



Draft Supplementary Planning Document

Affordable Housing and Financial Viability SPD

October 2019



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Contents

1 Introduction	5
Background	5
What is the purpose of this SPD?	5
What is a viability assessment and what is it for?	6
Affordable Housing	6
Summary of the Sutton Context	8
<hr/>	
2 Policy Framework	9
National Planning Policy Framework (NPPF) Feb 2019	9
National Planning Practice Guidance (NPPG)	9
Draft London Plan	11
Mayor's Affordable Housing and Viability Supplementary Planning Guidance (SPG) 2017	11
Sutton Local Plan	13
<hr/>	
3 Affordable Housing Requirements	14
Affordable Housing: Types, Tenure, Rent Levels and Mix	15
<hr/>	
4 The Council's Approach to Assessment of Viability	17
Affordable What are viability assessments for?	17
When are they required?	17
Information required at Pre-Application stage	18
Planning Application stage	18
Transparency and impartiality	18
Material changes to a scheme	19
Section 73 applications or Minor Material Amendments	19
Vacant building credit	20
<hr/>	

5 Viability Assessments - What is required?	21
How to carry out a viability assessment	21
Deliverability of the scheme	26
Evidence, Inputs, Assumptions	27
Alignment with Planning Arguments	27
.....	
6 Off Site and Payments in Lieu	28
.....	
7 Review Mechanisms	29
Early Stage Reviews	29
Late Stage Reviews	30
.....	
8 Build to Rent	32
Covenant	33
Clawback	33
Tenure	34
Viability Appraisals for BTR	34
.....	
9 Build Key Requirements List for All Viability Assessments	37
Glossary	41
Terms	41
.....	

1 Introduction



Background

- 1.1** This Supplementary Planning Document (SPD) has been prepared to provide further guidance on affordable housing and viability within the London Borough of Sutton. The document gives details of how the Council will apply the Local Plan's affordable housing policy in relation to development viability when determining planning applications. It details what should be provided by applicants at which stages during the planning and development process.
- 1.2** This SPD does not and cannot introduce new policies. It ensures that existing policy is as effective as possible. It will become a material consideration in planning applications which are determined henceforth. It should be read alongside the existing Local Plan, the current London Plan, and the Mayor's Affordable Housing and Viability Supplementary Planning Document (2017) as well as the National Planning Policy Guidance (NPPF) (2019) and the National Planning Policy Guidance (NPPG).
- 1.3** The Local Plan (2018) sets a minimum affordable housing target of 35% on private sites. Therefore, all applications that require an affordable housing contribution must meet the 35% target (50% on public land) and make all attempts to exceed it with the use of grant funding, as well as meeting other policy requirements of the Local Plan. Only in exceptional cases should a figure below the 35% threshold be proposed and the council will scrutinise such proposals against the requirements of the Local Plan and this SPD. It should not be routinely used as a mechanism for reducing affordable housing obligations.

What is the purpose of this SPD?

- To explain the Council's approach to affordable housing and viability to local residents, applicants, developers and anyone with an interest in the process
- To specify what affordable housing tenures the Council will find acceptable in the borough
- To improve transparency by explaining the process and ensuring that developers are aware of the need for openness
- To explain circumstances when the Council will expect the submission of a viability appraisal, and clarify what will be required and in what format



- To explain and make completely clear the methodology for viability appraisals and the evaluation of the assessments
- To explain and improve transparency of off-site and payment in lieu contributions
- To explain and clarify the review mechanisms which will be required by the Council
- To explain and clarify the affordable housing contributions which will be required for Build to Rent schemes

What is a viability assessment and what is it for?

1.4 A viability assessment is a process of assessing whether a development proposal is able to proceed in financial terms by establishing whether the value uplift generated by a policy compliant development is sufficient for the land to be released from its current use to a new use, with the developer receiving a competitive return. In the very limited cases where an affordable housing contribution below 35% is proposed the viability assessment must provide the Council with information about the gross development value, costs, land value and developer return which will allow the Council to understand whether the maximum level of affordable housing is being proposed.

1.5 Upon receipt of a viability assessment, the Council will seek independent verification of the assessment to determine the accuracy of the projected development cost, land values and the level of return to ascertain the planning obligations which can be negotiated and at what level to render the site viable and incentivise the development. The Council will expect the developer to cover the cost of this independent assessment.

Affordable Housing

1.6 Affordable housing is social rented, affordable rented or intermediate housing which is provided to eligible households whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers). The Council prioritises the delivery of affordable housing above all other considerations (see Sutton's Local Plan Technical Guidance Note¹) and prioritises affordable rented housing at social rents above all other affordable housing products.



- 1.7** Affordable housing is defined in legislation² and in the NPPF (2019)³ and includes homes let at social rent, affordable rent and intermediate housing as defined below:
- Social rented housing is housing owned by local authorities and registered providers as defined in section 80 of the Housing and Regeneration Act 2008, for which guideline target rents are determined through the national rent regime⁴ (updated 2019). It may also be owned by other persons and provided under equivalent rental arrangements, as agreed with the local authority or with the Greater London Authority or Homes England. In London, the Mayor has developed London Affordable Rent which falls under this category.
 - Affordable rented housing is let by local authorities or registered providers of social housing to households who are eligible. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the gross local market rent having regard to the Local Housing Allowance, (including service charges, where applicable).
 - Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels, subject to specific criteria. This includes the Mayor’s London Living Rent. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. The GLA⁵ will publish income ranges eligible for intermediate products in the Annual Monitoring Report (AMR).
- 1.8** 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.
- 1.9** Affordable housing should include provisions to remain at an affordable price for future eligible households secured by a legal agreement (i.e. remain affordable in perpetuity) or for the subsidy to be recycled for alternative affordable housing provision.
- 1.10** The Mayor of London via the London Plan and the Affordable Housing and Viability SPG⁶ encourages boroughs to set their own targets for social/affordable rent and intermediate housing in their Local Plans. Sutton has determined that a mix of 75% social/affordable and

2. [Housing and Regeneration Act 2008](#) sections 68-71

3. [National Planning Policy Framework](#), MHCLG, 2019

4. [Policy statement on rents for social housing](#), MHCLG, 2019

5. [Greater London Authority](#) - the regional planning authority for London

6. [London Plan](#), GLA, Jan 2017 fix & [Affordable Housing and Viability SPG](#), GLA, 2017

7. [Sutton Local Plan](#), 2018, Policy 8



25% intermediate is appropriate based on the evidenced needs of the borough⁷.

1.11 Full details are provided in Chapter 3 of this document.

Summary of the Sutton Context

1.12 Property prices in the borough are considerably above the national average. Land Registry data shows that in Sutton, house prices have increased by 32% over the past 5 years (July 2014 to July 2019), and average house prices in July 2019 in Sutton were 66% higher than the UK average⁸, however market housing in the borough remains relatively affordable compared to prices across the whole of London which are generally 22% higher than in Sutton.

1.13 There is a clear need for affordable housing in the borough. The Strategic Housing Market Assessment (SHMA) carried out in 2015 (GL Hearn)⁹ states that for 2013 to 2031, a net need of 1,018 affordable homes per year has been identified. This equates to a net need of 18,300 units over the period 2013-2031, and is based on a presumption (based on an understanding of the socio economic profile of the population in Sutton) that households spend 30% of their income on renting.

1.14 The SHMA also identified the affordable housing need size over the period and found a need for 39% 1 bedroom dwellings; 35% 2 bedrooms, 24% for 3 bedrooms and 3% for 4 bedrooms or more.

8. UK House Price Index: <http://landregistry.data.gov.uk/app/ukhpi>

9. [Strategic Housing Market Assessment](#)

2 Policy Framework



National Planning Policy Framework (NPPF) Feb 2019

- 2.1** The NPPF defines affordable housing as “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)”¹⁰.
- 2.2** The NPPF states that government rent policies should be complied with and landlords should be registered providers (except in Build to Rent schemes). If housing is sold, it should be sold at a discount of at least 20% below market value and buyers should meet local eligibility criteria. This housing should remain at a discount for future households. It states that there are also other routes to affordable home ownership, including shared ownership and rent to buy among other products.
- 2.3** The NPPF states that where a need for affordable housing is identified, it should be met on site unless certain circumstances apply:
- a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
 - b) the agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.4** The NPPF refers to viability at paragraph 57, explaining that if policies set out contributions expected from development, then planning applications that comply should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case.

National Planning Practice Guidance (NPPG)

- 2.5** The guidance here refers back to the NPPF in terms of definitions of affordable housing.
- 2.6** The NPPG has recently been updated to provide greater detail on viability assessments. It lays out the purpose and definition of viability assessments and gives information on how each of the inputs should be calculated, and what should and should not be taken into account.

10. [NPPF 2019](#), Glossary, p.64



2.7 Applicants may wish to refer to the NPPG for more detailed explanations on these inputs, available online¹¹ and also laid out in Chapter 5 of this document.

Gross Development Value

2.8 This is an assessment of the value of development, for instance, total sales and or capitalised net rental income from a development. Grant and other funding sources should also be taken into account. Market evidence (rather than average figures) from the actual site or existing nearby developments should be used, but should be adjusted to take into account variations in use, form, scale, location, rents and yields, etc.

2.9 The guidance reminds developers that under no circumstances should the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

Costs

2.10 The NPPG explains that the assessment of costs should be based on evidence which is reflective of local market conditions. The guidance lays out clear definitions of each potential cost which this document covers in Chapter 5.

Land value

2.11 The NPPG explains that in order to determine land value for any viability assessment, a Benchmark Land Value (BLV) should be established on the basis of the “existing use value” (EUV) of the land (existing use value is the value of the land in its existing use - it is not the price paid and should not include hope value) with an additional premium to provide an incentive for the landowner to sell the land. This premium should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell. The premium should allow a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called existing use value plus (EUV+).

Build to Rent

2.12 The NPPG acknowledges that the economics of Build to Rent (BTR) are different. The default affordable housing in these schemes should be affordable private rent (also referred to as discounted market rent). Developers should provide information to councils in



11. NPPG available online: <https://www.gov.uk/government/collections/planning-practice-guidance>



order to establish the levels of the affordable private rent contribution. Review mechanisms can be used for these schemes and other forms of affordable housing can be provided.

Accountability

- 2.13** Viability assessments must be prepared with professional integrity by a suitable qualified practitioner and presented clearly in a way that aids clear interpretation in accordance with the NPPG guidance. Executive summaries should be provided in any viability assessment.

Transparency

- 2.14** The NPPG advises that all viability assessments should be prepared on the basis that they will be made publicly available other than in exceptional circumstances. If this is deemed to be the case, specific details which are commercially sensitive should be aggregated in published viability assessments and executive summaries and included as part of total costs figures.

Draft London Plan

- 2.15** The Draft London Plan Policy H6 in relation to viability and affordable housing follows the threshold approach developed in the Mayor's SPG as laid out above. It defines land where the 50% requirement is appropriate and includes both public land and Strategic Industrial Locations, Locally Significant Industrial Sites and non designated industrial sites.

Mayor's Affordable Housing and Viability Supplementary Planning Guidance (SPG) 2017

- 2.16** The Mayor's SPG¹² was adopted in August 2017. It provides detailed guidance on the adopted London Plan and the Mayor's Housing SPG.
- 2.17** It sets out the Mayor's preferred approach to affordable housing and viability and lays out the "threshold approach", which encourages applicants to provide 35% affordable housing, allowing them to proceed without providing viability information at application stage if they meet this threshold.

Approaches

- 2.18** The Mayor's threshold requires 35% affordable housing on private land, but this rises to 50% on public land, both to be met without grant. Where a developer provides

12. [Affordable Housing and Viability Supplementary Planning Guidance](#), GLA, 2017



affordable housing at or beyond these thresholds, viability information will not be required at the planning application stage - this is known as the Fast Track approach. If schemes propose a lower level of affordable housing, it needs to be fully justified through site-specific viability assessments. This route is known as the Viability Tested approach.

2.19 If an applicant wishes to take the Fast Track route, their scheme must:

- Deliver at least 35% affordable housing on site without public subsidy;
- Deliver the relevant tenure split as required by the Council
- Have sought to increase the level of affordable housing beyond 35% by accessing grant

Land in Public Ownership

2.20 If land is publicly owned, a threshold (as outlined above) of 50% will apply should the applicant wish to benefit from the Fast Track route.

Viability Reviews

2.21 *Early stage reviews* are triggered on Fast Track schemes where an agreed level of progress (in terms of implementation) has not been made within two years of the permission being granted or as agreed by the LPA and laid out in legal agreements. If the viability has improved since planning permission was granted there will be a requirement to provide more affordable housing.

2.22 *Late stage reviews* would be required on all developments which follow the Viability Tested Approach route at the point at which 75% of the units are sold or let. It is possible that this could result in a financial contribution for additional affordable housing provision if the viability has improved since application stage.



Sutton Local Plan

2.23 Sutton policy in relation to affordable housing is laid out in Policy 8 of the Local Plan, which developers should refer to before making applications in the borough. The borough seeks to maximise affordable housing from all sources, seeking a minimum of 35%, of which 75% should be for social/affordable rent and 25% intermediate.

2.24 The borough has determined that sites capable of delivering 11 units or more or a maximum combined gross floorspace of more than 1000m² will be required to make affordable housing contributions.

3 Affordable Housing Requirements



3.1 The Council seeks to maximise the provision of affordable housing from all sources. Affordable housing contributions will be sought from developments on housing sites capable of delivering 11 units or more gross or which have a maximum combined gross floorspace of more than 1000m².

3.2 The Council will seek a minimum of 35% of all dwellings to be affordable. Affordable units should be provided on site except in exceptional cases, where it can be demonstrated that it would be more beneficial to the Council's affordable housing objectives. Examples of where this would occur are:

- Where the identified local need can be better met off-site
- The donor site being a more appropriate location than the main site

3.3 Where a minimum of 35% affordable housing is provided on site, and the Local Plan affordable tenure mix is met, viability assessments will not be required at application stage, as per the Mayor's Fast Track Route.

3.4 As per the London Plan and the Mayor's SPG, where developments take place on publicly owned land (as defined by the Mayor), 50% affordable housing will be required. Estate regeneration programmes which take place on publicly owned land will require at least 50% affordable housing units, and no overall loss of socially rented floorspace.

3.5 Any affordable housing that is created in the borough should include provisions within the legal agreements to ensure it remains affordable in perpetuity, in line with the requirements laid out in the NPPF 2019 (or any subsequent updates), and the Mayor of London's most up to date guidance. Legal agreements should ensure that where affordable units are lost (such as shared ownership homes being fully staircased by an occupier) the subsidy should be recycled for alternative affordable provision.

3.6 Where a site is, or has been, in a single ownership, artificial sub-division to avoid provision of affordable housing will not be permitted. The intention behind this statement is to distinguish between those schemes which are prepared with the intention of circumventing the Borough's planning policy and those schemes which have been drawn up addressing legitimate planning





considerations, and therefore may not be able to provide affordable housing in accordance with the Local Plan policy. Paragraph 68 of the NPPF 2019 favours small parcels of land for improved opportunities for deliverability, and promotes working with developers to encourage sub-division of large sites where this could help to speed up the delivery of homes.

- 3.7** As noted in paragraph P8.6 of the Local Plan, there are likely to be some larger sites coming forward. The Council is aware that larger sites may be developed in phases. However, site allocations should be treated as single sites, even if phasing is proposed, for the purposes of affordable housing. Large sites cannot be split up to attempt to avoid meeting the affordable housing requirements.
- 3.8** In circumstances where a large site has been divided into smaller parcels to assist delivery, or where a site is owned by more than one party, an outline planning application will be expected for the entirety of the site, with numbered ‘parcels’ or ‘phases’ and their timescales laid out and an agreement made for affordable housing upfront.
- 3.9** As per its Technical Guidance Note (2018)¹³, the Council will expect all planning obligations to be met in full. However, where a viability assessment finds that not all of them can be met, the Council will prioritise affordable housing delivery over carbon offsetting because affordable housing is a corporate priority and is more difficult to deliver than carbon offsetting.

Affordable Housing: Types, Tenure, Rent Levels and Mix

Types and tenure

- 3.10** In line with the most recent Strategic Housing Market Assessment (2015) and as outlined in the Local Plan, the Council requires 75% of affordable units delivered to be social/affordable rent and 25% intermediate. The Council will require new affordable housing to remain affordable in perpetuity.
- 3.11** Affordable housing for rent is defined in the NPPF (2019) and includes both social rent and affordable rented units, and in London there are specific additional affordable and intermediate rents developed by the Mayor such as London Living Rent¹⁴ (which sets rent levels on a ward by ward basis) and London Affordable Rent¹⁵. Any

13. [Building A Sustainable Future - The Local Plan Technical Guidance Note](#)

14. [London Living Rent, GLA](#)

15. [Affordable Homes Programme 2016-2021 Funding Guidance](#), GLA, 2016 (and any subsequent updates)



successive iterations of these products should be taken into account.

3.12 Shared ownership schemes are also considered an affordable housing product. The Mayor's London Shared Ownership scheme allows buyers who are able to support an initial purchase of between 25% and 75% of the value of the property and usually a mortgage deposit of around 10% of the share to be purchased. Initial rents on the unsold equity of London Shared Ownership properties can be no more than 2.75% of the value of the unsold equity at the point of initial sale and all sales must use a form of lease containing the fundamental clauses set out in the GLA Capital Funding Guide¹⁶.

3.13 London Shared Ownership homes are available to those with a set maximum household income, which will be set in the London Plan and updated in the GLA's Annual Monitoring Report¹⁷. If the Council determines that a lower maximum income level is appropriate, this lower level will be applied for the first three months of marketing after which time the London Plan figure will apply. The GLA may introduce other intermediate products or relevant policies from time to time which should be taken into account.

3.14 The Council will seek to ensure that affordable rented homes are affordable for local households, both at first let and in the future. Applicants will be expected to discuss proposed rent levels with the Housing Enabling Department at the Council (who can be contacted via the Planning Officer).

3.15 The Council will utilise nomination rights agreements with developers for all tenure types to ensure that local people are able to access affordable homes. This will be published on the council's website.

Expected housing mix

3.16 In line with Local Plan Policy 9, there is an affordable housing need requirement for 39% 1 bed, 35% 2 bed and 24% 3 bed units, with 3% 4+bed units.

Design

3.17 It is important that the proposed affordable housing in the borough is of a high quality. All units should be of a high quality design, and as a minimum meet the design standards as laid out in the Local Plan, the London Plan and the London Housing SPG.

¹⁶ [Affordable Housing Capital Funding Guide](#), GLA website

¹⁷ [Monitoring the London Plan](#)

4 The Council's Approach to Assessment of Viability



What are viability assessments for?

- 4.1** Both Sutton Local Plan and the London Plan require that in certain circumstances developers should provide development viability assessments (also known as viability appraisals) to demonstrate that a scheme provides the maximum reasonable amount of affordable housing.
- 4.2** Viability assessments are an explanation of the economics of a particular development. They can be used to determine what planning contributions the applicant could provide to the Council in relation to the site, such as affordable housing, and explain how this can be done without hindering the development.
- 4.3** Viability is assessed by calculating the uplift in value arising as a result of planning permission being granted for a policy compliant housing development. Where the uplift is sufficient, the land will be released from its current use to a new use. The developer will then receive a competitive return.
- 4.4** The Council expects submitted planning applications to be policy compliant schemes that deliver at least 35% affordable housing. In exceptional cases where less than 35% is proposed the Council will establish whether the proposed level of affordable housing (and any other contributions proposed by the developer) is the maximum that can be reasonably delivered, or whether there is scope for further contributions to be made.
- 4.5** Assessments are presented in the form of a spreadsheet (in electronic format) and supporting evidence which can be carefully scrutinised and reviewed by the Council.

When are they required?

- 4.6** In line with the London Plan, viability assessments are only required by the Council when:
 - Less than 35% affordable housing is proposed on site, or
 - Less than 50% affordable housing is proposed on public land (as per the London Plan), or
 - Any level of affordable housing contribution is being provided off site or as a payment in lieu.



- 4.7** If a scheme provides the required level of affordable housing and the specified mix of unit sizes and tenure mix without the need for any grant, a viability appraisal does not need to be submitted at application stage - though it may need to be reviewed later on - see Chapter 6 of this document.

Information required at Pre-Application stage

- 4.8** Early engagement with the Council is highly beneficial. The Council strongly encourages all applicants to engage in the pre-application process before submitting a planning application. The process enables a collaborative approach to understand and resolve issues early on in the planning process and to thereby ensure emerging development proposals comply with planning policies. This is a vital opportunity to scope out the viability of any scheme, and to discuss appropriate methodology and inputs.

- 4.9** Therefore for all major applications which are likely to trigger an affordable housing requirement, a draft financial viability statement (compliant with the requirements laid out later in this SPD) should be submitted at pre-app stage.

Planning Application stage

- 4.10** When a developer submits a planning application, full viability information as outlined in Chapter 5 of this document will be required if the scheme does not meet the threshold for the Fast Track approach as outlined in Chapter 2.
- 4.11** If a planning application which requires a viability assessment is not submitted with a full assessment complete with all required information, it will not be made valid until the full information is received by the Council.
- 4.12** All viability assessments will be reviewed by the Council's independent external assessors. A fee will be charged to the applicant to cover this cost. Information on the fee level will be available from the Council and must be paid to ensure validation of any planning application. Fees will vary according to the size of the application and will be available from the Council.

Transparency and impartiality

- 4.13** Viability assessments will be published online along with other planning documents submitted and will be





subject to similar scrutiny. The Council believes that making information publicly available and transparency in decision making are essential for public participation and to maintain confidence in the planning system.

4.14 The Mayor's SPG on Affordable Housing and Viability requires transparency of viability appraisals in the planning process. The Mayor has the power to call in planning applications including viability appraisals and will make these available to public scrutiny as set out in the SPG.

4.15 In line with RICS¹⁸ guidance, whether prepared by RICS members or not, all viability assessments must be prepared by parties who are instructed without any performance related or contingent fees. A statement to this effect must be included in the assessment by the author of the viability assessment.

4.16 Similarly, viability assessments must be prepared ethically and be a true and fair reflection of the financial situation of the proposed development. A statement explaining that those who have prepared the viability assessment have acted with objectivity and impartiality, that they have worked without interference and have taken into account all appropriate available sources of information to ensure that the viability assessment genuinely reflects the maximum level of obligations that can be provided and that the scheme is deliverable with this level of provision should also be included.

Material changes to a scheme

4.17 If changes are made during the process of an application where this affects the number of units, the amount of development or the tenure mix, a revised viability assessment will be required. Additional charges may be made for the independent review of the updated viability assessment to be carried out, at the discretion of the Council.

Section 73 applications or Minor Material Amendments

4.18 If any changes are made once permission is agreed, where a section 73 (Minor Material Amendment)¹⁹ or other planning application alters the number, mix or tenure of proposed units, an updated viability assessment would be required, and further payment made for its review.

18. Royal Institution of Chartered Surveyors

19. NPPG Minor Material Amendments <https://www.gov.uk/guidance/flexible-options-for-planning-permissions#make-minor-material-amendments>



Vacant building credit

4.19 As laid out in the Mayor's SPG, decision makers are able to decide how much weight to give Vacant Building Credit (VBC) themselves. It is unlikely in Sutton that VBC would be allowed given the policy requirements to take account of the need to provide affordable housing, and other issues.

4.20 If a developer does wish to ask the Council to consider applying VBC, then the following criteria must apply and be proven by the applicant with appropriate evidence:

- The building is not in use when the application is permitted
- The building is not covered by an extant or recently expired permission
- The site is not protected for alternative land use
- The building has not been made vacant for the sole purpose of redevelopment
- The building must have been empty for a continuous period of five years before the application submission, and that it was actively marketed for at least two of the five years, at a realistic price.

5 Viability Assessments - What is required?



5.1 When the Council receives a viability assessment, it will consider whether the approach adopted and the inputs used are appropriate and adequately justified by the evidence. When reviewing the information provided by the applicant, the Council may ask for further clarification and additional information.

5.2 Viability assessments submitted to accompany planning applications should refer back to the viability assessment which informed the plan (available on the Council's website as part of the evidence base for the preparation of the Local Plan²⁰) and summarise what has changed since then. It should also set out the proposed developer contributions and justify these in the light of policy requirements.

5.3 The viability assessment should be provided to the Council at application stage, and in the format outlined below. Assessments should be submitted in electronic versions with working spreadsheets allowing those reviewing the assessment to alter the inputs to establish the impact this might have on viability.

5.4 Any viability assessment must be accompanied by a clear written summary which explains the findings and gives sufficient information for the public and decision makers to enable them to understand the conclusions.

5.5 A list of all requirements for a viability assessment is available in Chapter 9.

How to carry out a viability assessment:

5.6 A viability assessment looks at the value of a proposed completed policy-compliant development, the costs incurred, along with an appropriate level of profit for the developer to establish whether the scheme is viable.

5.7 Within planning viability assessments there are two assessments of land value that are undertaken as part of the process to determine whether a proposal is viable: the assessment of "residual land value" (RLV) and the calculation of "benchmark land value" (BLV). The RLV is determined by deducting development costs from gross development value to ascertain the underlying land value. The BLV is a calculation to establish a threshold land value below which the current or existing use will be retained on site and the land will not be released for development. BLV should be calculated using the Existing Use Value Plus method as detailed below.





5.8 A development is deemed to be viable if the RLV is equal to or higher than the BLV as this is the level at which it is considered that the landowner has received a competitive return, and will release the land for development.

5.9 Under no circumstances should the prices paid for land be a relevant justification for failing to accord with policies in the development plan.

5.10 The following part explains how to calculate both Residual Land Value and Benchmark Land Value.

Calculating Residual Land Value

a) Establishing Gross Development Value

5.11 Gross Development Value is an assessment of the total value of a policy-compliant development. For residential development, it would include total sales and/or capitalised net rental income from the development. Grant and any other external sources of funding should also be considered. Market evidence should be used from the actual site or existing comparable policy compliant developments, but any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, and outliers should be disregarded. Affordable housing values should reflect discussions with registered providers.

5.12 The Gross Development Value should always reflect the policy requirements for the area, ensuring that the appropriate quantum and tenure of affordable housing is built into the value.

b) Establishing the development costs

5.13 Build costs should be based on a detailed cost plan with rates and measures. The applicant should then benchmark their build cost assessment against BCIS published data. If there is a variation between the cost plan assessment and the BCIS data than the applicant needs to provide a detailed explanation as to why the variation is justifiable.

5.14 Any site specific costs should also be referenced in the cost plan with rates and measures. The abnormal costs need to be fully justified. This might include treatment of contaminated sites, work on listed buildings and costs associated with brownfield, phased or complex sites.

5.15 Any site specific costs such as infrastructure requirements should also be explained and included.



- 5.16** The total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy (CIL) charges, and any other relevant policies or standards should be included.
- 5.17** Finance costs should also be included, including those incurred through loans.
- 5.18** Professional, project management, sales, marketing and legal costs incorporating organisational overheads should also be explained.
- 5.19** Explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with justification for contingency relative to project risk and developers' return.
- 5.20** Where any costs show significant variation from what might be expected, full evidence and explanation should be provided.
- 5.21** These costs should all be taken into account when calculating Benchmark Land Value (see below).
- 5.22** Once the Gross Development Value and the Costs have been established, Residual Land Value can be calculated by taking away the costs from the GDV and ascertaining whether the development results in a deficit or surplus.

Calculating Benchmark Land Value

a) BLV Using the EUV+ Approach

- 5.23** The Council expects applicants to determine the BLV through the “Existing Use Value Plus Premium” approach (EUV+). This is a commonly taken approach to determining the land value benchmark which is used to assess whether a residual land value provides a competitive return for the landowner. This method has been established as the most appropriate method and is recommended in National Planning Policy Guidance as well as London Plan guidance after consideration in the High Court²¹.
- 5.24** The principle of this approach is that the landowner should receive at least the value of the land in its “pre-permission” use, which would normally be lost when bringing forward land for development, plus a premium added to provide the landowner with an extra incentive to release the site while allowing a sufficient contribution

21. Parkhurst Road Ltd v. Secretary of State for Communities and Local Government and Anor [2018] EWHC 991 (Admin)



to fully comply with policy requirements.

5.25 When calculating the EUV+ the value should always be established independent of the proposed scheme. The EUV should be fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes any hope value associated with the development or alternative uses. As laid out in the NPPG, the Council can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement). If a RICS “Red Book” valuation is to be provided to support the EUV assessment this should be undertaken with the specific instruction for the purposes of determining the EUV for planning purposes and not for any other purpose. RICS Valuation Global Standards 2017 provides the following explanation in the premise of value for current or existing use: “Current use/existing use is the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the highest and best use.”²²

5.26 The “+” (or premium) should be justified based on the circumstances of the site. If a site does not meet the requirements of the landowner or creates ongoing liabilities/costs, for instance, a lower premium would be expected. Nil premium should be applied if the site is a liability. On the other hand, a site occupied by profit making businesses that require relocation, then the premium may be in the region of 10%-20%. Where an existing use and the value of this to the landowner is retained within a development, less of an incentive is likely to be required for the land to be made available for development, and a lower benchmark would be expected.

b) Alternative Use Value

5.27 Alternative Use Value (AUV) refers to the value of land for uses other than its existing use. AUV may help determine BLV, but it may only be used when the alternative uses would fully comply with the up to date Local Plan policies including any contributions for affordable housing. When referring to an existing use being refurbished or redeveloped, this will be considered as an AUV when establishing BLV.





5.28 If AUV is used to determine BLV, the following conditions must be met:

- Explanation of how the proposed alternative use would comply with current planning policy,
- Evidence that there is market demand for the proposed alternative use,
- Evidence that it could be implemented on the site in question,
- An explanation of why this use has not been pursued.

5.29 Any valuation of land based on AUV already includes the premium to the landowner - this should not be double counted.

c) Market Value

5.30 The Market Value approach is not acceptable to the Council. It has been found by RICS (Royal Institution of Chartered Surveyors) that developers were not applying it appropriately, failing to properly adjust comparable evidence to reflect policy compliant planning obligations. This then introduces a circularity which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations.

5.31 If a Market Value approach is used, it would only be accepted where it can be demonstrated to properly reflect policy requirements and take account of site specific circumstances.

5.32 Any comparable evidence (including land transactions) which is used to calculate EUV should be based on developments which are fully compliant with emerging or up to date plan policies including affordable housing requirements at the relevant levels set out in the Local Plan. If this is not available, applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This will ensure that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

5.33 Under no circumstances should the prices paid for land be a relevant justification for failing to accord with policies in the development plan.

5.34 The Benchmark Land Value will establish a threshold land value below which the current or existing use will be retained on site and the land will not be released for



development. Once the RLV and the BLV have both been calculated, they can be compared. A development would be deemed to be viable if the RLV is equal to or higher than the BLV as this is the level at which it is considered that the landowner has received a reasonable return and will release the land for development.

d) Profit

- 5.35** It is the role of developers, not plan makers, to mitigate the risks of development. The cost of fully complying with policy requirements should be accounted for in benchmark land value.
- 5.36** The appropriate level of profit is scheme specific; evidence should be provided from applicants to justify proposed rates of profit, taking into account the individual characteristics of the scheme, the risks related to the scheme and genuinely comparable schemes. In line with the NPPG a rigid approach to assumed profit levels should be avoided.
- 5.37** Factors that may be relevant when assessing scheme-specific target profit levels include the scheme's development programme, and whether it is speculative or provides pre-sold/ pre-let accommodation. Market forecasts and stock market trends may also provide an indication of perceived market-wide risk.
- 5.38** Profit requirements for affordable housing should reflect significantly lower levels of risk when compared to private residential units. Lower levels of return would normally be expected for commercial and private rented accommodation.
- 5.39** It should be made clear how the profit level has been adjusted taking into account other assumed inputs within an appraisal. For example, the adoption of cautious assumptions such as the inclusion of contingencies and other costs at the upper end of typical parameters may warrant a lower target profit. The application of a review mechanism should not be used as a justification for a higher profit level.

Deliverability of the Scheme

- 5.40** Applicants should demonstrate that their proposal is deliverable and that their approach to viability is realistic. As such appraisals would normally be expected to indicate that the scheme does not generate a deficit, and that the target profit and benchmark land value can be



achieved with the level of planning obligations provided. If an appraisal shows a deficit position, the applicant should demonstrate how the scheme is deliverable.

- 5.41** Where an applicant is seeking to rely on assumptions of growth in values, these should be clearly provided. If a scheme is not phased and is short term, growth assumptions should be included as a test scenario.

Evidence, Inputs, Assumptions

- 5.42** The minimum that should be provided as part of a development appraisal is laid out in Chapter 9. The Council reserve the right to ask for additional information where necessary. Detailed up to date evidence to support all inputs will be required.

Alignment with Planning Arguments

- 5.43** Any arguments being made in viability statements need to be consistent with arguments made in the rest of the submission - it is not appropriate to make conflicting arguments about the reasons for any lack of policy compliance.

6 Off Site and Payments in Lieu



- 6.1** The Council requires all affordable housing to be delivered on site unless there are exceptional circumstances where off site delivery or a payment in lieu would be more beneficial to the Council's affordable housing objectives, as outlined above.
- 6.2** Off site affordable housing requirements will be calculated by reference to the total housing provision on the main development site and any linked sites providing off-site affordable housing.
- 6.3** Payment in lieu contributions should be calculated using an equivalent of the maximum reasonable amount of affordable housing that could be provided on-site as assessed through a viability assessment. The Council has created a calculator to allow developers to establish what amount of payment in lieu would be required for a particular development.
- 6.4** Cash in lieu of on site or off site affordable housing will be held in a separate affordable housing pot where resources can be pooled and ring fenced to enable greater, or more appropriate, new provision to be made on an identified site or as part of an agreed programme - in compliance with the statutory tests for use of planning obligations.
- 6.5** The Council will require the calculation of payment in lieu contributions to be on an open book basis with actual development costs and sale of receipts. Where payment in lieu is agreed at planning application stage, there will be review mechanisms in place, detailed in the Section 106 agreement if there is still an affordable housing policy shortfall.

7 Review Mechanisms



7.1 Viability review mechanisms are used by the Mayor and the Council to determine whether a development is capable of viably providing additional affordable housing as the scheme develops or once it is completed. This acknowledges the potential for significant changes in values in the housing market over time and allows the Council to ensure that maximum public benefits are secured from developments in the borough.

7.2 Section 106 agreements will be prepared with a view to carrying out a review at certain points as the development progresses. They will show developers when viability will be reassessed over the lifetime of the development. Review mechanisms are not a tool to protect a return to the developer, but to strengthen the Council's ability to seek compliance with relevant policies over the lifetime of the project.

7.3 The Mayor's Affordable Housing and Viability SPG lays out detailed methodologies and formulas for review mechanisms which will be used by the Council. All schemes will be required to be re-appraised at some stage (as outlined below) to ensure that maximum public benefit is secured over the period of a development.

7.4 Review mechanisms should be based on the most robust data available; this generally will be evidenced build costs and the sale price or rental value of the completed units and other uses. More than one review trigger may be appropriate, i.e. an early implementation review if an agreed level of progress has not been reached by a certain date, and a review later in the process taking account of values achieved. The relevant triggers will be clearly set out in the Section 106 agreement.

7.5 The Council will utilise the formulas set out in Annex A of the Homes For Londoners Affordable Housing And Viability SPG²³ (or subsequent iterations) when setting out and implementing viability reviews in Section 106 agreements.

7.6 Costs for the negotiation, undertaking and assessment of the viability reviews will be borne by the applicant and paid for in advance.

Early Stage Reviews

7.7 Early Stage Reviews will be required on all schemes (including those which were not required to submit viability information in the first instance). Early stage reviews take place if an agreed level of progress has not

23. [London Affordable Housing and Viability SPG](#), GLA, 2019



been made by a certain specified date. The reasons for this are as follows:

- To incentivise delivery - a review will be triggered where an agreed level of post-implementation progress has not been reached.
- “Progress” is likely to mean all groundworks/ foundations for core/ground floor construction - this will be laid out in the Section 106 agreement.
- Any uplift in affordable housing requirements should be accommodated on site - if this is not possible (or the amount is insufficient to augment on site affordable housing) then the surplus will be payable to Council prior to occupation of the development.

7.8 Where schemes submitted a viability assessment at application stage, at the early review stage they should look at market changes which affect Gross Development Value and build (and other relevant) costs between the point of planning permission and the point of the review. A comparison will then be made between the original figures as submitted and the updated scheme valuation and cost plan.

7.9 If schemes have been through the “Fast Track route” which meant that they were not required to submit viability information at application stage, values and costs will still be assessed at the early stage review.

7.10 For longer term phased schemes, it may be necessary for the Council to request an updated early stage review in case of a development stalling subsequent to the initial early stage review. Larger developments may be subject to mid-term reviews which could be triggered prior to the implementation of the phases, these will be required at the discretion of the Council.

Late Stage Reviews

7.11 Late Stage reviews would take place on all viability tested schemes where viability has been assessed by the Council - i.e. those providing less than 35% affordable housing (or 50% on public land) or where affordable housing is not being provided on site.

- Late stage reviews will take place when 75% of homes are sold, or at another point as determined by the Council. The benefit of this is that the review can be based on values achieved and costs incurred. The review would take place prior to the sale of



the whole development to ensure that the review and any additional contribution arising from this are enforceable.

- The outcome of this review will be likely be a financial contribution towards off-site affordable housing provision.

7.12 Affordable housing requirements are applied where they are required to make an application acceptable in planning terms. Thus, review mechanisms will not be used to reduce the base level of affordable housing contributions which are required as part of the planning permission. If a reduced level of affordable housing is suggested, this cannot be agreed under the existing planning consent; a new or modified planning application would be required.

8 Build to Rent



8.1 Build to rent (BTR) are purpose built residential dwellings (houses or flats) for private rent. They are professionally managed and should have longer tenancies than the conventional private rented sector.

8.2 BTR developments are recognised as having distinct economics from mainstream “build for sale” housing. They rely on a revenue income through rent rather than upfront return on sales, and generate lower returns which means that lower prices may be paid for land.

8.3 The council will expect that BTR schemes also provide at least 35% affordable housing.

8.4 BTR developments in Sutton are defined as follows:

- Be a development, or a block/phase within a development, of at least 50 units;
- Hold its constituent homes as Build to Rent under a covenant for at least 15 years;
- Provide units that are all self-contained and let separately;
- Offer longer tenancies (three years or more) to all tenants, with break clauses that allow the tenant to end the tenancy with a month’s notice any time after the first six months;
- Offer rent certainty for the period of the tenancy, the basis of which should be made clear to the tenant before a tenancy agreement is signed, including any annual increases which should always be formula-linked;
- Include on-site management, which does not necessarily mean full-time dedicated on-site staff, but must offer systems for prompt resolution of issues and some daily on-site presence;
- Be operated by providers who have a complaints procedure in place and are a member of a recognised ombudsman scheme; and
- Not charge up-front fees of any kind to tenants or prospective tenants, other than deposits and rent-in-advance.

8.5 The definition requires all homes in a development to be BTR, but it is recognised that this might apply, for example, to just one block on a larger mixed tenure development. The most important principle is single ownership and management of the BTR homes.



8.6 Sutton strongly encourages BTR developments to offer low rents across the development.

Covenant

8.7 BTR homes must be secured through a covenant in a Section 106 agreement. This is to ensure that new private rented homes are secured for the rental market for a minimum period, and to enable the distinct economics to be taken into account in planning decisions. During this minimum period the private rented homes must be retained in single ownership and overall ownership of the scheme can only change if the entire scheme stays as BTR.

8.8 Individual homes cannot be sold or the covenant would be broken. This would trigger a ‘clawback’ review that may result in a payment owed to the Council. While the appropriate covenant length will differ, the minimum covenant length should be 15 years with no scope for a reduction over time.

Clawback

8.9 As part of the viability testing process applicants should submit a BTR viability assessment, which will be scrutinised in the same way to determine the maximum amount of affordable housing that can be provided. Formulas as laid out in the Mayor’s SPG will be used (or any successive iterations).

8.10 To ensure that there is no financial incentive to break a covenant, planning permission will only be granted where the scheme is subject to a clawback agreement. The appropriate clawback amount will be the difference between the total value of the market rent units based on the viability assessment at application stage, and those units valued on a ‘for sale’ basis at the point of sale. The Council must be notified of the sale price of units that are sold and this should inform the market value of remaining units to determine the clawback. The clawback amount must demonstrate a sufficient difference in the value of units between rented and for sale tenures, consistent with the distinct economics of build to rent, for the scheme to qualify for the BTR pathway.



8.11 The clawback amount will be payable to the Council for the provision of affordable housing in the event that market rented units are sold within the covenant period, which would break the covenant. For larger phased schemes the Council may require the clawback amount to be disaggregated to the relevant block in which units are sold. In the event that a share of rented units are sold, and the remaining units are retained within the rental market, the Council may determine that the clawback is calculated based on the units sold. The other units will remain under covenant and the clawback will apply at the point of sale if disposed of within the covenant period.

8.12 The clawback does not relate to any affordable units provided as part of the scheme. Affordable units are not subject to a minimum covenant period and must always be secured in perpetuity. Additionally, overall ownership of the building(s) in which the units are located may change during the covenanted period without triggering 'clawback' if the units remain in single ownership and management as BTR.



Tenure

8.13 BTR Developments are expected to provide affordable housing as affordable rented homes at discounted market rents based on a median rent for the borough. The Council will also seek a mix of social rent/London Affordable Rent and London Living Rent, inclusive of all service charges. The discounted market rented units must be managed by the BTR provider and "pepper-potted" across the development to ensure the development is tenure blind. Any affordable housing must be retained in perpetuity.

Viability Appraisals for BTR

8.14 BTR developments have distinct economics which are different to normal developments. All schemes will be required to submit viability assessments but some elements of the traditional 'for sale' viability assessment approach need to be adjusted to take into account the distinct economics of BTR. This difference arises in part from BTR schemes being founded on long term revenue income from rents (taking account of management and maintenance costs) rather than short term receipts from sales.



8.17 Viability appraisals may need to take account of:

- A different approach to profit (often lower than a build for sale scheme) specifically the much longer-term return on investment and payback period and capital asset value at the end of this period for a BTR scheme;
- Different approaches to sales and marketing;
- sale/ disposal - this will generally be faster for a BTR scheme (generally, a BTR appraisal will assume a development period and then a sale to an investor or operator);
- Potentially lower risk compared to for sale schemes; and
- Cost unique to BTR schemes such as management and maintenance.

8.18 Whilst levels of affordable housing in BTR schemes may vary from normal build-to-sale schemes the council still expects that 35% affordable housing to be provided. In cases where the fast track route is not followed the council will scrutinise the application in accordance with this SPD to determine the maximum reasonable amount.

8.19 Where a level of progress has not been achieved (as agreed by the Council and the applicant) after two years of the consent being granted, then an Early Stage Review will be triggered.

8.20 Early Stage Review mechanisms will be applied in line with the Mayor's SPG, and will take place where a level of progress on implementing the permission being granted (or as agreed with the Council) has not been reached. A late stage review will always be required following occupation of 75% of the market units within the development or at another point agreed by the Council.

8.21 Build to rent viability reviews will normally be based on changes in the value of the development and build costs between the point of planning permission and the point of the review. Formulas as provided by the Mayor in the Affordable Housing and Viability SPG (or subsequent versions) will be used. An updated valuation of rental units should be submitted as part of the review based on rental values for units that have been rented and a valuation for any units that are not yet leased. Evidence should also be provided of the appropriate yield to derive a capital value to inform the GDV.



- 8.22** In Early Stage Reviews, where a surplus above the initial agreed profit level is identified It is expected that in most cases any uplift in viability at this stage will be accommodated on-site. Plans should identify which units would switch to affordable accommodation in the event of an increase in viability at this early stage. If the agreed level of progress has been made, this review will not be triggered. All signatories to the Section 106 need to commit to making their best endeavours to fulfil their relevant requirements (setting out key milestones and requirements) to deliver the scheme and account may be had of the market situation at time of review.
- 8.23** If a surplus is identified at the Late Stage review then any uplift in affordable accommodation should be accommodated on site.
- 8.24** The review mechanism should be capped so that the on-site affordable housing and financial contribution are, when taken together, equivalent to a policy compliant level of affordable housing. Although additional affordable housing will generally be a priority, the review mechanism may also be used to contribute to other policy contributions which may not have been viable according to the initial assessment.
- 8.25** Details of the reviews will be set out in the section 106 agreement which shall be drafted in accordance with the Council's standard wording. The formulas laid out in the Mayor's SPG (and any successive iterations) will be used by the Council.
- 8.26** The Council recognises that this is a rapidly evolving type of housing provision and will seek to keep up with national and regional policy, as well as agreed industry standards in relation to assessing viability and affordable housing contributions from BTR schemes

9 Key Requirements List for All Viability Assessments

Input or Information	Requirement
Appraisal Format	<ul style="list-style-type: none"> • Hard and electronic version of appraisal in a format that can be fully tested and interrogated • Electronic viability models such as Homes and Communities Agency’s development appraisal tool, GLA/Three Dragons and ARGUS or Proval developer or other industry recognised appraisal will be acceptable as long as all required information as detailed in this document is clearly provided.
Executive Summary	<ul style="list-style-type: none"> • Clear summary of viability appraisal showing key findings and inputs
Full Scheme Details	<ul style="list-style-type: none"> • Site area and density (by habitable rooms and by unit), • Type and tenure of residential units including number of habitable rooms and unit sizes for each tenure • Type and area of any other uses included in the scheme • Details of all floor areas including Gross Internal Area (GIA) and Net Internal Area (NIA). • Information about proposed specifications of the development (consistent with proposed costs and values) • The target market/occupiers (consistent with proposed costs and values)
Development Programme	<ul style="list-style-type: none"> • Timing of development programme (including information relating to acquisition, pre-build, construction, phasing, marketing and sales/lettings periods) with evidence including project/construction plans and contracts phasing, marketing and sales/lettings periods) with evidence including project/construction plans and contracts. • Cost and income timescales (including residential sales rates with reference to project construction plans and contracts and land/development/letting agreements as relevant.)

Input or Information	Requirement
<p>GDV including all costs with comparables and evidence</p>	<ul style="list-style-type: none"> • Anticipated residential sales values, ground rents, sales rates (per month), assumptions regarding forward sales • Assumptions on value must be justified with reference to up to date transactions and market evidence relating to comparable new build properties within a reasonable distance from the site, and where relevant, arrangements with future occupiers. Where comparable property transactions are used, this should be fully analysed to demonstrate how this has been interpreted and applied to the scheme, and where any variation has been assumed and why. • Yields and rental values of any commercial units should be included. • Sales and rental values for affordable units should include evidence of discussions with Registered Providers.

Input or Information	Requirement
Costs	<ul style="list-style-type: none"> • A detailed cost plan must be provided in an elemental form with rates (e.g. £ per sqm) based on a detailed specification of the proposed development that enables costs to be benchmarked against publicly available sources such as BCIS and supported by evidence from cost consultants. If there is any variation from BCIS data, this must be explained and robustly evidenced. • Information should include separate costs for: <ul style="list-style-type: none"> • Preliminaries; • Demolition/ site clearance/ site preparation; • Base build costs; • Abnormal costs; • On-site infrastructure and utilities; • Offsite infrastructure; • Contractor’s overheads and profit; • Design fees and professional fees; and • Contingencies. • Any abnormal costs should also be included and clearly explained and evidenced. • Cost details should generally be provided based on Gross Internal Area (GIA), clearly apportioning costs to different elements of the development (i.e. commercial, market residential, affordable housing etc). The gross to net floorspace ratio of the development should be set out. • Applicants should submit elemental cost plans that are consistent with the level of detail provided in the drawings in support of planning applications (i.e. RIBA Plan of Works Stage C). Wherever possible such assessments should be benchmarked against other similar projects. Where an appraisal is based on current day values, costs should not include build cost inflation. • There should be a clear correlation between a development’s specification, assumed build costs and development values. Cost information should directly correlate with the floor areas provided as part of the planning application.

Input or Information	Requirement
Benchmark Land Value (BLV) EUV+	<ul style="list-style-type: none"> • Existing Use Value plus premium is the Council's preferred method for calculation of BLV. • There must be evidence of comparable sites of similar size and quality in order to evidence the EUV. The EUV must explicitly not include any hope value or anything other than the value of the existing use on the site. • Any premium should be clearly justified and explained, in accordance with the guidance in this SPD. The premium applied must clearly demonstrate that the appropriate planning policy requirements have been taken into account.
AUV (Alternative Use Value)	<ul style="list-style-type: none"> • AUV is sometimes used to compare the value of a proposed use to the value of an alternative use. • The Council will only accept this when: <ul style="list-style-type: none"> • It would fully comply with the development plan policies and, • It can be demonstrated that the alternative use could be implemented on the site in question, and • There is market demand for the site.
Proposed planning contributions	<ul style="list-style-type: none"> • S106 planning contributions should be calculated in line with Council policy, and included as a development cost. • Community Infrastructure Levy (CIL) should also be included as a development cost and be calculated in line with both the Council and the Mayor's charging schedules and instalment policies.
Developer Profit	<ul style="list-style-type: none"> • The appropriate level of profit is specific to the development; evidence should be provided from applicants to justify the proposed rate of profit taking into account the individual characteristics of the scheme, the risks related to the scheme and comparable schemes. • Profits for affordable units and Build to Rent should reflect a lower level of risk. • Appraisals should make clear how the profit level has been calculated, and explain why these assumptions have been made. • Profit levels should normally be considered as a factor of GDV or GDC (Gross Development Cost).
Other Requirements	<ul style="list-style-type: none"> • Statement of accuracy, impartiality and ethics, as outlined in Chapter 4.

Glossary

Terms

Affordability

A measure of whether housing may be afforded by certain types of households

Affordable Housing

Social rented, affordable rented, and intermediate rented or shared equity housing, secured to remain below market prices in perpetuity, provided to eligible households whose needs are not met by the market.

Affordable Rented Housing

Rented housing let by registered providers (RPs) of social housing to households who are eligible for social rented housing. Affordable rent is not subject to a national rent regime, but it is subject to other rent controls that require a rent of no more than 80% of market rents locally. The Mayor of London has also developed an affordable rent product “London Affordable Rent” which sets lower rents based on affordability in London.

Alternative Use Value (AUV)

This is the value of a hypothetical scheme of development which is a plausible alternative to the proposed scheme of development. For the purposes of a viability assessment, this can only be used where the alternative use would meet with planning policy requirements and meet other specific requirements.

Benchmark Land Value (BLV)

The benchmark land value is the value below which the current use of the site will be continued. This is the value at which a reasonable landowner will be willing to release their site for development.

Built to Rent (BTR)

Purpose built residential dwellings for private rent. They are professionally managed and should have longer tenancies than the conventional private rented sector. They will also be professionally managed and in single ownership.

Community Infrastructure Levy (CIL)

The Community Infrastructure Levy is a planning charge introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Both Mayoral CIL and local CIL apply in Sutton.

Existing Use Value (EUV)

This is used to refer to the value for the continuing existing use of the site or property assuming all hope value and any value arising from any planning permission or alternative use is excluded.

Greater London Authority (GLA)

The GLA is the strategic citywide government for London. It is made up of a directly elected Mayor (the Mayor of London) and a separately elected Assembly (the London Assembly). The GLA's planning policies are part of Sutton's development plan.

Gross Development Value (GDV)

Total value of the development including sales and capitalised net rental income reflecting the policy requirements for tenure mix.

Hope value

Any element of open market value of a property in excess of the current use value, which takes into account the prospect of a more valuable future use or development. This should be disregarded in any viability assessments.

Implementation

A development is considered to have been implemented if any material operation or change of use is carried out. This includes construction of buildings, demolition, digging of a trench to contain foundations, and any material change of use of a building.

Intermediate Affordable Housing

Housing at prices and rents above those of social rent but below market prices or rents. The Mayor has developed London Living Rent which falls into this category.

Local Plan

The Mayor of London is responsible for producing a planning strategy for London. The London Plan is the name given to the Mayor's spatial development strategy.

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Payment in Lieu

Payment made to the local authority (secured by means of a planning obligation) to fund provision of something needed as part of a development but to be built or provided elsewhere or in some way other than by the developer. Also referred to as Commuted Payments.

Planning Obligation

Requirements imposed on a developer to make planning permission acceptable. This could include matters such as the provision of affordable housing as part of the scheme or a financial contribution towards off site works such as highway improvements.

Section 106 Agreement

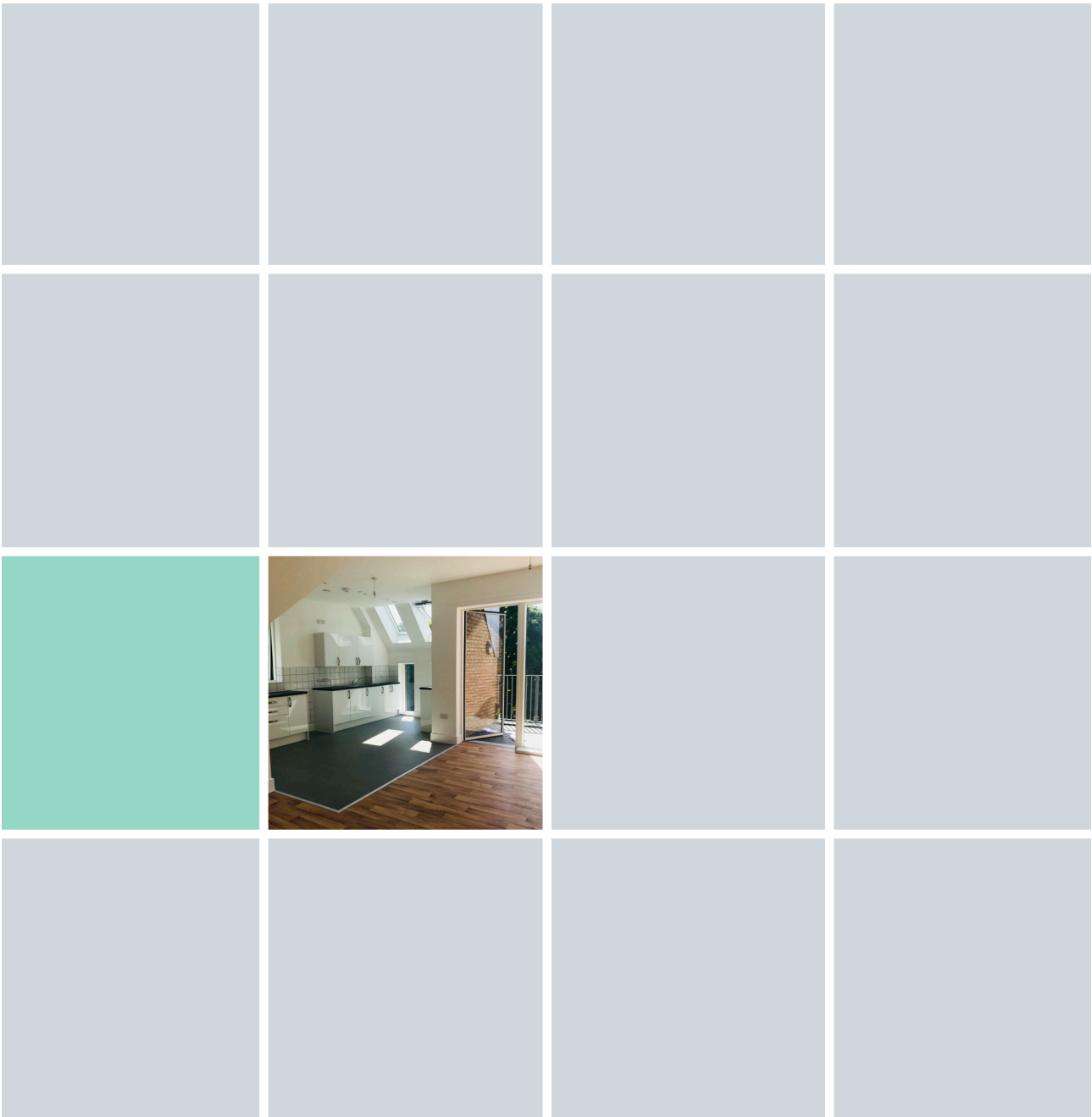
A legal agreement under section 106 of the Town and Country Planning Act 1990. Section 106 agreements are legal agreements between a planning authority and a developer or undertakings offered unilaterally by a developer that secure planning obligations.

Social Rented Housing

Rented housing owned and managed by local authorities and registered social landlords for which guideline target rents are determined through the national rent regime. Please refer also to the London Affordable Rent.

Viability Appraisal

An assessment of the economics of a particular development. It can be used to determine what planning contributions the applicant could provide to the Council in relation to the site such as affordable housing, without hindering the delivery of the development.



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October 2019

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