
Draft Affordable Housing SPD for Consultation

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I Introduction

I.1 Introduction

- I.1.1** This SPD is primarily for applicants, agents or developers undertaking residential development and is a material consideration in determining planning applications. It sets out guidance on requirements to contribute towards affordable housing, combining advice from the Council's planning and housing services. The requirements need to be addressed for all new housing developments where planning permission is required, including changes of use for wholly residential use and mixed-use sites incorporating residential units.
- I.1.2** The Council want to work collaboratively with developers, Registered Providers and landowners to deliver the homes our residents need in the Borough. The Council strongly recommends applicants reach out to the Development Management team as part of early dialogue prior to any pre-applications and use the pre-application process to foster meaningful and pragmatic discussions and find early solutions to support development, allowing for a smoother application process.
- I.1.3** The guidance in this SPD aligns with national, regional and local planning policy on affordable housing delivery and viability.
- I.1.4** At the time of writing, the Ministry for Housing, Communities & Local Government (MHCLG) and the Greater London Authority (GLA) have announced a package of measures to accelerate housebuilding in London, including the introduction of a time limited, alternative Fast Track Route with a lower affordable housing requirement. The Council will keep these policy shifts under review and any subsequent changes to legislative framework, national planning policy or guidance.
- I.1.5** Since the introduction of viability into the planning system, there are still cases whereby land is bought at a high value, yet the delivery of planning obligations remains low. Development viability is explained in section [3.2 Financial Viability Assessments](#) of this SPD, including how viability assessments are used by the Council to secure affordable housing. The Council seeks to secure the maximum amount of affordable housing possible in line with Planning Practice Guidance,

while ensuring projects remain deliverable, by providing clarity on guidance and requirements through this SPD.

I.2 Borough Context

- I.2.1** The London Borough of Richmond upon Thames ("LBRuT" or "Richmond") is located in south-west London and is the only London Borough located both sides of the river Thames. It is bordered by the London Boroughs of Hounslow, Hammersmith and Fulham, Wandsworth and Kingston, and the Surrey Boroughs of Spelthorne and Elmbridge.
- I.2.2** Richmond has one of the highest average house prices and affordability ratios (based on average earnings to average house prices) in the UK. The Council's [Housing and Homelessness Strategy 2021-2026](#) is the most up to date publication of the Council's housing priorities and highlights the continued need for affordable housing, in particular Social Rented housing and family-sized homes. It also lays out the requirements for specialist housing, such as supported housing for particular demographic groups, also supported by the Local Plan evidence base, including the Local Housing Needs Assessment, published in 2021 with an update report in 2023.
- I.2.3** The Affordable Housing SPD is also informed by the Council's [Tenancy Strategy \(2019\)](#) and [Intermediate Housing Policy Statement \(2025\)](#), which both provide further information relating to intermediate housing and tenancy requirements.

2 Policy context and key requirements

2.1 Policy Context

2.1.1 All proposals for new housing developments, including changes of use for wholly residential use and mixed-use sites incorporating residential units, must contribute towards affordable housing requirements due to the high level of affordable housing need in the Borough, as set out in Policy 11 of the [Richmond upon Thames Local Plan \(2024-2039\)](#) (the “Local Plan”). Requirements for affordable housing differ in relation to the size and existing use of the site. Policy 11 sets out the routes which can be used to determine affordable housing requirements on major sites (10 or more dwellings) as well as the approach on small sites. These are detailed below.

2.1.2 The Local Plan also allows for specific circumstances where there is a loss of social or community infrastructure and the scheme proposes 100% genuinely affordable housing¹. In this circumstance, the site will not need to be considered for alternative social infrastructure and marketing evidence will not be required, provided the affordable housing complies with Policy 11.

2.2 Major Sites

2.2.1 Within the Local Plan, major sites are considered as sites capable of delivering 10 or more units on a gross basis. On major sites, the expectation is to meet 50% affordable housing by habitable room on the basis of a 70:30 tenure split (Rented Affordable to intermediate tenure). It is expected, as per Policy 11, that affordable housing is maximised onsite and that applicants have early and meaningful discussions with Registered Providers to help inform the proposed affordable housing mix, location, tenure and layout of the affordable homes. It is widely understood that early engagement with Registered Providers significantly increases the likelihood of securing a delivery partner, particularly on more complex sites.

2.2.2 The Council’s priority for the Rented Affordable element is for Social Rented housing as this is the most in demand tenure within the Borough. The 70:30 tenure split should be considered a starting

point for applications, and the Council encourages schemes that provide a higher level of Social Rented housing onsite.

2.2.3 In relation to the housing mix delivered, the Council’s current priority is for larger family-sized units for Social Rent, with generally 1- and 2-bedroom homes seen as more acceptable for intermediate housing. Due to current affordability pressures on Shared Ownership housing, the Council’s preference is for intermediate housing to be delivered as London Living Rent, adhering to the Council’s affordability criteria as per the Intermediate Housing Policy Statement, however, the priority tenure for affordable homes overall remains Social Rent.

2.2.4 On major sites, applicants are able to use the Fast Track Route or Viability Tested Route, both of which are set out within Policy 11.

2.3 Fast Track Route

2.3.1 The Fast Track Route (FTR) was first introduced within the London Plan Affordable Housing and Viability Supplementary Planning Guidance (2017). Applicants must meet the following requirements to use the FTR, as stated within Local Plan Policy 11:

- The site must meet at least 50% affordable housing by habitable room on publicly owned land;
- The site must meet at least 50% affordable housing by habitable room on sites which are defined as Locally Important Land & Business Parks (the Borough’s Locally Significant Industrial Sites (LSIS) as identified in Policy 24) and any non-designated industrial land that comes forward for residential uses in accordance with London Plan Policy E7, where there is a loss of existing Industrial floorspace;
- 35% affordable housing by habitable room is required on all other sites;
- The affordable tenure mix by habitable room must be met, including a minimum of 70% Rented Affordable housing and a maximum of 30% intermediate housing.

¹ Local Plan Policy 49, paragraph 24.16

2.3.2 If the development is on a site with existing industrial floorspace and the full amount of industrial floorspace will be re-provided, then 35% affordable housing by habitable room can be provided as long as the relevant tenure mix is met and the site is not publicly owned.

2.4 Viability Tested Route

2.4.1 For schemes that do not meet the relevant thresholds for the Fast Track Route, applicants must follow the Viability Tested Route (VTR). For schemes using the Viability Tested Route, the applicant must submit a Financial Viability Assessment (FVA) during the application stage, as per the requirements within the Validation Checklist. When using the Viability Tested Route, applications will be considered against the overall affordable housing requirement of 50% affordable housing by habitable room and a tenure mix with a minimum of 70% Rented Affordable housing and maximum 30% intermediate housing across all major site types in the Borough.

2.4.2 It is for applicants to consider the best route for their site in the planning process in regard to the use of the FTR or VTR. Applicants that provide above the relevant threshold for the FTR can still use the VTR if they wish to demonstrate the deliverability of their scheme. There are considerable benefits to using the VTR as it allows applicants to demonstrate transparently to the Council and residents that the level of affordable housing has been maximised onsite, providing certainty that policy requirements have been met. This will allow for smoother decision making as part of the planning application process. The Council strongly recommends that, as per the PPG, the Council's [Whole Plan Viability Assessment](#), which informs the Local Plan, is considered as the starting point for submitted viability assessments, with clear justification and evidence provided if different assumptions are applied.

2.5 Small Sites

2.5.1 Within the Local Plan, small sites are defined as sites capable of delivering fewer than 10 units on a gross basis ².

2.5.2 Affordable housing contributions on small sites are required due to the exceptionally high need for affordable housing in the Borough, and the strong

reliance on small sites to deliver housing. This was agreed as part of both the 2018 and 2025 Local Plan examinations.

2.5.3 The requirements for small sites are set out within Policy 11, Table 17.3, which includes an affordable housing contribution based on the number of dwellings proposed, if the proposal includes new build dwellings or conversion and/or if there is a loss of employment floorspace. Further detail on the process for calculating offsite contributions for small sites is laid out in section [3.6 Calculating offsite contributions for small sites](#).

2.5.4 Employment floorspace is a much broader definition than purely Industrial Land (as included as part of the Fast Track Route above). Employment floorspace is defined in Policy 11 as use classes E (g) (i), (ii) (iii), B2, B8 and employment generating Sui Generis uses - this includes floorspace such as office space, financial services, industrial uses appropriate within a residential area as well as other industrial uses such as manufacturing and industrial storage space. Employment generating Sui Generis uses would generally include uses such as casinos, night clubs, betting offices, laundrette, and similar floorspace types – further detail on relevant use classes is available via the [Planning Portal](#).

2.5.5 In relation to applications including the loss of employment floorspace, there is an exception to the application of this policy: the Council recognises that for small sites where listed buildings (Grade I, Grade II*, Grade II) are subject to conversion from employment to residential, the contribution sought will be discounted to the relevant percentage for conversions and reversions based on the number of gross dwellings proposed, as set out in Policy 11. This is due to listed buildings often proving far more costly to redevelop or convert and to secure the long-term future of these buildings.

2.6 Types of Affordable Housing

2.6.1 Affordable housing can be broadly defined as housing for sale or rent for those whose needs are not met by market rate housing. Affordable housing is an umbrella term for numerous tenures, including tenures classed as Rented Affordable and intermediate housing. The Council's highest priority affordable tenure is Social Rent, and the Council

² This is different to the London Plan definition of small sites, which is a site under 0.25 hectares.

will prioritise the delivery of Social Rent wherever possible. The Council will also provide other affordable tenures in order to provide a balance of opportunities to households on different incomes to access genuinely affordable housing in the Borough.

2.6.2 Table I presents the different tenures that come under the umbrella term of affordable housing and the priority of housing mix within these tenures. Since income levels and market rates for housing differ greatly across London, Table I also indicates which tenures are considered genuinely affordable by LBRuT.

Table I: Types of Affordable Housing

Tenure	Definition and priority	Considered genuinely affordable within LBRuT?
Rented Affordable		
Social Rent	<p>Homes owned by local authorities or Registered Providers, for which guideline rents are based on a formula set by Government since 2001.</p> <p>Social Rent homes are the highest priority for the Council to deliver with larger, family-sized homes being the most in demand. Where appropriate the Council would seek to provide smaller Social Rent homes that would release existing larger, family-sized rented housing for the Council to nominate eligible households for. This would be considered on a site-by-site basis.</p>	Yes
London Affordable Rent (LAR)	<p>Homes let by local authorities or Registered Providers for households on low incomes. Rents are significantly less than 80% of market rate and apply for the whole of London. Rents were updated annually by the GLA until 2022/23, whereby rent for subsequent years should be subject to the benchmarks in line with the social housing rent-setting guidance published by the Regulator for Social Housing. It is also important to note LAR is no longer eligible for the Affordable Homes Programme grant funding.</p> <p>The Council's priority is for larger family-sized homes for rent.</p>	Yes
Intermediate housing		
London Living Rent (LLR)	<p>London Living Rent is considered the Council's preferred intermediate tenure as it is more affordable to many households across the Borough than other forms of intermediate tenure. LLR offers households on average incomes a lower rent inclusive of service charge with the aim of enabling them to save for a deposit. LLR levels are set at ward level with figures published by the GLA on an annual basis. It is suggested that, as LLR can be a step to homeownership, it can be considered as an affordable homeownership product – however, it is the Council's preference for LLR to be delivered as an intermediate rent product. LLR is expected to be delivered in line with affordability criteria and income caps as per the Council's Intermediate Housing Policy Statement.</p> <p>The Council accepts the majority of LLR units to be 1- and 2-bedroom homes.</p>	Yes, when delivered in compliance with the Councils Intermediate Housing Policy Statement.

Shared Ownership	<p>Shared Ownership is an intermediate home ownership product which allows households who would struggle to buy on the open market to purchase a share in a new home and pay a low rent on the remaining, unsold share. This rent is charged by the scheme owner, which in most cases would be a Registered Provider or the Local Authority. In London, Shared Ownership is expected to be delivered in line with affordability criteria and income caps as per the Council's Intermediate Housing Policy Statement.</p> <p>The Council accepts the majority of Shared Ownership units will be 1- and 2-bedroom homes.</p>	Yes, when delivered in compliance with the Councils Intermediate Housing Policy Statement
Discount Market Rent (DMR)	A type of affordable home generally provided in Build to Rent schemes. Homes rented at a discount of at least 20% below market value to qualify under the government's definition of affordable housing.	No
Discount Market Sale (DMS)	A type of affordable home. Homes sold at a discount of at least 20% below market value to qualify under the government's definition of affordable housing.	No
First Homes	<p>First Homes are discounted market sale units which must be discounted by a minimum of 30% against the market value; are sold to a people meeting the First Homes eligibility criteria; on their first sale, will have a restriction registered on the title to ensure this discount and other restrictions are passed on at each subsequent sale, and; after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).</p> <p>First Homes are low in the Council's housing need priority, and as the Borough has some of the highest housing prices in the country it is unlikely First Homes would be affordable in the Borough. Applications submitted with First Homes will be assessed on a case-by-case basis taking in to account the priority housing needs within the Borough and viability.</p>	No
Other		
Supported Housing	<p>Supported housing is a type of housing that meets the needs of specific communities, such as older people, people with disabilities or other client groups. Often, a level of care is provided to residents.</p> <p>Where affordable supported housing is delivered, it may be appropriate to deliver the affordable accommodation in a separate block. Supported housing should be delivered to relevant standards as per Local Plan Policy 12 and to a similar specification to other private provision. Developers of supported housing are expected to engage with the Council's relevant commissioning colleagues throughout development.</p> <p>Supported housing is considered a high priority need in the Borough.</p>	Generally not considered as genuinely affordable, due to higher rents (however, scheme dependant)

2.7 Housing Mix Preference

2.7.1 The Council's top priority is for Social Rent homes, with an appropriate mix of sizes, but with the highest need for larger, family-sized Social Rent homes. The Council will however accept smaller Rented Affordable homes in town centres and mixed-use areas, where this aligns with Local Plan requirements.

2.7.2 As stated in the Local Plan, in Richmond family-sized homes are generally considered as having 3 or more bedrooms. However, if Nationally Described Space Standards and the external amenity standards are met, a 2-bedroom property can be designed for 3 or 4 persons and would be considered as family housing.

2.7.3 In terms of intermediate housing, the Council's priority is currently for London Living Rent (LLR) over Shared Ownership, and in particular 1- to 2-bedroom units which meet the Council's affordability criteria, as per the Intermediate Housing Policy Statement. However, the Council's overall priority tenure remains Social Rent – therefore, if it was specifically shown within a submitted viability assessment that the delivery of the intermediate housing as LLR would reduce the number of habitable rooms delivered as Social Rent, the Council would recommend the intermediate homes are delivered as a more viable intermediate tenure, such as Shared Ownership, to maximise the delivery of Social Rent housing. This approach is reflective of the need in the Borough as demonstrated in the 2021 and 2023 Local Housing Needs Assessments.

2.7.4 The Intermediate Housing Policy Statement (IHPS) sets out the Council's policy on the eligibility criteria and prioritisation of applicants for intermediate housing in the Borough; the income eligibility range for applicants to intermediate housing schemes; and the role of Registered Providers in providing intermediate housing in the Borough. The IHPS sets the proportion of LLR and Shared Ownership homes that should be allocated at different income caps in order to ensure affordability for households on a range of incomes. Any changes to the income caps will be reflected in the Council's Annual Housing Update Report, which is submitted to the Council's Adult Social Services, Health and Housing Committee annually, and any updates will be reflected within updates of the IHPS.

2.7.5 Policy 13 on Housing Mix and Standards provides detail on the Council's housing mix requirements for all tenures. This includes a preference for smaller units in and near town centres and a mix of units in the remainder of the Borough, the requirement for all units to adhere to nationally described space standards, both internally and for outdoor amenity space; and the required proportion of wheelchair accessible units. Please refer to Local Plan Policy 13 and supporting paragraphs 17.47 – 17.60 for more detail.

2.8 Accessibility Requirements

2.8.1 As stated by Local Plan Policy 13 and London-wide policy, 90% of new build homes should be to Building Regulation Requirement M4(2) 'accessible and adaptable dwellings' and 10% of all new housing should be to Building Regulation Requirement M4(3) 'wheelchair user dwellings'. These units should be evenly distributed across all tenures and bedroom sizes, or in accordance with need in the local area.

2.8.2 Only M4(3) standard dwellings are considered specifically wheelchair accessible. These can be of two different standards, as defined by Building Regulations Approved Document M (Volume 1). These are:

- M4(3)2a: these units are wheelchair adaptable and must show that adaptations can be easily made without moving stacks, services or walls.
- M4(3)2b: these units are designed to be accessible from the outset, are ready for a wheelchair user to move in and include features such as wheelchair charging/storage area, installed through floor lift, accessible kitchen and shower.

2.8.3 The Council requires that wheelchair user units be fully accessible prior to occupation, where they are rented or purchased by wheelchair users. This ensures the homes are immediately suitable for occupation without requiring further adaptation. All floorplans for wheelchair accessible units must be reviewed and approved by the Council's team of Specialist Housing Occupational Therapists as part of the planning application process. Developers should continue to engage with the team throughout construction. Developers should refer to the Richmond and Wandsworth Accessible and Inclusive Housing Report (May 2023) and the [Richmond and Wandsworth Specification](#):

[Supported Housing Accommodation \(August 2023\)](#) guidance document, or any updated guidance as advised by the Specialist Housing Occupational Therapist team.

2.9 Supported and specialist housing

2.9.1 The Council is committed to ensuring that more vulnerable people in the Borough are protected through means of securing suitable supported housing. Supported housing covers a range of Rented Affordable accommodation provided by a Registered Provider that, as defined by the Ministry of Housing, Communities and Local Government, meets the following criteria: “is made available in conjunction with the supply of support; is exclusively for households that include a person who has been identified as needing that support; and is designed so that residents can live independently”³.

2.9.2 Local Plan Policy 12 ‘Housing Needs of Different Groups’ covers the Council’s policy on the provision of supported housing and other specialist housing. Paragraph 17.44 in the Local Plan lists the Council’s identified priorities for new supported or specialist housing development in the Borough. Any proposals for such housing will be considered with regard to the Council’s Housing and Homelessness Strategy, Commissioning evidence and other strategies that may be associated with the particular community group(s) in need. Schemes should always be discussed at an early stage with housing and planning policy officers to ensure priority housing needs are addressed and the Council’s [Market Position Statement on supported housing](#) should be considered. Supported housing is most often not considered as affordable housing, however it does meet a priority need. In exceptional circumstances it can be considered appropriate that supported housing that provides for an identified priority need in the Borough, and when supported by clear evidence as to how it meets this need, would not be subject to affordable housing requirements set out in Policy 11.

2.9.3 Temporary accommodation is generally not considered as affordable housing, however it does meet an identified need. It is normally subject to affordable housing requirements as per Policy 11. However, in exceptional circumstances, the

Council will consider that temporary accommodation delivered by the Council or a not-for-profit organisation (such as a not-for-profit Registered Provider) would not be subject to affordable housing requirements set out in Policy 11 – this would be considered on a case-by-case basis.

2.10 Other residential tenures

2.10.1 Build to Rent and large-scale co-living are forms of development that are becoming increasingly popular within London and other major cities around the UK. The Local Plan makes it clear that any Private Rented Sector schemes that do not contribute to the higher priority need for affordable housing are unlikely to be supported due to the overriding need for affordable housing and limited number of available sites in the Borough. Any application will need to justify why conventional housing, that could deliver higher priority affordable housing, could not be provided. This, for example, could include viability information setting out why a conventional housing scheme is not viable, using the Viability Tested Route. The Council would also recommend that any schemes which are able to provide onsite affordable housing as part of a co-living or Build to Rent scheme would be supported at the required thresholds as per Policy 11 (subject to other relevant policy requirements) to help address the Council’s high level of need. Any payment in lieu calculations used for other residential uses will be required to use the GLA’s recommend methodology included within the London Plan Affordable Housing and Viability Supplementary Planning Guidance (2017), or any related updates to the guidance.

2.11 Design

2.11.1 The Council encourages the early involvement of Registered Providers in site discussions when there is still an opportunity to influence the design of a scheme. The approach to the design of affordable housing should be genuinely tenure blind to meet the same high quality and sustainability standards as private housing. In mixed-tenure developments there should be equality of access to communal amenity space and play areas for all tenures. Policy requirements on design standards are set out in

³ Ministry of Housing, Communities and Local Government “Draft policy statement on rents for social housing”.

the Council's Local Plan, particularly in Policy 13, and in the London Plan Supplementary Planning Guidance on Housing Design Standards (2023).

2.11.2 Where parking is provided, any differentiation in the proportion of spaces allocated to affordable homes compared with other housing would need to be accompanied by evidence. See Local Plan Policy 48 for more details on policy requirements related to parking.

2.12 Site Optimisation

2.12.1 Development proposals are expected to make the best use of sites by optimising the delivery of housing on all suitable brownfield and small sites, as stated by Local Plan Policy 15 (Infill and Backland Development) and Policy 16 (Small Sites), and in accordance with London Plan Policy H1. Sites can be optimised by providing a housing mix that ensures housing on site is maximised whilst being mindful of the site context, for example considering appropriate building heights and the types of homes needed by our residents.

2.12.2 Policy 15 lists the criteria for sites considered suitable for optimisation, which include any site with a public transport access level (PTAL) of 3-6 or which is located within 800m of a tube/railway station or a main town centre boundary.

2.12.3 Site optimisation is an important means to increase housing delivery in the Borough, especially in town centre locations, and where it can increase the quantum of affordable housing onsite. Nevertheless, it is important to ensure the housing mix is appropriate for the site type and location: where smaller units (such as studios and 1-bedroom units) are appropriate within a main town centre boundary, larger, family-sized units (2-bedroom/3-person and larger) are more appropriate outside of main town centres. Officers will use quantifiable measures to ensure sites have been suitably optimised, such as those specifically referenced in paragraph 17.21 of the Local Plan, which states the Council's resistance to proposals which include unit sizes significantly above Nationally Described Space Standards as an attempt to evade the threshold for onsite affordable housing contributions.

3 Checklist for Development Management Process

3.1 Addressing Affordable Housing in Applications

- 3.1.1** Discussions with the Council and Registered Providers should occur early in the planning process, based on comprehensive information on proposals, to ensure affordable housing contributions reflect the scale and nature of the scheme proposed and fully address policy requirements. Applicants are required to submit an Affordable Housing Statement as part of their application, which clearly sets out details of the proposed affordable housing contribution and evidence of engagement with Registered Providers – the full requirements of an Affordable Housing Statement are included in the Council's Local Validation Checklist.

Pre-application

- 3.1.2** The Council offers a formal process providing pre-application advice for potential applicants and their agents, including general affordable housing policy requirements, for which a fee is payable. The Council strongly recommends pre-applications are used especially as part of more complex schemes, as they provide useful early insight. Steps within the pre-application process for applications following the Viability Tested Route are provided in Appendix B.

Application

- 3.1.3** All full applications involving housing must demonstrate how affordable housing contributions have been maximised and policy requirements have been met. For all major developments applicants can follow the Fast Track Route by providing the relevant threshold level of affordable housing and meeting other Local Plan requirements. Due to the Council's limited number of available sites, affordable housing is expected onsite wherever possible and a payment in lieu is only acceptable in exceptional circumstances on any housing sites. Steps within the application process for applications following the Viability Tested Route are provided in Appendix B.
- 3.1.4** When using the Viability Tested Route, an applicant must be prepared to submit a Financial Viability Assessment (FVA) during the application stage. The Council's Whole Plan Viability Assessment should be referenced as part of the FVA – this tests the

ability for developments in the Borough to accommodate Local Plan policies alongside prevailing rates of Community Infrastructure Levy (CIL) in the [Council's adopted charging schedule](#) (subject to indexation). The Whole Plan Viability Assessment considers the impact of Council policy in line with NPPF requirements and takes the wider housing needs of the Borough into context. Where an applicant intends to claim CIL relief for affordable housing, qualification for relief is as defined in the CIL Regulations 2010 (as amended) and relief must be claimed and granted prior to commencement on site.

- 3.1.5** Where a qualified external consultant is appointed to review the submitted FVA on behalf of the Council, this appointment will be made by the Council. All costs incurred in the reviewing of viability information are to be met by the applicant, including the cost of an independent Quantity Surveyor should cost plans need to be assessed. This is set out in Local Plan Policy 11 (paragraph 17.26). Viability assessments and associated supporting information are required to meet the requirements set out within the PPG, RICS guidance and London Plan guidance to allow the Council and external consultant to fully review them, all information required as part of assessing viability must be provided in a timely manner, in addition to any other reasonably requested information to support the review. **If requested information is not provided by the applicant, this will result in delays in determining the application and could result in a refusal if not provided.** More information on what is expected by the Council in relation to viability is included below.

3.2 Financial Viability Assessments

What is development viability?

- 3.2.1** The planning system is currently predicated that development viability forms part of the planning balance when assessing planning applications. A Financial Viability Assessment is the process used if a development is unable to meet policy requirements within a Local Plan, more specifically related to determining the maximum amount of affordable housing that can be viably delivered in a site, or in exceptional circumstances a payment in lieu.

3.2.2 Generally, for development to take place it must generate a return that reflects the risk associated with the site and a land value that incentivises landowners to release sites for development. If a development does not generate reasonable returns for the landowner, sites will remain in their existing use or be sold for other types of development.

3.2.3 The following methodology is generally used to determine the viability of sites in which the Residual Land Value (the output from the viability whereby all the costs from the development are taken away from the total income generated from the planning proposal), is then compared with the Existing Use Value of a site. This is the methodology preferred by the Council and recommended in the PPG.

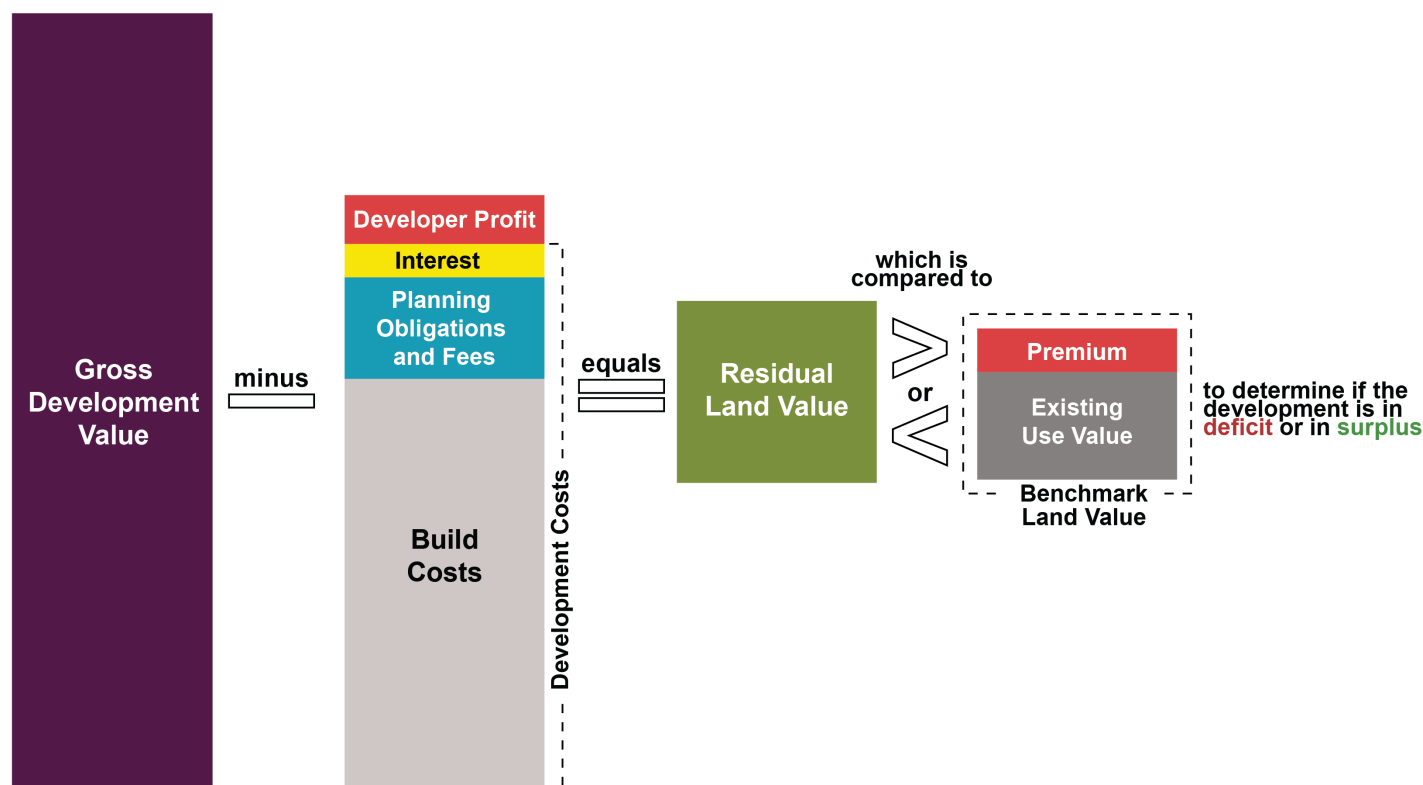


Figure 1: Mechanics of viability assessments

3.2.4 Since viability assessments are sensitive to changes in inputs, it is crucial that all assumptions made are robust and based on realistic evidence. The Council will therefore not accept partially or poorly evidenced assessments, and the Council or its independent assessor will strongly challenge any assessments that appear to be overly pessimistic.

3.2.5 A detailed overview of the steps to assessing viability in the context of Richmond is provided below.

When is a Viability Assessment Required?

3.2.6 The Council seeks to maximise affordable housing delivery wherever possible due to high levels of need in the Borough. Any development proposal that does not meet the Council's policy-compliant quantity and tenure mix for affordable housing onsite, as per Local Plan Policy 11, and/or seeks Council or other public funding to support the

delivery of affordable housing, will require a Financial Viability Assessment. It is recommended that applicants use a suitable professionally qualified consultant to undertake a viability assessment, ensuring they are RICS chartered or similar.

3.2.7 Off-site affordable housing or payment in lieu of affordable housing is generally not accepted by the Council on sites capable of 10 or more units; however, in exceptional circumstances, were this to be accepted, viability testing would be required to establish the required contribution. The Council would strongly recommend the methodology used to calculate the appropriate payment in lieu follows the approach included within the London Plan Affordable Housing and Viability Supplementary Planning Guidance (2017), or any related updates to the guidance. This assesses the difference in the Gross Development Value when affordable housing

is provided onsite in comparison to the Gross Development Value with no affordable housing provided.

3.2.8 In keeping with London Plan Policy H8, applications relating to estate regeneration will usually need to follow the viability-tested route to ensure that in addition to re-providing existing affordable housing on a like-for-like basis, the maximum amount of additional affordable housing is achieved. Typically, the level of engagement with existing residents and scrutiny applied to viability assessments will be especially high for estate regeneration schemes.

3.2.9 Appendix C provides a flow-chart which can be used to determine whether a Financial Viability Assessment is required.

Requirements of a Financial Viability Assessment

3.2.10 Policy requirements and associated costs (such as those arising from all planning obligations) should be factored into negotiations on land values in the Borough. For any Financial Viability Assessment that is submitted during the planning process the Benchmark Land Value will be based on Existing Use Value and in specific circumstances Alternative Use Value. The price paid for a site will not be used within any assessment or as an argument to reduce obligations, as per National Planning Policy Guidance.

3.2.11 In addition, viability appraisals will need to demonstrate how affordable housing is being maximised by partnering with a Registered Provider and optimising their use of all resources, including grant as and when it is available. The values used for affordable housing within the Financial Viability Assessment should be informed by these discussions with a Registered Provider.

3.2.12 The Council will expect developers to identify and get the Council's approval of the Registered Provider they partner with. The Council does not work with any one Registered Provider but will particularly support those that have a local presence or can demonstrate a good track record of developing or acquiring affordable housing and positive management of their stock. The Council can provide contact details of development managers on request.

Viability Information Requirements

3.2.13 In all cases where an applicant chooses to follow the Viability Tested Route, a Financial Viability Assessment (FVA) must be provided and must include the following elements:

- An executive summary written in simple, jargon-free language, outlining the principles of the assessment and its findings and ideally a summary of adopted appraisal inputs.
- A scenario-test appraisal showing the outcome when a fully policy-compliant scheme is modelled.
- A statement confirming that all reasonable avenues have been exhausted to maximise grant funding to improve affordable housing quantum and tenure mix. This should include evidence of meaningful discussions with the GLA regarding grant opportunities and with the Council's Housing Enabling team, in relation to accessing Council grant.
- Where a scheme is shown to be in deficit, a statement clarifying how deliverability can be achieved. This should include explicit assumptions about reduced but acceptable rates of return and/or assumptions made about revenue growth and/or cost savings.
- Generally, development values should be supported by a full schedule of accommodation, with prices for each proposed residential unit. In some cases, it may be acceptable to aggregate values on a rate per square metre / foot basis for reporting and appraisal purposes.
- Full details of how the adopted Benchmark Land Value was arrived at, in the form of a valuation report, appraisal, or other appropriate method. This may be appended to or included within the FVA.

3.2.14 Where assumed construction costs are supported by a full elemental cost plan, these are required to be prepared by a suitably qualified practitioner.

3.2.15 Insufficient or poorly evidenced viability information will not be accepted by the Council. As a minimum, this is likely to slow down the discussion process and reduce the quality of the advice that the Council's officers can provide. If a submitted FVA does not have the required outputs or sections required, the application may not be validated until the requested information is provided to the Council.

3.2.16 If it has not been adequately demonstrated that an affordable housing offer reflects the maximum viable, then decision takers may be compelled to refuse planning permission.

3.2.17 FVAs should also be accompanied by a working Argus Developer appraisal model, or a model constructed using equivalent alternative software. This must be made available to the Council and/or its assessors upon request in an editable electronic format.

3.2.18 Evidence which underpins the assumptions made in the FVA should either be from a public source or should be disclosed in full detail, so that the Council or its assessor can satisfy itself that the conclusions reached are a fair and reasonable assessment based on the currently available information.

Process and transparency

3.2.19 To improve the public's support and participation within viability assessments, the Council's approach to transparency will be a presumption in favour of publishing FVAs – this is consistent with the NPPF requirement to facilitate community involvement in planning decisions, the PPG's encouragement of transparency in relation to viability⁴ and the GLA's approach outlined in Mayoral guidance⁵. However, because FVAs submitted as part of pre-application discussions are deemed confidential, an FVA submitted at pre-application stage would not be immediately publicly available but could be shared once a full application is submitted on the Council's website.

3.2.20 If an applicant considers that any information contained in a pre-application submission should not be made available to the public upon receipt of a related planning application, the Council will need to be notified of this in advance of a full application, including the reasons why this information should be exempt.

3.2.21 If additional viability information is provided as part of the planning application process, officers will need a minimum of 14 days to review this information. If external consultants are required to review this information, such as additional build cost information where a QS is required, the Council will need at least 21 days to review the

additional information. The Council recommends this time is factored into the planning application process by applicants, especially when committee cycles are being considered for planning applications.

3.3 Inputs for Viability Assessments

3.3.1 The PPG and NPPF are clear in the preference for standardised inputs where appropriate; this will aid the process in remaining simple and transparent. Because planning permission is associated with land rather than an individual or entity, assessments should be carried out on the assumption of a generic, rational developer, and inputs specific to the applicant should not be used.

3.3.2 Whilst the starting point for viability inputs is the Whole Plan Viability Assessment, some inputs are inherently specific to the development and the date of assessment. Primarily, the scheme's value and the base construction costs will be contingent on the scheme specifics and will vary over a Local Plan period. These inputs must therefore be robustly justified by the best available comparable evidence.

3.3.3 In some instances, it is beneficial to use a fixed land cost, with profit being the output of the appraisal. Where an appraisal is showing a negative residual land value, this can cause errors in the appraisal model. An alternative approach is to fix the land cost at the assumed benchmark land value, with the appraisal showing a profit output. This can be compared to the target return to ascertain whether the scheme as proposed yields a surplus or is in deficit.

3.3.4 The Council shares the position of the PPG in its consideration of the use of an Alternative Use Value (AUV), whereby it should only be applied if it meets the following criteria:

- it is policy compliant
- it does not include any premium
- it can be demonstrated that the alternative use could be implemented on the site in question
- it can be demonstrated there is market demand for that use
- there is an explanation as to why the alternative use has not been pursued.

⁴ [Planning Practice Guidance – Viability](#)

⁵ [Mayor of London Homes for Londoners: Affordable Housing and Viability SPG \(2017\)](#) paras 1.18-1.25

3.3.5 If an AUV is being used to inform the BLV, the applicant would need to provide all required information as per the PPG to justify the application of this approach within any submitted viability assessment.

3.3.6 Numerous measures of profit are available; however, the most commonly used is profit on GDV. Whilst national planning guidance recommends a range of 15-20% of GDV as appropriate for plan-making purposes, it should be noted that whole-plan viability is a necessarily conservative exercise. The level of profit should be representative of risk and the profit targets at the top of this range should be fully justified within any submitted FVA, rather than considering a higher level of profit as a default position.

3.3.7 Where an applicant seeks to proceed with a much lower profit return than expected, a full explanation should be provided as to how the project can be delivered, for example, through growth modelling. A simple statement referring to commercial decisions may not be satisfactory to the Council where a deficit is significant (see Glossary for definition of deficit).

3.4 Viability Review Mechanisms

Overview & Purpose of Review Mechanisms

3.4.1 Policy and guidance are clear that achieving compliance with policies and targets can be a process taking place over the whole life cycle of a development rather than solely at application stage. One method of achieving this is through viability review mechanisms, which can take place at an early (pre-implementation), intermediate (during construction or between phases) or late (post-occupation) stage.

3.4.2 All review mechanisms are upwards-only. This means that if conditions have improved, the surplus is used to progress towards (or reach) policy compliance, whereas if conditions have worsened and a deficit arisen, there is no reduction in planning obligations. Viability assessments allow for developer's profit to accommodate market risk; it is not the role of the planning system to insulate developers against market downturns.

3.4.3 Relevant trigger points for undertaking reviews will be set out within the S106 agreement accompanying the planning permission, with the onus typically on the developer to notify the Council and provide all relevant information.

Deficits Following Viability Discussions

3.4.4 Where viability discussions result in a scheme showing a deficit position (where the Residual Land Value (RLV) is well below the determined Benchmark Land Value (BLV)), the efficacy of review mechanisms are compromised unless a breakeven scenario is agreed. This can broadly be achieved in two ways:

- a. GDV and/or construction costs can be adjusted until a viable position is reached.
- b. The target return can be adjusted until a viable position is reached.

3.4.5 The Council's preference is for the latter approach. This is because a developer cannot unilaterally increase the value of its development or reduce its costs. However, a developer can choose to accept a lower return; indeed, this is implicitly the case where a deficit is deemed acceptable by an applicant.

3.4.6 The onus is on the applicant to demonstrate how a scheme can be delivered where a deficit is incurred. Sense-checks can include comparing the appraisal's RLV with the site's transacted price (if known) or calculating the actual profit by deducting the deficit from the target profit. Where a sense-checking exercise suggests an applicant is pursuing permission for a scheme which has no realistic prospect of becoming viable, the parties must consider whether the assumptions made are tenable, and revisit discussions if appropriate.

3.4.7 Where an applicant considers growth assumptions to be fundamental to achieving viability these assumptions should be included within the application-stage viability discussions. It is inconsistent to cite aspirational assumptions about growth prospects in justifying deliverability but not include these assumptions when determining a reasonable level of planning obligations.

Early-stage Review Mechanisms

3.4.8 All major developments (providing 10 or more residential homes) will be required to include an early-stage review mechanism in its Section 106 agreement, regardless of whether the fast-track or viability-tested route is pursued.

3.4.9 An early-stage review mechanism is triggered if an agreed level of progress, termed "substantial implementation" is not achieved within an agreed timeframe, which is 18 months after the date of the agreement as per the Local Plan. It should be

noted that substantial implementation is not the same as commencement or implementation as defined for, for example, the purposes of CIL. If substantial implementation is achieved before the agreed date, the early-stage review will not be triggered.

3.4.10 Where an early-stage review demonstrates a surplus is available, this should be used to enhance the on-site affordable housing, either by quantum or by tenure mix (i.e. increasing the number of Social Rent dwellings), until the Council's strategic affordable housing target is achieved. If the surplus, or a remaining portion of the surplus, cannot fund an entire additional affordable home then this may be provided as a payment in lieu.

3.4.11 The early-stage review process has two stages, usually determined on a formula basis. The formulas can be found in the [Mayor of London's Affordable Housing and Viability SPG \(2017\)](#). Formula 1 calculates the available surplus at the time of the review, based on changes to values and costs in the period since the initial application. Formula 2 calculates how this surplus is allocated and the amount of additional affordable housing that the agreed surplus can support.

3.4.12 Early-stage reviews are expected to contribute any surplus determined until the point that the Council's strategic affordable housing target is achieved which, as per Local Plan Policy 11, is 50% affordable housing on the basis of a 70:30 (Social Rent to intermediate housing) tenure split.

Mid-stage Review Mechanisms

3.4.13 Mid-stage reviews may be required for applications which fail to achieve a policy compliant level of affordable housing at application stage. Generally, this will only be the case on larger, multi-phased developments but can be negotiated at the Council's discretion. The process is broadly similar to that of the early-stage review in that the first calculation is the amount of surplus (if any) that arises at the review, and the second calculation is used to allocate this surplus and determine the amount of additional affordable housing that can be provided.

3.4.14 Where actual revenues and costs are known (e.g. for completed phases) these should inform the review mechanism formulas. In practice for mid-stage reviews, it is likely that a combination of known and expected values and costs will be

compared to their application-stage equivalents to determine whether a surplus has arisen in the intervening period.

Late-stage Review Mechanisms

3.4.15 Late-stage reviews will be required for all major applications that fail to achieve a policy compliant level of affordable housing at application stage.

3.4.16 The late-stage review takes place when an agreed occupation or sale of the private sale residential homes is reached. An advantage of this is that most, if not all, actual development costs are known by this stage and can be compared to those assumed for the application-stage viability. Similarly, most of the actual revenue generated by the scheme is known and the remainder can be estimated more reliably based on this.

3.4.17 Because these reviews take place at an advanced stage, any surplus determined is provided as a payment in lieu to the Council to fund other affordable housing projects elsewhere in the Borough. This would be split 60:40 between the Council and the developer, with 60% of surplus profit used for additional affordable housing.

3.4.18 Different formulas are used for the late-stage reviews; again, these are found in Mayoral guidance. The first step uses a formula-based approach to determine the available surplus. In this case, the second formula calculates the contribution cap, which is a payment in lieu equivalent to the Council's strategic affordable housing target, as per Local Plan Policy 11.

3.5 Legal agreements

3.5.1 Matters agreed through negotiation, including agreed affordable housing units and/or a specified financial contribution, will be secured through a legal agreement (S106 Agreement or Unilateral Undertaking). A legal agreement would cover but not be limited to; the number of the affordable homes agreed, the mix of the affordable homes, the location of the affordable homes, the number of wheelchair accessible homes, the associated tenure split, details of phasing, and any other relevant aspects of the proposal.

3.5.2 The Council has set out guidance notes and templates for Unilateral Undertakings for planning obligations – the most up to date template for sites of fewer than 10 dwellings can be found on the

Council's [Unilateral Undertaking for Planning Obligations webpage](#) and the Council recommends this is used by applicants.

3.5.3 Major developments are likely to be subject to a review mechanism as per above. In more complex and/or phased schemes, the Council expects the applicant to pay for legal support in the drafting of the Section 106 agreement, the cost of which would be agreed with the applicant prior to instructing additional legal support.

3.5.4 In exceptional circumstances, if the viability of a scheme changes significantly due to circumstances outside the control of the applicant, amendments to an extant planning permission can be submitted to make amendments to a legal agreement associated with the application. In some cases, this can include the level of affordable housing originally agreed as part of the planning application. This process would include the submission of either a Section 106a application (if relevant requirements are met), or a Section 73 application.

3.5.5 Generally, the Council will only accept Section 106A applications 5 years after the legal agreement was signed, unless exceptional circumstances are justified. Any Section 106A or Section 73 applications which seek to reduce the number of affordable homes delivered or reduce the original affordable housing contribution will be resisted by the Council and only considered where the applicant justifies the following specific circumstances:

- a. The applicant can justify circumstances outside of their control have resulted in a significant change to the viability of the scheme, for example significant increases to build cost that were unable to be foreseen.
- b. The affordable housing contribution was immaterial within the planning balance when considering the original application

3.5.6 If a Section 106A application or Section 73 application is submitted and falls within the specific circumstances listed above, the Council will require the applicant to submit a full viability assessment and associated information, providing actual costs incurred so far in addition to assumed costs. Clear justification as to the reasons for the circumstances in which the viability of the application has been impacted will be expected, including evidence that the applicant has sought to mitigate these impacts on the development. This could include seeking

grant to ensure the development can still proceed with the originally agreed level of affordable housing.

3.6 Calculating offsite contributions for small sites

3.6.1 Within Local Plan Policy 11, an affordable housing contribution is required on all housing proposals on a gross basis. The definition of gross means the total number of housing units included within the red line boundary in a planning application's location plan. An affordable housing contribution is not required for householder applications; however, it is required for new housing development proposals including improvements such as:

- Refurbishment (not including minor improvements to fire safety requirements such as the addition of fire doors or similar);
- Increases to the Gross Internal Area, extensions or general improvements to existing dwellings included within the red line boundary as part of the submitted location plan;
- Amalgamation of other types of floorspace (such as E use classes or B use classes) into an existing dwelling, which results in an increase of more than 10% to the total Gross Internal Floorspace of the existing dwelling.

3.6.2 This is not purely limited to C3 housing but includes all residential uses and types of housing that would contribute towards overall housing completions. This approach aligns with the Planning Practice Guidance which states; *"In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission"*.

3.6.3 Small sites in Richmond make a significant contribution to housing supply and the cumulative impact of these sites should contribute to affordable housing provision. Policy 11 states that on sites below the threshold of 'capable of 10 or more units gross' (i.e. on sites developing fewer than 10 units), a financial contribution to the Affordable Housing Fund will be sought. This contribution is commensurate with the scale of

development – the required contribution, as a percentage of the gross value of the development, is set out in Policy 11, Table 17.2.

3.6.4 The Council acknowledges that conversion schemes are different from new-build schemes because development costs can be higher – for this reason, the affordable housing contribution required from conversion and reversion schemes is lower than that of new-build schemes.

3.6.5 Applicants may use the Build Cost Information checklist to submit cost information to the Council – however, if this is not relevant to the specifics of the development, then the Council will require a cost plan to be provided by the applicant to assist any viability assessments. The Council expects the following from a cost plan, as per the emerging [London Plan Viability SPG \(2023\)](#):

“Applicants should submit elemental cost plans that are consistent with the level of detail provided in the drawings in support of planning applications (i.e. RIBA Plan of Works Stage C). The gross-to-net floorspace ratio of the development should be clearly set out. They should be detailed and set out the separate costs for:

- Preliminaries
- Demolition/ site clearance/ site preparation
- Base build costs
- Abnormal costs
- On-site infrastructure and utilities
- Offsite infrastructure (where delivered by the developer and directly related to the scheme)
- Contractor’s overheads and profit”

Wherever possible, cost plans should be benchmarked against other similar projects as well as sources such as the RICS Build Cost Information Service (BCIS). Further information on the expectations for cost plans can be found in Section 4.3 of the London Plan Viability SPG (2023).

3.6.6 The Council has produced a pro-forma – called the Affordable Housing Commuted Sum Calculator – for developers to use to calculate the affordable housing contribution due for their specific site. The pro-forma is available in Appendix D, and a live version is available for download on the [Council’s Affordable Housing SPD webpage](#). The assumptions included in the Commuted Sum Calculator are aligned with current market conditions and the Whole Plan Viability Assessment. Step-by-step guidance to the Affordable Housing Commuted Sum Calculator is also available on the Council’s

SPD webpage, which may be updated from time to time to reflect changes to market conditions. This guidance includes a description of the inputs to the viability appraisal and the typical information sources the Council requires from an agent/applicant/developer. Any commuted sum figure will be assessed by the Council for accuracy and consistency. If the applicant considers the proposal cannot support the affordable housing contribution calculated, the applicant is required to use the Viability Tested Route and submit the required viability information. Any viability assessment submitted will be reviewed by the Council’s external viability consultant, the cost for which will be met by the applicant, as set out in section [3.1 Addressing Affordable Housing in Applications](#).

3.6.7 The amount of affordable housing contribution required is reflective of the values of properties local to the application site and similar in bed-size, specification, house type and size of the proposed development. To ensure accuracy when assessing comparable market values, it is recommended an average value per square metre is calculated and applied to the proposed development according to the submitted GIA, an approach which is recommended within London Plan Guidance. This way an appropriate assumed Open Market Value can be reached and the affordable housing percentage contribution applied accordingly.

3.6.8 Since Policy 11 applies to all gross housing, the same methodology will be applied to all gross housing proposed on small sites. This includes but is not limited to, Houses of Multiple Occupation, care homes and sheltered accommodation, and will also apply if additional bedspaces are added to these forms of accommodation. In this case the commuted sum spreadsheet would be applied using expected rents based on suitable comparables and evidence of the comparables used would be required to determine the appropriate affordable housing contribution.

3.7 Funding

3.7.1 The Council is keen to work with applicants, Registered Providers the GLA to explore all funding opportunities and ensure the maximum amount of affordable housing can be delivered. As part of this process, the Council will expect applicants to provide a statement confirming that all reasonable avenues have been exhausted to maximise grant funding to improve affordable

housing quantum and tenure mix. This should include evidence of meaningful discussions with the GLA regarding grant opportunities and with the Council's Housing Enabling team, in relation to accessing Council grant.

3.7.2 The priority is to work with Registered Providers who are willing to use their available funding to provide affordable housing that meets the Council's approach to affordable rent levels and intermediate housing affordability. The following paragraphs reflect the situation with funding for affordable housing at the time of writing.

3.7.3 The Council funds a Housing Capital Programme to support the development of affordable housing. Capital resources for this programme come from a variety of sources including Council funding and S106 financial contributions to the Affordable Housing Fund – support from this fund may be available to help ensure schemes remain viable. In determining which schemes should be funded by the Council, the priority is to support Council objectives to increase the supply of new affordable housing as well as releasing existing under-occupied housing, considering value for money and deliverability.

3.7.4 To support the delivery of affordable housing, the GLA introduced the Fast Track Route (FTR). The FTR removes the need for developers to submit detailed viability information on sites whereby 35% or affordable housing is provided (or 50% on public or industrial land) and that meet affordability and tenure mix requirements. The FTR was introduced to allow housing developments to progress through the planning process more quickly.

3.7.5 The GLA introduced an Accelerated Funding Route under the current Affordable Homes Programme 2021-2026 to support the delivery of affordable housing. This route increases grant rates for London Living Rent (LLR). It also expands the scope of the Fast Track Route by allowing developers to provide 20% affordable housing on site, whilst providing a further 20% through grant. These measures are designed to incentivise the delivery of Social Rent and LLR by increasing access to grant funding. The GLA's [GLA's Accelerating Housing Delivery - Planning and Housing Practice Note \(2024\)](#) provides further detail.

3.7.6 Where viability is a consideration in relation to the delivery of Shared Ownership instead of London Living Rent, there are opportunities through the

GLA to apply for grant to allow Shared Ownership units to be flipped to more affordable tenures. This should be considered prior to providing Shared Ownership housing in place of LLR.

3.7.7 The GLA's practice note also allows the use of an "equivalency principle" to maximise the provision of Social Rent housing onsite. This is welcomed by the Council to support the delivery of more Social Rent housing, which is the most in demand tenure in the Borough.

3.7.8 If an applicant is seeking to use the "equivalency principle", the Council will expect the applicant to clearly set out their calculations for the final affordable housing figure, and this will be reviewed by the Council's in-house viability team to ensure accuracy. If further information is required to justify the inputs used by the applicant, this must be provided to the Council promptly to avoid any delays to the determination of the application.

3.8 Vacant Building Credit

3.8.1 In relation to Vacant Building Credit (VBC), the Council's views align with those included within Mayoral guidance, which states; "the Mayor's view is that in most circumstances it will not be appropriate to apply the VBC in London". This is also referenced in the supporting text to Local Plan Policy 11, paragraph 17.19.

4 Appendices

4.1 Appendix A: Glossary and Terms for Legal Agreements

The Glossary provides a list of definitions the Council expects to be applied within Viability Assessments and legal agreements to ensure consistency. Deviations from these definitions may be appropriate in certain circumstances depending on the site specifics – any deviations are to be agreed with the Council.

Affordable Housing - means housing provided to eligible households whose needs are not met by the market in accordance with the definition in Annex 2 of the National Planning Policy Framework 2024.

Affordable Housing Contribution - means a financial contribution applied by the Council and to be paid to the Council for the provision of off-site Affordable Housing within the Council's administrative area and which shall be subject to the Affordable Housing Cap.

Affordable Housing Cap - means the equivalent of 50% by Habitable Room of the Residential Units.

Affordable Housing Provider - means a provider of Affordable Housing by virtue of their being listed on the register of providers of social housing provider maintained by the Regulator of Social Housing under section 111 of the Housing and Regeneration Act 2008 (or such other relevant previous or amended or replacement statutory provision) or being an approved development partner of Homes England (or any successor agency) or any other body specialising in the provision of Affordable Housing and the term “**Affordable Housing Providers**” shall be construed accordingly.

All-In Tender Price Index - means the all-in tender price index published by the Building Costs Information Service or, if that index ceases for any reason to be published in the United Kingdom, such other index issued or caused to be issued from time to time by the Building Information Service, Royal Institution of Chartered Surveyors, or other appropriate body and as may commonly be used in place of the All-In Tender Price Index. It is normally expected that the Index definition is agreed as All-in Tender Price Index, unless there is a clear reason to use another Index – in this instance RPI Index (All Items Index of Retail Prices) could be considered appropriate.

Alternative Use Value - For the purposes of a viability assessment, Alternative Use Value (AUV) refers to the value of the land for uses other than its current existing use. Any uses considered as an alternative use are limited

to those which would fully comply with up-to-date development plan policies, including any policy requirements for contributions towards affordable housing as set out within the Local Plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Commencement - means the carrying out of a material operation as defined by Section 56(4) of the 1990 Act other than a Preparatory Operation and Commence and Commencement Date shall be construed accordingly *(specific definition should be added, specific to the site).*

Construction Phase - means the period from Commencement of the Development to Practical Completion of the Development.

Contingency Costs - means Build Costs that are unforeseen at the date of the Planning Application but which may not exceed five per cent of the total Build Costs and which cannot be applied to any costs that have been incurred at the time the Development Viability Information is submitted to the Council and the GLA.

Development Viability Information - means:

- a. Review Gross Development Value (GDC) and (where applicable) Previous Review GDV;
- b. Average Market Housing Value;
- c. Average Intermediate Housing Value;
- d. Average Social Rented Housing Value;
- e. Review Build Costs and (where applicable) Previous Review Build Costs;

and including in each case supporting evidence to the Council's reasonable satisfaction.

Disposal - means:

- a. the Sale of a Component(s) of the Development; or
- b. the grant of a lease of a term of less than 125 years of a Component of the Development; or
- c. the grant of an assured shorthold tenancy agreement or a short-term let in respect of a Component of the Development.

ALWAYS excluding Non-Market Transactions and Dispose, Disposals and Disposed shall be construed accordingly provided that a transfer to an associated company (within the meaning of the Companies Acts) will not constitute a Disposal.

Dwelling Value - means the estimated disposal value of the relevant Dwelling as a Market Housing Unit or Intermediate Housing Unit (as applicable) using appropriate comparable data.

Early Review - means the Viability Review carried out at the Early Stage Review Date. *(An Early Review is required if substantial implement has not occurred within 18 months from the date of permission. The GLA set out a recommendation for 24 months, this could be deemed acceptable if the site is very complex. Substantial implementation will need to be clearly defined).*

Eligible Purchaser - means a purchaser or purchasers whose Household Income at the date of purchasing the relevant Shared Ownership unit does not exceed the relevant upper limit specified in the latest London Plan Annual Monitoring Report (such amount at the date of this publication being £90,000).

External Consultant - means an independent and suitable person holding appropriate professional qualifications appointed by the Council to assess the Development Viability Information submitted at the Viability Reviews.

GDV - means Gross Development Value, as defined in the RICS Professional Standard of Valuation of Development Property, October 2019.

GIA - means the Gross Internal Area calculated in accordance with the RICS Code of Measuring Practice 6th edition, May 2015.

GLA - means the Greater London Authority, the devolved regional governance body of Greater London led by the Mayor of London.

Habitable Room - means any room within a Dwelling the primary use of which is for living, sleeping or dining and which expressly includes kitchens of 13 square metres or more, living rooms, dining rooms and bedrooms but expressly excludes kitchens with a floor area of less than 13 square metres, bathrooms, toilets, corridors and halls.

Household Income - means:

- a. in relation to a single Eligible Person the gross annual income of that Eligible Person; and
- b. in relation to joint Eligible Persons, the combined gross annual incomes of those Eligible Persons;

Implement, Implemented and Implementation - means the carrying out of a material operation as defined by section 56(4) of the 1990 Act save for the following operations:

- a. any Preparatory Operation; or
- b. demolition;

and Implemented, Implementation, and Implementation Date shall be construed accordingly.

Intermediate Affordability - means that annual housing costs, including rent, mortgage payments (assuming reasonable interest rates and deposit requirements) and Service Charges shall not exceed 40% of net Household Income and net Household Income is defined as 70% of gross Household Income.

Intermediate Housing Marketing Plan - means a plan to market the Intermediate Housing Units demonstrating:

- a. how a period of 3 months priority will be given by the Affordable Housing Provider for sale or letting (as applicable) to people who live or work in the Borough in housing need;
- b. how the sales values with regard to rent and/or mortgage payments and service and estate charges in relation to the Intermediate Housing Units will be affordable to persons with an average Household Income (as set out with most recent Intermediate Housing Policy Statement) or less and how the Intermediate Housing Units will be marketed to people at this level of income rather than the higher, overall income cap; and
- c. that an appropriate proportion (as set out within the most up to date Intermediate Housing Policy Statement) of the Intermediate Housing Units are affordable at gross Household Incomes below the lower income threshold, unless otherwise agreed by the Council, to ensure lower income households can still access these homes. For the avoidance of doubt the figures in (b) and (c) above shall be updated in line with any updated Intermediate Housing Policy Statement.

Late Stage Review – means the Viability Review carried out at the Late Stage Review Date.

Late Stage Review Cap - means a cap on the Affordable Housing Contribution paid at the Late Stage Review as calculated in accordance with Formula 4 (as set out within the GLA affordable housing and viability guidance).

Late Stage Review Date – normally defined at 75% occupation, however, this will be dependence on the site. A Late Review is not required if a site has used the Fast Track Route.

Nomination Agreement - means an agreement to be entered into with the Council for the nomination of persons to the Social Rented Units substantially in the same form as the Council's standard nomination agreement and which shall provide the Council with nomination rights in respect of 100% of first lets of the Social Rented Units and 75% of the relets of Social Rented Units.

Non-Market Transaction – means:

- a. a transaction the purpose or effect of which is to artificially reduce the Review GDV and/or artificially increase the Review Build Costs; or
- b. a Disposal that is not an arm's length third party bona fide transaction.

Occupational Therapist - means the individual employed by the Council in the Housing and Regeneration Department in the role of occupational therapist, who will be consulted throughout the Construction Phase of the Main Development to ensure the required accessibility and wheelchair accessibility requirements are met by the Main Development in full. Such individual to be registered with the Health and Care Professions Council or its successor body.

Occupy - means beneficially occupy for purposes permitted by the Planning Permission but not including occupation by persons engaged in construction, fitting out or decoration, or occupation for advertising, marketing or display purposes, or occupation in relation to site security and management of the Land (and Occupies, Occupiers, Occupied and Occupation shall be construed accordingly).

Occupation Date - means the date on which any part of the Development is first Occupied for the purposes set out in the Planning Permission.

Practical Completion - means issue of a certificate by the Owner's architect, civil engineer or chartered surveyor possessing appropriate professional qualifications as appropriate certifying that the Development or a relevant part thereof (depending on the context of the Deed) is for all practical purposes sufficiently complete to be put into use and Practically Completed shall be construed accordingly.

Reasonable Endeavours - means that the party under such an obligation will not thereby be required to take proceedings (including any appeal) in any court public inquiry or other hearing (unless specified to the contrary) but subject thereto has diligently pursued methods commercially and reasonably prudent and likely to achieve

the desired result to the standard of that required of the relevant party over a reasonable period of time (which may either be specified in the relevant obligation or in the absence of this such period of time as is reasonable in the circumstances) PROVIDED THAT subject to compliance with any specific agreed steps or time periods set out in or agreed pursuant to the obligation in question this shall not require any party to sacrifice its own commercial interests, nor shall it require any party to continue with such endeavours to comply if the parties agree that it is reasonable to conclude that all further efforts would be futile.

Rent Guidance - means the Guidance on Rents for Social Housing and the Direction on the Rent Standard 2014 issued by the Ministry of Housing, Communities and Local Government in February 2020 or such other replacement guidance or direction or legislation.

Rent Standard - means the standard relating to rent set by the Regulator of Social Housing from time to time having regard to the Welfare Reform and Work Act 2016, together with the Rent Standard Guidance published by the Ministry of Housing, Communities and Local Government in February 2020 or such other replacement guidance or direction or legislation.

Review Actual GDV - means the sum of:

- a. the value of all gross receipts from any Sale of a Component of the Development prior to the Review Date;
- b. the Market Value of any Component of the Development that has been otherwise Disposed prior to the Review Date but not Sold; and
- c. all Public Subsidy and any Development related income from any other sources to be assessed by the Council excluding any Public Subsidy repaid by the Owner to the Council and/or the GLA (as applicable).

In respect of which the supporting evidence to be submitted as part of the Development Viability Information shall include documentary evidence of all gross receipts under (a) and evidence of rental values achieved for different Components of the Development under (b).

Review Build Costs - means the sum of:

- a. the Build Costs actually incurred; and
- b. the estimated Build Costs remaining to be incurred at the Review Date.

Review Date - means the date of the submission of the Development Viability Information for a Viability Review (*generally the triggers will be set out either as part of this definition or within a schedule in the legal agreement, dependent on the number of reviews included*).

Review Estimated GDV - means the estimated Market Value at the Review Date of all remaining Components of the Development that are yet to be Disposed based on detailed comparable evidence.

Review GDV - means the sum of:

- a. the Review Actual GDV; and
- b. the Review Estimated GDV.

Section 106 Agreements – Are legal agreements between a planning authority and a developer, which set out planning obligations the developer must provide as part of the development, these can include provision of additional infrastructure, affordable housing requirements, monitoring fees and the phasing and/or timing of the payments/requirements.

Section 106a Applications – An application to seek to modify an existing legal agreement.

Section 73 Applications - An application for Removal or Variation of conditions can be used to change or remove conditions which have been previously imposed.

Service Charges - means all amounts payable by a tenant or owner (as appropriate) of the relevant Social Rented unit or Intermediate Housing Unit as part of or in addition to the rent and directly or indirectly for services, repairs, maintenance, improvements, insurance and/or the landlord's costs of management in relation to that Social Rented unit or Intermediate Housing Unit (as applicable).

Shared Ownership Housing - means housing offered to Eligible Purchasers to be occupied partly for rent and partly by way of owner occupation or shared ownership arrangements as defined in section 70(4) of the Housing and Regeneration Act 2008 (or any amended or replacement provision) where the shared ownership lessee for the time being has the right to carry out Staircasing and dispose of the unit on the open market once the unit has been fully Staircased and which meets at the point of first disposal and subsequently the requirements of Intermediate Affordability. Shared Ownership Lease and Shared Ownership Lessee and Shared Ownership Unit shall be construed accordingly.

Social Rent / Social Rented Housing - means rented housing owned and managed by local authorities or Affordable Housing Providers and let at Target Rents as per Policy statement on rents for social housing, Chapter

2; Updated 14 December 2022 (Ministry of Housing, Communities and Local Government), or such other replacement guidance in force and applicable at the relevant time and subject to the limit on rent changes and rent caps and the indexation provisions set out therein. Social Rented unit shall be construed accordingly.

Staircasing – means the process of a Shared Ownership lessee purchasing more shares in their Shared Ownership home, up to and including 100% outright ownership. The lessee only pays rent on the remaining share that they do not own.

Substantial Implementation – (*Substantial Implementation will be specific to the site however an example could include*); “the occurrence of the following in respect of the Main Development:

- a. completion of demolition of existing buildings on the Main Site;
- b. completion of basement excavation on the Main Site;
- c. completion of installation of basement slab; and
- d. completion of the foundations and ground floor slab of the first Building and Substantially Implement shall be construed accordingly”.

Target Return - (*Target Return will often be specific to the viability assessment agreed as part of the application process, however, the following levels of developer profit/return are generally expected to be applied*) means profit on value of:

- a. 17.5% on Market Housing Units;
- b. 6% on Affordable Housing Units; and
- c. 15% on any commercial floorspace.

Temporary Accommodation - Temporary accommodation (TA) is used by local authorities to meet their legal obligations towards some people experiencing homelessness, in specified circumstances. Accommodation must be suitable and can be in the private rented sector or the social rented sector. It could also be in a hostel, a commercial hotel or a bed and breakfast (B&B) (subject to exceptions/conditions for some household types).

Transferred - means transferred either by way of a freehold interest or a leasehold interest for a term of 999 years (unless a shorter term is agreed by the Council).

Viability Review - means each of the viability reviews carried out for the Development as described. This will include setting out within the legal agreement the triggers i.e. the number of dwellings completed/occupied when a mid/late-stage review is carried out.

Wheelchair Accessible Dwellings - means:

- a. in respect of the Social Rented Units, the M4(3)(2)(b) Building Regulations specification;
- b. in respect of the Intermediate Housing Units, the M4(3)(2)(a) Building Regulations specification; and
- c. in respect of the Market Housing Units, the M4(3) Building Regulations specification.

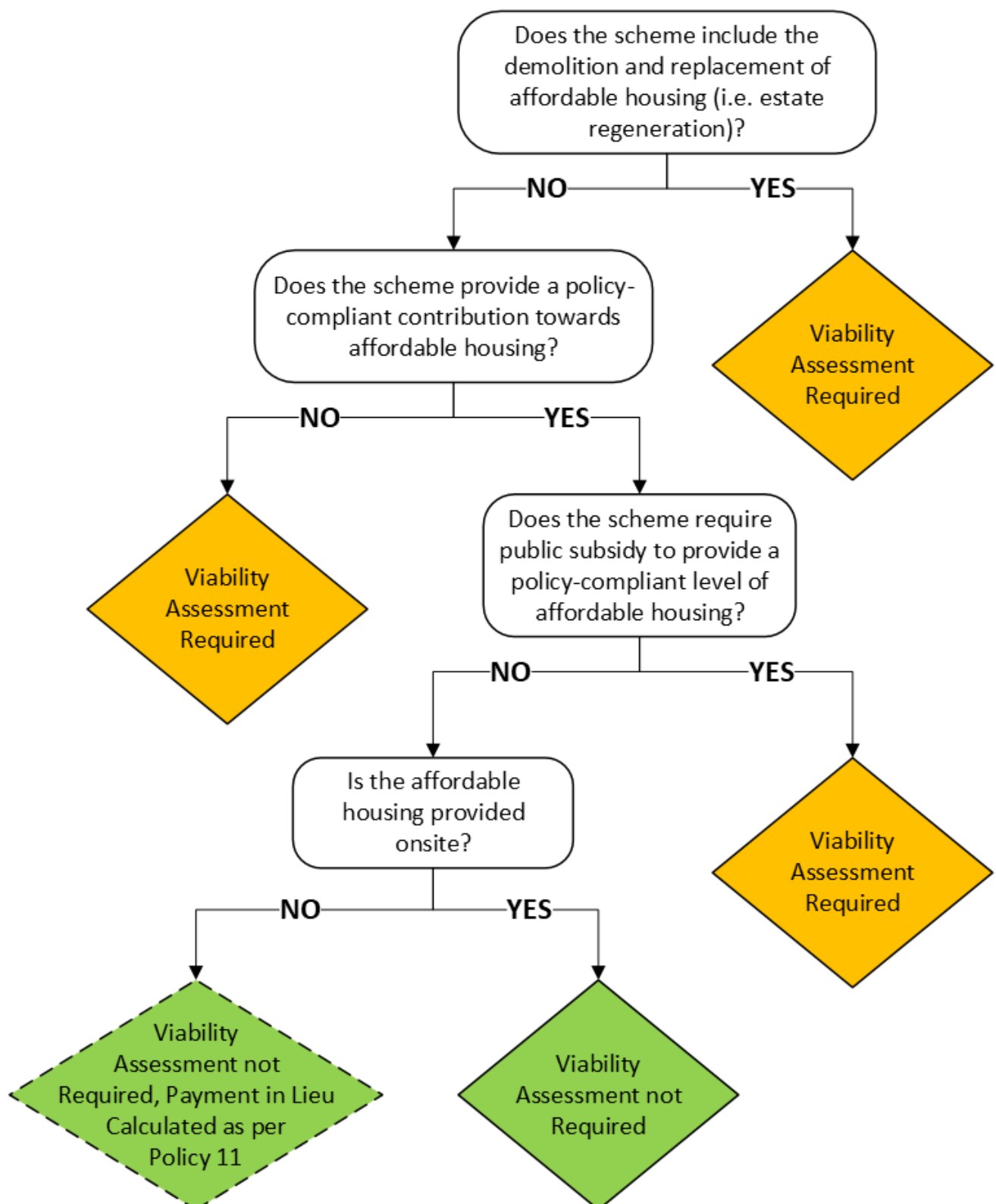
4.2 Appendix B: Process for Applications Following the Viability Tested Route

The table below outlines the stages for following the Viability Tested Route, which the Council expects applicants to adhere to. This collaborative approach aims to ensure a smooth application process which is expected to result in mutually beneficial outcomes. This process is required for both small sites (fewer than 10 dwellings) and major developments (sites of 10 or more dwellings) using the Viability Tested Route.

Stage	Step	Comment
Pre-Application	Submission (Pre-app)	The Council encourages the submission of a Financial Viability Assessment (FVA) at pre-application stage, where the applicant expects to pursue the viability-tested route. As far as possible, the same information is expected to be provided as would be in the case of the full application submission. However, it is recognised that the pre-application stage is somewhat iterative, and that revisions may need to be made during and following this stage.
	Comment	Council officers, including Housing and Viability officers will provide comments and recommendations to applicants. The quality of advice will be determined by how far other elements, such as design, have progressed. Where required, third-party assessors may be appointed at pre-application stage.
	Revision / Discussion	Generally, more extensive discussion at pre-application stage will expediate the process once the full application has been submitted.
	Conclusion	Following discussions, the parties may or may not reach consensus on viability and affordable housing matters. If this results in an application switching to the Fast Track Route, this is likely to expediate the full application process. It should be noted, however, that any advice offered at this stage is provisional. This is especially true for viability inputs that change over time, such as development values and construction costs.
Application	Submission (Application)	The applicant should submit all required information relating to viability at the earliest opportunity. Required information is outlined in section 3.1 Addressing Affordable Housing in Applications of the SPD.
	Verification	The Council and/or its assessor will verify that all necessary information has been submitted and that viability discussions can progress.
	Further Information	Where necessary, the applicant must provide any clarification or further information as requested by the reviewer in a timely manner.
	Assessment	The Council or its appointed assessor will carry out its review of the FVA and provide its conclusions in a report, which is to include an executive summary and is to be as robustly evidenced as would be expected of the FVA.
	Negotiation	Where there are disagreements between the parties, there will be a process of negotiation. Where negotiations progress via written correspondence (e.g. emails and letters), these should be made public. In exceptional circumstances where negotiations take place via meetings, minutes should be taken and also made public. Where the discussions progress via written rebuttals and/or emails and letters, these should also be made public.

	Conclusion	Once the parties have exhausted all avenues of discussion, the final position(s) should be reported, including any remaining areas of disagreement. Sense-checking appraisal results may be appropriate at this stage.
	Determination	The Council's Development Management team will consider the outcome of the viability process, and this will be reflected in all advice given to the decision taker.
Post-Determination	Section 106 Drafting	Where the outcome of an application is a resolution to grant, the parties will need to agree terms for a Section 106 agreement. This will include provisions for early-stage (all applications) and late-stage review mechanisms (applications following the Viability Tested Route). Some larger, multi-phased developments may also require provisions for (a) mid-stage review mechanism(s).
	Review Mechanisms	If applicable, the developer must submit all relevant information associated with the review mechanism within a pre-determined period following the trigger event. This period will be defined within the Section 106 agreement, but the broad principles of the review mechanism process are outlined in section 3.4 Viability Review Mechanisms of this SPD.

4.3 Appendix C: Decision Tree - Is a Viability Assessment Required?



4.4 Appendix D: Commuted Sum Calculator pro-forma

[The commuted sum calculator does not form part of the consultation and will follow post-adoption of the SPD]

For more information write to:
**Spatial Planning and Design,
Growth and Place Directorate,
Civic Centre,
Twickenham, TW1 3BZ**

Telephone: (020) 8891 1411

Email: LocalPlan@richmond.gov.uk

Or visit our website:

https://www.richmond.gov.uk/services/planning/planning_policy