Supplementary Planning Document

Affordable Housing: A Guide for Applicants on Core Strategy Policy CS4

February 2010
Updated July 2014 & January 2018
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ইমেইল: alternativeformats@molevalley.gov.uk
ওয়েবসাইট: www.molevalley.gov.uk
## Abbreviations

Throughout this document a number of abbreviations have been used. These have been listed below for convenient reference. Appendix 6 ‘Glossary’ - provides further detail as to the meaning of these terms.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMR</td>
<td>Authority Monitoring Report</td>
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<tr>
<td>GDV</td>
<td>Gross Development Value</td>
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<td>HCA</td>
<td>Homes and Communities Agency</td>
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<td>HQI</td>
<td>Housing Quality Index</td>
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<td>NAHP</td>
<td>National Affordable Housing Programme</td>
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<td>OMV</td>
<td>Open Market Value</td>
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<td>RPs</td>
<td>Registered Providers of Affordable Housing</td>
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<td>RSS</td>
<td>Regional Spatial Strategy</td>
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<td>S.106</td>
<td>Section 106 Agreement</td>
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<tr>
<td>SHG</td>
<td>Social Housing Grant</td>
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<td>SHMA</td>
<td>Strategic Housing Market Assessment</td>
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<td>SPD</td>
<td>Supplementary Planning Document</td>
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<tr>
<td>CIL</td>
<td>Community Infrastructure Levy</td>
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Abbreviations
Section 1 Affordable Housing SPD Update - January 2018

1.1 The Mole Valley Affordable Housing SPD was adopted by the Council in February 2010.

1.2 Since 2010 there have been a number of significant changes to national planning guidance and affordable housing strategies, as well as changes at a regional level. The SPD was first updated in July 2014 to reflect this. In May 2016 an SPD Addendum was added to reflect further changes brought in by Government, introducing a 'Vacant Building Credit' and changes to affordable housing thresholds.

1.3 The Affordable Housing SPD has been updated again in January 2018, to provide clearer guidance on calculating affordable housing requirements. The changes reflect current practice in engaging with developers and Registered Social Landlords during the pre-application and application process and clarify certain procedural issues which often raise queries.

1.4 The changes made to the SPD are contextual, no changes have been made to the Affordable Housing policy except where necessary to reflect up to date Government guidelines. Core Strategy Policy CS4 'The Provision of Affordable Housing' remains the up to date affordable housing policy.

1.5 If you have any questions about the Affordable Housing SPD please contact either the Strategic Housing Manager or the Planning Policy Team (see Appendix 4 'Key Council Contacts, Useful Links and Preferred Partners').
Section 2 Introduction, Purpose & Context

Introduction

2.1 Mole Valley is amongst the least affordable places to live in the UK\(^1\) and a lack of affordable housing is having a significant social and economic impact on communities throughout the District.

2.2 Within Mole Valley there are a number\(^2\) of low and average income households who, because of the present relationship between house prices and incomes, are unable to find suitable housing to rent or buy in the private market. This includes many essential workers whose employment is of particular importance to the local community.

2.3 The relationship between incomes and house prices is forcing many households to move away in search of cheaper housing as housing is no longer accessible within the District. Successive housing needs surveys reflect this growing trend and identify an increasing need for affordable homes within the District.

2.4 To address these issues and increase the provision of affordable homes within the District, the Council requires that new residential developments\(^3\) contribute towards the provision of affordable homes either via a financial contribution or the provision of affordable homes on-site (depending on the scale of development).

2.5 This requirement is set out in Policy CS4 ‘The Provision of Affordable Housing’ of the Core Strategy (October 2009).

Purpose and Status of this Supplementary Planning Document

2.6 The purpose of this Supplementary Planning Document (SPD) is to provide advice on how the Council’s affordable housing policy as set out in the Core Strategy is to be implemented.

2.7 This includes the range of approaches, standards and mechanisms required to deliver affordable housing which meets local needs and contributes towards sustainable communities and balanced housing markets.

2.8 This SPD is aimed at landowners, planning agents, developers, designers, Registered Providers of Social Housing (RPs), and others - all of whom have a role to play in the delivery of affordable housing in Mole Valley.

2.9 In the consideration of planning applications and negotiating the provision of affordable housing, the Council will use this SPD in conjunction with Policy CS4 ‘The Provision of Affordable Housing’ of the Core Strategy. It should therefore be taken into consideration when undertaking feasibility reviews and site negotiations; and when drawing up plans for new housing schemes.

2.10 Whilst SPDs do not have the same status as Local Plan Documents, and therefore do not need to be subject to independent examination or Sustainability Appraisal, this SPD was prepared in line with the provisions of The Town and Country Planning Act (Local Development) (England) Regulations 2004 as amended in 2008 and 2009.

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1 CACI Housing Affordability Index 2008
2 40.3% of working households in Mole Valley cannot afford to purchase a 2 bedroom property (East Surrey Strategic Housing Market Assessment (SHMA) (2008))
3 Some exceptions in providing affordable housing as part of residential developments apply – see Section 3.
2.11 This SPD was therefore available for a four-week consultation period between 30th October and 27th November 2009 and was formally adopted by the Council on 23rd February 2010. This SPD forms part of the Mole Valley Local Plan, along with the Core Strategy and other emerging documents.

2.12 This SPD is consistent with Policy CS4 of the Core Strategy. Outlined below is a brief policy context to this SPD.

National, Regional and Local Policy Context

National Planning Context

2.13 The National Planning Policy Framework (NPPF) sets the national policy for all Local Plan documents.

2.14 The NPPF states that Local Authorities should prepare a plan that meets the full objectively assessed needs for market and affordable housing. Where a need for affordable housing is identified policies should be set for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified.

2.15 The NPPF definition of affordable housing includes social rented housing and intermediate housing, but excludes low cost market housing, this is detailed in Section 3 'Definition of Affordable Housing' of this document.

Regional Planning Context

The South East Plan

2.16 The South East Plan was abolished on 25th March 2013. However many of the aims and policies in the plan remain relevant and are reflected in the Core Strategy (adopted 2009).

Mole Valley Policy and Strategy Context

Core Strategy

2.17 The Core Strategy sets out how the District is expected to evolve over a period of almost 20 years until 2026. The role of the Core Strategy is to set out a vision for the District and guide the type, level and location of future development.

2.18 An independent examination into the soundness of the Core Strategy was held in May 2009. Following the approval by the Planning Inspectorate it was adopted as Council Policy on 1st October 2009.

2.19 Policy CS2 ‘Housing Provision and Location’ of the Core Strategy sets out that at least 3,760 new dwellings will be provided within the District between 2006 and 2026. Of the 3,760 new dwellings, the Council aims to provide 950 new dwellings as affordable homes (25% of the total housing requirement).

2.20 At 31st March 2014, 1,780 dwellings had been completed. Of these 416 were affordable (23% of those completed). The Council’s remaining affordable housing target between 2014 and 2026 is therefore 534 units (27% of the residual housing target of 1,980 units (3,760 – 1,780)).

2.21 This target is set out in Policy CS4 ‘The Provision of Affordable Housing’ which provides the local planning context for this SPD. The target set within the Core Strategy is one which the Council believes it can realistically deliver. The need for affordable housing within the District is however, significantly higher than even these levels.
2.22 The level of housing need in the District has been identified through a district-wide Housing Needs Study (2007) and the East Surrey Strategic Housing Market Assessment (SHMA) (2007/08) (4). Annually within the District there is a need for 1,334 affordable units.

2.23 As with the need for general affordable housing within the District, the need for specific types of affordable homes i.e. extra care housing, retirement housing and supported housing, is significantly higher than the number of units that is likely to be provided. The Council will however, seek to secure the provision of specialist affordable units on sites where it considers appropriate.

East Surrey Housing Strategy (2009 – 2013)

2.24 The East Surrey Housing Strategy (5) set out how the housing authorities in East Surrey would deliver Housing Services to their residents over the following four years. However, this period has now come to an end and Mole Valley has published its own Affordable Housing Position Statement February 2016. A copy can be found on the Council's website http://www.molevalley.gov.uk/index.cfm?articleid=17558

2.25 This position statement aims to improve delivery of new affordable homes and takes account of changes in Government funding and national policy. It covers achievements to 2016 for Mole Valley and other East Surrey Councils and confirms Mole Valley’s corporate target of providing an average of 50 affordable homes per annum.

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4 Further information can be found on the Councils website – www.molevalley.gov.uk/localplans
5 East Surrey Councils – Elmbridge, Epsom & Ewell, Mole Valley, Reigate & Banstead, and Tandridge
Section 3 Definition of Affordable Housing

Affordable Housing Definitions

3.1 For the purpose of this SPD, the Council’s definition of ‘affordable housing’ is defined as in the National Planning Policy Framework (NPPF, 2012):

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

Forms of Affordable Housing

3.2 The following tenures are classed as affordable housing in accordance with the NPPF

Social Rented

3.3 This is rented housing owned and / or managed by local authorities or housing associations (RPs), where the rent charged is well below market levels. Guideline target rents are determined through the national rent regime. These homes have usually been developed with a public or private subsidy and are generally only available to those on the Council’s housing register.

Affordable Rented

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

Intermediate Affordable Housing

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

3.6 The Council acknowledges that there are many different 'products' that are being introduced by the Homes and Communities Agency (HCA). When new products emerge which meet the definitions above, they may be considered, for planning purposes, as affordable housing.

Protected Areas

3.7 Under the Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009 and the Housing (Right to Enfranchisement) (Designated Protected Areas) (England) Order 2009, which came into force on 7 September 2009, both the parished and unparished areas of Mole Valley district have been identified as “protected areas”.

3.8 The protected areas are the same parishes and unparished areas that are already exempt from the Right to Acquire scheme and areas covered by the Rural Exception Site policy. This means that where it is considered appropriate by the Council or RP, provisions in a S.106 agreement could be made to
ensure that the lease is excluded from Part 1 of the 1967 Act and the tenant will therefore be unable to exercise the right to enfranchisement i.e. they will not be able to ‘stair-case’ up and purchase the property outright.

**Housing Not Classed as Affordable**

3.9 In accordance with the NPPF homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

3.10 The governments 'Help to Buy' scheme does not fall within the definition of affordable housing in the NPPF.

**Where Affordable Housing is and is not Required**

3.11 The requirement for affordable housing to be provided extends to all types of residential development (Use Class C3), including retirement homes (sheltered accommodation) and Extra Care Schemes (see Appendix 6 'Glossary'). However, it is considered that due to management issues Extra Care Schemes / Sheltered Accommodation will not be required to provide affordable housing on-site. Instead, the required percentage of affordable housing (20%, 30% or 40%) will be made in the form of a financial contribution.

3.12 Care homes and nursing homes (Use Class C2) that generally provide non self-contained accommodation are not required to provide affordable housing.

3.13 The requirement for affordable housing to be provided will be applied to the conversion and change of use (6) of any building, whether or not it is already in residential use. (Vacant Building Credit (7) may be applicable in these cases.) The policy will not however, apply to residential accommodation, which is to be used as incidental to the main dwelling, or to staff / student accommodation.

3.14 A developer contribution / on-site provision will not be required for a replacement dwelling, i.e. When no net gain in dwellings is being proposed. For example, in the case where 10 units are demolished and replaced with 10 dwellings, then no on site provision is required. However in the case where 10 units are demolished and replaced by 12 units, then the 30% affordable housing on site requirement is triggered on all 12 units, because Policy CS4 applies to the gross number of dwellings.

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6 This refers to changes of use for which planning permission is required. Since this SPD was adopted in 2010, new permitted development rights for changes of use to residential have been introduced, which fall outside the scope of policy CS4. In case of doubt, seek pre-application advice.

7 Vacant Building Credit was introduced through a Written Ministerial Statement dated 28 November 2014 - see the SPD Addendum for more information.
Section 4 Affordable Housing Targets and Thresholds

Policy CS4 ‘The Provision of Affordable Housing’

4.1 The Council’s Core Strategy sets out a sliding-scale approach for residential developments to contribute to the provision of affordable housing either by a financial contribution or provision on-site – depending on the size of the scheme. The provision of affordable housing will be secured through a S.106 agreement.

4.2 The sliding-scale approach as set out in Policy CS4 is shown below (see Appendix 1 ‘Core Strategy Policy CS4 ‘The Provision of Affordable Housing’ and Supporting Text’ for the complete policy and supporting text):

Policy CS 4 ‘The Provision of Affordable Housing’

1. In order to increase the provision of affordable homes the Council will aim to secure a minimum of 950 net affordable units within the District between the period 2006 and 2026 (contribution towards the sub-regional target of 40% of all new homes being affordable.

2. In order to achieve this target the District Council will require where viable:
   a) that on all housing development of 1 to 9 gross dwellings, a financial contribution equivalent to providing 20% of the total number of dwellings as affordable is made;
   b) that on all housing developments of 10 to 14 gross dwellings, 30% of the total number of dwellings are affordable; and
   c) that on all housing developments of 15 gross dwellings or more, 40% of the total number of dwellings are affordable.

3. On sites of 10 or more gross dwellings, on-site provision should be made and must incorporate a mix of dwelling types and sizes which reflect the site’s characteristics, the development as a whole and the type of need identified in the most up-to-date Housing Needs Survey and Strategic Housing Market Assessment.

4. Affordable housing provision must also incorporate a mix of tenures. The Council will negotiate the exact tenure split on each site. However, the presumption is that at least 50% of the total number of affordable homes provided on site will be for social rented accommodation. Where the Council considers it is appropriate, a higher level of social rented accommodation may be sought.

5. Small scale affordable housing schemes may be acceptable on an exceptional basis on sites outside of, but adjoining the settlement boundaries of the rural villages.

6. Where rural communities wish there to be provision of affordable housing, in their area, the Council will seek to identify and allocate land limited to affordable housing only within the Land Allocations DPD having regard to the provisions of Policy CS1 ‘Where Development will be Directed’ (A Spatial Strategy) and CS2 ‘Housing Provision and Location’.
On-Site Provision of Affordable Housing

4.3 Policy CS4 and the supporting text states that on sites of 10 or more gross dwellings, affordable housing should be provided on-site and secured through a Section 106 (S106) agreement\(^{(8)}\). In calculating the number of units to be provided on any qualifying scheme the Council will always round up to the nearest number of whole units.

4.4 The Council’s preference is for affordable housing to be provided and managed by Registered Providers (RPs). For the Council’s preferred RPs please see Appendix 4 ‘Key Council Contacts, Useful Links and Preferred Partners’.

4.5 Providing affordable housing on-site as part of open market housing developments of this size will promote socially inclusive and sustainable communities and minimise the delay in making affordable housing available.

4.6 To further aid the promotion of inclusive and sustainable communities, the provision of on-site affordable housing should be integrated seamlessly into the layout of the development through ‘pepper-potting’ within private housing. Within apartment blocks it is accepted that management and other requirements could mean floors, wings or whole blocks will generally be designated for affordable or market housing or that on larger developments affordable housing is likely to be provided in small clusters.

4.7 Affordable housing must not be distinguishable from market housing in terms of design and should meet the latest design and quality codes and standards set out by the Homes and Communities Agency (HCA) or other relevant body, as well as in national guidance.

4.8 Further guidance on management and design standards of affordable housing is provided in Section 7 of this SPD.

Off-Site Provision of Affordable Housing

4.9 Only in exceptional circumstances will off-site provision be considered appropriate i.e. the provision of units on an alternative site. This will be dependent on the suitability and availability of alternative sites.

4.10 The off-site provision of affordable housing will only be acceptable if it can be proven that on-site provision would not be feasible, supported by evidence within a financial viability statement for the development. If an off-site contribution is considered appropriate, the Council will wish to work with the applicant to ensure that arrangements are made to secure its delivery. The location of off-site provision would need to satisfy the objectives of the Core Strategy Policies.

4.11 See para. 6.24 for further information on the provision of land.

The Tenure, Type and Size of Affordable Housing

4.12 Where affordable housing is provided a mix of dwelling tenures, types and sizes must be incorporated which reflect the site’s characteristics, the development as a whole and the type of need identified in the most up-to-date Housing Needs Survey (which could be District-wide or a Parish Study) and SHMA.
4.13 The Council will negotiate the exact tenure, type and size split on each site through pre-application discussions. However, as stated in Policy CS4, the presumption is that at least 50% of the total number of affordable homes provided on site will be for social rented accommodation. Where the need exists and the Council considers it is appropriate however, a higher level of social rented accommodation will be sought.

4.14 Policy CS3 ‘Balancing Housing Markets’ of the Core Strategy also identifies that the Council will particularly seek the provision of two and three bedroom dwellings suitable for occupation for all sectors of the community, including newly forming households, young couples and expanding families.

4.15 On some sites where local need can be demonstrated, the provision of specialist or supported housing may be required. For example homes designed specifically for wheelchair users, older people (such as sheltered or extra care housing), people with learning disabilities or other special needs groups. These facilities should generally be well located in an area of high accessibility.

4.16 Para. 5.24 sets out further guidance on minimum affordable housing property sizes (internal floorspaces) that the Council will require to be implemented. However, the Housing Quality Indicators have now been superseded by the Technical Housing Standards - nationally described space standard. Applicants are encouraged to comply with these new standards, as this will normally be the minimum required on affordable housing by Registered Providers, and early consultation is recommended. See para 5.26 for further information.
Section 5 Negotiating and Funding Affordable Housing

Negotiating the Affordable Housing

5.1 The Council adopts a negotiated approach to affordable housing delivery. Each site is different and the Council will take into account specific circumstances in its negotiations to optimise the affordable housing contribution. A procedure flow chart for securing affordable housing provision is set out in Appendix 2.

5.2 Before making a planning application, applicants should make contact with the Council (see Appendix 4 ‘Key Council Contacts, Useful Links and Preferred Partners’ for details) to discuss the affordable housing requirements of the application to:

- clarify the amount, type, size and tenure of affordable housing to be provided.
- identify the Registered Provider (RP) and contact them to discuss the delivery of the affordable housing element of the development. For the Council’s list of preferred development partners see Appendix 4 ‘Key Council Contacts, Useful Links and Preferred Partners’.
- reach agreement with the chosen RP partner in respect of the design and specification of the affordable housing units.
- agree the arrangements for the provision of the affordable housing with the RP prior to the submission of a planning application.
- agree with the Council the Heads of Terms of the S.106 Agreement that will be required to ensure delivery of the affordable housing.
- enable early consideration of funding implications and opportunities.
- help provide all parties with more certainty as the proposals move forward.

Funding Affordable Housing

Private Subsidy

5.3 The expectation of both the Homes and Communities Agency (HCA) and central government is that greater levels of affordable housing should be provided and their funding underpinned through the planning system.

5.4 Previously the payments received from the RP to the developer for the provision of completed affordable homes has been negotiated between the parties. This was the basis of the Council commissioned Affordable Housing Financial Viability Assessment (2007 / 08) undertaken by Adams Integra. However, to provide clearer guidance on the level of private subsidy to be secured and to be consistent with the approach adopted by the public sector, the Council will seek to secure free service land (defined over the page) as private subsidy.

5.5 This approach sets the subsidy at a level equivalent to the value of the relevant free serviced land. This is the starting point for negotiations, and it is expected that free serviced land will be applied as the subsidy for both rented and intermediate tenures.
Free Service Land Approach

The approach to operating the free serviced land principle means securing a level of subsidy which is equivalent to the value of nil cost, clean (or decontaminated) land ready for development, that has access and all appropriate services provided to the site boundaries – based on the land area for the required number of affordable homes. Normally, this land will not be provided as a vacant site however; its value should be reflected in the price paid by the RP to the developer for completed homes which will then be constructed by the developer within and as part of their overall scheme.

Public Subsidy

5.6 The starting point in funding the provision of affordable housing is private subsidy via free service land. However, if proven unviable discussions with the selected Register Provider will be encouraged to try and negotiate a reduced value for the land.

5.7 Social Housing Grant is allocated on behalf of central government by the HCA through the Affordable Homes Programme (AHP). The AHP is generally not available for development sites where a percentage of affordable housing is required as a housing condition.

5.8 MVDC has a limited amount of capital funding to put towards the development of new affordable homes. Subject to availability allocations will be made on a site by site basis in accordance with the priorities of this policy and the MVDC Housing Strategy.

5.9 Developers may apply direct to the HCA for Social Housing Grant. Where the affordable housing is delivered direct by a developer, the Council will require on it entering into a legal agreement to ensure that the affordable housing is available to those judged to be in housing need by the Council. It will also need to ensure that appropriate management arrangements are in place, that the affordable housing is provided at an affordable level and that the housing remains affordable to successive occupiers to be nominated by the Council (Section 8 ‘Management & Standards’ sets out further information on Management Standards).

5.10 RPs are able to borrow funds from banks and building societies based on future rental income. In most cases however, additional subsidy may be required above that which can be raised against rental income. Alternative or additional cash reserves may be available to some RPs to help meet the cost of purchasing completed units, but this should not be assumed.

Affordable Housing Transfer and Prices

5.11 The Council’s policy is that affordable housing must be provided on-site on developments of 10 or more gross dwellings and a preference for the affordable housing to be constructed by the developer and transferred / sold to the RP. However, in exceptional circumstances it may be agreed to transfer the land that will accommodate the affordable housing to a RP so that the affordable housing construction can be procured independently.

5.12 To enable RPs to purchase completed homes within reasonable costs (so that they can be made and remain affordable to the occupiers) and to provide certainty to developers and landowners, the Council will expect those homes to be transferred to an affordable housing provider at a price which reflects free (nil cost) cost serviced land - as at para. 4.5 above. In essence this means that the developer will be reimbursed for the reasonable build cost of the affordable homes – the affordable homes will be expected to generate no land value.
**Cross Subsidy (between tenure)**

5.13 It is recognised that the subsidy requirement for intermediate housing may be less than that required for social (affordable) rented housing. This may therefore, in certain circumstances, create an opportunity for an element of cross subsidy between the intermediate housing and the social rented housing.

5.14 The affordable housing policy sets a single obligation across the site as a whole i.e. to achieve both rented and intermediate, and any potential cross subsidy should be applied to achieve the whole obligation across a site. In practice this will usually mean that a single housing provider is used to deliver both the intermediate and social rented housing and apply any cross subsidy toward the achievement of the whole affordable housing requirement.

5.15 Where two separate housing providers are proposed, the Council will seek an open approach to ensure that any cross subsidy from the intermediate provision is made available either to assist the delivery of the whole obligation or applied to improve the overall affordability. Such an approach would not result in any additional developer subsidy being required or, conversely, additional value created for the landowner / developer.

5.16 Any additional subsidy from the intermediate housing should be used to deliver the affordable housing or improve the affordability of the housing. It should not be used to increase the transfer price paid to a developer above that set out above.

**Recycling of the Subsidy and Maintaining Affordability**

5.17 In accordance with the NPPF, it is the Council’s policy that appropriate safeguards must be provided to ensure that affordable housing is retained in the long term. In the event of affordable housing being lost to the open market, via staircasing or other means, any original subsidy should be recycled to provide alternative affordable housing. This includes both private and public subsidy and applies to all affordable housing providers, including developers. This requirement is included in the Council’s S.106 agreement.

**Calculating the Financial Contribution**

*Financial contributions from sites of 1 – 9 gross units*

5.18 In developing Core Strategy Policy CS4 ‘The Provision of Affordable Housing’ MVDC has acknowledged the practical issues around providing integrated affordable homes within the smallest developments. Therefore in-lieu of on-site provision, the Policy is to seek financial contributions to be used towards meeting local affordable housing needs.

5.19 The methodology to be applied for calculating financial contributions is based on the on-site affordable housing scenario of landowner / developer subsidy equating to the value of free serviced land. So the **financial contribution should be approximately equivalent to the value of the free serviced land**, as would have been secured in the case of on-site provision. This amounts to estimating how much it would cost to go elsewhere and replace the land on which the affordable housing would have been provided on-site. A definition of free serviced land is given in para. 5.5.

5.20 During 2007, the Council commissioned Adams Integra to complete an Affordable Housing Financial Viability Assessment. As part of this work and further supplementary work undertaken in October 2008, a methodology for calculating the 20% financial contribution from sites of 1 – 9 gross units was devised. This is outlined below:
Summary Methodology for calculating a financial contribution equivalent to providing 20% affordable housing on-site (from 1-9 gross units)

For each property type:

Step 1: Open market value (OMV) of the relevant or comparative market property divided by the size of that property and multiplied by the affordable housing property size equivalent (to assess the market value of a suitably sized affordable home).

Step 2: Multiply by the residual land value percentage (30%) – to get to the base plot value for that home.

Step 3: Add 15% to the step 2 figure, to reflect site acquisition and servicing costs (this gives the per unit sum – approximate value of the serviced plot for that property type – free serviced land basis).

Then to get to the total contribution:

Step 4: Apply the resulting per unit sum(s) to the relevant site number and proportion (i.e. Step 3 per unit sum x number of dwellings x 20%).

Step 1: Open Market Value & Affordable Housing Property Size Equivalent

5.21 It is recognised that within Mole Valley property values vary even within the same postcode and that across the District there will be areas of high and low value, potentially making it difficult to identify a reasonable comparative open market value (OMV) without too much negotiating time. The sale prices are likely to vary across the Core Strategy Plan period (up to 2026) in various market conditions.

5.22 For these reasons the Council will look to the applicant to inform the Council of the anticipated OMV and / or will base the OMV on comparative property in terms of size, type and location. Therefore planning applicants are asked to provide information to support their valuations. This should be two recent estate agent valuations or recent comparable information drawn from the Land Registry / Estate Agent websites.

5.23 The gross external floor (GEA) area in square metres, excluding garages and out buildings, should be used for this calculation only (Vacant Building Credit calculations can include outbuildings). The gross external floor area (GEA) should include the internal and external walls and is different from estate agent quoted internal spaces (GIA). An Architect should be able to provide these dimensions.

5.24 The affordable housing property size equivalents that the Council will apply, in the calculation only, have been generally based on the Housing Quality Indicators (HGI) set by the HCA. These have been outlined below:

<table>
<thead>
<tr>
<th>1 bed flat (2 - bed spaces)</th>
<th>50 sqm</th>
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<tbody>
<tr>
<td>2 bed flat (3 - bed spaces)</td>
<td>67 sqm</td>
</tr>
<tr>
<td>2 bed house (4 - bed spaces)</td>
<td>75 sqm</td>
</tr>
<tr>
<td>3 bed house (5 - bed spaces / 2-storey)</td>
<td>85 sqm</td>
</tr>
<tr>
<td>4 bed house (6 - bed spaces / 2-storey)</td>
<td>100 sqm</td>
</tr>
</tbody>
</table>

9 Homes and Communities Agency - Housing Quality Indicators (HQI) Form, Version 4 Published May 2007, Updated April 2008
Negotiating and Funding Affordable Housing

<table>
<thead>
<tr>
<th>5 bed house (7 - bed spaces / 2-storey)</th>
<th>115 sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>6+ bed house</td>
<td>115 sqm + 10 sqm per bed space</td>
</tr>
</tbody>
</table>

5.25 Rooms described as a study/games/family room, which may be capable of being used as a bedroom, may be considered as a bedroom for the purposes of the calculations.

5.26 Applicants should note that these are subject to change and that the Council will apply the latest affordable housing property size equivalents published by the HCA. (Regarding on-site affordable housing, applicants should endeavour to comply with “Technical Housing Standards - nationally described space standard” as most Registered Providers adhere to these standards.)

5.27 Examples of recent RP schemes and sizes have been listed in Appendix 3 'Calculating the 20% Financial Contribution from Sites of 1 – 9 Gross Units, Current Open Market Values and Property Size Equivalents' for comparison purposes to show the type and size of affordable housing units that have been recently completed / permitted within the District.

**Step 2: Multiply by the residual land value percentage (30%)**

5.28 The assessment undertaken by Adams Integra reflecting a range of Mole Valley values identified that average land values generated by a wide range of residual land value appraisals for such smaller development schemes equated to 39.5% of a scheme’s Gross Development Value (GDV). This means the average plot value for a property was assessed to be approximately 39.5% of its market sale value.

5.29 The Council has however, taken the decision to reduce this value to 30%. This is based on evidence submitted during the consultation on the SPD and consideration of current market conditions. The calculation therefore applies 30% of the market value for the relevant property types to establish the indicative base land value.

5.30 When the Council reviews the Viability Assessment the registered land value (RLV) will be reconsidered and the figure will be amended accordingly.

**Step 3: Add 15% of the result of step 2 to reflect site acquisition and servicing costs (this gives the per unit sum(s))**

5.31 To reflect the cost of providing the units elsewhere, an additional 15%, as recommended in the Viability Assessment, is added to the resulting plot value to reflect the costs associated with the acquisition and servicing of an alternative site. Steps 2 and 3 broadly reflect the value of the subsidy that would have been provided through the on-site affordable housing route assuming the free serviced land basis (as set out above in para 5.5).

**Step 4: Apply to the relevant site number and proportion**

5.32 The result of step 3 (the sum relevant to each property type) is then applied to the relevant scheme number(s) and the proportion of affordable housing that is required (in this case 20%).

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11 The amount the developer ultimately receives on completion or sale of the property or before all costs are subtracted.
Applying the Methodology

5.33 Appendix 3 ‘Calculating the 20% Financial Contribution from Sites of 1 – 9 Gross Units, Current Open Market Values and Property Size Equivalents' outlines two examples showing how the methodology would be applied to a proposed development. These are for illustrative purposes only and are not to be relied upon for calculation purposes.

Financial Contributions Collected – The Council’s Strategy

5.34 Where a financial contribution is secured via a S.106 agreement, the contribution will be ‘ring-fenced' and used to meet the Council’s affordable housing objectives in partnership with RPs. Financial contributions will therefore be spent in accordance with the NPPF and the following criteria:

- that the proposal fulfils the scope of the relevant S.106 Agreement and Policy CS4 of the Core Strategy.
- that the proposal is in accordance with relevant Government guidance

5.35 Held by the Council, payments will be used to provide affordable housing locally within a short-time scale (usually within 5 years). This will however, be set on a site by site basis. After this time unspent sums would be likely to be refundable with interest.

5.36 Within the Council’s Annual Capital Programme for Affordable Housing, the contributions collected will be recorded. The Council will also record where monies have been allocated or spent. This information will be made available on requested.

5.37 Through the S.106 agreement, the Council will expect to Index the agreed financial contribution from the date of the agreement to the date of payment. The Index applied will be the Land Registry Housing Price Index\(^{(12)}\) (Surrey based).

5.38 The expectation is that the commuted sum will be payable on commencement of the development. However, in recognition of the need to generate cash flow and changing economic circumstances i.e. market downturns, the Council may agree an alternative trigger or phasing.

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12 Land Registry Housing Price Index - http://landregistry.data.gov.uk/app/ukhpi
Section 6 The Practical Application of the Policy

6.1 Policy CS4 requires sites of 1-9 gross dwellings to provide a financial contribution equivalent to providing 20% of the dwellings as affordable. The SPD Addendum provides further information about how this policy is being applied following the Written Ministerial Statement of 28 November 2014. For sites with a capacity of 10+ gross dwellings there is a presumption that affordable housing is provided on the development site and that off-site provision will be permitted only in exceptional circumstances.

6.2 The Council recognises that there may be instances however, where the required financial contribution would make developments of 1-9 gross dwellings unviable or circumstances where the provision of the required affordable housing on-site may not be appropriate (on sites of 10 or more gross dwellings).

6.3 The following section outlines issues regarding development viability and the procedure that will be taken if an applicant claims that the policy requirement renders the development 'unviable', and where the provision of affordable housing off-site may be considered.

Development Viability

6.4 Developers and landowners are expected to consider the overall cost of development, including all the required planning obligations and any abnormal costs, prior to negotiating the sale or purchase of land or the acquisition or sale of an option. Early consultation with the Council on such requirements is therefore encouraged and will help with feasibility studies, early designs and scheme deliverability. Site selection and early stages discussions around value expectations with landowners will be crucial.

6.5 On certain sites, development viability may however, be affected by a range or combination of factors such as high abnormal costs and / or competing or existing use values. Where development viability is considered to be affected, the developer should identify this as an issue at the earliest opportunity.

6.6 Where a developer or landowner considers that there are significant economic constraints affecting a development and that these are sufficient to jeopardise them from meeting the Council’s affordable housing policy targets, then this will need to be demonstrated to the Council by using a suitable appraisal tool and providing a ‘live’ or working version rather than a ‘pdf’ (confidentiality of data will be respected). Generally the developer’s own appraisal information may be sufficient however, in some instances it may be appropriate to use tool’s such as the HCA Development Appraisal Toolkit v3.02. It is recommended that applicants discuss the use of such tools prior to submission of information. Viability appraisals should be prepared on 'policy compliant' schemes, i.e. showing the effect on the developers out turn of providing the policy required level of affordable housing.

6.7 The developer will then be required to provide the financial and other information behind the appraisal to enable the Council or an independent valuer to assess the nature, extent and impact of the constraints and consider the position. This information will be required to be submitted alongside the planning application in accordance with the Council’s validation checklist at Appendix 5. At this stage, discussion between the developer and Council will normally be encouraged, to enable a better understanding of the issues and the scope to reach a suitable resolution, particularly as not all the costs will be known or agreed at this stage.

6.8 As an indication, the following schedule seeks to guide as to the main appraisal factors the Council would expect to see information submitted on. This list is not exhaustive and further information may be required, depending on the circumstances. It is appreciated that there can be sensitivities around some of this information, but the Council needs to be given the best possible opportunity to consider the circumstances in an informed way. A culture of open working to achieve common objectives will be encouraged, with the sensitivities respected.
6.9 The Council requires written evidence of the figures submitted for a viability appraisal, for example building quotes, invoices, estimates, fees and completion documents for acquisitions.

6.10 A viability checklist can be found at Appendix 5 and should be submitted with the viability report.
The Practical Application of the Policy

<table>
<thead>
<tr>
<th>i) Site or building acquisition costs:</th>
<th>How much the developer has paid or is proposing to pay for the land or buildings, with any deductions or additions for abnormals, value enhancements, vat or other factors made clear.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to be provided by the developer:</td>
<td>On what basis has this figure been reached – the developer’s information to back up the price judgements – estate agents’ advice on values, own valuations sought, etc. This may be relevant to a discussion on any existing / alternative use value aspects.</td>
</tr>
</tbody>
</table>
| | The nature of the developer’s interest – completed acquisition and date; or option / contract / proposed purchase or similar. |}

<table>
<thead>
<tr>
<th>ii) Construction costs:</th>
<th>The developer’s estimated construction costs – clearly explained in terms of what is included, and on what basis (e.g. floor area, price per m², etc) the figures are to be considered. Abnormals should be itemised and costed individually.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to be provided by the developer:</td>
<td>What other allowances and contingencies etc are being assumed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>iii) Projected sale prices for dwellings:</th>
<th>Estimated sales value(s) the completed dwelling(s) for – clearly listed by dwelling types and with their floor areas shown. With any back up information – agents’ and valuers’ advice, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to be provided by the developer:</td>
<td>Any other information related to anticipated sales which influences the appraisal position.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>iv) Fees and other on-site costs:</th>
<th>An itemised breakdown of the other costs incurred / estimated to be incurred – in acquisition, planning, development finance, professional and legal fees, marketing costs, and the like.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to be provided by the developer:</td>
<td>Where these are factors of each other or linked to other appraisal inputs, these links should be made clear – for ease of interpretation by the Council and its advisors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>v) Profit Margin</th>
<th>The developer’s proposed profit margin, clearly expressed in terms of its % of GDV; or other factor – and whether there are any other profit / overhead areas factored in. Profit to be assumed on affordable homes construction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to be provided by the developer:</td>
<td>Any factors that are behind this expectation, which the Council needs to be made aware of, bearing in mind the HCA’s Appraisal guide input of 17.5% - 20% of GDV (as at August 2009).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>vi) Other costs and receipts</th>
<th>Itemised allowances for any other contributions or costs associated with the development including Community Infrastructure Levy(CIL) and or other S106 planning obligations, such as Highway requirements; heritage conservation; play areas etc.</th>
</tr>
</thead>
</table>
| Information to be provided by the developer: | }
Within this area, there may need to be information supplied on costs associated with matters such as building specification enhancements, listed buildings issues, Code for Sustainable Homes allowances, renewable energy, etc. Any costs of surveys and investigations or estimated works costs associated with site conditions, abnormals, ecology, etc will need to be listed and explained.

Affordable housing assumptions – affordable content, build cost and revenue assumptions - in accordance with the Council’s policy expectations, broken down by dwelling numbers, type and tenure. An exemption from part of the CIL payment can be requested as affordable housing does not attract a CIL payment and this should be factored into any appraisal.

6.11 Any reports, surveys, valuations, advice or information behind the assumptions made will need to be provided. Using this information the Council will carry out its own assessment of the scheme’s viability alongside advice from its external advisors and its own information sources. Any external consultant used by the Council will be subject to entering a confidentiality agreement relating to information provided by the developer. While the Council will share its external consultant’s assessment with applicants, the final decision on the affordable housing contribution lies with the Council.

6.12 The developer will be required to pay the Council’s costs of obtaining the independent advice, referred to under para. 6.11. This is standard practice and is recognised in the Home & Communities Agency’s Good Practice Note - Investment and Planning Obligations- Responding to the Downturn (August 2009), that it is common practice for developers to fund the cost of independent validation.

6.13 The developers agreement to pay the Council's cost will be required prior to advice being sought. The consultant will only be instructed when the fee has been received and all the evidence has been provided. Details on viability should be submitted early so as not to prejudice planning deadlines, but not all costs may be known and these should be discussed with the Council beforehand.

6.14 Following the appraisal process if based on the evidence submitted by the external advisor and any other information deemed relevant, the Council believes that the scheme is economically viable then this could lead to the application being refused planning permission.

Infrastructure Contributions

6.15 Under Part vi 'other costs and receipts' applicants can itemise allowances for other contributions or costs associated with the development including planning obligations contributions via the Council's Development Tariff. It should be noted that no charge is levied on the development of affordable housing (as defined in the NPPF and confirmed in the S106 obligation). For example, if a scheme of 15 units is being proposed, the development tariff would not apply to 6 of those units as they would be required to be affordable under Policy CS4.

6.16 If a developer chooses to provide 100% affordable housing the tariff payable under this code would be zero. This both acts as an encouragement to the delivery of affordable housing and avoids criticism that any charges for such may be too high.
If Non-Viability is Demonstrated

6.17 Following the appraisal process, if the developer has demonstrated genuine significant economic constraints in providing the required level of affordable housing provision, the Council will require the developer to fully explore the options available to achieve economic viability and provide an agreed level of affordable housing provision (or contribution in the case of 9 units or less).

6.18 The options which the Council will require the developer to explore have been outlined below. These consist of taking measures to provide the affordable housing on-site and achieving economic viability by varying the tenure; size and type; and number of units to be provided (in that order).

• Variation of Tenure

A scheme could be made viable by a variation of the target tenure mix. This could include the Council being supportive of more intermediate housing to allow the purchasing RP to provide additional cross subsidy within the affordable housing provision. The price paid for the completed units and the level of developer subsidy would remain unchanged.

• Variation of Size & Type

A scheme could be made viable by a variation of the target size / type of dwellings.

• Reduction of affordable units on-site

A scheme could be made viable by a reduction in the number of affordable units provided on site. In this situation, consideration may be given to the developer providing a mixed contribution i.e. part financial, in-lieu of the unit or units not being physically provided – in order to support the remainder. The financial contribution will reflect the sum values set out in this document in Section 4.

An Alternative to ‘On-Site’ Provision

6.19 In exceptional circumstances, the Council may consider an alternative to ‘on-site' provision (for sites of 10+ gross units).

6.20 Circumstances where the Council may consider the acceptance of an alternative to an on-site contribution may include the following:

• Where housing need priorities could be better met in an alternative location, either through an alternative site, completed units elsewhere or a financial contribution.

• Where there is a dominance of a particular type of affordable housing provision in the immediate area.

• Where the integrity (overall planning objectives) or viability of the particular form of development might be compromised by the integration of affordable housing for reasons that can be clearly set out and justified (by undertaking the review process outlined in this Section).

6.21 If the Council agrees that it is not appropriate to provide affordable housing on-site and an alternative is appropriate, this will take place by the Council first seeking to secure completed units elsewhere; then seek the provision of land; followed by a financial contribution.
Completed Units Elsewhere

6.22 Where provision off-site is the agreed contribution, the Council may consider the acceptance of suitable completed units elsewhere that have been sold to a RP.

6.23 The affordable housing should be provided at the same time as the facilitating development and prior to its effective completion. Where the alternative site would also generate a requirement for affordable housing, either via a financial contribution or the provision of affordable units on-site, the provision of completed units will be in addition. It should be noted however, that in the interest of achieving well integrated balanced communities, it is unlikely that the Council would accept a proposal that resulted in an inappropriate mix of tenures or dominance of affordable housing.

6.24 Where provision off-site is the agreed contribution, the Council may consider the acceptance of suitable completed units elsewhere that have been or are to be sold to a RP (with appropriate agreements in place to ensure the link with the relevant site, the timing and the other aspects that would normally be shaped by a S.106 agreement). Provision of completed units on an alternative site will be in addition to any affordable housing requirement arising from the alternative site. It should be noted however, that in the interest of achieving well integrated balanced communities, it is unlikely that the Council would accept a proposal that resulted in an inappropriate mix of tenures or increased dominance of affordable housing within a particular location.

The Provision of Land

6.25 On some occasions the Council may consider that the provision of land, either on the proposed development site or on an alternative site, would enable the Council to apply the contribution more effectively towards meeting the identified housing needs of the district. This may for example include land banking for development at a later date, depending on factors such as location, needs, likely timing and funding implications, etc.

6.26 The contribution of land will in most cases be land serviced to its boundaries, of sufficient area to provide the equivalent provision arising from the application site. Cash contributions may be sought in addition to land where the land is of insufficient area or value to provide provision equivalent to that arising from the application site.

6.27 Where there is agreement to provide land as an alternative to either completed units or a commuted sum payment the Council will, where necessary, undertake an appraisal of the proposed contribution.

A Financial Contribution

6.28 Where provision off-site is the agreed contribution, the Council may consider the acceptance of a financial contribution or ‘payment in-lieu’. The methodology adopted by the Council for calculating the financial contribution is based on the on-site affordable housing scenario of the developer subsidy equating to free serviced land i.e. the financial contribution should equal the value of the free serviced land, as would have been provided on site.

6.29 In calculating the financial contribution the Council would apply the methodology for calculating a 20% contribution from sites of 1-9 gross units as set out in Section 4. However, instead of applying the relevant proportion of 20% (step 4 of the methodology), the Council would apply either 30% or 40% depending on the number of units proposed in accordance with Policy CS4 of the Core Strategy.

6.30 As outlined in Section 5 of this SPD, payments will be held by the Council and used to provide affordable housing locally.
Section 7 Affordable Housing 'Rural Exception Sites'

The Principle of Rural Exception Sites

7.1 The NPPF enables the provision of affordable housing to be augmented by an ‘exceptions’ policy in rural areas. This enables the Council to grant planning permission on land within or adjoining rural settlements, where residential development would not normally be permitted. The sites that come forward with proposals for affordable housing are termed ‘exception sites’.

7.2 Policy CS4 of the Core Strategy incorporates this concept and states that:

- Small scale affordable housing schemes may be acceptable on an exceptional basis on sites outside of, but adjoining the settlement boundaries of the rural villages.

7.3 For planning permission to be granted:

- a local needs survey must have been carried out, which shows clearly that there is a local need for the type and number of proposed dwellings at the estimated out-turn prices or rents.
- the affordable housing could not reasonably be provided as part of a site specifically identified / allocated for residential development.
- that all reasonable alternatives have been considered and the proposed site is considered to be the most suitable and / or is the only site developable.
- the site is within, or adjoining, the existing rural settlement and is of appropriate size to the existing rural village.
- the proposal is subject to condition, or a legal obligation has been entered into, to ensure that initial and all subsequence occupancy is restricted to members of the local community in need of affordable housing.
- the proposal is in accordance with other relevant policies within the Core Strategy and national guidance.
- a restriction must be in place to prohibit tenants being able to acquire 100% share in the property.

7.4 The Council strongly encourages applicants to discuss with the Council any plans for rural exception sites within the District and works alongside the Rural Housing Enabler and Surrey Community Action (14) who have undertaken a number of rural housing needs surveys within the District and worked closely with the local rural communities.

7.5 It is also recommended that the applicant works in partnership with the Parish Council or local society / amenity group for the rural settlement.
Section 8 Management & Standards

Registered Providers and Housing Providers

8.1 In recent years, Registered Providers (RP) have provided the main source of new housing to help meet the needs of people on low incomes. Developers will be required to enter into obligations securing the future appropriate management of schemes preferably in partnership with a RP.

8.2 The Council has established a good relationship with a number of RPs and works in partnership with these preferred partners to provide affordable housing that meets local housing needs (see Appendix 4 'Key Council Contacts, Useful Links and Preferred Partners').

Management of Affordable Housing

8.3 Affordable housing will in most cases be transferred to a RP and managed as affordable housing in accordance with the Homes and Communities Agency (HCA) guidelines. This is the Council's preferred mechanism.

8.4 Where the affordable housing is delivered direct by a developer using Social Housing Grant, the Council will insist on the developer entering into a legal agreement to ensure that the affordable housing is available to those judged to be in housing need by the Council. It will also insist that appropriate management arrangements are in place, that the affordable housing is provided at an affordable level and that the housing remains affordable to successive occupiers to be nominated by the Council.

Nominations

8.5 The provision of affordable housing will be subject to a Nominations Agreement between the Council and the RP. The RP will be required to enter into a nominations agreement with the Council that gives the Council 100% nomination rights for first lets and sales of all the affordable housing and 75% thereafter. The Nomination Agreement will set out how the affordable housing will be allocated and the Council will nominate applicants according to housing need and in accordance with the Council’s published Housing Allocations Scheme. A copy of the Nomination Agreement can be obtained by contacting the Council.

Securing the Affordable Housing / S.106 Agreements

8.6 To ensure that the affordable housing element of a private housing scheme is provided, the Council will not grant planning permission for the proposed development until the developer and preferably the RP, who will be delivering the affordable housing element of the scheme, have entered into a S.106 agreement.

8.7 Where completed units are provided, the Council would encourage the inclusion of the following in the agreement:

- a named Housing Provider, usually an RP.
- a schedule of affordable housing including amount, types, sizes and tenure.
- the configuration and tenure of the affordable units.
- agreed location of the affordable housing units within the scheme.
- any subsidy recycling arrangements.

15 Homes and Communities Agency - http://www.homesandcommunities.co.uk/tsa-archive
the build costs of the affordable dwellings.
the price to be paid for the completed units.
the phasing or timing of completions.
any local connection restrictions.
disposal arrangements for mortgagee in possession of the affordable housing land.
secure payment of the Council’s legal costs for the preparation, consideration and completion of the agreement.

8.8 Through the S.106 agreement, the Council will seek to:

secure the completion of the affordable housing within a specified timescale.
transfer any land (where land is the agreed contribution) in a timely fashion.
receive any commuted sums (usually) on commencement of development.

8.9 A draft S.106 agreement should be agreed in principle by the time the planning application is considered.

Design and Standards

8.10 To aid the promotion of inclusive and sustainable communities, the provision of on-site affordable housing should be integrated seamlessly into the layout of the development through ‘pepper-potting’ within private housing. Within apartment blocks it is accepted that management issues mean whole blocks will generally be affordable or market housing and that on larger schemes affordable units will be provided in small clusters.

8.11 The Council seeks high design and architectural standards on all developments. The affordable housing element of any proposed development will therefore be subject to the same standards and should be indistinguishable from the market housing. Reduction in size, use of substandard materials, or poor finishing and detailing should not be perceived as an acceptable shortcut to affordability.

8.12 Any publicly funded housing must be completed to the HCA Affordable Homes Programme standards or above or other appropriate standards at the time. (16)

8.13 The affordable housing element of any development should also provide an appropriate level of parking in accordance with the Council’s / Surrey County Council’s standards.

Code for Sustainable Homes

8.14 Affordable housing should be of sustainable construction, with high standards of insulation and energy efficiency, so that it is affordable to maintain and heat.

8.15 Affordable housing units must therefore achieve the appropriate minimum level of the Code for Sustainable Homes or other appropriate standards applicable at the time, as outlined in Policy CS19 of the Core Strategy (Level 3 at 2009; Level 4 from 2013 and Level 6 by 2016). The Council does however, encourage all developers to meet the highest Code Level possible that is both financially and technically viable.
8.16 Where affordable housing is funded through Social Housing Grant (SHG), the housing must meet the requirements set by the Homes & Communities Agency which may be higher than required by the Core Strategy.

**Lifetime Homes Standard**

8.17 Regard should also be given to Policy CS3 of the Core Strategy which encourages the provision of new homes to meet Lifetime Home standards. Focusing around 16 criteria, the Lifetime Homes standard enables the provision of homes which are flexible and adaptable to changing needs of the occupiers and future occupiers. See also Part M Building Regs.

8.18 The 16 criteria of Lifetime Homes are:

- car parking width
- access from car parking
- approach gradients
- entrances
- communal stairs and lifts
- doorways and hallways
- wheelchair accessibility
- living room
- entrance level bedsapce
- entrance level WC and shower drainage
- bathroom and WC walls
- stair lift / through floor lift
- tracking hoist route
- bathroom layout
- window specification
- controls, fixtures and fittings

8.19 Applicants should be aware that to qualify for housing funded through Social Housing Grant (SHG), the housing must meet requirements set by the Homes & Communities Agency.
Service Charges

8.20 On developments where the affordable housing provision is subject to a service charge, the charge should not be so great as to make occupancy unaffordable. The Council will consider the level of service charges in the context of prices, rents and overall affordability. The assessment of affordability will be considered having regard to the tenure and type of affordable housing provision i.e. intermediate housing may sustain higher service charge levels than affordable rented or retirement housing.
Section 9 Monitoring & Reviewing the Delivery of Affordable Housing

9.1 The delivery of affordable housing will be monitored and reported annually in the Authority Monitoring Report (AMR). The AMR will be publicly available via the District Council’s website www.molevalley.gov.uk/localplans.

9.2 The monitoring information will be used to identify any changes required to the Core Strategy Policy and the provisions of this SPD to improve delivery of affordable housing. Such changes will be addressed through a review of these documents.

9.3 Information monitored will include:

- Monitoring of the housing completions from 1st April – 31st March (gross & net); by rent / intermediate housing, as well as those wholly funded by RPs, by developer / landowner contributions, or through a mix of public subsidy and developer contribution.

- Delivery of affordable housing units through the planning system, by locality, the type of dwellings e.g. flats / houses, the number of bedrooms, as well as provision for older persons and people with special mobility requirements.

- The percentage of affordable housing achieved on an open market development.

9.4 In addition, need for different types and tenures of affordable homes as well as the overall need for affordable units will be reviewed through the Mole Valley Housing Needs Survey / East Surrey Strategic Housing Market Assessment (SHMA).

9.5 Details of Planning Obligations and monies collected will be obtained by the Council and made available.
Appendix 1 Core Strategy Policy CS4 'The Provision of Affordable Housing' and Supporting Text

What the Strategy will Deliver

The Provision of Affordable Housing

6.1.24 Mole Valley District is an area of high house prices and demand compared to incomes and as a consequence many local people, particularly first-time buyers and low income households, have difficulty in gaining access to suitable accommodation available on the open market.

6.1.25 One of the key priorities of the Mole Valley Community Plan (2005 - 2016) is improving the supply of affordable housing to rent or buy in the District. The Community Plan identifies that more homes for young people on lower incomes are required; more sites for affordable housing for local people in and around the villages should be identified; and that the minimum size of housing development sites where the Council has the power to require an element of affordable housing should be reduced. The increased provision of affordable housing through the planning system seeks to contribute towards achieving this aim of the Community Plan.

6.1.26 Policies within the Core Strategy must accord with national and regional guidance which set out the broad framework for issues relating to affordable housing. Planning Policy Statement 3 ‘Housing’ (2006) sets out the national policy framework for delivering the Government’s key housing goal of ensuring that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live. To achieve this the Government is seeking:

- To achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community.
- To widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in need.
- To improve affordability across the housing market, including by increasing the supply of housing.
- To create sustainable, inclusive, mixed communities in all areas, both urban and rural.

6.1.27 The South East Plan states that a substantial increase in the amount of affordable housing needs to be delivered. The South East Plan, includes Mole Valley within two sub-regions where specific policies apply - the London Fringe and the Gatwick Area. Affordable housing policies relating to the two sub-regions (policies LF4 and GAT3) both require 40% of all new housing to be affordable with the tenure split between social rented and other types of subsidised housing to be determined by local housing needs assessments.

6.1.28 In addition, Policy LF4 recommends that local development documents should seek the provision of affordable housing on all sites where it can be justified by local housing assessments and the economics of provision. In cases where on-site provision of affordable housing is not feasible, Policy LF4 states that commuted payments will be required. Non-residential development which generates needs for additional housing will also make an appropriate contribution to affordable provision.

6.1.29 Policy H3 ‘Affordable Housing’ of the South East Plan, which applies to the whole of the region is supplemented by Policies LF4 and GAT3. Policy H3 recommended that local authorities work with local communities in rural areas to secure small scale affordable housing sites within or well-related to settlements, possibly including land which would not otherwise be released for development (as referred to in Policy CS2 ‘Housing Provision and Location’).
Policy CS 4

The Provision of Affordable Housing

1. In order to increase the provision of affordable homes the Council will aim to secure a minimum of 950 net affordable units within the District between the period 2006 and 2026 (contributing towards the sub-regional target of 40% of all new homes being affordable).

2. In order to achieve this target the District Council will require where viable:
   a. that on all housing developments of 1 to 9 gross dwellings, a financial contribution equivalent to providing 20% of the total number of dwellings as affordable is made;
   b. that on all housing developments of 10 to 14 gross dwellings, 30% of the total number of dwellings are affordable; and
   c. that on all housing developments of 15 gross dwellings or more, 40% of the total number of dwellings are affordable.

3. On sites of 10 or more gross dwellings, on-site provision should be made and must incorporate a mix of dwelling types and sizes which reflect the site’s characteristics, the development as a whole and the type of need identified in the most up-to-date Housing Needs Study and Strategic Housing Market Assessment.

4. Affordable housing provision must also incorporate a mix of tenures. The Council will negotiate the exact tenure split on each site. However, the presumption is that at least 50% of the total number of affordable homes provided on site will be for social rented accommodation. Where the Council considers it is appropriate, a higher level of social rented accommodation may be sought.

5. Small scale affordable housing schemes may be acceptable on an exceptional basis on sites outside of, but adjoining the settlement boundaries of the rural villages.

6. Where rural communities wish to be provision of affordable housing, in their area, the Council will seek to identify and allocate land limited to affordable housing only, within the Land Allocations DPD having regard to the provisions of Policy CS 1 'Where Development will be Directed' (A Spatial Strategy) and CS 2 'Housing Provision and Location'.

Definitions:

For the purpose of this policy the term ‘affordable housing’ is defined as in Planning Policy Statement 3 'Housing' (2006):

‘Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices. Affordable housing should include the provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative housing provision’.

‘Social rented’ accommodation as defined in Planning Policy Statement 3 'Housing' (2006) is considered as:

‘Rented housing owned and managed by local authorities and registered social landlords, for which guideline targets rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental agreements to the above, as agreed with the local authority or within the Housing Corporation as a condition of grant’.
What the Strategy will Deliver

Financial Contributions

6.1.30 On all housing developments of 1 to 8 gross dwellings a commuted sum (equivalent to providing 20% of the total number of dwellings as affordable) will be negotiated by way of legal agreement i.e. S106 contribution. Developer contributions will be ‘ring-fenced’ and used to provide affordable housing in partnership with RSL’s. The majority of contributions will be directed towards providing affordable homes in the built-up areas of Dorking (including North Holmwood), Leatherhead, Ashtead, Bookham and Fetcham where more development opportunities are available.

6.1.31 The mechanism for calculating the contribution will be based upon applying the relevant proportion of affordable housing required (20%) to the per unit guide sums as set out in the Mole Valley Affordable Housing Financial Viability Assessment 2008 (see Key Pieces of Evidence). A Supplementary Housing Document (SPD) on calculating the contribution will be produced.

On-site Provision of Affordable Housing

6.1.32 Apart from sites of 1 - 9 gross dwellings, affordable housing should be provided on-site and secured through a S106 agreement, as part of the proposed development unless the District Council and the applicant both consider that it is preferable for provision to be made on an alternative site or for a financial contribution to be made. Providing affordable housing on a site as part of a larger development will promote socially inclusive and sustainable communities and minimise the delay in making affordable housing available. The Council’s preference is for affordable housing to be provided and managed by Registered Social Landlords (RSL’s).

6.1.33 To further aid the promotion of inclusive and sustainable communities, the provision of on-site affordable housing should be integrated seamlessly into the layout of the development through ‘pepper-potting’ within private housing. Within apartment blocks it is accepted that management issues mean whole blocks will generally be affordable or market housing. Affordable housing must not be distinguishable from market housing in terms of design and should meet the latest design codes and standards set out by the Housing Corporation or other relevant body, as well as those stated in national guidance.

6.1.34 Only in exceptional circumstances will off-site provision be considered appropriate and this is dependent on the suitability and availability of alternative sites. The off-site provision of affordable housing will only be acceptable if it can be proven that on-site provision would not be feasible, supported by evidence within a financial viability statement for the development. If an off-site contribution is considered appropriate, the District Council will wish to work with the applicant to ensure that arrangements are made to secure its delivery. The location of off-site provision would need to satisfy the objectives of the Core Strategy Policies.

Financial Viability

6.1.35 Over the lifespan of the Core Strategy it is anticipated that economic conditions will vary. In times economic downturn the Council will be particularly mindful of the need to ensure that housing development proposals, where suitable, are also viable.

6.1.36 Those applicants / builders who cite non-viability as the reason for not complying with the requirement to provide affordable housing or a financial contribution, must support their case with financial evidence to be submitted with the planning application. This evidence must be based on the assessment of the site by using a recognised appraisal tool. The evidence will then be open to scrutiny.

6.1.37 If the District Council is satisfied that the financial appraisal confirms that the affordable housing requirement cannot be provided in accordance with the policy, then negotiations with the applicant will take place to ensure that an alternative level of provision is secured.
6.1.38 The affordable housing should be provided through private subsidy, and where economically justified, a public subsidy. The private subsidy will be serviced land at nil cost or reduced value. Public subsidy, from the Homes and Community Agency or other relevant body, may be applied for where it will provide clear additional benefits or the level of developer contribution represents an appropriate response to site economics. This will be determined on a open book basis.

Artificial Subdivision of Sites

6.1.39 The District Council will be alert to and not permit any benefit to be gained from the artificial subdivision of a site to circumvent the operation of this Policy. The District Council will be attentive to the danger of allowing artificial boundaries to be created.

Conversions/ Change of Use/ Ancillary Residential Accommodation

6.1.40 This policy will be applied to the conversion and change of use of any building, whether or not already in residential use. This policy will not however, apply to ancillary residential accommodation, which is to be used as incidental to the main dwelling, or to staff/ student accommodation. A developer contribution will not be required for a replacement dwelling, i.e. when no net gain in dwellings is being proposed.

Specialist Residential Developments

6.1.41 The requirement for affordable housing extends to all types of residential development, including market retirement homes (sheltered accommodation) and Extra Care schemes (see Glossary for definitions). The Council will agree with the applicant a suitable contribution towards the provision of affordable housing via financial contribution. This policy does not apply to residential care homes and nursing homes (Use Class C2), which are not fully self contained units.

Delivery of Policy / Monitoring

This policy will be delivered by working in partnership with planning applicants and Housing Associations / Registered Social Landlords.

The following indicators will be used by the Council to assess the effectiveness of this Policy:

- The number of affordable homes completed within the District.
- The number and percentage of affordable homes completed within the built-up areas and rural areas of the District.
- The number of affordable homes completed as a percentage of all completed dwellings.
- The number and percentage of affordable homes provided as social rented accommodation and other forms of subsidised housing.
- The number and percentage of affordable homes completed by type (no. of bedrooms, flats/ houses).
- The amount paid in contributions to the provision of affordable housing and the number of improvements made/ provision of affordable housing made as a result.
- The number of planning applications for housing development and number of units provided that met the threshold but did not include an element of affordable housing or make a financial contribution.
What the Strategy will Deliver

Key Pieces of Evidence

The Mole Valley Housing Needs Study 2007: The Study strongly indicates that the existing 'affordability' issue experienced within the District is set to continue with problems arising from the relationship between low incomes and the price of local properties.

The Study indicates that the total number of affordable homes required within the District is 1,334 units per year over the 10 years until 2017. Due to the lack of affordable homes to buy or rent within the District it is estimated that approximately 949 households intend to leave the District within the next 3 years.

The Housing Needs Study recommends that at least 40% of the total of new units on all future suitable sites should be affordable, subject to viability. It is recommended that the Council could consider an overall balance of 50% social rent and 50% intermediate housing to meet the needs of low income households, key workers and those on average incomes now unable to purchase.

The Housing Needs Study identifies that the largest need for affordable housing is in the form of 1 and 2-bedroom units however, that there is still a need for 3 and 4-bedroom homes. The Study also identifies that the largest need for affordable housing is in the form of flats and semi-detached properties with residents preferring to live in Leatherhead, Dorking, Fetcham and Bookham.

The East Surrey Strategic Housing Market Assessment 2007/08: In addition to the information on the need for affordable housing contained within the Housing Needs Survey, the Market Assessment recommends that 65% of all new affordable homes should be in the form of 1 and 2-bedroom dwellings, principally flats, and 35% in the form of 3 and 4-bedroom dwellings to meet the needs of single, couple and family households. The Assessment also recommends that 50 - 75% of new affordable homes should be social rented with 25 - 50% being in the form of intermediate housing.

The Assessment recommends that dependent on financial viability, 40% of all new housing should be affordable on sites of 10 or more units in main towns; and on sites of 5 or more units in local centres; and that on sites of 2 or more units in smaller villages 50% should be affordable.

The Mole Valley Affordable Housing Financial Viability Assessment 2008: The purpose of the Assessment is to examine the economic viability of potential housing development in relation to affordable housing thresholds and proportions, to ensure that provision of affordable housing is optimised without jeopardising the overall delivery of housing in the District. The Assessment therefore tests a range of scenarios and provides advice on the threshold and proportion of affordable housing that are broadly viable taking into account tenure, type, mix, location and wider planning infrastructure burdens on the development of residential sites.

The Assessment highlights that new build property values in Mole Valley are consistent throughout the District and that the land values, after making an allowance for the provision of affordable housing, still remain relatively strong.

The Assessment identifies that a 'sliding scale' for providing affordable housing is the most appropriate option and provides three alternatives as to how this can be achieved, of which Policy CS4 'The Provision of Affordable Housing' is one.

It is suggested that if any greenfield sites were to be developed then there is the opportunity for 50% of the sites capacity to be provided as affordable housing units.

Supplementary Work to the Mole Valley Affordable Housing Financial Viability Assessment 2008: The purpose of the supplementary work was to examine whether the 'downturn' in the housing market which occurred towards the end of 2007 and into 2008 would impact upon the financial viability of...
developing a site. The supplementary work reviewed the latest housing market information, appraised two 'real' sites and explored the impact the introduction of the tariff on 1st February 2008 would have on viability.

The findings of the supplementary work were consistent with those from the main study, and thus further examination of viability gave no reason to depart from the recommendations that were made. To alter the policy approach was considered to be inappropriate and unhelpful (given the need to create clarity of expectations and consistency in approach) in the short term to much more lenient policy positions which could then need updating/ moving back. The supplementary study recommended that the Council undertake monitoring of local markets, practical operations of policies, periodic reviews and contingency measures - rather than moving targets based on a reaction to short term trends. It was however, recommended that the Council take a practical approach to implementing the policy especially on those sites within lower value point areas.

Affordable Housing Target: Local Planning Authorities are required by PPS3 'Housing' to set a target for the number of affordable homes which they will seek to provide during the plan period. Having regard to the target that 40% of all new housing within the London Fringe Sub-Region should be affordable, the Council believes it can contribute to this by providing 950 new affordable homes over the period 2006 - 2025.

This target has been based upon the number of completed affordable homes (2006 - 2008); the number of affordable homes with planning permission at 30.06.2006; planned Housing Association developments; applying Policy CS 4 to the sites identified with housing potential in the Strategic Housing Land Availability Assessment (SHLAA); and calculating how many affordable homes could be provided through the financial contributions received via unidentified sites and smaller sites (1-9 units) identified in the SHLAA.

Some discounting has been allowed for as it is envisaged that not all sites in the SHLAA will be developed.

Sources of Further Information

- The Mole Valley Housing Needs Study - www.molevalley.gov.uk/pdf (See Evidence Base page)
- The East Surrey Strategic Housing Market Assessment - www.molevalley.gov.uk/pdf (See Evidence Base page)
- The Mole Valley Affordable Housing Financial Viability Assessment & Supplementary Work - www.molevalley.gov.uk/pdf (See Evidence Base page)
- The Housing Corporation Economic Appraisal Toolkit - www.housingcorp.gov.uk
- The Homes and Community Agency - www.homesandcommunities.co.uk
Procedure for Dealing with Planning Applications Involving the Provision of Affordable Housing

### Appendix 2 Procedure for Dealing with Planning Applications Involving the Provision of Affordable Housing

<table>
<thead>
<tr>
<th>Developer/agent contacts the Planning Department for initial advice about a potential residential development.</th>
</tr>
</thead>
</table>
| Planning Officer Indicates:–
  - Suitability of the site for housing.
  - Whether a financial contribution is required or the provision of units on-site.
  - Whether vacant building credit may be applicable.
  - Amount of affordable housing required (on-site).
  - Other relevant planning advice.

and advises the developer / agent to contact the Strategic Housing Manager for further information. |

| Strategic Housing Manager advises the developer / agent:
  - An estimated level of financial contributions (where required. See SPD Addendum for updated site thresholds)
  - Information required to assess vacant building credit, if appropriate.
  - The preferred RP partners (for on-site provision).
  - Type and tenure of affordable housing required (for on-site provision)
  - Outline options for funding affordable housing (for on-site provision)
  - Terms of s106 agreement. |

| Developer / agent approaches RPs to:
  - Identify appropriate partner.
  - Agree design requirements and specification of affordable housing.
  - Agree arrangements for transfer of affordable housing land. |

| Developer / agent prepares initial sketch scheme taking into account advice from the Council and outcomes of discussions with RPs and drafts the s106 agreement based on the Council’s model. |

| Planning Officers / Strategic Housing Manager give response on initial sketch scheme and draft s106 agreement. |

| Developer / agent submits a planning application and draft s106 agreement. The Strategic Housing Manager confirms acceptability of affordable housing provision and arrangements for delivery. |

| When a Planning Officer considers the proposals are acceptable, and prior to determination by the Council’s Development Control Committee, discussions will take place to finalise the terms of the s106 agreement and nominations agreement. |

| Application considered by the Council’s DC Committee. |
| S106 & Nominations Agreements signed. |
| Planning decision issued. |
2.1 It should be noted that from 1st April 2009, the Council started to charge for pre-application advice from its Development Control Team. For more information on this process / fees applicable please visit the 'Planning Information' Pages under the Development Control Section of the Council’s website - http://www.molevalley.gov.uk.

2.2 Registered Providers or those who are providing 100% affordable housing schemes are not subject to this charge. The Strategic Housing Manager does not charge for any advice given.
Appendix 3 Calculating the 20% Financial Contribution from Sites of 1 – 9 Gross Units, Current Open Market Values and Property Size Equivalents

Calculating the 20% Financial Contribution from Sites of 1 – 10 Gross Units which are liable to pay an affordable housing contribution. (Paragraph 1.5 of the SPD Addendum sets out the circumstances in which a financial contribution is required following the Written Ministerial Statement of 28 November 2014.)

The following two examples show how the methodology for calculating a 20% financial contribution from sites of 1 - 10 gross units, would be applied to a proposed development. These are for illustrative purposes only and are not to be relied upon for calculation purposes.

For each property type:

Step 1: Open market value (OMV) of the relevant or comparative market property divided by the size of that property and multiplied by the affordable housing property size equivalent (to assess the market value of a suitably sized affordable home).

Step 2: Multiply by the residual land value percentage (30%) – to get to the base plot value for that home.

Step 3: Add 15% to the step 2 figure, to reflect site acquisition and servicing costs (this gives the per unit sum – approximate value of the serviced plot for that property type – free serviced land basis).

Then to get to the total contribution:

Step 4: Apply the resulting per unit sum(s) to the relevant site number and proportion (i.e. Step 3 per unit sum x number of dwellings x 20%).
Calculating the 20% Financial Contribution from Sites of 1 – 9 Gross Units, Current Open Market Values and Property Size Equivalents

Example A:

6 x 2 SD houses  
Open Market Value (OMV) - £375,000 each

Size – 85 sqm (m²)  
Guide size for a suitable affordable home – 75 m²

Table 3.1

Step 1: Open market value (OMV) of a relevant or comparative property divided by the size of the property and multiplied by the appropriate affordable housing size that would have been required on site.

£375,000 / 85m² = £4,412 per m²

£4,412 per m² x 75m² = £330,900

Step 2: Multiply the OMV (completed sale value, or GDV) by the residual land value percentage (30%)

£330,900 x 30% = £99,270 (base land / plot value)

Step 3: Add 15% to the step 2 result to reflect site acquisition and servicing costs (this gives the per unit sum for that property type)

£99,270 + 15% = £114,161

Step 4: Apply to the relevant site number and proportion (i.e. 20%)

£114,161 x 20% = Required sum for 1 unit £22,832

Total required sum for all 6 units: £22,832 x 6 = £136,992
Example B:

8 unit development in Fetcham of over 1,000m² threshold and therefore attracts an affordable housing contribution (SPD addendum 1.5.)

- 1 x 4 bed Detached house (210m²)  
  Open Market Value (OMV) – £925,000

- 4 x 3 bed detached houses (150m²)  
  Open Market Value (OMV) – £750,000 each

- 2 x 2 bed semi-detached houses (115m²)  
  Open Market Value (OMV) – £500,000 each

- 1 x 2 bed bungalow (93m²)  
  Open Market Value (OMV) – £525,000

<table>
<thead>
<tr>
<th>Size – 210m² 4 bed house</th>
<th>Guide size for a 4 bed affordable home – 100m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size – 150m² (3 bed houses)</td>
<td>Guide size for a 3 bed affordable home – 85 m²</td>
</tr>
<tr>
<td>Size - 115m² &amp; 93m² (2 bed units)</td>
<td>Guide size for a 2 bed affordable home – 75m²</td>
</tr>
</tbody>
</table>

Table 3.2

Total floor area – 1,133m²

Step 1: Open market value (OMV) of a relevant or comparative property divided by the size of the property and multiplied by the appropriate affordable housing size that would have been required on site.

- **4 bed house** – £925,000 / 210m² = £4,405
  - £4,405 per x 100m² = £440,500

- **3 bed house** - £750,000 / 150 = £5,000
  - £5,000 x 85m² = £425,000

- **2 bed house** – £500,000 / 115 = £4,348
  - £4,348 x 75m² = £326,100

- **Bungalow** - £520,000 / 93m² = £5,591 per m²
  - £5,591 per m² x 75m² = £419,325

Step 2: Multiply the OMV (completed sale value, or GDV) by the residual land value percentage (30%)

- **4 bed hse** - £440,500 x 30% = £132,150 (base land / plot value)

- **3 bed hses** - £425,500 x 30% = £127,500

- **2 bed hses** - £326,100 x 30% = £97,830

- **Bungalow** - £419,325 x 30% = £125,798
**Step 3:** Add 15% to the step 2 result to reflect site acquisition and servicing costs (this gives the per unit sum for that property type)

- 4 bed hse - £132,150 + 15% = £151,973
- 3 bed hses - £127,500 + 15% = £146,625
- 2 bed hses - £97,830 + 15% = £112,505
- Bungalow - £125,798 + 15% = £144,668

**Step 4:** Apply to the relevant site number and proportion (i.e. 20%)

- 4 bed hse - £151,973 x 20% x 1 = £30,395
- 3 bed hses - £146,625 x 20% x 4 = £117,300
- 2 bed hses - £112,505 x 20% x 2 = £45,002
- Bungalow - £144,668 x 20% x 1 = £28,933

*Total required sum for all 8 units = £221,630*
Calculating the 20% Financial Contribution from Sites of 1 – 9 Gross Units, Current Open Market Values and Property Size Equivalents

**Property Size Equivalents**

Examples of recent RP schemes are outlined over the page for comparison purposes to show the type and size of affordable housing units that have been recently completed / permitted within the District.

**Derbyshire Road, Newdigate - Circle Housing Mole Valley 2013**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 bed house</td>
<td>76.88</td>
</tr>
<tr>
<td>3 bed house</td>
<td>101.07</td>
</tr>
</tbody>
</table>

**Marley Mead, Ridgeway Rd., Dorking – Mount Green Housing Association 2013**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bed flat</td>
<td>46 - 50</td>
</tr>
<tr>
<td>2 bed flat</td>
<td>58-68</td>
</tr>
<tr>
<td>2 bed house</td>
<td>72</td>
</tr>
<tr>
<td>3 bed house</td>
<td>85</td>
</tr>
<tr>
<td>4 bed house</td>
<td>102</td>
</tr>
</tbody>
</table>

**Godwins Nursery, Beare Green – Circle Housing Mole Valley 2015**

<table>
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<th>Type</th>
<th>Size (sqm)</th>
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<tbody>
<tr>
<td>1 bed flat</td>
<td>49 - 53</td>
</tr>
<tr>
<td>2 bed flat</td>
<td>69</td>
</tr>
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</table>

**River Lane Yard, Fetcham - Thames Valley Housing Association - 2017**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size (sqm)</th>
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</thead>
<tbody>
<tr>
<td>2 bed house</td>
<td>75</td>
</tr>
<tr>
<td>3 bed house</td>
<td>85</td>
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</tbody>
</table>

**Photo Me, Church Rd., Bookham - Shanley Homes /Mount Green HA 2017**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 bed flat</td>
<td>68sqm</td>
</tr>
<tr>
<td>2 bed house</td>
<td>75sqm</td>
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</tbody>
</table>

**The Farthings, Randalls Rd., Leatherhead - Clarion Housing Group 2017**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bed flat</td>
<td>45</td>
</tr>
<tr>
<td>2 bed flat</td>
<td>70</td>
</tr>
<tr>
<td>2 bed house</td>
<td>70sqm</td>
</tr>
<tr>
<td>3 bed house</td>
<td>93sqm</td>
</tr>
</tbody>
</table>
Appendix 4 Key Council Contacts, Useful Links and Preferred Partners

Housing Contacts

For enquiries relating to this Guidance Note and issues such as the delivery of affordable housing, RP involvement and possible funding sources please contact:

Alison Wilks  
Strategic Housing Manager  
Mole Valley District Council  
Pippbrook  
Dorking  
Surrey  
RH4 1SJ  
01306 870645  
alison.wilks@molevalley.gov.uk

or

Sheena McKenzie  
Affordable Housing Officer  
Mole Valley District Council  
Pippbrook  
Dorking  
Surrey  
RH4 1SJ  
01306 879265  
Sheena.mckenzie@molevalley.gov.uk

Planning Contacts

For general enquiries on this SPD or other planning issues relating to the Local Plan please contact:

Planning Policy  
Mole Valley District Council  
Pippbrook  
Dorking  
Surrey  
RH4 1SJ  
01306 879281  
planning.policy@molevalley.gov.uk

For general enquiries relating to the development of a specific site / pre-application enquires please contact:

Planning - Development Control  
Mole Valley District Council  
Pippbrook  
Dorking  
Surrey  
RH4 1SJ  
01306 879102  
planning@molevalley.gov.uk
Key Council Contacts, Useful Links and Preferred Partners

**Highways**

For enquiries relating to the potential highways implications from a proposed development please contact:

**Surrey County Council**

Contact Centre
Floor 3
Conquest House
Wood Street
Kingston upon Thames
KT1 1AB

0300 200 1003

**Further Information:**

Other information relating to the Council’s Housing, Planning and Sustainability functions can be found on the Council’s website – [www.molevalley.gov.uk](http://www.molevalley.gov.uk).

Further useful information can also be found at:

- Help to Buy - [https://www.helptobuy.org.uk/](https://www.helptobuy.org.uk/)
Registered Providers – Preferred Development Partners

General Needs

Most of these providers will also develop supported / specialist housing:

**Clarion Housing Group (Latimer Housing)**

Ian Hagger  
Regional Director of Development  
32 Tower View  
Kings Hill  
ME19 4UY  
T: 020 3754 3270  
E: housebuilding@clarionhg.com  
Website: www.latimerhomes.com/

**Mount Green Housing Association**

Sarah Sedgwick  
Development Manager  
Mount Green Housing Association  
33 Bridge Street  
Leatherhead  
Surrey  
KT22 8BN  
T: 01372 389747  
E: sarahsedgwick@mountgreen.org.uk  
Website: www.mountgreen.org.uk

**Raven Housing Trust**

Ms Ema Blay  
Delivery & Partnership Manager  
Raven House  
29 Linkfield Lane  
Redhill  
Surrey  
RH1 1SS  
T: 01737 272591  
E: ema.blay@ravenht.org.uk  
Website: www.ravenht.org.uk
Key Council Contacts, Useful Links and Preferred Partners

**A2Dominion Group**

Steve Coggins  
Regional Development Director South  
The Point, 37 North Wharf Road  
London  
W2 1BD

T: 020 8825 1467  
E: Steve.coggins@a2dominion.co.uk  
Website: www.a2dominion.co.uk

**Thames Valley Housing Association**

Guy Burnett  
Development Director  
Premier House  
52 London Road  
Twickenham  
London  
TW1 3RP

T: 020 8607 0635  
E: guy_burnett@tvha.co.uk  
Website: www.tvhagroup.co.uk
Rural Specialists

Surrey Community Action - Rural Housing Enabler

Louise Williams
Rural Housing Enabler
Surrey Community Action
Astolat, Coniers Way,
New Inn Lane
Burpham
Guildford
GU4 7HL

T: 01483 447141
E: louisew@surreyca.org.uk
Website: www.surreyca.org.uk

English Rural Housing Association

Nick Hughes
Regional Development Manager
Astolat, Coniers Way,
New Inn Lane,
Burpham,
Guildford
GU4 7HL

T: 01483 563758
E: nick.hughes@englishrural.org.uk
Website: www.erha.org.uk

Mount Green Housing Association

Sarah Sedgwick
Development Manager
Mount Green Housing Association
33 Bridge Street
Leatherhead
Surrey
KT22 8BN

T: 01372 389747
E: sarahsedgwick@mountgreen.org.uk
Website: www.mountgreen.org.uk
Community Housing Trusts

**Surrey Community Housing Partnership**

**David Cowan**  
Community Housing Project Manager  
Surrey Community Action  
Astolat, Coniers Way  
New Inn Lane  
Burpham  
Guildford  
GU4 7HL

**T:** 01483 566072 x 215  
**DD:** 01483 447115  
**E:** david@surreyca.org.uk  
**Website:**  
www.surreyca.org.uk
Appendix 5 Viability Checklist

Applicants are encouraged to use this checklist as a guide to the provision of necessary assessment, information, justification & evidence to support any viability appraisal (see section 6.10 of the SPD for more explanation & detail). This should be submitted with the viability appraisal and report.

<table>
<thead>
<tr>
<th>Information required / documentary evidence</th>
<th>Tick to confirm</th>
<th>Comments</th>
<th>Date supplied (office use)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Is the viability appraisal based on a policy compliant development scheme?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Must be based on a policy compliant scheme</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Is Vacant Building Credit applicable?</strong></td>
<td></td>
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<tr>
<td><em>If so, has this been agreed with the Council? (See SPD addendum)</em></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Consultant Review fee ascertained &amp; paid to MVDC?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Viability assessment report provided?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Appraisal should be based on a policy compliant scheme and then clearly explain applicant’s view of the maximum % affordable housing achievable with supporting appraisal</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>‘Live’working appraisal version supplied?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>A policy compliant version &amp; any alternative submission proposal.</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technical Housing Standards - nationally described space standards – do the AH units comply?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Applicants are encouraged to comply as these are normally the minimum required by RPs)</em></td>
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</tbody>
</table>

Table 5.1
## Viability Checklist

<table>
<thead>
<tr>
<th>RPs’ offer prices provided?</th>
<th>Provision of full correspondence on RPs’ responses (more than 1 RP should be contacted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIL fee – payment included &amp; level checked with MVDC?</td>
<td></td>
</tr>
<tr>
<td>Site or building acquisition value supplied – i.e. Benchmark Land value basis and assumptions</td>
<td>Full reasoning to support position, including relevant supporting information, valuation work and legal correspondence. Related fees assumptions set out and explained.</td>
</tr>
<tr>
<td>Construction costs justified &amp; evidenced?</td>
<td>e.g. tenders/estimate/if BCIS – details of data sourced (scheme type, date, quartile used etc.) Inclusions or separate allowances made for contingency rate, site/external works or other factors made clear</td>
</tr>
<tr>
<td>Abnormal costs justified &amp; evidenced?</td>
<td>Where applicable – itemised and evidence of costs assumptions provided</td>
</tr>
<tr>
<td>Estimated sales prices for units included?</td>
<td>2 x independent estate agents’ reasoned views and pricing schedules or realistic comparables having regard to the particular scheme and individual units within it rather than generic / scheme wide.</td>
</tr>
<tr>
<td>Value of ground rents included?</td>
<td>(and supporting assumptions) where applicable</td>
</tr>
<tr>
<td>Equivalent revenue and costs assumption included?</td>
<td>Supporting information for any other elements of scheme if appropriate – e.g. commercial / non-residential</td>
</tr>
<tr>
<td>Professional fees inc. sale marketing, agency, legal included?</td>
<td>Justification if not within industry norms</td>
</tr>
</tbody>
</table>
Finance costs included?
Details of the source of funding and finance arrangements. Include expected finance rates, timings, phasing and supporting evidence including from funders.

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Any other factors and costs included?
With explanations and evidence

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</thead>
</table>

Any other comments?

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</thead>
</table>

This is not an exhaustive list and you may be requested to provide further supporting evidence. The Council, supported by its external review consultants, will be able to guide further on the above and will let applicants know if additional information is needed for the viability case to be considered.

Confidentiality/sensitivities:
The Council understands these issues but, like others, increasingly is moving to a situation where a certain amount of information will need to be made available to inform decisions made by elected members and subsequently viewed by the public. With industry norm parameters used in many areas of viability appraisal, a balance should be achievable - however, applicants may be required to consider this with MVDC officers.

Table 5.2
### Appendix 6 Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abnormal Development Costs</td>
<td>Costs that are not allowed for specifically within normal development costs. These can include costs associated with unusual ground conditions i.e. contamination etc.</td>
</tr>
<tr>
<td>Affordable Homes Programme</td>
<td>Shared Ownership &amp; Affordable Homes Programme (SOAHP)- Capital Funding Grant is allocated by the Homes &amp; Community Agency (HCA) through SOAHP.</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>The definition of affordable housing is outlined in Section 3 'Definition of Affordable Housing'.</td>
</tr>
<tr>
<td>Affordable Rent</td>
<td>The definition of affordable rent is outlined in Section 3 'Definition of Affordable Housing'.</td>
</tr>
<tr>
<td>Authority Monitoring Report</td>
<td>Part of the Local Plan, which assess the implementation of planning policies in Mole Valley District. It is published at the end of each calendar year.</td>
</tr>
<tr>
<td>Balanced Housing Markets</td>
<td>A housing market where the majority of people have or are able to obtain a home which meets their housing needs in terms of type, size and tenure of dwelling required. Supply and demand of the type, size and tenure of dwellings should therefore be equilibrium.</td>
</tr>
<tr>
<td>Community Infrastructure Levy (CIL)</td>
<td>A charge local authorities set on new developments to raise funds for infrastructure needs in the area to support growth.</td>
</tr>
<tr>
<td>Core Strategy</td>
<td>The Core Strategy sets out how the District is expected to evolve over a period of almost 20 years until 2026. The role of the Core Strategy is to set out a vision for the District and guide the type, level and location of future development.</td>
</tr>
<tr>
<td>Development Cost</td>
<td>This is the cost associated with the development of a scheme and includes professional fees (engineering, design, and project management), contingencies, sale agency fees, legal fees on unit sales and build costs (materials, labour etc).</td>
</tr>
<tr>
<td>Development Appraisal Toolkit</td>
<td>The HCA’s Development Appraisal Tool (DAT) is designed to appraise in detail the viability of an individual site and is a widely used toolkit that has been developed for use by Local Authorities and Developers.</td>
</tr>
<tr>
<td>Development Viability or viability</td>
<td>The viability of the development (in this case market-led housing scheme) – in financial terms. A viable development would normally be one which proceeds (or at least there is no financial reason for it not to proceed) – it will show the correct relationship between Gross Development Value (GDV) and Development Cost. There would be a sufficient gap between the GDV and Development Cost to support a sufficient return (developer profit) for the risk taken by the developer in pursuing the scheme, and a sufficiently attractive land value for the land owner. An un-viable scheme is one where a poor relationship exists between GDV and Development Cost, so that insufficient rewards and/or land value can be generated.</td>
</tr>
</tbody>
</table>
### East Surrey Housing Strategy

The East Surrey Housing Strategy sets out how the housing authorities in East Surrey will deliver Housing Services to their residents over the next four years (2009 – 2013).

The strategy summarise the current housing situation in East Surrey and sets out three key priorities areas across East Surrey and identifies priorities within each individual local authority area.

### Exception Sites

The definition of affordable housing is outlined in Section 3 'Definition of Affordable Housing'.

### Extra Care Housing

This type of housing is designed with the needs of older people in mind and with varying levels of care and support available on site. People who live in Extra Care housing have their own self contained homes and benefit from communal facilities being available. Properties can be rented, owned or part owned / part rented. Extra Care is also known as very sheltered housing, assisted living, or simply as ‘housing with care’.

### Financial Contribution

A financial contribution made payable by a developer or landowners instead of providing the planning-led affordable housing requirement on the site of the market (private sale) housing scheme.

### Free Serviced Land

The definition of Free Service Land is outlined in 'Free Service Land Approach'.

### Gross Development Value

The amount the developer ultimately receives on completion or sale of the scheme whether through the open market sales alone or a combination of those and the receipt from a RSL for completed affordable housing units – before all costs are subtracted.

### Gross External Floor Area/space (GEA)

The area of a building measured externally at each floor level - see RICS Code of Measuring Practice App 3. Please note that outbuildings can be included in the Vacant building credit calculation but not in the affordable housing financial contribution calculation.

### Gross Internal floor space (GIA)

The internal floor area excluding external & internal walls

### Homes and Community Agency

The Homes and Communities Agency (HCA) is the national housing and regeneration agency for England.

The Homes and Communities Agency is a non-departmental public body and is sponsored by the government department is Communities and Local Government (CLG).

Their role is to create opportunity for people to live in high quality, sustainable places by providing funding for affordable housing.

### Housing Association

See Registered Social Landlords.

### Housing Needs Survey

A survey carried out within the District reflecting the housing market area to determine the range of affordable housing need.
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing Register</strong></td>
<td>A register of people waiting for affordable housing. It may have two components: a list of those not currently occupying affordable housing (more properly known as the Housing Register) and a Transfer List for those tenants who wish to move to another affordable home within the District.</td>
</tr>
<tr>
<td><strong>Intermediate Housing</strong></td>
<td>The definition of intermediate housing is outlined in Section 3 'Definition of Affordable Housing'.</td>
</tr>
<tr>
<td><strong>Intermediate Rent</strong></td>
<td>The definition of intermediate rent is outlined in Section 3 'Definition of Affordable Housing'.</td>
</tr>
<tr>
<td><strong>Land Registry Housing Price Index</strong></td>
<td>Land Registry’s House Price Index is the most accurate independent house price index available. Using data sets of completed sales, it is the only index based on repeat sales. It includes figures at national, regional, county and London borough level. The Index can generate lists of average house prices in any area of England and Wales for any range of months since January 1995.</td>
</tr>
<tr>
<td><strong>Local Plan</strong></td>
<td>The plan for the future development of the local area, drawn up by the local planning authority in consultation with the community.</td>
</tr>
<tr>
<td><strong>NPPF</strong></td>
<td>National Planning Policy Framework. This is the central government document on planning, and includes housing related guidance.</td>
</tr>
<tr>
<td><strong>National Rent Regime</strong></td>
<td>For social rented accommodation guideline target rents are determined through the national rent regime.</td>
</tr>
<tr>
<td><strong>Nominations Agreement</strong></td>
<td>An agreement negotiated between the Council and an RP which guarantees the Council’s ability to access RP owned new build accommodation for applicants of the Council’s housing register.</td>
</tr>
<tr>
<td><strong>Partnership Agreement</strong></td>
<td>An agreement between the District Council and RP’s developing, or proposing to develop, in Mole Valley. It provides a framework for the partnership working between Mole Valley District Council and RPs operating in Mole Valley, specifically in relation to the operation of a common housing register and the allocation of social rented housing.</td>
</tr>
<tr>
<td><strong>Preferred Partners</strong></td>
<td>Partnership of local RPs set up to share good practice and increase the delivery of affordable housing. Appendix 4 ‘Key Council Contacts, Useful Links and Preferred Partners’ outlines the Council’s preferred partners.</td>
</tr>
<tr>
<td><strong>Regional Spatial Strategy</strong></td>
<td>The Regional Spatial Strategy (RSS) for Mole Valley was the South East Plan this was abolished 25 March 2013.</td>
</tr>
<tr>
<td><strong>Registered Providers of Social Housing (Registered Providers)</strong></td>
<td>Registered Providers (RPs) are organisations, usually a housing association, registered by the Homes and Communities Agency to provide affordable housing. Registered Providers were formally known as Registered Social Landlords (RSLs).</td>
</tr>
<tr>
<td><strong>Residual Land Value</strong></td>
<td>The amount left for land purchase once all development, finance and land costs have been deducted from the Gross Development Value (GDV), normally expressed in monetary terms (£). This acknowledges the sum subtracted for</td>
</tr>
</tbody>
</table>
affordable housing and other infrastructure payments / requirements where applicable. It is relevant to calculate land value in this way as land value is a direct result of what scheme type specifically can be created on a site, the issues that have to be dealt with to create it and costs associated with those.

**Rural Enabler**

The Rural Housing Enabler works with rural communities providing independent advice and support, acting as a facilitator and helping them through complicated processes of providing affordable housing.

**S.106 Agreement**

A legal document binding developers and the District and/or County Councils into carrying out specific works or payments of money that are necessary to allow the development to go ahead. Legal agreements are made with a planning permission.

**Shared Ownership**

The definition of shared ownership is outlined in Section 3 'Definition of Affordable Housing'.

**Sliding Scale**

Refers to in this context to a set of affordable housing policies which require a lower proportion on the smallest sites, increased with site size – to graduate the viability impact, particularly as such sites often fall within the threshold for the first time.

**Social Housing Grant**

Capital provided by the Homes and Community Agency setting out the essential and desirable standards for Social Housing Funding. Grant may be applied for where it will provide clear additional benefits or the level of developer contribution represents an appropriate response to site economics.

**Social Rented**

The definition of social rented is outlined in Section 3 'Definition of Affordable Housing'.

**Stair-casing**

A process whereby the purchaser of a shared ownership property may buy additional shares ("stair-casing"). In most cases, a purchaser may buy the final share ("staircase out") and own the whole home, though this may be restricted in some rural areas.

**Strategic Housing Market Assessment**

A survey carried out across East Surrey reflecting the housing market area i.e. patterns of travel; work etc. to determine a range of housing need information across all housing tenures – market and affordable housing.

**Supplementary Planning Document**

Supplementary Planning Documents (SPD’s) add further detail to the policies in the Local 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.

**Transfer Prices**

The amount paid to the developer from a RP for the completed affordable units on a site.

**Vacant Building Credit**

The existing gross external floorspace of a relevant existing vacant building can be deducted from the calculation of any affordable housing contributions sought from development schemes. (This will not apply to 'abandoned' vacant buildings) See SPD Addendum.
| **Windfall** | Windfall sites are those which have not been specifically identified as available in the local plan process. |