

# AFFORDABLE HOUSING

SUPPLEMENTARY  
PLANNING DOCUMENT (SPD)

# FOREWORD

The delivery of genuinely affordable housing, and social rent homes in particular, is an immensely pressing priority in Southwark, and one which underpins the Southwark Plan and our requirements from those who want to invest in our borough.

With over 18,000 households now on our own housing waiting list, and with many others struggling to find affordable properties to rent or buy, it is imperative that the council and its partners work tirelessly to find solutions and remain committed to maximising affordable housing through development.

This SPD reiterates the primacy we give to social rent housing, a priority which is shared by the current government, and I am delighted that Southwark is leading the way in London on social rent delivery. But we still have much more to do in order to meet demand and this SPD sets out more detail on how our Southwark Plan policies can be implemented, including in relation to small sites and student accommodation.

The SPD also provides more detail on intermediate housing options, the definitions of 'affordable housing' which we deem acceptable in Southwark, and sets out our aspiration to deliver Keyworker Homes and Community Land Trusts.



**Councillor Helen Dennis**

Cabinet Member for New Homes and Sustainable Development  
Southwark Council

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# **CHAPTER 1**

## **INTRODUCTION**

# 1. INTRODUCTION

This Supplementary Planning Document (SPD) sets out additional guidance on Southwark Council's planning policy approach to delivering affordable housing. This is a key objective of the Southwark Plan 2022, outlined in strategic policy SP1 'Homes for all'. This is underpinned by the [Strategic Housing Market Assessment \(SHMA\) 2019](#), which demonstrated the local need for more social rented and intermediate affordable housing.

Everyone deserves a high quality place to live, irrespective of their income. There is a pressing need for genuinely affordable housing within Southwark. With rising property prices and rents, many residents – especially young people, families and key workers – struggle to find homes they can afford. Ensuring adequate provision of affordable housing will contribute to the borough's long-term resilience and to the quality of life and well-being of residents. Setting out clear guidance on the delivery of affordable housing helps to achieve this goal.

## 1.1 Overview

This SPD replaces the Affordable Housing SPD (2008) and draft Affordable Housing SPD (2011) and incorporates national, regional and local policies. It should be read alongside the council's Development Viability SPD (2016) and Draft Section 106 and CIL SPD (2024) (subject to consultation).

The purpose of this SPD is to:

- Support the implementation of Southwark Plan 2022 strategic policy SP1 'Homes for all'
- Provide clear definitions of what is considered affordable housing.
- Set out the hierarchy for the delivery of affordable housing, including for small sites and non-conventional housing.
- Set out the council's approach to assessing viability during the determination of planning application and in viability reviews.
- Set out the standards for the housing mix and tenure of affordable housing.
- Set out the expectations for the design and management of affordable housing.
- Set out monitoring arrangements to retain affordable housing.

## 1.2 What development does this SPD apply to?

This SPD applies to all housing development (including new build, change of use, conversions and extensions) with a policy requirement for affordable housing. It provides detailed guidance about how decisions on planning applications will be made.

This includes:

- Social rented housing (including council-owned housing)
- Intermediate housing
- Key worker housing
- Small sites development
- Self and custom build development
- Community Land Trusts (CLTs)
- Purpose built student accommodation
- Houses in Multiple occupation (HMOs)
- Wheelchair accessible housing

## 1.3 Policy context

This SPD provides guidance for applying the policies in the Southwark Plan 2022. It does not contain new policy. The SPD is a material consideration in the determination of a planning application.

The Southwark Plan 2022 together with the London Plan 2021 is the development plan for Southwark. The Southwark Plan 2022 is in conformity with the London Plan 2021 and the National Planning Policy Framework (NPPF) 2023.

### 1.3.1 National policy

#### *National Planning Policy Framework (NPPF)*

The National Planning Policy Framework (NPPF) requires local planning authorities to formulate planning policies to meet the needs of different groups in their local area, including people who need affordable housing. These policies should specify the type of affordable housing required.

### 1.3.2 Regional policy

#### *The London Plan 2021*

The London Plan 2021 provides the regional spatial development framework for London and outlines policy principles for affordable housing. This is set out in the planning policies and associated London Planning Guidance (LPG) and Supplementary Planning Guidance (SPG) documents.

The London Plan 2021 contains the following relevant policies:

- D6 Housing quality and standards
- D7 Accessible housing
- H4 Delivering affordable housing
- H5 Threshold approach to applications
- H6 Affordable housing tenure
- H7 Monitoring of affordable housing
- H8 Loss of existing housing and estate redevelopment
- H10 Housing size mix
- H11 Build to rent
- H13 Specialist older persons housing
- H15 Purpose-built student accommodation
- H16 Large-scale purpose-built shared living

Other relevant policy documents are:

- Affordable Housing and Viability SPG (2017)
- Affordable Housing LPG (draft 2023) & Development Viability LPG (draft 2023)
- Housing Design Standards LPG (2023)
- Housing SPG (2016)

### 1.3.3 Local policy

#### *Southwark Plan 2022*

The Southwark Plan 2022 contains multiple relevant policies, for which this SPD provides further guidance:

- SP1 Homes for all
- P1 Social rented and intermediate housing
- P2 New family homes
- P4 Private rented homes
- P5 Student homes
- P6 Purpose-built shared living
- P7 Housing for older people
- P8 Wheelchair accessible and adaptable housing
- P9 Houses in multiple occupation
- P15 Residential design

Other relevant policy documents are:

- 2015 Technical Update to the Residential Design Standards (2011)
- Development Viability SPD (2016)
- Section 106 and CIL SPD (2015, updated 2020)
- Section 106 and CIL SPD (2025)

#### *Area Action Plans (AAPs)*

- Draft Old Kent Road Area Action Plan (2025)



# **CHAPTER 2**

## **AFFORDABLE HOUSING DEFINITIONS**

## 2. AFFORDABLE HOUSING DEFINITIONS

This chapter explains what the council accepts as affordable housing. The framework is adopted as part of the Southwark Plan 2022, which has the strategic objective of providing new homes in the borough, more of which should be affordable. Further guidance is provided on policy P1 of the Southwark Plan 2022 'Social rented and intermediate housing'.

Under policy P1 two types of affordable housing are acceptable:

- **Social rented housing**
- **Intermediate affordable housing**

Full definitions are in sections 2.1 and 2.2.

Social rented and Intermediate affordable housing is made available from the council (which may also be known as 'council housing'), a registered provider or other affordable housing provider.

The London Plan 2021 sets the framework for household income thresholds for intermediate housing. These are based on average household incomes and average house prices across London and are updated annually. Households earning above these income thresholds are not eligible for affordable housing.

Table 1 outlines the affordable housing which the council considers to meet the genuine needs of our residents. Full definitions are in sections 2.1 and 2.2.

Table 1: Genuinely affordable housing

<b>Social rent</b>	<b>Accepted</b>
<b>Shared ownership</b>	<b>Accepted</b>
<b>London Living Rent</b>	<b>Accepted</b>
<b>Key worker housing</b>	<b>Accepted</b>
<b>Community Land Trusts (CLTs)</b>	<b>Accepted</b>
<b>Discount market sale</b>	<b>Accepted</b>
<b>Discount Market rent (where equivalent to London Living Rent levels)</b>	<b>Accepted</b>
Discount market rent (when exceeding London Living Rent Levels)	NOT accepted
London Affordable Rent	NOT accepted
Affordable rent	NOT accepted

## 2.1 Social rented housing

Social rented housing is typically most needed by households on lower incomes who cannot afford to pay market prices for suitable homes. Rents can be set at around 40%-50% of private sector rented homes.

To be considered social rented housing, it must:

- Fix rents for properties let at ‘**social rent**’. This is set by the [Regulator of Social Housing's Rent Standard](#). This is set annually and is usually based on the national government's guideline rent formula and rent cap.
- Determine access to social housing on housing need; and
- Be provided in perpetuity (unless purchased through Right to Buy) to ensure that all homes remain permanently, solely and exclusively available to meet the identified social rented housing need.

Social rented housing can be made available to rent either from the council (which may also be known as ‘council housing’), a registered provider or other affordable housing provider.

## 2.2 Intermediate affordable housing

Intermediate affordable housing plays an important role in filling the gap between the social and affordable rented sectors and the open market. Households below certain income thresholds may not necessarily be able to afford to buy or rent suitable and satisfactory housing in Southwark but may be eligible for intermediate affordable housing.

The council considers the following intermediate housing to meet the genuine needs of our residents:

### London Living Rent

London Living Rent (LLR) is a type of ‘genuinely affordable’ housing which can be funded by the Mayor's Affordable Housing Programme. London Living Rent is designed to help people transition from renting to shared ownership.

LLR homes will be offered on tenancies of a minimum of three years. By offering a below-market rent, tenants are supported to save money and given the option to buy their home on a shared ownership basis during their tenancy. If the tenant has not taken up this option within 10 years then the registered provider would be expected to sell the home to another eligible purchaser on a shared ownership basis.

The GLA publishes benchmark London Living Rent levels for every neighbourhood in the capital, updated annually. These are based on a third of average local household incomes and adjusted for the number of bedrooms in each home. To ensure family-sized LLR homes are affordable, the rent for a 3-bedroom home will be set at no more than 10% above the 2-bedroom rent.

There is flexibility to allow for rents to be set below the GLA benchmark. Rent levels must not exceed the benchmark LLR at the time of each new tenancy.

### **Discount Market Rent (where equivalent to London Living Rent levels)**

Discount market rent is only considered to be 'genuinely affordable' where the rent level is equivalent to London Living Rent. The discount is expected to be up to 30% so that rent levels do not exceed 70% of market rent levels.

Discount market rent differs from London Living Rent as it is not funded by the Mayor.

### **Shared ownership**

This involves homes which are part-owned and part-rented. Buyers purchase an initial share of at least 25% and can 'staircase' to full ownership. This means they can buy more shares over time until they own the property outright. Rent is paid on the part-rented share and is subject to caps below the market level. Buying more shares will reduce the amount of monthly rent paid. Service charges may also apply if the home is part of a wider development with common areas or external shared space.

Households with incomes of no more than £90,000 are eligible to purchase a Shared Ownership home. The full eligibility criteria is set by the GLA, with the income threshold reviewed annually.

The council previously set its own income thresholds for Shared Ownership homes. This requirement was removed in January 2024 and the council now follows the GLA eligibility threshold, as set out above. This ensures there is sufficient flexibility to offer Shared Ownership to a range of incomes under this threshold.

### **Key Worker Housing (KWH)**

This is rental housing which is only available to those employed in defined key worker occupations (as set out in fact box 1) and whose household income is within a specific bracket, set out below.

Key workers perform essential work and are critical to many important services in the borough and in London. Key workers need to live a reasonable distance to their place of employment to ensure these services run efficiently. Key worker housing (KWH) is aimed at those key

workers whose household income levels mean that they are unable to afford housing on the private market and who do not qualify for social rented homes.

The housing must remain KWH in perpetuity. However, the individual KWH tenancies will be short lets of 2-5 years. These lettings will be monitored and renewed on condition of the combined household's continuing eligibility. This will form part of the tenancy agreement. Marketing and Management Plans will be required as a condition of any planning permission. This will ensure provision for the regular and on-going review of KWH tenancies.

KWH should be provided at rent levels (including service charge) equivalent to those defined at or under the maximum benchmark for 'London Living Rent' (LLR). LLR is calculated for each London neighbourhood, reviewed and updated annually.

KWH tenancies are subject to the following eligibility criteria. These are:

- The whole household (which can be formed of two or more unrelated households or sharers) must not have a combined gross income exceeding £67,000; and must not have a combined income of less than £26,000. These income thresholds are in line with the current household income parameters set by the GLA for LLR. KWH thresholds will be amended in accordance with any changes to the LLR thresholds.
- The members of the household must be in one of the defined occupations – see fact box 1.
- Members of the household must not be an existing homeowner.



### **Fact box 1: Key worker occupations**

The council's definition of key workers has been produced based on evidence of recruitment and retention issues in Southwark. It follows the GLA's definition of essential workers but has been tailored to reflect specific conditions in Southwark.

The following occupations will be considered key workers:

- Nurses, doctors, and other clinical staff employed by NHS
- Firefighters
- Teachers/teaching assistants (from non-fee charging schools)
- Social workers, educational psychologists and therapists delivering services for the council
- Police officers/Police Community Support officers (PCSO).

The council's definition of key workers was approved by Cabinet in March 2021 under the Intermediate Rent Policy.

## Community Land Trusts

Community Land Trusts (CLTs) are non-profit organisations that own and develop land for the benefit of the community. CLTs encourage the involvement of community-led housing organisations who are looking to create permanently affordable housing to meet local housing needs. CLTs are community and place based organisations, the formation of which is led by the local community and not the council. This means the delivery of CLT led housing will depend on a community group coming forward. CLT homes may also only form a small part of a scheme's intermediate housing provision and is not necessarily expected to come forward on a large scale.

Where a CLT proposes to deliver genuinely affordable homes, we will require that they remain affordable in perpetuity. All community-led development schemes must demonstrate how they will be managed and financially viable over the long-term. The schemes must also set out at application stage how the homes will benefit the local community and how these benefits can be retained in perpetuity. This must be included in planning documents when the schemes are submitted for planning permission.

## Discount market sale

This is housing which is for sale at least 20% below open market equivalent. The discount should be sufficient to ensure the homes are affordable or accessible to those with household incomes within the GLA thresholds. This is currently set at households earning no more than £90,000.

Discount market sale homes are restricted to eligible households and should remain affordable in perpetuity.

## 2.3 Not accepted affordable housing

The council does not accept the following as genuinely affordable housing:

- London Affordable Rent (LAR)
- Affordable rent
- Discount market rent (where exceeding London Living Rent levels)

This is because the housing options are not seen as genuinely affordable to Southwark residents. The rent levels for Affordable Rent and Discount market rent (where exceeding London Living Rent levels) can be set at or above 80% of market levels.

This is underpinned by the evidence base which supported the adoption of the Southwark Plan 2022.

# **CHAPTER 3**

## **SECURING AFFORDABLE HOUSING**

### 3. SECURING AFFORDABLE HOUSING

The Southwark Plan 2022 policy P1 'Social rented and intermediate housing' sets out the council's approach to securing affordable housing contributions. This includes the thresholds for providing affordable housing as well as the contributions which are required. The amount of affordable housing required will be calculated by habitable rooms (see fact box 2).

There are different eligibility thresholds and requirements for providing affordable housing depending on the scale of development. This is split between developments creating 10 or more homes and developments creating 9 homes or fewer (inclusive). There are also different requirements for development located on public land, on Locally Significant Industrial Sites (LSIS) and in the Aylesbury Area Action Core.

The expectation is that affordable housing should be delivered onsite unless off-site provision or an appropriate financial contribution in lieu can be robustly justified. The agreed approach must also contribute to the objective of creating mixed and balanced communities. This is in accordance with the National Planning Policy Framework (NPPF) 2024.

Applicants are required to submit a viability assessment with their planning application when providing affordable housing (unless following the fast-track route) to ensure that the maximum proportion of affordable housing is negotiated on each development. The council's approach to viability testing is set out in section 4 of this SPD.



#### **Fact box 2: Habitable rooms**

A habitable room is defined as a room with a window within a dwelling that is intended to be used for sleeping, living or dining, regardless of what it is used for.

This definition is set out in the fact box under Southwark Plan 2022 policy P1 'Social rented and intermediate housing'. This excludes enclosed spaces such as bath or toilet facilities, corridors, landings, hallways, lobbies, utility rooms, and kitchens with an overall floor area of less than 11sqm.

Any floor area where the ceiling height is less than 1.5 metres will not count towards the habitable floorspace. Any room that is over 28 sqm will be counted as two habitable rooms, in line with the calculation set out in policy P1.



### 3.1 On-site delivery of affordable housing

The general presumption is that affordable housing should be provided on-site. This follows the council's hierarchy for the delivery of affordable housing.

The council will secure affordable housing in a legal agreement. This normally covers the following issues:

- The total amount of affordable homes to be provided (by number of affordable housing units and number of habitable rooms)
- The tenure split between social rented and intermediate homes.
- The location of the affordable homes within the development.
- The size of the affordable homes.
- Details of any affordable wheelchair units to be provided, including the amount, the tenure and the specific standards. Standards expected of wheelchair housing are set out in Policy P8 'Wheelchair accessible and adaptable housing'.
- The affordability thresholds that apply. Housing will have to be provided in compliance with the criteria outlined in section 2.
- That no more than 50% of the market units within the development can be occupied before the affordable housing units are completed and handed over to the registered provider.
- Local authority nomination rights.
- Details on any potential service charges, where necessary.

Additional information will be required based on what the council considers necessary to mitigate the impact of the development and make it acceptable in planning terms. This is in accordance with Regulation 122 Community Infrastructure Levy Regulations 2010 (as amended).

## 3.2 Off-site delivery of affordable housing

In some cases, affordable housing may be delivered off-site. This is only considered acceptable when the affordable housing cannot be delivered on-site, and an appropriate location has been identified near to the proposed development.

Applicants must robustly justify off-site affordable housing through an open book financial viability appraisal. This must provide justification for how the off-site approach contributes to the objective of creating mixed and balanced communities. This is in accordance with the NPPF (2024). Any financial benefit to the applicant due to off-site delivery will not be permitted.

Any off-site delivery of affordable housing will be required in addition to any on-site affordable housing the site would have been required to deliver (i.e. it must result in a net gain of affordable housing units).

To be considered off-site affordable housing for the main development, applicants must have secured planning permission prior to any occupation of the market housing on the main development. No more than 50% of the market units within the main development can be occupied before the affordable housing units off-site are completed and handed over to the registered provider.

## 3.3 Payments in lieu of affordable housing

### Developments creating 10 homes or more

In exceptional circumstances, developments creating 10 homes or more may provide a financial contribution in lieu of delivering affordable housing on or off-site. The circumstances will be assessed on a case-by-case basis as part of the determination process of the planning application. The contribution must be based on the estimated cost of providing the required amount of social and intermediate housing on-site.

This will only be accepted where the payment in lieu can be robustly justified over on-site or off-site provision. This approach must also contribute to the objective of creating mixed and balanced communities. This is in accordance with the NPPF (2024) paragraph 64.

The payment in lieu should not provide a financial benefit to the applicant. This should be demonstrated by a viability assessment which shows the value of the site with and without the affordable housing element being provided. Applicants will also need to set out why the delivery of affordable housing on-site or off-site was not possible.

The following formula sets out the starting point for calculating payment in lieu contributions.

**i**

**Fact box 3: Formula for payment in lieu per habitable room for developments creating 10 homes or more**

The formula for the payment in lieu per habitable room is:

*The total number of habitable rooms (all tenures and types) × 0.35 (minimum 35% provision) × £ per habitable room in the CIL value area.*

The value for each CIL zone is set out in the S106 and CIL SPD (2025).

This is in accordance with Policy P1 of the Southwark Plan 2022 which requires developments creating 10 homes or more to provide 35% minimum contribution towards affordable housing.

The final payment will be determined through the viability assessment process.

**Developments creating 9 homes or fewer**

Developments creating 9 homes or fewer (inclusive) must provide the maximum amount of social rented and intermediate homes or a financial contribution. The financial contribution may be provided without the need to follow the council's hierarchy for affordable housing delivery. This approach is set out in Policy P1 of the Southwark Plan 2022.

This means applicants do not need to demonstrate why the delivery of affordable housing was not possible on-site or off-site, as required for major developments. Any contribution due will be determined in accordance with a viability assessment, as set out in section 4.

### 3.4 Single tenure schemes

The council receives applications for developments that are predominantly affordable housing or 100% affordable housing. This helps to deliver a significant amount of new affordable homes. A tenure split between social rented and intermediate applies to affordable housing schemes as set out in Policy P1.

In cases where the required tenure split cannot be provided, the applicant must demonstrate the need for the scheme and the specific tenure mix. This would need to be demonstrated as part of a viability appraisal.

In these cases, the council would normally decide the appropriate tenure within the affordable housing by taking account of:

- The site location, and the existing levels of affordable housing on site and in the area
- The need to create a mix and choice of housing across the borough
- The proposed tenure and affordability
- The direct and indirect benefits to the wider community
- The objective of creating mixed and balanced communities.
- If a Community Land Trust (CLT), the demonstration of the wider benefits, not only the members of the CLT whom it serves.

Applicants are encouraged to engage with the council at an early stage in their preparation.

Table 2: Types of residential development which are liable for a financial contribution

Typology	Affordable housing contribution payable and method of calculation
Extension to the existing residential development that does not create any new unit(s)	<b>No requirement</b> to provide affordable housing under policy P1.  No financial contribution.
Converting two or more homes to one home (de-conversions)	<b>No requirement</b> to provide affordable housing under policy P1.  No financial contribution, this is to be treated as a deconversion.
Self-Build properties (unless the property is put on the market within three years of occupation)	<b>No financial contribution, unless</b> the property is put on the market for sale within 3 years of first occupation.  The calculation of the affordable housing contribution, and a viability appraisal and a legal agreement will still be required.
Change of use from a House in Multiple Occupation (HMO) (Sui Generis or C4) to a single C3 dwelling.	<b>No requirement</b> to provide affordable housing under policy P1.  No financial contribution, this is to be treated as a deconversion.
Extension to existing residential buildings to create additional new unit(s) (without conversion of the existing dwelling)	<b>Yes.</b> Calculate the affordable housing contribution on the basis of 35% of the habitable rooms of the entire development.
New build construction of new dwellings on vacant land. These include infills and new dwellings in rear gardens	<b>Yes.</b> Calculate the affordable housing contributions on the basis of 35% of the habitable rooms of the entire development.
Change of use and conversion to dwellings (including with extensions)	<b>Yes.</b> Calculate the affordable housing contributions on the basis of 35% of the habitable rooms of the entire development.
Conversion / subdivision of existing dwellings without extensions	<b>Yes.</b> Calculate the affordable housing contribution on the basis of 35% of the habitable rooms of the entire development.
Demolition and the re-provision of additional unit(s)	<b>Yes.</b> Calculate the affordable housing contribution on the basis of 35% of the habitable rooms of the entire development.

# **CHAPTER 4**

## **VIABILITY ASSESSMENTS AND REVIEWS**

## 4. VIABILITY ASSESSMENTS & REVIEWS

The Southwark Plan 2022 policy P1 ‘Social rented and intermediate housing’ sets out the council’s approach to viability. This is also set out in the GLA’s Affordable Housing and Viability SPG (2017) and the council’s Development Viability SPD (2016). The council will apply the same viability approach to developments that create 9 homes or fewer (inclusive) as it does to developments of 10 homes or more.

This includes the two viability routes: the fast-track route or the viability tested route. The approach varies where developments of 9 homes or fewer (inclusive) can provide a financial contribution instead of delivering on-site or off-site affordable housing.

Separate viability approaches apply to other types of residential such as self and custom builds and Community Land Trusts (CLTs).



### **Fact box 4: Viability**

Planning guidance states that a viable scheme is one which demonstrates that the proposed development can generate a reasonable profit after development costs and all policy requirements are included.

### **Submitting an application**

Viability assessments should take into account all relevant policies and local and national standards, including the cost of the Community Infrastructure Levy (CIL) and Section 106 obligations. The council will consider a scheme to be policy compliant if it fully meets the requirements of the Southwark Plan policies, including the maximum affordable housing contribution. If a developer cannot meet these requirements, a viability assessment should be submitted.

An application which is going through the viability tested route will not be accepted as valid unless a complete financial viability assessment (and its public executive summary) has been submitted.

Applicants must meet the cost of the council reviewing any financial viability appraisals or provide a solicitor's undertaking to pay for an application requiring a financial viability appraisal.

Where a registered provider is delivering or taking on the affordable housing, their details and confirmation of their involvement should be provided in the application if known at this stage. The registered provider's requirements are expected to have been designed into the scheme and early engagement is encouraged.

The council offers a formal pre-application advice process which applicants are encouraged to use. This allows applicants to discuss proposals with the council before submitting a planning application. This helps to make the planning process more efficient by allowing the identification and resolution of any potential issues before the application is submitted.

Applications which use the the fast-track and viability tested route must follow the same public consultation requirements as other planning applications submitted to the council. Further information on how the council consults on planning applications and the expectation for how developers carry out consultation is set out in the council's Statement of Community Involvement (SCI) and Development Consultation Charter (DCC).

## **4.1 Fast-track route**

Policy P1 of the Southwark Plan 2022 sets out that developments may follow the fast-track approach where eligible. This is underpinned by the London Plan 2021 policy H5 'Threshold approach to applications'.

Where developments follow the fast-track route, they will not be subject to a viability assessment. Viability assessments may be required however if amendments are made following the grant of permission. Legal agreements will also be used where necessary to cover other matters relating to affordable housing.

There are different eligibility thresholds for the fast-track route depending on the scale of development.

To be eligible for the fast-track route, developments must:

- Provide 40% social rented and intermediate housing, with a policy compliant tenure mix, (a minimum of 25% social rented and a minimum of 10% intermediate housing) with no grant subsidy).
- If in Aylesbury Area Action core: provide 60% social rented and intermediate housing with a policy compliant tenure mix, with no grant subsidy.



The Policy P1 eligibility requirements are higher than the 35% minimum requirement in Policy H5 of the London Plan 2021. This is in accordance with point C.3 of policy H5 which allows boroughs to set additional policy requirements and obligations where relevant.

Policy H5 also sets out different requirements for development located on public land and, Locally Significant Industrial Sites (LSIS).

Schemes which are ineligible for the fast-track route must go through the viability tested route.

An Early-Stage review will be required for fast-track developments if an agreed level of construction progress has not been made. This would be triggered after two years of the permission being granted, or within a timeframe otherwise agreed. This is to ensure an applicant fully intends to build out the permission. Further guidance on review mechanisms is set out in section 4.5 of this SPD.

The GLA's Accelerating Housing Delivery Practice Note (2024) sets out guidance on the assessment of schemes which provide affordable housing as social rent only, or with a majority of social rent, at a lower level than the relevant threshold. These schemes may be delivered without requiring full viability assessments or mid-late stage reviews. This should be discussed with the case officer during the determination of the planning application.

## **4.2 Viability tested route**

Policy P1 sets out the requirement for viability assessments for developments not following the fast-track route. This applies to all developments not following the fast-track route, whether creating 9 homes or fewer (inclusive) or 10 homes or more. This is to ensure a maximum level of affordable housing is secured. A site-by-site assessment will be undertaken, taking account of individual circumstances of development viability.

Assessments should identify the maximum amount of affordable housing (or financial contribution in the case of developments of 9 homes or fewer) which can be delivered. Assessments must be prepared in line with the council's guidance. Not doing so will mean that applications will not be validated. This includes the requirement for assessments to be published for public scrutiny at the application stage.

The applicant is required to meet the cost of the council having the viability assessment reviewed. This includes any subsequent reviews, including if an application has been refused and is subject to an appeal. An application will be refused if the applicant fails to pay for the council's review as this means the viability information cannot be assessed.

A Section 106 agreement or unilateral undertaking will be required to ensure the affordable housing contribution (plus the administration fee) is paid to the council on implementation of the main development's residential units. Different triggers for payment may be agreed if found to be justified and supported by the council's viability analysis.

Viability review mechanisms will also be required to ensure that affordable housing delivery increases if the viability of a site improves over time. Further guidance on review mechanisms is in section 4.5.

For smaller developments of 1-2 residential units, the council may impose a reduced time limit on implementing planning permission. This can remove the need for subsequent viability reviews as the timeframe of development is shorter.

### **Publication of viability assessments**

The council will make the applicant's full financial viability assessment and its Executive Summary available for public scrutiny on validation of the planning application.

## **4.3 Section 73 applications**

An updated viability assessment may be required for applications submitted under Section 73 of the Town and Country Planning Act 1990.

For example, where:

- There has been an amendment to the number of residential units.
- The tenure mix has been varied and differs to the original planning permission
- There has been a change to the development which could reasonably affect the viability (including a change of use to residential that could alter the viability positions).
- There has been a change in circumstance which the council considers could affect the viability of the scheme.

A Deed of Variation may be required where changes to the planning obligations are needed to make the Section 73 application acceptable in planning terms.

## 4.4. Self build and custom housebuilding

The terms 'self-build' and 'custom housebuilding' cover the various ways that individuals can build their own homes.

The Self-build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) provides a legal definition of self-build and custom housebuilding. The Act does not distinguish between self-build and custom housebuilding. It states that both are where an individual, an association of individuals, or persons working with or for individuals, build or complete houses to be occupied as homes by those individuals. For the purposes of this SPD, the term self-build will be used.

Self-build homes will only be liable for a financial contribution towards affordable housing if the property is advertised for sale or sold within 3 years of first occupation. It will be payable at the point of sale of the home. A review mechanism will only be required if a policy compliant contribution is not secured at the planning stage.

To ensure the home meets the self-build definition, the council must be satisfied that:

- The application complies with the Self-build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) and accompanying Government guidance.
- The initial owner of the home will be (or has been) the primary decision maker regarding the final design and layout. In some cases, individuals are involved in building or managing the construction of their home from the start to the end. In other cases, individuals may commission the home to be built but make some key design decisions.
- The applicant will be the occupant of the property for at least the following 3 years.

If the above criteria are not met, the council will not consider the development to be self-build for planning purposes. This means the development will be liable for a financial contribution, in line with policy P1 (see Fact box 5).



### **Fact box 5: Formula for payment in lieu per habitable room for self-build**

The formula for the payment in lieu per habitable room for self-build is:

$$\text{Number of habitable rooms} \times 0.35 \times \text{£30,000}$$

## 4.5 Viability review mechanisms

Review mechanisms allow the council to re-appraise the viability of a development to ensure that the maximum affordable housing contribution is secured. They allow for additional affordable housing contributions to be secured should the viability and value of a development improve. This is measured from the date of planning permission to specific stages of the development programme (depending on the type of review).

The council follows the GLA's guidance when conducting and imposing review mechanisms. This can be found in the Affordable Housing and Viability SPG (2017) and Affordable Housing LPG (draft 2023) & Development Viability LPG (draft 2023). Applicants should refer to this guidance for further detail on how and when viability review mechanisms are used.

Affordable housing contributions cannot be revised downwards by review mechanisms. This means the affordable housing contributions cannot decrease because of the review. The cost of reviews must be met by the applicant.

Review mechanisms may include one or more of the following:

- An early-stage review
- One or more mid-term reviews (for larger phased schemes; or where progress following an early-stage review has not been met).
- A late-stage review

Review mechanisms can encourage the build-out of schemes, as they can be triggered if an agreed level of construction progress is not made.

The council will use an early-stage reviews for major schemes, if sufficient progress has not been made in construction. This would be triggered after two years of the permission being granted, or within a timeframe otherwise agreed upon.

Late stage review mechanisms will be used on all schemes which do not meet the minimum 35% provision of affordable housing as set out by policy P1. Contributions determined under the Late-Stage Review will be capped at the equivalent of 50 per cent affordable housing provision. This is in line with the GLA's guidance set out above.

# **CHAPTER 5**

## **NON-CONVENTIONAL HOUSING**

# 5. NON-CONVENTIONAL HOUSING

## 5.1 Purpose-built student accommodation (PBSA)

All developments of purpose-built student accommodation (PBSA) must provide affordable housing or a financial contribution in lieu. This ensures the need for student accommodation is balanced against the need for affordable housing. This is set out in the Southwark Plan 2022 policy P5 'Student Homes' and conforms with the London Plan 2021 policy H15 'Purpose-built student accommodation'.

London Plan 2021 Policy H15 also states that PBSA must contribute to a mixed and inclusive community at the neighbourhood level. The extent to which this policy requirement has been addressed will be a consideration in the determination of PBSA schemes.

There are two routes for the provision of student housing in Southwark:

- **Nomination schemes:** These schemes have an agreement with a higher education institution.
- **Direct let schemes:** These schemes do not have a nomination agreement with a higher education institution.

Each route has its own requirement for the provision of affordable housing contributions. The contributions include the provision of affordable student rent. This is defined by the GLA as costing no more than 55% of the maximum Qualifying Maintenance Loan for a student living in London. The actual amount for the coming academic year is published in the GLA's Annual Monitoring Report.

In accordance with Policy P1 of the Southwark Plan 2022, there is a general presumption for the on-site provision of affordable housing. Further guidance on the provision of affordable housing within PBSA schemes is in section 3 of this SPD. This includes guidance on on-site and off-site provision of affordable housing and the formula for calculating any payment-in-lieu.

Guidance on the council's approach to viability testing PBSA can be found in Section 4.

## 5.2 Houses in Multiple Occupation (HMOs)

The Southwark Plan 2022 policy P9 'Houses in multiple occupation' acknowledges the role of Houses in Multiple Occupation (HMOs) in meeting the need of some residents and reducing the pressure on conventional housing stock.

There are two categories of HMOs under the Use Class Order:

- A small HMO is defined as a property that is occupied by between 3 and 6 unrelated individuals who share basic amenities such as a kitchen or bathroom.
- A large HMO is defined as a property that is occupied by more than 6 unrelated individuals that share basic amenities such as a kitchen or bathroom. A large HMO is classified as Sui Generis under the Use Class Order.

The council controls the development of HMOs to ensure they are spread out appropriately across the borough. There can be negative impacts arising from an overconcentration of HMOs in an area including increased noise, pressure of local community facilities or stress on waste management.

HMOs are not expected to deliver affordable housing on or off-site, but are liable for contributions towards affordable housing. This can be provided as a financial payment. HMOs must submit a viability assessment to justify the maximum viable approach has been taken (see section 4). This is in accordance with policy P9 and P1.

This requirement is for all categories of HMO (small and large). This includes new build HMOs and HMOs resulting from the change of use from either a non-residential or residential use.

## 5.3 Other forms of self and non-self-contained housing

Form	Relevant policy	Use class and triggers	Affordable housing requirements
Older people housing	P7	C2, C4 and Sui Generis	Affordable housing delivery will be required, preferably on site.
Co-living		Sui generis More than 100 units	Affordable housing delivery will be required
Build to Rent (PRS)	P4	C3; >100 homes <100 homes	In accordance with P1, development must provide Discount Market Rent at social rent equivalent.

The calculation for the number of affordable homes on site for any schemes that include non non-conventional housing will be calculated on the aggregate number of habitable rooms from all housing types.

# **CHAPTER 6**

## **DESIGN AND MANAGEMENT OF AFFORDABLE HOUSING**



# 6. DESIGN AND MANAGEMENT OF AFFORDABLE HOUSING

## 6.1 Registered Providers

Social and intermediate housing can be delivered by bodies known as Registered Providers (RPs). RPs are organisations which are registered with the Regulator of Social Housing. The Regulator manages the statutory register of social housing providers (the register) which lists private (non-profit and profit-making) providers and local authority providers. Most RPs are housing associations, but they can also be trusts, co-operatives and companies.

The council holds and updates a list of registered providers of social housing with a significant development and / or housing management role in Southwark. The list of council approved RPs will be reviewed on a regular basis and the most up to date version will be available on our website. Other registered providers that are not on our list of RPs will need to be approved by the council in writing. RPs which want to be included on the list should contact the council.

The council will use legal agreements to ensure housing remains affordable in perpetuity (where relevant depending on the affordable housing). This is in line with the National Planning Policy Framework. Clauses in the legal agreements will also require the developer to confirm and notify the council who the RP is.

## 6.2 Service charges

Service charges are costs that are charged to leaseholders by property managers to cover the provision of services to a building. The charges may also be paid by tenants to a landlord, usually in addition to rent.

The charges can include, but are not limited to:

- General maintenance and repairs
- Insurance of the building
- Central heating for communal areas
- Lift servicing
- Lighting
- Cleaning of common areas.

The charges may also include the cost of managing the building by a property manager or agency.

It is important that service charges are kept affordable for residents, especially those in affordable housing. Residents often have little control over service charge increases and can find themselves no longer able to afford the costs over time. Service charges can increase over the lifespan of a development due to poor design, maintenance or building management. Excessive services being provided may also lead to increased or unaffordable charges.

Residents of affordable housing should be given the same access rights to amenities and facilities within the scheme as occupiers of market housing. There should be no additional charge other than service charges, where reasonable.

If the council considers that access to a facility would make service charges unaffordable for residents of affordable housing, the council may suggest that it is excluded from standard service charges, and residents given full optional rights of access at a fair and reasonable charge.

### **Design**

Good design is paramount to keeping service charges affordable. High quality and sustainable materials will help to minimise the need for repairs and ongoing costs. Poorly designed developments can require more work and regular maintenance, impacting the affordability of the housing for its residents. Where affordable homes are provided in a development, applicants must demonstrate that a high quality of design will be delivered.

### **Management**

Developers and Registered Providers must use reasonable endeavours to minimise any service charges in respect of the affordable homes. The service charges should not be more than the actual costs reasonably incurred with providing the service.

Applicants are encouraged to follow good practice guidance such as the [GLA's Service Charge Charter](#). The GLA charter encourages transparency, ensuring residents are provided with the information they need to understand service charges.

The Charter also emphasises the need for affordability, good design and the ability for residents to challenge service charges where necessary. Early engagement with Registered Providers is encouraged to ensure that their requirements can be factored into the design of the development.

### **Monitoring service charges**

The council may seek to be notified of the service charge cost for any social rented homes within a development. This would start from the date of first occupation and continue annually.

Restrictions may also be placed on increasing service charges. This would require the service charge for social rented homes to be lower than either the service charge cap set or determined in accordance with the rent standard. The council will take account of service charges when considering the viability of a development.

## 6.3 Tenure blind design

The council expects affordable housing to be designed tenure blind. This means there should be no difference between the appearance and design quality of the affordable housing and market housing. The affordable housing should share the same access arrangements, including to the foyer, communal areas, stairwells and floor levels as far as is practical.

Affordable and private tenants should have equal access to communal facilities such as shared amenity and parking areas.

## 6.4 Mortgagee in Possession Clause (MiPC)

The Mortgagee in Possession clause (MiPC) is a fundamental clause to a Registered Provider's (RP) ability to secure funding for Shared Ownership leases. The council will require it to be included in all bilateral agreements made or unilateral undertakings offered under section 106 Town and Country Planning Act 1990.

The clause becomes operative in circumstances where a RP defaults on loan payments or any other terms. A mortgagee (or other relevant funding party) takes control of the RP interest in the affordable housing units as assets against which their loan is secured.

The GLA have produced a standard MIP clause to promote a consistent approach across London and facilitate Registered Providers in leveraging sufficient finance to increase the delivery of affordable homes.

The GLA MIP clause provides for any circumstance where a Registered Provider defaults on loan payments or other terms. The clause allows the council or another RP to purchase the affordable housing units within a specified 3 month 'moratorium period' that is satisfactory to major bank lenders. This is set out in the S106 agreement and is a contractual arrangement.

If after three months the homes remain unsold, the mortgagee (usually a bank that has financed the Registered Provider) can sell the S106 housing and the requirements for it to be affordable contained in the S106 will no longer apply.

A robust financial case must be set out by the Registered Provider if it does not want the council to include the GLA's standard clause.

# **CHAPTER 7**

## **MONITORING OF AFFORDABLE HOUSING**

## 7. MONITORING OF AFFORDABLE HOUSING

Monitoring is essential to ensure that affordable homes are secured, delivered and retained in accordance with policy requirements and their legal agreements. Through monitoring, the council can take enforcement action against developers that are found to be in breach of their legal agreements.

The council also monitors and reviews the provision of affordable housing in the borough. This checks that affordable housing has remained affordable, and the correct provision has been delivered. This monitoring ensures that, where appropriate:

- Developers are delivering and allocating the correct number of homes and habitable rooms as affordable housing
- Homes are being rented at an appropriate affordable level
- Affordable family homes are being provided
- The tenure of homes are tracked. For example, homes that may no longer be in intermediate tenure e.g. where a Shared Ownership unit has staircased to become a private market unit.

The council uses legal agreements and an annual [affordable housing audit](#) as part of the monitoring process. Monitoring also happens at certain trigger points of the development process.

### 7.1 Legal agreements

Planning obligations under section 106 Town and Country Planning Act 1990 will secure all of the requirements set out in this SPD.

This includes (but is not limited to):

- Affordable housing required to be delivered on site
- Any financial contribution due
- Any information that is required by the council or GLA to monitor compliance
- Any relevant affordability and eligibility criteria for each affordable housing tenure

These agreements will also secure any necessary viability reviews to ensure the maximum viable amount of affordable housing is being secured.

## 7.2 Affordable Housing Monitoring Schedule (AHMS) and annual audit

The Affordable Housing Monitoring Schedule (AHMS) is a mandatory template which developers are required to complete. This will provide the necessary information for the council's audit. The template sets out a clear format for the return of the required information. The AHMS will be required as part of legal agreements where on-site affordable housing is proposed. The schedule requires all housing units within the development to be identified including wheelchair accessible homes.

Developers and/or Registered Providers are required to inform the council of newly acquired affordable homes and any changes to existing homes held within the borough as part of the annual audit.

The AHMS requires information about the affordable housing, which includes details of:

- Tenure
- Number of bedrooms
- Flat size
- Weekly rent
- Service charge

The council may also ask for any other information it deems necessary to assist with the monitoring of affordable housing.

The council undertakes an annual audit to ensure that the homes secured within legal agreements are delivered. This ensures that homes are being adequately rented at an affordable level and the council are aware of where these homes are within the borough.

The annual audit must be completed and submitted to the council by the 31st March. The audit data will be published on the council's website.

# CHAPTER 8

## GLOSSARY

## 8. GLOSSARY

**Affordable housing:** Housing designed to meet the needs of households whose incomes are not sufficient to allow them to access decent and appropriate housing in their borough. Affordable housing comprises social and intermediate housing.

**Affordable Housing Providers:** Bodies which own and manage affordable housing. These could include registered providers and specialist private affordable housing managers.

**Build to rent:** Purpose-built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

**Co-living / purpose-built shared living developments:** These are similar to student halls of residence but not restricted to students. Typically a collective living scheme will be a large block which provides a range of communal areas that fulfil different functions (such as libraries, kitchens, gyms, games rooms etc.) which are available to all residents. Residents typically rent a small en-suite bedroom. Unlike halls of residence, collective living is intended to be a primary residence

**Community Land Trusts:** nonprofit organisations that own and develop land for the benefit of the community, affordable in perpetuity

**Cluster flat:** Non-self-contained accommodation for temporary occupation by a specific user group such as students or nurses, where living and kitchen facilities are shared by a number of households.

**Density:** The amount of internal floor space of a building in relation to an area of land. For residential development, density is expressed as the number of units or habitable rooms per hectare.

**Development:** As defined by Section 55 of the Town and Country Planning Act 1990, development means carrying out building, engineering, mining or other operations in, on, over or under land, or changing the use of buildings or land.



**Habitable room:** A room within a dwelling, the main purpose of which is for sleeping, living or dining. It is any room with a window that could be used to sleep in, regardless of what it is actually used for. This excludes toilets, bathrooms, landings, halls and lobbies, and also excludes kitchens with an overall floor area of less than 11 square metres. Any floor area where the ceiling height is less than 1.5m will not count towards the habitable floorspace. Habitable rooms exceeding 28sqm will be counted as multiple habitable rooms, as set out in Southwark Plan policy P1.

**Heads of Terms:** A document setting out the particular items of a S106 agreement as agreed in principle between the council and developer. It is advisable for Heads of Terms to be agreed prior to committee or delegated officers making a “minded to approve” decision. Any subsequent reluctance on the developer’s part to adhere to agreed heads of Terms may justify a refusal of permission.

**HMO:** House in multiple occupation. These are dwellings which are shared by three or more tenants who form two or more households and share a kitchen, bathroom or toilet.

**Household:** One person living alone or a group of people (who may or may not be related) living or staying temporarily at the same address with common housekeeping.

**Intermediate Housing:** Sub-market housing which is above target rents, but is substantially below open market levels

**Key Worker Housing:** Housing product that is based at London Living Rent (LLR) rent levels and household income levels, but, unlike LLR, this is a product in perpetuity, offering rolling short-lets tenancies to people by reason of their occupation. Its purpose is to support the retention of key workers in the borough and applies to those who work in health, education, police and the emergency services.

**Live-work units:** The flexible use of buildings and spaces to allow both functions within them.

**London Living Rent:** A type of intermediate housing that is considered ‘genuinely affordable’, aimed at middle-income households. It is defined in the London Plan.

**Local Plan:** A statutory plan produced by each local authority that integrates strategic and local planning responsibilities through policies and proposals for the development and use of land in their area.

**London Plan:** A strategic plan for the whole of London produced by the GLA. The main purpose of the London Plan is to ensure that all the individual plans produced by the London boroughs work together to meet the priorities that are agreed for the whole London region. The Local Development Framework cannot contain strategies or policies that are not in general conformity with the London Plan.

**Major developments:** Any residential or mixed-use development creating 10 or more dwellings, or if that is not known, where the site area is 0.5 hectares or more. For other types of development, a major development is one where the floorspace to be built is 1000 square metres or more, or the site area is 1 hectare or more.

**Mixed-use:** Development comprising one or more activities within the same building or site.

**National Planning Policy Framework (NPPF):** A policy document that sets out the government's planning policies for England and how these should be applied.

**Non- self-contained accommodation / non-conventional accommodation:** Residential accommodation where occupiers of different householders share living, kitchen or bathrooms facilities.

**Older People's Housing:** This refers to various types of specialised accommodation for older people, such nursing homes and extra-care housing. It also includes sheltered housing, consisting of self-contained individual apartments, almshouses and co-housing schemes.

**Planning obligations (or section 106 (s106) agreements):** These agreements confer planning obligations on persons with an interest in land in order to achieve the implementation of relevant planning policies as authorised by Section 106 of the Town and Country Planning Act 1990.

**Registered providers (RPs):** Housing providers that are registered with the Homes and Communities Agency. Most RPs are housing associations, but some RPs are trusts, co-operatives and companies.

**Shared Ownership:** A tenure that allows households who cannot afford to buy a home outright the opportunity to part buy and part rent a home. Residents buy a minimum share of 10% in their home, depending on what they can afford, and pay rent on the share that they don't buy. The bigger the share that is purchased, the less rent has to be paid on the remaining part of the property.

**Southwark Plan:** See "Local Plan"

**Small sites:** Sites below 0.25 hectares in size; or which proposes 9 (inclusive) or less residential units.

**Social rented housing:** Housing that is available to rent either from the council, a registered provider, or another affordable housing provider. Social rented housing is set at an affordable rent based on local incomes.

**S106 agreements:** See “Planning obligations”

**Self-build and custom-build housing:** Housing built by an individual, a group of individuals, or persons working with or for them, to be occupied by that individual. Such housing can be either market or affordable housing.

**Staircasing:** A system that allows residents in shared ownership housing to buy more shares on their property as they can afford them until eventually they own their home outright.

**Studio flat:** A no-bedroom residential unit which has a separate bathroom and kitchen but shared bedroom and living area.

**Supplementary Planning Document (SPD):** A document that expands upon and provides further guidance on how planning policies in the Southwark Plan should be applied. Once adopted, an SPD will become a material consideration when considering planning applications in Southwark and is regularly monitored and reviewed.

**Sustainability Appraisal/ Strategic Environmental Assessment:** A systematic and interactive process undertaken during the preparation of a plan or strategy, which identifies and reports on the extent to which the implementation of the plan or strategy would achieve environmental, economic and social objectives by which sustainable development can be defined, in order that the performance of the strategy and policies is improved.

**Sustainable Development:** At a high level, sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs. Within the planning system, sustainable development means achieving economic, social, and environmental objectives.

**Unilateral undertakings:** Instead of agreeing obligations through the standard process of negotiation and agreement between the council and developer. Developers may prepare the terms of a planning obligation on their own, without prior discussion with the council. These will then be submitted to the council. If the terms are acceptable the fact that the document has not been negotiated should not in itself be seen as a bar to the grant of permission. Where any unilateral undertaking does not meet the council’s objectives permission should be refused.

