



Technical Advice Note

Affordable Housing Financial Contributions

Version 1.0

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Contents

1.0	Introduction	1
2.0	Financial contributions formula	2
3.0	Worked examples	3

1.0 Introduction

- 1.1. This document sets out the Council's approach to calculating financial contributions to affordable housing using its [Affordable Housing Financial Contributions Calculator](#).
- 1.2. Policy H2 Affordable Housing of the [Hart Local Plan \(Strategy & Sites\) 2032 \(HLP32\)](#) requires 40% affordable housing with new residential development on major sites.
- 1.3. The affordable homes should be provided on site, with a financial contribution for any part-dwellings generated by the 40% calculation. Policy H2 states:

f) in cases where the 40% calculation provides a part dwelling a financial contribution will be sought equivalent to that part dwelling;
- 1.4. In exceptional circumstances a financial contribution may be acceptable in lieu of on-site provision. Policy H2 states:

“Where it is robustly justified and it is clearly demonstrated that the provision of affordable housing on site is impractical, the Council may accept off-site provision, or a financial contribution of equivalent value in lieu of on-site provision.”
- 1.5. The supporting text states:

“144. In exceptional circumstances, and only where evidenced and justified, we may accept off-site provision, or a financial contribution of equivalent value in lieu of on-site provision. We will consider this matter on a site-by-site basis.”
- 1.6. This Technical Advice Note sets out the formula used for financial contributions to affordable housing and provides two worked examples for a hypothetical site.
- 1.7. The calculator should be used as initial guidance regarding any likely affordable housing financial contribution. In addition, as part of the planning process, applicants are expected to enter into discussions with Housing and Planning officers about any potential financial contributions as part of the planning process.

2.0 Financial contributions formula

2.1 The Council's method, set out below, applies to all financial contributions for affordable homes, i.e.:

- part-dwelling payments, and
- payments in lieu of on-site provision.

2.2 The method first calculates the full off-site contribution and then adjusts it depending on how much of the affordable housing requirement is met on site.

2.3 The following guidance should be read in conjunction with the financial contributions calculator.

2.4 The formula for the full off-site contribution is:

$$e = ((a \times b) + ((a \times b) \times c)) \times d$$

Where:

a = Gross Development Value (GDV) of the whole scheme

b = Percentage of the GDV that equates to the land value (currently 38.6%)

c = Percentage surcharge for acquisition and preparation/servicing costs (currently 15%)

d = Percentage of affordable housing that should be required on site (currently 40%)

e = Financial contribution required if all affordable housing were to be provided as a contribution in lieu of on-site provision.

2.5 Where a partial contribution is required, including part-dwelling payments, the full off-site contribution (e) is then multiplied by the percentage of affordable housing *not* provided on the site (h), to give the adjusted contribution (i).

$$i = e \times h$$

Where:

f = Total affordable homes required

g = Total affordable homes provided on site

h = Remainder not provided on site as a percentage: $(1 - g/f) \times 100$

3.0 Worked examples

Example 1: The affordable homes are provided on-site, but a part-dwelling payment is also needed to meet the 40% requirement.

Developer assumptions:

Total Sales Value (GDV)	£10,000,000 (arbitrary figure used)
Market Units Proposed	14
Affordable Units Proposed	8
Total Units Proposed	22

Affordable Housing Assumptions:

Affordable Percentage Required	40%
Market Units Required	13.2
Affordable Units Required	8.8
Land Value (as a percentage of GDV)	38.6%
Land Value Based on % of GDV	£3,860,000

Where:

a = Gross Development Value (GDV) of the whole scheme: £10,000,000

b = Percentage of the GDV that equates to the land value: 38.6%

c = Percentage surcharge for acquisition and preparation/servicing costs: 15%

d = Percentage of affordable housing that should be required on site: 40%

e = Financial contribution required if all affordable housing provision is as a financial contribution.

$$e = ((a \times b) + ((a \times b) \times c)) \times d$$

$$e = ((£10,000,000 \times 0.386) + ((£10,000,000 \times 0.386) \times 0.15)) \times 0.4$$

$$e = (£3,860,000 + £579,000) \times 0.4$$

$$e = \mathbf{£1,775,600}$$

The financial contribution, in this case for a part-dwelling only, is calculated by multiplying (e) by the percentage not provided on site (h):

$$f = \text{Total affordable units required} \quad 8.8$$

$$g = \text{Total affordable units provided on site} \quad 8$$

$$h = \text{Remainder not provided on site as a percentage} \quad (1-g/f) \times 100 = 9.09\%$$

Financial contribution required (i) for the part-dwelling

$$= e \times h$$

$$= \mathbf{£1,775,600 \times 9.09\%}$$

$$= \mathbf{£161,418.18}$$

Example 2: The Council has agreed in exceptional circumstances that the 40% affordable housing requirement is met entirely through a payment in lieu of on-site provision.

Developer assumptions:

Total Sales Value (GDV)	£10,000,000 (arbitrary figure used)
Market Units Proposed	22
Affordable Units Proposed	0
Total Units Proposed	22

Affordable Housing Assumptions:

Affordable Percentage Required	40%
Market Units Required	13.2
Affordable Units Required	8.8
Land Value (as a percentage of GDV)	38.6%
Land Value Based on % of GDV	£3,860,000

Where:

a = Gross Development Value (GDV) of the whole scheme: £10,000,000

b = Percentage of the GDV that equates to the land value: 38.6%

c = Percentage surcharge for acquisition and preparation/servicing costs: 15%

d = Percentage of affordable housing that should be required on site: 40%

e = Financial contribution required if all affordable housing provision is as a contribution

$$\begin{aligned}
 \text{Sum required (e)} &= ((a \times b) + ((a \times b) \times c)) \times d \\
 &= ((£10,000,000 \times 0.36) + ((£10,000,000 \times 0.36) \times 0.15)) \times 0.4 \\
 &= (£3,860,000 + £579,000) \times 0.4 \\
 &= \mathbf{£1,775,600}
 \end{aligned}$$

The financial contribution, in this case entirely in lieu of on-site provision, is calculated by multiplying (e) by the percentage not provided on site (h):

f = Total affordable units required	8.8
g = Total affordable units provided on site	0
h = Remainder not provided on site as a percentage	$(1-g/f) \times 100 = 100\%$

Financial contribution required (i) in lieu of on-site provision

$$\begin{aligned}
 &= e \times h \\
 &= \mathbf{£1,775,600 \times 100\%} \\
 &= \mathbf{£1,775,600}
 \end{aligned}$$