**

Professional fees	12.00%	446,040	446,040
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**MARKETING & LETTING**

Marketing	3.00%	921,792	921,792
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		2,586,571	
Construction		340,802	
<b>Total Finance Cost</b>			<b>2,927,373</b>

**TOTAL COSTS 24,581,120**

**PROFIT**

**6,145,280**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	19.21%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

Annex 4 - Appraisals Affordable Housing Shortfall Off Site  
Giving a Residual Land Value Output

Egham 30 DPH  
Make Good

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Affordable housing	4	103,600	414,400

**NET REALISATION** **414,400**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price (Negative land)	(142,932)	(142,932)
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**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Affordable housing	263	1,500.00	394,500

**PROFESSIONAL FEES**

Professional fees	12.00%	47,340	47,340
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**MARKETING & LETTING**

Marketing	3.00%	12,432	12,432
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		(15,991)	
Construction		36,171	
Total Finance Cost			20,180

**TOTAL COSTS** **331,520**

**PROFIT** **82,880**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	67.45%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

**Ottershaw 30 DPH  
Make Good**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Affordable housing	4	109,800	439,200

**NET REALISATION 439,200**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price (Negative land)	(125,535)	(125,535)
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**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Affordable housing	263	1,500.00	394,500

**PROFESSIONAL FEES**

Professional fees	12.00%	47,340	47,340
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**MARKETING & LETTING**

Marketing	3.00%	13,176	13,176
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**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)			
Land		(14,292)	
Construction		36,171	
Total Finance Cost			21,879

**TOTAL COSTS 351,360**

**PROFIT 87,840**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	47.86%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

**Wentworth 30 DPH  
Make Good**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>Unit Price</b>	<b>Gross Sales</b>
Affordable housing	4	183,200	732,800

**NET REALISATION** **732,800**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price	74,600
	<b>74,600</b>

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft²</b>	<b>Build Rate ft²</b>	<b>Cost</b>
Affordable housing	263	1,500.00	394,500
			394,500

**PROFESSIONAL FEES**

Professional fees	12.00%	47,340
		47,340

**MARKETING & LETTING**

Marketing	3.00%	21,984
		21,984

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)		
Land		11,646
Construction		36,171
Total Finance Cost		47,816

**TOTAL COSTS** **586,240**

**PROFIT** **146,560**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	25.14%
Profit Erosion (finance rate 6.750)	3 yrs 4 mths

All enquiries about this paper should be directed to:

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