

MAYOR OF LONDON

London Plan Guidance

Affordable Housing

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London Plan policies

Good Growth Objective GG4 Delivering the homes Londoners need
Policy H4 Delivering affordable housing
Policy H5 Threshold approach to applications
Policy H6 Affordable housing tenure
Policy H7 Monitoring of affordable housing
Policy H8 Loss of existing housing and estate redevelopment
Policy H11 Build to rent
Policy H12 Supported and Specialised accommodation
Policy H13 Specialist older persons' housing
Policy H15 Purpose-built student accommodation
Policy H16 Large-scale, purpose-built shared living
Policy DF1 Delivery of the Plan and Planning Obligations

Plan-making

Planning authorities should use this guidance when developing Local Plans, planning policy, development briefs and guidance.

Planning application type and how the London Plan Guidance (LPG) will be applied

All major housing development (in Use Class C3) including build to rent (BtR) and specialist older persons' accommodation; purpose-built student accommodation; and large-scale purpose-built shared living. Any other application where affordable housing is required.

This guidance provides detail on the various ways in which London Plan affordable housing requirements should be applied to the residential development types above. It should be read in conjunction with the Mayor's Development Viability LPG.

Who is this guidance for?

Planning authorities developing policies relating to affordable housing and planning obligations and determining planning applications for residential development. Development industry applicants seeking to bring forward development that is required to provide affordable housing.

1 About this document

1.1 Planning for affordable housing

- 1.1.1 Delivering more genuinely affordable housing remains a key strategic issue for London and is integral to Good Growth.
- 1.1.2 London Plan Policy H4 sets out a number of ways to achieve this, including requiring major developments to provide affordable housing through the **threshold approach** to applications. This also helps to ensure that the requirement for affordable housing is embedded into land values, while speeding up the planning process.
- 1.1.3 The LPG provides guidance on the threshold approach and other London Plan policies related to affordable housing. It should be read alongside the Development Viability LPG.

2 Threshold approach to applications

2.1 What is the threshold approach?

- 2.1.1 London Plan Policy H5 sets out the **threshold approach** to planning applications. Development proposals for housing that meet or exceed any of the following levels of affordable housing by habitable room (and other criteria below) can follow the **Fast Track Route (FTR)**:
- a minimum of 35 per cent
 - 50 per cent for public-sector land where there is no portfolio agreement with the Mayor
 - 50 per cent for Strategic Industrial Locations, Locally Significant Industrial Sites and Non-Designated Industrial Sites appropriate for residential uses in accordance with Policy E7 (Industrial intensification, co-location and substitution) where the scheme would result in a net loss of industrial capacity.
- 2.1.2 The FTR is available for build for sale residential development (Policy H5), BtR, (Policy H11), specialist older persons' housing (Policy H13) and purpose-built student accommodation (Policy H15).
- 2.1.3 **Applicants should follow the FTR by committing to provide the relevant threshold of affordable housing wherever possible.** This speeds up the planning process by removing the need to submit viability information at application stage, and avoids the requirement for Mid-Term and Late Stage Review mechanisms.
- 2.1.4 Schemes that do not meet these thresholds and that follow the **Viability Tested Route (VTR)** are required to provide detailed viability information to determine the maximum viable level of affordable housing. These are subject to viability reviews at different stages of the development process to assess whether additional affordable housing can be provided over the lifetime of the development.
- 2.1.5 The threshold approach is summarised at Appendix 1. Local planning authorities (LPAs) should apply the threshold approach to applications for sites that are capable of delivering 10 or more homes. When developing new policies on affordable housing, planning obligations and Community Infrastructure Levy (CIL) rates, local plans are required to be in general conformity with the London Plan. LPAs should apply the approach to affordable housing in the London Plan and in this LPG as a part of their plan and decision-making processes.

- 2.1.6 Applicants should take account of all relevant Development Plan policies when forming their proposals and when acquiring land.¹ Landowners should also take account of these requirements when applying for planning permission or selling sites.
- 2.1.7 Where relevant Development Plan documents are up to date, it is expected that applications comply with Development Plan policies and guidance, and that site-specific viability assessments will not be required. Reducing the number of viability assessments required at application stage has sped up the planning process and increased certainty for applicants and planning authorities, whilst supporting the implementation of planning policies and the delivery of sustainable development.
- 2.1.8 To determine whether a scheme can follow the FTR or should be assessed through the VTR, applicants should engage with the LPA and (for referable applications) the GLA at pre-application stage.
- 2.1.9 As set out in London Plan Paragraph 4.4.5, given the extent of housing need in London, the delivery of overall housing targets should not be relied on as a reason for reducing affordable housing delivery.

2.2 Following the Fast Track Route

- 2.2.1 In line with London Plan policies H5 and H6, in addition to providing the relevant threshold level of affordable housing as set out above, to follow the FTR an application should:
- align with the low-cost rent and intermediate tenure split set out in the borough's Local Plan, which should follow the approach in London Plan Policy H6²
 - meet all other relevant obligations and requirements to the satisfaction of the LPA and the Mayor where relevant
 - take into account the strategic 50 per cent target and use grant to increase the level of affordable housing beyond 35 per cent.
- 2.2.2 The Mayor's affordability and eligibility requirements should also be met for all tenures. Further details on this are set out in section 3, below.
- 2.2.3 Schemes proposing 75 per cent or more affordable housing may follow the FTR whatever the tenure mix, where this is supported by the borough, or the Mayor, where relevant.

¹ London Plan Policy DF1 A

² The supporting text to the policy states that tenure split should be based on identified need with a presumption that the majority of affordable homes will be low-cost rent. The FTR is also available to applicants that provide low-cost rented homes in place of intermediate homes. Where affordable homes are provided above 35 per cent, the tenure of the additional homes is flexible, provided that they are genuinely affordable in line with this LPG.

2.2.4 When following the FTR, an Early Stage Viability Review will be triggered if an agreed level of progress on implementation is not made within two years of the permission being granted; or within a timeframe agreed with the LPA or the Mayor. Further details on review mechanisms are set out in the Development Viability LPG.

2.3 Following the Viability Tested Route

2.3.1 Where schemes do not meet the requirements to follow the FTR, applications must follow the VTR. Detailed viability information should be submitted for schemes considered under the VTR in accordance the Development Viability LPG. The maximum viable level of affordable housing will be determined up to 50 per cent,³ based on the relevant Local Plan tenure split. This amount may exceed the 35 per cent threshold level.

2.3.2 In addition to developments that do not meet the required affordable housing threshold and/or tenure split, the types of schemes listed below must follow the VTR:

- those proposing off-site affordable housing, or a cash-in-lieu contribution
- those where other relevant policy requirements are not met to the satisfaction of the LPA or the Mayor
- where demolition of existing affordable housing (in particular estate-regeneration schemes) is proposed, in accordance with Policy H8
- where the applicant claims that vacant building credit applies
- large-scale, purpose-built, shared-living accommodation (LSPBSL) applications, in accordance with Policy H16.

2.3.3 Further details are set out in Appendix 2.

2.3.4 Where permission is granted for VTR schemes, the following **viability review mechanisms** will also be required to ensure that affordable housing delivery increases if viability improves over time:

- an Early Stage Review
- one or more Mid-Term Reviews (for larger phased schemes)
- a Late Stage Review.

2.3.5 An Early Stage Review will be triggered if an agreed level of progress on implementation is not made within two years of the permission being granted or as agreed with the LPA. This will result in additional onsite affordable housing in the event that viability has improved since the application stage.

³ This excludes schemes assessed under Policy H8 involving the demolition of affordable housing, which are considered further in Appendix 2.

- 2.3.6 A Late Stage Review will be required at the point at which 75 per cent of units are sold or let; or for phased schemes, 75 per cent of the way through the final phase. This will result in a financial contribution for additional affordable housing provision in the event that viability has improved since the application stage.
- 2.3.7 One or more Mid-Term Reviews will be required for larger phased schemes or where appropriate. These take place at a mid-stage in the development process and should result in additional onsite affordable housing.
- 2.3.8 Review clauses should be set out in the Section 106 (S106) agreement. Further guidance on this is provided in the Development Viability LPG.

2.4 Public-sector land

- 2.4.1 Public-sector land can play a significant role in meeting affordable housing need and in providing homes for London's key workers who help to maintain the function and resilience of the city.⁴ Public land also typically has a lower value in its current use, allowing higher levels of affordable housing to be delivered. Under Policy H5, proposals for housing on public land must deliver at least 50 per cent affordable housing, provide the relevant tenure split and meet other policy requirements in order to follow the FTR.
- 2.4.2 Where a public landowner has an agreement in place with the Mayor to provide 50 per cent affordable homes across a portfolio of sites, individual sites that meet or exceed the 35 per cent affordable housing threshold and required tenure split may be considered under the FTR. Where such an agreement is not in place, schemes that do not provide 50 per cent affordable housing will be assessed under the VTR.
- 2.4.3 The 50 per cent affordable housing threshold cannot be avoided through transfer of land to a separate company or organisation, or through disposal of the land, which would undermine the objectives of the higher threshold for public land. However, where sites were disposed of, and either have been redeveloped or were subject to a change of use prior to publication of the Mayor's Affordable Housing and Viability SPG in August 2017, the 35 per cent affordable housing threshold should apply.
- 2.4.4 For the purposes of the affordable housing threshold for public-sector land, public-sector organisations and companies or organisations in public ownership will be determined with reference to the Public Sector Classifications Guide (PSCG) published by the Office for National Statistics.⁵ This includes a range of national and local government bodies, public non-financial corporations and

⁴ As defined by the London Plan, public-sector land (or 'public land') is land that is owned or in use by a public-sector organisation, or a company or organisation in public ownership; or land that has been released from public ownership, and on which housing development is proposed.

⁵ Office for National Statistics, [Public sector classification guide](#).

other organisations specified in the PSCG; but excludes housing associations. Further details on the threshold approach for public-sector land are set out in Appendix 3.

2.5 Industrial land

- 2.5.1 The London Plan recognises that industrial land is crucial to the successful functioning of London's economy. Policy E4 (Land for industry, logistics and services to support London's economic function) makes clear that the retention, enhancement and provision of additional industrial capacity should be planned, monitored and managed to ensure a sufficient supply of land and premises to meet current and future demands for industrial and related functions. Where release of industrial land to achieve wider planning objectives is proposed, this should be facilitated through the processes of industrial intensification, co-location and substitution set out in Policy E7 (Industrial intensification, co-location and substitution) and supported by Policy E5 (Strategic Industrial Locations).
- 2.5.2 Policy H5 sets the 50 per cent threshold for housing proposals to follow the FTR on the types of employment land below, where they are considered to be appropriate for residential uses in accordance with London Plan Policy E7 and where they result in a net loss industrial floorspace capacity:⁶
- Strategic Industrial Locations
 - Locally Significant Industrial Sites
 - Non-Designated Industrial Sites.
- 2.5.3 In recognition of the additional costs involved when re-providing industrial capacity with no net loss of floorspace capacity alongside housing, applications may follow the FTR if providing 35 per cent affordable housing.
- 2.5.4 In the case of surplus utilities, sites that would be subject to substantial decontamination, enabling and remediation costs to bring the site forward for development, a 35 per cent affordable threshold could be applied, subject to evidence of exceptional costs and viability being provided.⁷ This should appraise the scheme with and without exceptional costs to help assess the impact of the costs on viability.

2.6 Applications referable to the Mayor

- 2.6.1 Referable applications that do not provide the relevant threshold level of affordable housing, or meet other criteria, will be assessed by the borough and the GLA so that affordable housing is maximised if they follow the VTR.⁸

⁶ Net loss of floorspace capacity is defined in footnote 59 of the London Plan.

⁷ London Plan footnote 59.

⁸ Further details on referable applications and the Mayor's planning powers are available [here](#).

Review mechanisms will also be secured so that the level of affordable housing will increase if viability improves over the lifetime of the development.

- 2.6.2 In view of the significance of affordable housing for health, sustainable development and good strategic planning in London, the Mayor may use his planning powers under the Town and Country Planning (Mayor of London) Order 2008 to become the LPA for the purposes of determining an application (often referred to as a 'call in'), or directing refusal if the scheme meets the tests set out in the Mayor of London Order (2008). Factors that may be relevant (amongst others) include proposed schemes that fail to provide the maximum viable level of affordable housing over the lifetime of the development and/or affordable housing that fails to meet the relevant tenure and affordability requirements.

2.7 How the level of affordable housing should be measured

- 2.7.1 The percentage of affordable housing in a scheme should be measured by habitable rooms to ensure that a range of sizes of affordable homes can be delivered, including family-sized homes.
- 2.7.2 Habitable rooms in affordable and market elements of the scheme should be of comparable size when averaged across the whole development. If this is not the case, then it may be more appropriate to measure the provision of affordable housing using net internal floorspace. Applicants should present affordable housing figures as a percentage of total residential provision by habitable rooms, by units, and by floorspace to enable comparison.
- 2.7.3 Housing size mix should be determined in accordance with London Plan Policy H10.

2.8 Scheme amendments

- 2.8.1 For schemes approved under the FTR, any subsequent applications to vary the consent or S106 agreement will not be required to submit viability information, provided that the resulting development:
- continues to meet the relevant threshold level
 - continues to meet the required tenure split
 - does not otherwise result in a reduction in affordable housing or housing affordability.
- 2.8.2 For schemes where the original permission did not meet the required threshold level or tenure split, viability information will be required where an application is submitted to vary the consent and this would alter the economic circumstances of the scheme (for example, resulting in a change to development values or costs).

- 2.8.3 To support the optimisation of housing delivery, where the number of homes increases and the relevant affordable housing threshold is provided on the additional homes in line with the required tenure split and the scheme meets other relevant requirements, this may be considered under the FTR.
- 2.8.4 However, if the threshold level of affordable housing is not provided on additional homes, or proposed amendments result in a reduction in the proportion of affordable housing, affordability or other obligations or requirements of the original permission, this should be rigorously assessed under the VTR. In these instances, a full viability review should be undertaken that reconsiders all value and cost inputs as well as profit requirements and land value of the scheme.
- 2.8.5 The LPA should carefully consider the appropriate form of application for such amendments and whether a new full application or a variation to the S106 agreement is required. LPAs should also assess how any change in affordable housing or other requirements of the original application would affect the planning balance and whether the application is consistent with the Development Plan as a whole. If the amendment is accepted, Early and Late Review mechanisms will be required, as well as Mid-Term reviews for larger phased schemes.
- 2.8.6 The Mayor should be consulted where a scheme amendment or variation to a S106 agreement is proposed to a referable scheme that reduces the level of affordable housing or affordability from that which was secured through the original planning permission.

3 Tenure

3.1 Low-cost rented homes

- 3.1.1 Descriptions of affordable housing tenures can be found at paragraphs 4.6.4 to 4.6.6 in the London Plan.
- 3.1.2 The Mayor's strong preference is for the delivery of Social Rent homes, which are best placed to address current housing need. Unlike London Affordable Rent (LAR), Social Rent homes are eligible for grant funding under the London Affordable Homes Programme (AHP) 2021-26. As such, Social Rent should be assumed to be the main product to satisfy the requirement for low-cost rent homes.⁹

3.2 Intermediate homes

- 3.2.1 The Mayor's preferred intermediate housing products are London Living Rent (LLR) and Shared Ownership (SO). Given that LLR is a more affordable intermediate product, developments should include this wherever possible. In particular, this should form part of the affordable housing provided in large developments to ensure that there is a range of affordable housing options for households with different incomes, and to avoid an over-concentration of SO.

London Living Rent

- 3.2.2 The GLA publishes ward-level benchmark rents for LLR homes annually. These are inclusive of service charges and based on one-third of the estimated median gross household income for the local borough, varied by up to 20 per cent in line with ward-level house prices¹⁰. The benchmarks vary based on the number of bedrooms within the home.
- 3.2.3 Registered providers (RPs) and local authorities have the flexibility to let LLR homes at lower rents if they wish; however, housing costs must not exceed the benchmarks. Rents should not be increased above the rate of the Consumer Price Index (CPI) including housing costs within tenancies; and on re-let the rent should revert to the applicable LLR level (or lower).
- 3.2.4 LLR homes are subject to the London Plan intermediate rent income eligibility and affordability criteria set out below.

⁹ In exceptional circumstances, an LPA may specify other low-cost rent products that they consider to be genuinely affordable. However, the Mayor expects this to be substantially discounted from market rent and close to Social Rent or LAR benchmarks. These homes are to be made available as general needs or supported housing and allocated in accordance with the statutory allocations framework and established nominations agreements.

¹⁰ LLR benchmarks are also capped at the maximum housing cost level for intermediate homes for rent as set out in paragraph 3.2.15.

3.2.5 LLR offers middle-income households sub-market rents, which helps them to save for a deposit. Where funded by the GLA, RPs are expected to offer tenants the opportunity to purchase their current home on shared ownership terms and, if no tenant has done so within 10 years of first letting, may sell the home to another eligible purchaser on a shared ownership basis.¹¹ LLR homes are eligible for grant under the Mayor's AHPs. Further information is available in the London [AHP 2021-26 funding guidance](#) and the [Capital Funding Guide](#) (CFG).

Eligibility for and affordability of intermediate housing

3.2.6 Intermediate homes should be made available for, and should be affordable to, households with a range of incomes **below** the upper income caps published by the [GLA](#). This includes providing a range of housing types in terms of unit size mix (measured by number of bedrooms). Eligibility and affordability criteria should be specified in the S106 agreement in line with this guidance.

3.2.7 The maximum income caps are as follows:¹²

- affordable intermediate homes for rent: LLR and other Discount Market Rent (DMR) homes – households with gross incomes of up to £60,000
- affordable intermediate homes for sale: SO and intermediate sale homes¹³ where they meet the definition of affordable housing – households with gross incomes of up to £90,000.

3.2.8 LPAs are encouraged to set local eligibility and affordability income criteria, suitable for intermediate rent and sale homes by unit size. Homes should be marketed for a three-month period when they are available for occupation at these eligibility and affordability criteria. If a home is not reserved within that period, the provider may revert to the upper income cap.

Eligibility criteria and prioritising key workers

3.2.9 LPAs and housing providers are expected to adopt an equitable and targeted allocation process for intermediate housing, having regard to London-wide and local eligibility criteria, and established definitions of housing need.

3.2.10 Eligibility for new LLR tenancies is restricted to households that either have a formal tenancy (for example, in the private rented sector) or are living in an informal arrangement with family or friends as a result of struggling with housing costs. Households must also have a household income that does not exceed the maximum for intermediate homes for rent published by the Mayor

¹¹ Conversion to SO is not expected in very high-value areas where this would not be affordable to the tenants or where the homes are provided as Discounted Market Rent (DMR) at London Living Rent benchmark levels, for example in BtR schemes (see section 5).

¹² This is reviewed with updates provided as part of the monitoring of the London Plan.

¹³ Including Discounted Market Sale (DMS) and Shared Equity. Further details on DMS are provided in Appendix 4.

and must not own any other residential home or have sufficient current savings to purchase a home in the local area.¹⁴

- 3.2.11 In addition to the income caps referred to in this section, local authorities and housing providers may set other eligibility and prioritisation criteria for intermediate housing, reflecting local housing need. After an initial three-month marketing period, during which the homes are available for occupation by those who meet these local criteria, homes that have not been let, reserved or sold should be made available to those who meet London-wide criteria, to ensure that they do not remain vacant.¹⁵
- 3.2.12 When setting eligibility and prioritisation criteria, local authorities and housing providers are strongly encouraged to prioritise key workers; and to adopt the definition of key workers, and the GLA's core list of key-worker occupations, in the Mayor's Housing Policy Practice Note [Allocating intermediate homes to London's key workers](#). As outlined in this Policy Practice Note, the GLA encourages local authorities and housing providers to consider local need when prioritising key workers: this may entail adding to the GLA's core list and/or prioritising certain key worker occupations. The latter might, for example, be appropriate on housing development sites near a key worker institution.
- 3.2.13 Local authorities are strongly encouraged to draw up and publish targeted allocations policies and intermediate housing registers alongside other measures they consider necessary, and to provide priority access to new homes for those on that register, particularly key workers.
- 3.2.14 Where a local authority has an intermediate housing register, a process for providing priority access for households on the register should be set out in the S106 agreement.

Affordability criteria

- 3.2.15 For intermediate homes to be considered affordable, annual housing costs, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charges should be no greater than 40 per cent of the net household incomes specified in paragraph 3.2.7 above (or as set out in LPA guidance).¹⁶

¹⁴ Within the 10-year rental period for LLR, providers can renew tenancies of existing LLR tenants whose household income has increased above the maximum intermediate rent income cap but that remains below the intermediate sale income cap, where doing so will enable them to purchase the home (or another home) on a SO basis. Rents and other housing costs should continue to be charged at or below LLR benchmarks.

¹⁵ London Plan paragraph 4.6.10.

¹⁶ Net incomes are assumed to be 70 per cent of gross income. Annual housing costs should also be less than 80 per cent of market rents for intermediate homes for rent and are expected to be significantly lower than this in most cases. Housing costs based on lower incomes than the maximum caps may be increased annually by the percentage change in the median gross household income for London (three-

- 3.2.16 Housing costs for LLR homes and DMR homes let at LLR benchmarks should not exceed benchmark rents published by the GLA. For DMR homes that are not let at LLR benchmarks, maximum total housing costs should not exceed those calculated using the latest income cap published by the GLA when the homes are first occupied.
- 3.2.17 For intermediate homes for sale, to ensure assumptions relating to mortgage costs are reasonable, LPAs, developers and RPs are advised to assume buyers will access a repayment mortgage, with a term of 25 years and a 90 per cent loan to value ratio. The prevailing average interest rate being offered to lenders based on the terms above should be used to calculate the monthly payments. In addition to the affordability and income criteria above, intermediate homes for sale are generally not appropriate where the unrestricted market value of a home exceeds £600,000. Where this is the case intermediate housing should be provided as DMR at LLR benchmarks wherever possible.
- 3.2.18 In 2021, the government introduced a new model for SO homes which allows for the initial share purchased to be a minimum of 10 per cent (previously 25 per cent), with options to staircase through annual increments of a minimum of one per cent (previously 10 per cent) and a 10-year period during which the RP is responsible for essential maintenance and repairs. Only new SO model homes will be funded by the AHP 2021-26, and the Mayor will expect SO to be provided on this basis.

3.3 Service charges and details of tenancy/ leasehold

- 3.3.1 Service charges can have a significant impact on the affordability of low-cost rented and intermediate housing. Applicants, LPAs and affordable housing providers should ensure that service charges are affordable for residents, and that they do not exceed the cost of the services provided. Applicants should consult with affordable housing providers at an early stage to minimise service charges as part of design and management strategies. These, and any other fees or charges, should be agreed with the LPA prior to entering into an agreement with an affordable housing provider.
- 3.3.2 A 'key features' document should also be provided to potential tenants and purchasers at the start of the marketing period. This should include detailed information on the tenure of a property and the length of any lease, as well as the full range of potential costs, including any expected service charges, permission fees and any other charges (including those relating to resales).
- 3.3.3 Residents of affordable housing should be given the same rights of access to amenities and facilities within the scheme as occupiers of market housing at no

year rolling average) as published by the GLA; however, this should not exceed the maximum income caps.

additional charge other than service charges. If an LPA agrees that access to a facility would make service charges unaffordable for residents of affordable housing, this should be excluded from standard service charges and they should be given full optional rights of access at a fair and reasonable charge.

- 3.3.4 Providers should follow the good practice relating to the administration of charges set out in the [Mayor's Service Charges Charter](#). For homes funded through the Mayor's Affordable Housing Programmes, more information on service charge requirements can be found in the CFG. These relate to setting overall housing costs (4.1.147) and service charges administration including sinking funds (4.1.159–172). In addition, the CFG mandates the publication of additional fees and charges online and within Key Information Documents (4.1.149).

4 Grant funding and affordable housing delivery

4.1 Affordable Homes Programmes

4.1.1 The Mayor administers two capital funding programmes to support the delivery of new affordable homes in London. These are the [AHP 2016-23](#) and the [AHP 2021-26](#). Each programme works differently in terms of grant, tenure and other matters. The AHP 2021-26 has run concurrently with the 2016-23 programme, which was extended due to the COVID-19 pandemic and closed to new bids in April 2023. Further details of each programme can be found at the links above and below.

Affordable Homes Programme 2016-23

4.1.2 The AHP 2016-23 comprises of £4.8bn and provides funding for LAR, LLR and London SO housing using tariff rates. This is available for approved providers and for developer-led schemes.

4.1.3 Approved providers are RPs and boroughs that have agreements with the Mayor to provide high levels of affordable housing across their programmes. Individual schemes led by approved providers were able to follow the FTR if they committed to delivering at least the relevant threshold level of affordable housing.

4.1.4 Developer-led schemes providing at least 40 per cent affordable housing were eligible for grant on all affordable housing units in the scheme. These were able to follow the FTR but were required provide 50 per cent to follow the FTR where this is was the threshold.

4.1.5 Approved provider and developer-led schemes that did not meet the requirements above followed the VTR. The programme also provided a negotiated route for supported housing projects and schemes that met the Mayor's strategic priorities.

Affordable Homes Programme 2021-26

4.1.6 The Mayor has secured £4bn from government to deliver affordable homes under the new AHP 2021-26. Funding will support starts on site between 2021 and 2026, with completions by 2028 for most projects and some strategic sites completing in 2029.

4.1.7 The AHP 2021-26 provides negotiated grant rates for Social Rent, LLR and SO housing. Unlike the 2016-23 programme, funding is not available for LAR. Only SO properties provided under the new government model are eligible for funding. Details of further requirements including those relating to design and sustainability are set out in the [AHP 2021-26 Funding Guidance](#).

- 4.1.8 RP, borough and developer-led schemes are eligible for grant under this programme. The Mayor's [CFG](#) provides further details about the criteria and procedures for investment partners wishing to access grant. It makes clear that the use of grant must result in homes that are additional to those that could otherwise be delivered by the proposed development.
- 4.1.9 Grant eligibility is determined through the grant allocation process overseen by the GLA's Housing and Land Directorate. To be eligible for grant, schemes must provide at least 40 per cent affordable housing by habitable room. Funding is available on all affordable units above 35 per cent.¹⁷ For schemes delivering 100 per cent affordable housing, all units are eligible for grant.
- 4.1.10 Where justified and consistent with value-for-money (VfM) criteria, the GLA may fund a greater proportion of affordable housing within the scheme. Where this is the case, funding is only available for the minimum proportion of affordable homes necessary to enable the development to be delivered.
- 4.1.11 The CFG approach ensures that grant facilitates the delivery of additional affordable housing in line with VfM criteria. This also takes into account that negotiated grant rates are typically higher than under the 2016-23 AHP, and the new programme funds Social Rented housing which is more costly to provide than LAR.

4.2 Maximising delivery through grant

- 4.2.1 The London Plan requires that developments maximise the delivery of affordable housing through grant and other forms of subsidy where available, particularly for referable schemes. Applicants are expected to engage in early discussions with RPs and the GLA to explore grant availability, and improve the design and integration of different tenures. Where grant is or is likely to be available, this should be taken into account as part of the planning application, and the applicant should commit to a higher level of affordable housing.
- 4.2.2 Where the applicant commits unconditionally to provide at least 40 per cent affordable housing by habitable room as part of a planning application with grant, and 50 per cent on public and industrial land, the scheme may follow the FTR.¹⁸ However, if it is proposed that the S106 agreement will allow for a lower level of affordable housing than the relevant threshold set out in Policy H5 if grant is not available, the scheme must follow the VTR.
- 4.2.3 The level of affordable housing proposed as part of a planning application should be the same as, or higher than, the total amount of affordable housing

¹⁷ This is assessed on a per-unit basis with reference to the relevant the Local Plan tenure split.

¹⁸ Applications that provide 35 per cent affordable housing are eligible for grant and may follow the FTR where they are part of a public land portfolio that provides 50 per cent affordable housing across the portfolio.

proposed in a grant application.¹⁹ If grant is not available at application stage and a scheme follows the FTR with 35 per cent or provides a lower level of affordable housing, but grant subsequently becomes available, the S106 agreement should require that the level of affordable housing proposed in the grant application is provided.²⁰

- 4.2.4 This approach applies for RP, borough and developer-led schemes. As with the previous programme, for developer-led schemes, applicants should engage early with RPs so that the RP can discuss the availability of grant with the GLA and apply for this before or during the planning application process.

4.3 Other funding programmes

- 4.3.1 To facilitate affordable housing delivery, in addition to the AHPs, the Mayor may make grant funding or support available to developers, boroughs or RPs, through other Mayoral programmes. So far, this has included:

- Homes for Londoners Land Fund – which seeks to accelerate the building of more Social Rented and affordable homes through cross-working with developers, RPs, boroughs and other public bodies to unlock opportunities for affordable homes
- London Refugee Housing Programme – which provides capital grant funding to deliver up to 630 affordable homes for Afghan and Ukrainian households in housing need
- Building Council Homes for Londoners – provided an opportunity for boroughs to secure funding to build homes, predominantly for Social Rent
- Right to Buy-back fund and Right to Buy-back Revenue Fund – enabled boroughs to purchase former council homes that were previously sold under Right to Buy
- Small Sites Small Builders – provides revenue funding to support the unlocking of public land for housing delivery, alongside wider support for small builders and stakeholders.

- 4.3.2 Funding is also available for [supported and specialised accommodation](#) through the following Mayoral programmes:

- Single Homelessness Accommodation Programme - provides capital funding for homes delivered through new build, acquisition, refurbishment and remodelling that will complete by 31 March 2025. These homes will support high needs rough sleepers and young people aged 18-25 who are homeless

¹⁹ This should be at least 40 per cent and may be capped at 50 per cent. Where the scheme is following the FTR under Policy H5 part D by providing at least 75 per cent affordable housing with a flexible tenure no cap should apply.

²⁰ Ibid.

or at risk of homelessness. The programme also provides revenue funding for 3 years of associated support provision

- Care and Support Specialised Housing Programme - provides capital funding for homes delivered through new build, acquisition, refurbishment and remodelling that will start by 31 March 2025. These homes will provide specialist accommodation for older and disabled Londoners, including those with learning disabilities and mental health conditions
- Community Housing Fund - provides revenue funding for the pre-planning costs of community-led homes which can be delivered through a variety of models. It also provides capital funding for the delivery of these homes post-planning
- Domestic Abuse Safe Accommodation programme - provides revenue funding for accommodation-based services for survivors of domestic abuse. Funding is allocated annually by government to the GLA and allocated in a range of ways including through a commissioned framework.

4.3.3 In addition to Mayoral Programmes, other funding sources including subsidy from councils and RPs should be used to maximise affordable housing and national funding programmes should be used to fund infrastructure and support the delivery where available.

5 Build to Rent

5.1 Affordable housing

- 5.1.1 London Plan Policy H11 sets out criteria that a development must meet to qualify as BtR housing, and encourages LPAs to take a positive approach to BtR, taking account of its ability to contribute to the delivery of new homes, including affordable homes.
- 5.1.2 Policy H11 enables BtR schemes to follow the FTR where they provide the relevant threshold level of affordable housing set out in Policy H5. Recognising that BtR development does not provide homes for sale, the affordable housing may comprise of DMR units. These homes can be owned and or managed by BtR providers.
- 5.1.3 To qualify for the FTR, the affordable housing tenure mix within a BtR scheme must be as follows:
- 30 per cent DMR at rent levels equivalent to LLR²¹
 - 70 per cent DMR at a range of genuinely affordable rents in line with local need.²²
- 5.1.4 The provision of 30 per cent of DMR at LLR levels is a minimum requirement. Where LPAs have set out through their development plans any requirements for low-cost rent (Social Rent or LAR) delivery via BtR development, this may also contribute towards the minimum 30 per cent proportion of affordable housing to be provided at more affordable rents. Where low-cost rent is provided this should be owned and managed by an RP.
- 5.1.5 In accordance with London Plan Policy H6, where the level of affordable housing provided is above 35 per cent, the tenure of the additional affordable housing is flexible. This can be provided at a range of genuinely affordable rents, provided that these meet the intermediate rent affordability criteria set out in section 3.
- 5.1.6 Where schemes do not provide the relevant affordable housing threshold or tenure and affordability requirements, and there are clear barriers to delivery, they will be assessed through the VTR.
- 5.1.7 Affordable homes in BtR schemes should be secured in perpetuity in line with Policy H11 and section 5 of this guidance. As such, BtR schemes should be designed to enable affordable units to be retained as affordable units in

²¹ Within BtR schemes it is not intended that these homes should eventually be sold to tenants as SO, as is the case with LLR homes with grant funding.

²² These should be provided in accordance with the eligibility and affordability criteria set out in section 3 and guidance published by the relevant LPA.

perpetuity, regardless of whether the full market rent units are sold out of the rental market at any point.

- 5.1.8 Only in exceptional cases and in the event that it can be robustly demonstrated that it is not possible to retain or re-provide the affordable housing, would an in-lieu contribution for new affordable housing be acceptable. This should not be of financial benefit to the developer/owner. The value of any such in-lieu contribution should be calculated on the same principle as the clawback mechanism outlined below. The contribution will be the difference in value of the affordable units within the scheme, and the sale price of the units at the point of disposal. If the affordable units benefited from any form of subsidy at the point of planning permission the subsidy must be repaid in full in addition to the in-lieu contribution.

5.2 Role and operation of covenant

- 5.2.1 To ensure that new private rented homes are secured for the rental market for a minimum period, and taking into account the different affordable housing requirements for BtR development compared with build for sale, BtR homes must be secured through a covenant in a S106 agreement.
- 5.2.2 While the appropriate covenant length will differ, the minimum covenant length should be 15 years in accordance with Policy H11.²³ During this 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.
- 5.2.3 Individual homes cannot be sold or the covenant would be broken. This would trigger a 'clawback' review that may result in a payment to the relevant LPA.

Clawback

- 5.2.4 In line with the Mayor's approach to affordable housing on BtR schemes, and to ensure there is no financial incentive to break a covenant, planning permission should 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 at application stage,²⁴ and those units valued on a 'for sale' basis at the point of sale.
- 5.2.5 A valuation of the market rent and affordable units must be agreed with the LPA and (for referable schemes) the GLA, at application stage and included in the S106 agreement. Where a scheme has followed the VTR, this will be based on the value determined within the Viability Assessment. The LPA should be

²³ The covenant period should commence from the date of occupation of the relevant block, or the date on which the entire block is available for occupation, whichever is the latter.

²⁴ The valuation should be undertaken on the basis that the market rental units will remain in rented tenure for at least the covenant period. This should assess the net development value after deducting purchasers' costs. The value may be linked to changes in local rental values.

notified of the sale price of units sold and this should inform the market value of both the sold and remaining units to determine the clawback.²⁵

- 5.2.6 The clawback amount will be payable to the LPA 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 LPA should consider whether the clawback amount should be disaggregated to the relevant block in which units are sold. The clawback amount should not reduce over time to ensure that the covenant remains effective for the full period.
- 5.2.7 In the event that a share of rented units is sold, and the remaining units retained within the rental market, an LPA 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.
- 5.2.8 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 covenant period without triggering 'clawback' if the units remain in single ownership and management as BtR.

5.3 Eligibility and affordability criteria

- 5.3.1 As an intermediate affordable product, the eligibility and affordability guidance set out in section 3 applies to DMR housing in BtR schemes, including homes provided at LLR-equivalent levels and those at a range of other discounted rents.
- 5.3.2 In relation to DMR at LLR equivalent levels, homes should be let at the GLA's current LLR levels at the start of each new tenancy. Rent rises for all DMR homes should be limited to CPI within tenancies. Where the LPA has an intermediate or DMR housing register they should agree with the applicant a process for providing priority access for those on the register, including key workers, as set out in section 3.

²⁵ Where the sale price of units is used to inform market value these must be genuine arm's length transactions.

6 Securing affordable housing delivery

- 6.1.1 Applicants and LPAs should ensure that the delivery of the affordable housing provision is robustly secured through a S106 agreement. The amount of affordable housing should be clearly set out by unit and habitable rooms for each tenure.
- 6.1.2 The agreement should include restrictions on the occupation of a proportion of market housing before an appropriate proportion of the affordable housing, particularly low-cost rent, has been constructed and disposed of to an RP or the council.²⁶ This should ensure that the baseline level of affordable housing secured in the S106 agreement will be delivered. Affordable housing should be included within the initial buildings or phases of schemes and should not be concentrated in the final buildings or phases, which could result in the relevant S106 obligations not being met.
- 6.1.3 Obligations should be included to ensure that the level and type of affordable housing proposed within outline applications is delivered. To achieve this, it may be appropriate to secure a specific level of affordable housing and tenure mix within each phase and ensure that the minimum level of affordable housing (and low-cost rent) is provided at each stage of the development process when assessed across the site as a whole. Where applications do not specify the delivery of a set or minimum number of residential units, the baseline percentage of affordable housing should be secured within each reserved matters application that includes residential units. Restrictions may also be required on the occupation of other uses within the proposal prior to delivery of the affordable housing.
- 6.1.4 To ensure that the affordable housing is provided at an affordable price for future eligible households, the affordable housing should be sold to an RP approved by the LPA on a freehold basis or a leasehold of 990 years wherever possible.²⁷ In line with the 2021-26 AHP, the term of subleases provided to shared owners should be no shorter than the headlease owned by the affordable housing provider.
- 6.1.5 The S106 agreement should secure eligibility, affordability and other relevant provisions, including review mechanisms, in line with this guidance and the Mayor's standard S106 clauses.
- 6.1.6 The agreement should provide for the recycling of subsidy for alternative affordable provision within Greater London in the event that a home is no longer provided as affordable housing (such as when SO homes are fully staircased

²⁶ Or constructed and made available for occupation for affordable housing that will be retained by the owner in BtR developments.

²⁷ This is also a requirement of the new government SO model.

by an occupier purchasing 100 per cent of the property).²⁸ Subsidy includes all forms of subsidy required to enable the sale or letting of the property at sub-market rates, such as development subsidy, grant funding, developer contributions and other relevant sources.

²⁸ Mortgagee-in-possession clauses should give councils the option to acquire or nominate an alternative RP to acquire affordable housing in the event of default by the RP using GLA standard clauses. These should only be applied where the affordable housing is owned by an RP who is regulated by the Social Housing Regulator.

7 Monitoring and implementation

7.1 Applicants' responsibilities

- 7.1.1 Applicants should submit planning applications through the Planning Portal using the Portal application form questions, which will enable information to be recorded in a digital format. This should include the following:
- the number and tenure of the affordable housing by units and habitable rooms
 - financial contributions for the provision of affordable housing
 - other relevant information as specified in the Planning Portal application form questions.
- 7.1.2 As soon as practicable following the grant of planning consent, this information should be submitted to the LPA in a standardised format specified by the GLA reflecting the position set out in the planning permission and/or S106 agreement (which may be different from information submitted with the planning application). This will enable the data to be recorded, monitored and provided for the Planning London Datahub.
- 7.1.3 If any additional affordable housing is provided as part of a development following the grant of planning permission for which a new planning permission is not required, the amount and tenure of additional affordable housing should be reported by units and habitable rooms to the LPA in a standardised format specified by the GLA, as soon as practicable after the completion of the additional affordable housing units.
- 7.1.4 Applicants should also report the final outcome of any viability review mechanism to the borough in a standardised format specified by the GLA, as soon as practicable after the completion of the viability review, to enable this to be recorded and monitored. This should include:
- the number and tenure of additional affordable housing by units and habitable rooms
 - any changes in the tenure or affordability of the affordable housing by units and habitable room
 - the amount of any financial contribution payable towards offsite affordable housing.

7.2 LPAs' responsibilities

- 7.2.1 Under London Plan Policy H7, LPAs are required to have clear monitoring processes to ensure that:

- the affordable housing secured in S106 agreements is recorded and delivered
 - any cash-in-lieu payments are paid and used to deliver additional affordable housing
 - review mechanisms are undertaken when triggered, additional affordable homes are delivered and contributions are paid.
- 7.2.2 LPAs should publish monitoring information on each of the above annually to ensure transparency.
- 7.2.3 LPAs should also monitor and update information for permissions, starts and completions in their area. This should include:
- the number and tenure of the affordable housing by units and habitable rooms
 - financial contributions for the provision of affordable housing.
- 7.2.4 LPAs should also record and monitor any additional affordable housing that is provided as part of a development following the grant of planning permission including the final outcome of any viability review mechanism. This should include:
- the number and tenure of additional affordable housing by units and habitable rooms
 - any changes in the tenure or affordability of the affordable housing by units and habitable rooms
 - the amount of any financial contribution payable towards offsite affordable housing.
- 7.2.5 LPAs should submit relevant data to the Planning London Datahub at least quarterly. The data should comprise:
- details of the consented scheme
 - details relating to additional affordable housing provided as part of a development following the grant of planning permission where a new planning permission is not required
 - details relating to the final outcome of any viability review mechanisms.
- 7.2.6 LPAs should ensure that sufficient resources are in place to negotiate, monitor, implement and enforce S106 agreements, and it is strongly recommended that this is undertaken by specialist officers or teams wherever possible. The costs of this should be met by applicants.

Appendix 1 Threshold approach to applications

Fast Track Route	Viability Tested Route		
Schemes providing >35%/50% affordable housing	Schemes providing <35%/50% affordable housing		
<p>Is the application:</p> <ul style="list-style-type: none"> ▪ Providing on-site affordable housing ▪ Consistent with the relevant tenure split ▪ Meeting other obligations and requirement to the satisfaction of the LPA and the Mayor (where relevant) 	No		
Yes	<p>Full viability assessment required</p> <p>Viability assessment will be treated transparently and assessed by the LPA and the Mayor (where relevant)</p>		
Developer engages with RPs and the LPA to explore the use of grant funding to increase the proportion of affordable housing	Developer engages with RP to explore the use of grant funding to increase the proportion of affordable housing		
	Scheme provides the maximum viable amount of affordable housing as determined by the LPA and the Mayor (where relevant)		
	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> </table>	Yes	No
Yes	No		
<p>Planning permission may be granted subject to an Early Review</p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;"> <p>Planning permission may be granted if scheme is acceptable as a whole, subject to Early, Mid-Term and Late Viability Reviews</p> </td> <td style="width: 50%; text-align: center;"> <p>Planning permission may be refused</p> </td> </tr> </table>	<p>Planning permission may be granted if scheme is acceptable as a whole, subject to Early, Mid-Term and Late Viability Reviews</p>	<p>Planning permission may be refused</p>
<p>Planning permission may be granted if scheme is acceptable as a whole, subject to Early, Mid-Term and Late Viability Reviews</p>	<p>Planning permission may be refused</p>		

Appendix 2 Schemes that are not capable of following the Fast Track Route

A2.1 Off-site and cash-in-lieu contributions

- A2.1.1 London Plan Policy H4 is clear that affordable housing should be provided on site to help deliver mixed and inclusive communities, providing choice to a range of Londoners. Affordable housing should only be accepted as an off-site or in-lieu contribution in exceptional circumstances where it can be robustly demonstrated that this cannot be delivered on-site, or where an off-site contribution would better deliver mixed and inclusive communities than an on-site contribution.²⁹
- A2.1.2 To avoid incentivising off-site provision or in-lieu contributions, there should be no financial benefit to the applicant relative to on-site provision. The level of contribution should be determined based on the maximum amount of affordable housing at the relevant tenure split that could be provided on-site as assessed through the VTR. These schemes will also be subject to review mechanisms as required through the VTR.
- A2.1.3 Once the maximum level of onsite affordable housing has been determined at the relevant tenure split, the offsite/in-lieu contribution should be calculated by assessing the difference in the value of the affordable housing and its value as market housing. This is to ensure that where the on-site market housing is increased as a result of the affordable housing being provided off-site, this does not result in a higher profit level for the market homes, which would have the effect of reducing the affordable housing contribution.
- A2.1.4 When assessing in-lieu contributions for residential investment properties (including BtR, student accommodation and LSPBSL), the calculation should also be based on the difference between the value of the affordable and market units; and should be determined taking into account appropriate operating costs for the affordable units, assuming that they had been provided onsite. Any difference between the assumed operating costs for market and affordable accommodation should be fully justified.
- A2.1.5 The policy target for schemes delivering off-site affordable housing or in-lieu contributions is 50 per cent affordable housing provided across the main site; any housing provided off-site; and affordable housing to be delivered through an in-lieu contribution.
- A2.1.6 Where an LPA has established a locally based approach for determining in lieu contributions, such as a tariff-based approach, this may be applied where

²⁹ See London Plan paragraphs 4.4.9 to 4.4.14. For exceptions see Policy H2 (Small sites) and Policy H16 (Large-scale, purpose-built shared living).

this would result in a higher level of affordable housing provision (or a higher policy target).

- A2.1.7 Off-site and in-lieu contributions must result in additional affordable homes that meet housing need. The additional affordable homes should be delivered either on an identified site or as part of an agreed programme, in compliance with the statutory tests for the use of planning obligations.³⁰
- A2.1.8 Contributions should be held in a separate affordable housing fund where resources can be pooled and ring-fenced. As set out in London Plan H7, authorities must have monitoring arrangements in place and report the additional homes delivered and contributions received annually.

A2.2 Schemes where other relevant policy requirements are not met

- A2.2.1 When determining whether an application can follow the FTR, authorities should assess whether the proposal would be acceptable in planning terms when taken as a whole. This should take into account the circumstances of the case, including whether the applicant considers that another policy requirement cannot be achieved due to viability. The LPA should also consider which approach would enable affordable housing and other public benefits to be maximised.
- A2.2.2 If a site is subject to a policy that would otherwise prevent residential development, but the authority considers that it could be capable of sustainably accommodating this, they may wish to consider whether a higher level of affordable housing than the relevant threshold could be provided when considering development options and allocating the site for development.

A2.3 Loss of existing affordable housing and estate regeneration

- A2.3.1 Before considering the demolition and replacement of affordable homes, boroughs, housing associations and their partners should consider alternative options first. They should balance the potential benefits of demolition and rebuilding against the wider social and environmental impacts and consider the availability of Mayoral funding and any conditions attached to that funding.
- A2.3.2 In line with Policy H8, development proposals that entail the demolition of affordable housing, including estate-regeneration schemes, are required to follow the VTR. These should maximise affordable housing delivery, providing an uplift in addition to the replacement of existing affordable housing floorspace.
- A2.3.3 Affordable housing that is replacing Social Rent housing must be provided as Social Rent in perpetuity where it is facilitating a right of return (or remain) for

³⁰ Community Infrastructure Levy Regulations 2010 (as amended)

existing tenants. To establish this, applicants should provide details of the number, floorspace and tenure of existing affordable homes prior to any decanting or demolition to the LPA and (for referable schemes) the Mayor. This should include details of the position at the time that any residents' ballot was undertaken.

- A2.3.4 Social Rented housing should be re-provided as Social Rent unless it can be demonstrated that existing tenants do not have a right to return (or remain) or have chosen not to accept the offer to return. The offer to return should be made at an early stage and prior to any decanting to allow for reasonable consideration to be given to the option to return. If this is the case, and it is demonstrated as part of the application that there is no right to return or the offer has not been accepted, those specific units can be re-provided as either Social Rent or LAR. The S106 agreement should clearly specify the number of re-provided units to be delivered as Social Rent (and LAR if applicable).
- A2.3.5 Supported or specialised accommodation should be retained, refurbished or replaced with the same or similar type of housing to help meet the need for this accommodation in line with Policy H12.
- A2.3.6 Additional affordable housing should be maximised and provided as Social Rent wherever possible.
- A2.3.7 If a borough or affordable housing provider is redeveloping an estate as part of a wider programme then it may be possible to re-provide a different mix of affordable housing on the estate (taking account of the wishes of people who want to remain on or return to the estate) if the affordable housing is to be re-provided on the basis set out above and increased across the programme as a whole.
- A2.3.8 The Mayor's Good Practice Guide to Estate Regeneration sets out the principles that the Mayor expects estate-regeneration schemes to follow and the Mayor's expectations on how boroughs and housing associations should engage with residents.³¹

A2.4 Vacant building credit

- A2.4.1 Vacant building credit is a national policy that is intended to incentivise brownfield development, including the reuse or redevelopment of empty and redundant buildings.
- A2.4.2 Under London Plan Policy H5, if an applicant claims that vacant building credit applies, the application should follow the VTR. When assessing viability, the LPA and (for referable applications) the Mayor will determine the maximum viable level of affordable housing that can be provided. This allows for minimum developer and landowner returns, which enable the development to be viable and incentivise delivery.

³¹ Further information is available [here](#).

A2.4.3 Applications should provide the maximum viable amount of affordable housing and will be subject to viability reviews as set out in Policy H5. The weight to be given to viability should be considered by the LPA and, where relevant, the Mayor. The level of affordable housing provided should also be taken into account as part of the overall planning balance.

A2.5 Large-scale purpose-built shared living

A2.5.1 LSPBSL follows the VTR and provides a financial contribution for offsite affordable housing, rather than onsite affordable housing, because this does not meet London Plan minimum internal space standards.³² A contribution is expected that is equivalent to either of the following:

- 35 per cent of the units
- 50 per cent where the development is on public-sector land or industrial land appropriate for residential uses.

A2.5.2 The LPA can decide whether it would prefer the financial contribution as a single upfront payment based on a 50 per cent discount to market value or an in-perpetuity payment based on 50 per cent of rental income for the proportion of units set out above. Where this is provided, a scheme will not be subject to a Late Stage viability review. Further details on the approach to calculating off-site contributions are set out above.

A2.5.3 Given the London Plan priority for onsite affordable housing, if an application that includes LSPBSL provides affordable housing that meets internal space standards and the requirements of Policy H5 and H6, the LPA or (for referable applications) the GLA may assess this under the FTR. To calculate the proportion of onsite affordable housing, the relevant threshold level should be applied as a proportion of total internal floorspace including shared and communal facilities within the scheme.³³

³² See London Plan Policy D6.

³³ The calculation should not treat LSPBSL units as a single habitable room because these are larger than habitable rooms in C3 housing. This would have the effect of understating the required level of affordable housing.

Appendix 3 Further details on the threshold approach for public-sector land

A3.1 Type of interest in the land

- A3.1.1 Where a site maintains a freehold land interest in public ownership, but a private landowner holds a long leasehold interest, the control of the land is primarily in private hands (although the freeholder's consent may be needed in some instances including redevelopment).
- A3.1.2 As such, where the public-sector land interest is in the form of a freehold or similar interest, and a long leasehold is in place that is not held by the public landowner, this will not be treated as public land and a 35 per cent threshold should apply. This will only be the case, however, if higher-value uses are located on the site rather than surplus public-sector assets (for example a community centre).
- A3.1.3 Additionally, if a long leasehold has been disposed of by a public-sector landowner for the purposes of development, a 50 per cent threshold will continue to apply. This is to avoid the leasehold being disposed of to allow the site to be considered under the lower threshold.
- A3.1.4 For sites where a long leasehold interest is held in public ownership, to qualify for the FTR, a 50 per cent threshold would apply.

A3.2 Proposals involving the delivery of public infrastructure or facilities

- A3.2.1 Sites on public land should provide 50 per cent affordable housing or form part of a public land portfolio which provides 50 per cent across the portfolio wherever possible. Where an application on public land involves the delivery or re-provision of other public infrastructure or facilities, and less than 50 per cent affordable housing is proposed (or less than 35 per cent as part of a public land portfolio), the scheme should follow the VTR.
- A3.2.2 London Plan Policy DF1 states that when setting policies for and negotiating planning obligations, applicants and decision-makers should firstly apply priority to affordable housing and necessary public transport improvements. In view of this, LPAs should take into account affordable housing requirements and evidence of substantial exceptional costs related to the provision of strategic public transport works. At least 35 per cent affordable housing, and 40 per cent with grant, should be provided and a viability appraisal should be submitted for schemes which do not form part of a public land portfolio to assess whether this can be exceeded.
- A3.2.3 Applicants should provide information regarding the public benefit of the proposal and the level of affordable housing that could be delivered without

provision of the public infrastructure. This will assist the decision-maker in attributing weight to the different benefits of the scheme.

A3.3 Proportion of the site that is public land

A3.3.1 Where part of a site is public land, but not all of it, the 35 per cent threshold will apply to the proportion of the site that is not public land, whilst 50 per cent will apply to the public portion. When the site is taken as a whole the overall threshold will be a combination of both thresholds. This will be calculated according to the formula below. Site areas are to be calculated in square metres.

$$\begin{array}{c} (public\ land\ site\ area/total\ site\ area) \times 50 \\ + \\ (private\ land\ site\ area/total\ site\ area) \times 35 \end{array}$$

A3.3.2 For a site that consists of half public land and half private land, this would result in a threshold of 42.5 per cent, for example.

A3.3.3 If the public land forms part of a public land portfolio that is delivering 50 per cent affordable housing across the portfolio, the threshold for the part of the site that is public land can be higher or lower than 50 per cent, but must be at least 35 per cent.

A3.3.4 Where only a small proportion of a site is public land such as an access route and this does not or did not previously contain a building or land use, the 35 per cent threshold should apply for the whole site.

A3.4 Sites acquired by public authorities

A3.4.1 For sites that have been acquired by the public sector for redevelopment or the provision of public infrastructure less than five years prior to the submission of the relevant planning application, the 35 per cent threshold should apply.

A3.4.2 However, for land that is acquired through a compulsory purchase order, or that would not otherwise come forward for development without acquisition by a public authority, the planning authority may wish to apply a 50 per cent threshold when allocating the land for development and / or assessing a development proposal at the site.

Appendix 4 Discounted Market Sale

A4.1.1 Discounted Market Sale (DMS) is an intermediate ownership housing product which is sold to purchasers with a discount to the market value. DMS is not one of the Mayor's preferred affordable housing tenures; however, where DMS is provided on schemes that align with wider housing objectives (such as community-led schemes and/or schemes that provide homes to groups of people who share a protected characteristics), the Mayor supports this approach.

A4.1.2 If the price of DMS is set with reference to the market value of homes rather than local incomes, it is less likely to meet the Mayor's affordability criteria. For these reasons, DMS should only be delivered in circumstances where the homes will be genuinely affordable and meet a specific need. It is important that the discount is passed on to subsequent purchasers and that they remain affordable in perpetuity. Where DMS is proposed the following criteria should be met and set out in the S106 agreement:

- DMS should be secured as genuinely affordable housing in perpetuity and in line with the Mayor's intermediate ownership eligibility and affordability criteria as set out in section 3.
- The discount to market value should be at least 20 per cent (it should not be sold for more than 80 per cent of market value). In most cases the discount would need to be much greater in order to ensure that the properties are affordable in line with the Mayor's affordability criteria.
- The level of discount to market value should be independently assessed based on a valuation of the specific unit taking into account the size, characteristics and location of the unit and comparable sales evidence.
- DMS units should be allocated in accordance with the Mayor's eligibility criteria, prioritising key workers and households on local intermediate housing registers where applicable.
- If not provided as part of a community-led housing project, wherever possible, DMS should be managed by an RP who should oversee, monitor and report to the LPA on initial and subsequent sales, ensuring that the relevant eligibility and affordability criteria continue to be met. If this is not possible, this role should be undertaken by the developer or freeholder to ensure that the requirements can be monitored effectively and enforced. The eligibility and affordability criteria should also be set out in the headlease so that these are clear to the owner and subsequent purchasers.

A4.1.3 First Homes (FH) are a type of DMS housing introduced by national planning policy for first-time buyers. Where FH meet national and Mayoral affordability and eligibility criteria, it is a product that falls within the category of intermediate housing for sale.

- A4.1.4 To qualify as FH, homes must have a minimum discount of 30 per cent to market value secured in perpetuity through a S106 agreement and, on first sale, a purchase price that does not exceed £420,000 after the discount has been applied. Further details can be found in the national Planning Practice Guidance.
- A4.1.5 Current national policy indicates that FH should account for at least 25 per cent of affordable housing units delivered through planning obligations. This is a material consideration for decision makers to take into account alongside policies of the Development Plan and any other relevant material considerations.
- A4.1.6 In determining the weight to be given to Development Plan policies (including those of the London Plan), FH and other material considerations, decision makers should consider:
- affordable housing needs at a local and strategic level
 - the delivery of affordable housing by tenure against London Plan and local targets
 - the deliverability and affordability of FH in a local and strategic context
 - the discount to market value required to enable FH to be provided at or below the £420,000 cap and the relevance of this to scheme deliverability and the provision of other affordable housing tenures³⁴
 - all other relevant national, strategic and local requirements, including eligibility criteria for FH and intermediate housing.
- A4.1.7 Policy H6 is based on evidence of affordable housing need in London. It does not preclude the delivery of DMS as part of the intermediate affordable housing component, however it does not contain a specific requirement for FH or DMS and does not prioritise these products above the other tenures set out in the policy. DMS products are not eligible for grant under the 2021-26 AHP.
- A4.1.8 Local Plans must be in general conformity with the London Plan. LPAs bringing forward revised plans should take into account the issues outlined above when developing affordable housing policies, including evidence of affordable housing need and deliverability, alongside national policy.

³⁴ In many cases properties discounted by 30 per cent from market value are likely to exceed the £420,000 value cap. Where the value is below the cap, homes are likely to be smaller or in lower value areas, and accessible to a limited proportion of households at the upper end of the affordable income range.

