

AFFORDABLE HOUSING



**Clackmannanshire
Council**

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Affordable Housing Supplementary Guidance

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1. Introduction and Background

Introduction

- 1.1 The purpose of this Supplementary Guidance (SG) is to assist in guiding the successful delivery of affordable housing, provide some certainty for investors and explain how they can contribute to the delivery of affordable homes in the right places to help meet the housing needs of Clackmannanshire. The SG provides additional guidance and advice designed to supplement policies of the Local Development Plan (LDP), including Policy SC1 'Maintaining a Housing Land Supply', but principally Policy SC2 'Affordable Housing'.
- 1.2 The Council will work in collaboration with relevant parties to seek to deliver affordable housing that helps address the anticipated level of housing need across Clackmannanshire during the period of the LDP.



Background

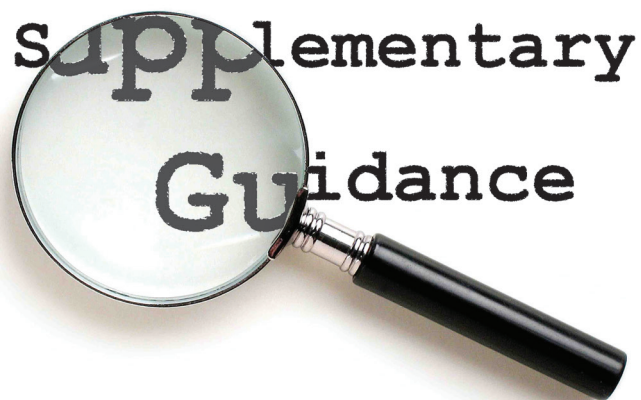
- 1.3 The Clackmannanshire LDP is planning for growth in population and households to 2035, which reflects population and household projections. Key to this will be the delivery of quality housing developments across all tenures to foster sustainable economic growth. This is reflected in the LDP's Strategic Objective 4 'Meeting the Need for New Homes'.
- 1.4 The delivery of affordable housing will also contribute to the Council's Housing Strategy's vision that "Every household in our area should have access to a good quality and affordable home, with advice and support services that meet their needs."
- 1.5 In recent years, the rate of new build housing has declined noticeably across the country and at the same time, the public sector budgets have also reduced. Both of these have combined to make the delivery of affordable housing more challenging.
- 1.6 The Council will look to partnership working and innovative alternative funding models to secure delivery of affordable homes. The Council's Housing Strategy 2013-2018 and Strategic Housing Investment Plan provide more detail on the various methods of financing affordable housing.

2. National Planning Policy and Guidance

- 2.1 Scottish Planning Policy (SPP) sets out the policy context for development plans.
- 2.2 For affordable housing, SPP states "Where the HNDA and local housing strategy process identify a shortage of affordable housing, the plan should set out the role that planning will take in addressing this..". Affordable homes are broadly defined in national planning advice as "Housing of a reasonable quality that is affordable to people on modest incomes."
- 2.3 In terms of delivering affordable housing, the current SPP states "Plans should identify any expected developer contributions towards delivery of affordable housing. Where a contribution is required, this should generally be for a specified proportion of the serviced land within a development site to be made available for affordable housing... The level of affordable housing required as a contribution within a market site should generally be no more than 25% of the total number of houses.". Affordable housing need throughout Clackmannanshire is addressed in Section 3.

3. Affordable Housing Need

- 3.1 Affordability varies according to a range of factors, including income and the number of dependants in a household, and the Council will seek to achieve a range of tenures and types of property to reflect identified need. The Council's Housing Need and Demand Assessment (HNDA) indicates the nature of this need for the early part of the plan period.
- 3.2 There is currently a high level of need for affordable homes in each of the housing sub-market areas in Alloa, the Hillfoots and Dollar, to the extent that a 25% provision for affordable homes is set as a reasonable requirement in LDP Policy SC2 'Affordable Housing'.



- 3.3 The **Clackmannanshire Housing Strategy 2012-2017** indicated an overall need in Clackmannanshire for 454 affordable homes and 118 private homes each year for the next 5-10 years. In the current economic climate, however, this level of housing provision is not considered realistic or achievable. Over the past 10 years annual affordable housing completions have averaged only 30 units and private house building has reduced by 94% between 2006 and 2010, with only 28 new private houses completed in 2012. Having considered recent trends, a more modest supply target of 173 new private and 31 affordable homes annually has been set, based on the 2010 Housing Land Audit . It should be noted that these are targets, not caps, and the Council will aim to exceed these wherever possible. This would suggest that the need for affordable housing will continue to be greater than supply over the course of the LDP and the backlog of households in housing need is likely to continue to rise as a result of the requirements not being met.
- 3.4 The HNDA has identified a need for a large number of small, single person homes for the growing numbers of small, single households (especially young people) who have limited income and need suitable affordable housing. The HNDA therefore encourages developers to build more smaller units where possible. There is also an outstanding need for large family houses. The social sector has less than 200 large houses of 4 or more bedrooms and more are required to meet the needs of larger families.

4. Types of Affordable Housing

- 4.1 There are many different types of affordable housing, which offer different solutions to meet the needs of different people:

Social rented accommodation - is general and special needs housing provided at an affordable rent and usually managed locally by a Registered Social Landlord (RSL) such as a Housing Association, Housing Co-operative, Local Authority or other social housing provider.

Mid-market rented accommodation - is accommodation with a rent level between affordable and full market rents, provided by either the public sector or private sector with subsidy. This option is attractive to people on incomes that are not quite enough to afford owner occupation, or who need or want to rent for a limited period and can afford to pay more than a social rent.

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Shared ownership - schemes providing housing that is available partly to buy (usually at market value) and partly to rent. The owner purchases part of the property, usually 25%, 50% or 75%, and rents the remainder from an RSL. Shared ownership generally provides an opportunity for households to access owner-occupation at a lower entry price level than other low cost home ownership initiatives.

Shared equity - schemes enabling people to buy a home in partnership with a registered social landlord. An owner generally pays between 60 and 80 per cent of the price of a home, with the remainder held by an RSL using a Scottish Government grant. Unlike shared ownership, the owner pays no rent for the equity stake which is retained by the RSL. While the RSL does not receive any rental income in respect of their stake, it benefits from any equity gain when the house is sold. Some developers offer private shared equity schemes. These schemes require the purchaser to pay the remaining equity stake to the developer at a later predetermined date, normally based on the new capital value of the property. These schemes differ from the Government's shared equity scheme as they are not grant assisted.

Discounted low cost housing for sale including plots for self build - a subsidised dwelling sold at an affordable level. Discounted serviced plots for self build can also contribute, particularly in rural areas. A legal agreement can be used to ensure that subsequent buyers are also eligible buyers.

Low-cost housing without subsidy - non-subsidised affordable housing which is likely to take the form of entry level housing for sale, and with conditions attached to the missives designed to maintain the houses as affordable units to subsequent purchasers. Homes delivered without subsidy may be considered to fulfil part of the overall affordable housing requirement where it can be clearly demonstrated that they will meet the needs of, and be affordable to, groups of households identified through the housing needs assessment.

- 4.2 In Clackmannanshire, the priority for affordable housing provision is for social rented, to meet the identified need for this type of tenure.
- 4.3 In addition to available Government funding, the Council is actively pursuing new, innovative models of housing provision in order to fill this gap left by reduced investment, including embracing new financial models, using land to best effect and actively seeking effective partnerships.

5. Delivery of Affordable Housing

- 5.1 There are a number of different ways of delivering the different types of affordable housing:
 - ▶ On-site provision in the form of Council or Registered Social Landlord (RSL) properties. These may either be built by the Council or RSL, or built by the developer and transferred to the Council or RSL.
 - ▶ Off-site provision of an equivalent number and type of units as would have been provided on-site in another location, preferably within the same market area. This could be on other land in the developer's ownership, or which they will acquire, or a Council or RSL owned site.
 - ▶ A partnership with the Council or RSL and the developer.
 - ▶ A commuted sum for the provision of affordable housing elsewhere.

5.2 PAN 2/2010 advises that affordable housing should ideally be integrated into the proposed development and wider community in order to achieve a good mix of house types and tenures on all sites and create diverse, mixed communities. On-site provision of affordable housing is therefore the preferred method of delivery, however there may be occasions when off-site provision, partnerships or commuted sums are more appropriate. Where it has been agreed that the on-site provision of affordable housing as part of a new development is not feasible, or does not represent best value, the provision of land or homes or a commuted payment to provide the requirement off-site may be acceptable. The value of this alternative provision will be equivalent to the cost of providing the percentage of serviced land required by Policy SC2. The Council will decide whether it will be appropriate to accept a commuted sum and there will only be limited circumstances where this will be preferred in lieu of on or off-site provision.

5.3 Where it has been agreed that commuted sums are appropriate, these will be secured through Planning Agreements following negotiation between the developer and the local authority, and having regard to development costs, other contributions that are being sought, and other relevant factors, for example layout and design. Commuted sums will normally require to be paid before planning consent is issued, however for larger sites, or those with abnormal up front costs, it may be acceptable to agree phased payments. All money received through such obligations will be ring fenced and managed for the purpose of delivering affordable housing by the Council as part of the Strategic Housing Investment Plan (SHIP).



6. Sites for Affordable Housing

- 6.1 The LDP allocates sites for proposed housing development and indicates in the Schedule of Sites where an element of affordable homes will be required. Housing proposals for 20 or more homes, or for 1 hectare or more of land, will be expected to include a range and choice of house types, tenures and sizes including affordable housing.
- 6.2 The nature of affordable homes provision on site is to be determined according to identified need and local circumstances, but should generally be no more than 25% of the total number of units as affordable housing.
- 6.3 Developers of smaller sites, of less than 20 homes, where on-site delivery is not practicable, will be obliged to provide a commuted sum to the Council for affordable homes on a pro-rata basis determined according to the assessed need, HNDA, and local circumstances.
- 6.4 National policy requires that any new build for affordable homes should be integral to the overall site design and design of buildings and their external finishes i.e. to the same high standard of materials and appearance as market housing on the site.

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7. Roles in delivering Affordable Housing

The Council

- 7.1 The delivery of affordable housing falls heavily on delivery from the Council's Housing Revenue Account (HRA). In order to develop a more balanced programme, the Council will continue to look at innovative funding mechanisms and work with local RSLs and developers to increase and improve their financial contribution.
- 7.2 The Council continues to seek funding to support construction of new social housing, however the role of the Council as a housing provider remains severely constrained. Through the Strategic Housing Investment Plan (SHIP), the Council has identified sites which may be suitable for new build affordable housing and where developer contributions could be added to Council funding to enable the development, or developers may build on these sites in lieu of on their own sites. These sites are included in the LDP.

- 7.3 The SHIP also identifies other means of delivering affordable housing which may not involve the provision of new build affordable housing, but could still benefit from developer contributions. These include:
- ▶ Bringing empty homes back into use including the empty homes loan scheme which offers owners of empty properties a grant and interest free loan to renovate their property in return for it being used for affordable, private renting for a period of 5 years.
 - ▶ Purchase of existing housing for social stock.
 - ▶ Local Authority Mortgage Scheme mainly for first time buyers.
 - ▶ Greener Homes Innovation Scheme under which a bid has been approved to provide 48 new energy efficient affordable homes in Alva. This involves part of the site of the former Alva Academy being transferred to a private sector partner at nominal value.

- 7.4 The Council will continue to monitor the delivery of affordable housing through the annual Housing Land Audit and monitoring the Housing Programme of the SHIP.
- Registered Social Landlords (RSLs)/Housing Associations/Landlords
- 7.5 The Council will work closely with RSLs and the private sector to seek to secure the provision of high quality affordable housing in appropriate locations. These groups have a role to play in the provision, management and maintenance of affordable properties, and the Council will support them in this role. An example of this is that the Council, in partnership with private developers and Paragon and Link housing Associations, has approval from the Scottish Government's Greener Homes Innovation Scheme to provide 48 new, affordable, high quality, highly energy efficient homes on Council land in Alva.



Developers/Housebuilders

- 7.6 Whilst RSLs have been the main providers of affordable housing in recent years, developers are now expected to assist and contribute significantly to the provision of affordable housing. As a minimum, housing proposals for 20 or more homes, or for 1 hectare or more of land, will be expected to make available a specified proportion of the serviced land within the development site for affordable housing. This proportion should generally be no more than 25% and should allow the delivery of 25% of the total number of units on the site to be affordable homes (see paragraph 6.2).
- 7.7 Affordable housing could then be delivered by the developer, a Registered Social Landlord (RSL) or the local authority. Any further contribution to the delivery of affordable housing on the site by the developer will be negotiated through the developer contributions process described in SG1 'Developer Contributions'.

- 7.8 Developers of smaller sites, of less than 20 homes will be obliged to provide a commuted sum to the Council for affordable homes on a pro-rata basis, negotiated through the developer contributions process described in SG1 'Developer Contributions'.
- 7.9 Alternatively, the developers may enter into agreement with the key stakeholders to build an agreed number of affordable units on the site as an integral part of their development proposal. An RSL or the Council, through their Housing Revenue Account, may contribute to this.
- 7.10 Developers should consult with the Council at an early stage to determine the form and type of affordable homes that ought to be delivered on their site.

8. Delivery examples

- 8.1 The economic viability in developing any site must be taken into consideration and a balanced planning decision made for a quality development outcome. This means to balance the need for affordable homes provision in accord with LDP Policy SC9 and Guidance in SG1 - "Developer Contributions". There may be a need for some flexibility on the 25% level of provision, where exceptionally justified, in accord with policy and it will be for the developer to demonstrate why the particular circumstances of a site would warrant a significantly different percentage figure.
- 8.2 Commuted sums need to be based on the cost of providing serviced plots, less other relevant development costs sustained by the developer in developing the site, other contributions being sought and any other relevant factors.
- 8.3 The examples below demonstrate the different mechanisms for delivering affordable housing and the considerations applied to each.

Example 1 - Developer provides 25% of the site to the Council/RSL at Affordable Housing land value (serviced land). Council/RSL finance the construction of affordable units. Developer meets other, high priority developer contributions obligations, e.g. educational issues.

Example 2 - Developer provides 25% of the site to the Council/RSL at Affordable Housing land value (serviced land) and provides a proportion of their developer contributions towards construction of the units by the Council/RSL. Developer meets reduced developer contributions towards other requirements.

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Example 3 - Developer agrees to build affordable homes as part of their development and may transfer them to the Council/RSL. This is likely to be less than the 25% of the site normally required, therefore the Council and developer must negotiate on the amount and type of affordable housing to be provided. Negotiations take into account the additional value the developer will realise on the proportion of the 25% which will now be able to be developed at full market value which would otherwise have been required to be transferred at Affordable Housing land value.

Example 4 - Developer agrees to build affordable homes off-site and transfer them to the Council/RSL. Negotiations take into account that 25% of the site will now be developed at full market value which would otherwise have been required to be transferred at Affordable Housing land value. The differences between the two figures requires to be included as part of the developers costs of building the new units.

Example 5 - Developer agrees to pay a commuted sum to the Council/RSL. Negotiations take into account that 25% of the site will now be developed at full market value which would otherwise have been required to be transferred at Affordable Housing land value.

8.4 While the market value of the land will be calculated for each individual site, possibly with input from the District Valuer or an Independent Valuation Surveyor, it may be used to provide affordable housing on any site within Clackmannanshire and may therefore yield more or fewer units than may have been anticipated on the development site, dependent on the costs associated with developing a different site, e.g. differences in land values.



Appendix 1 - LDP Policy SC2 'Affordable Housing'

Policy SC2 - Affordable Housing

This policy aims to set out criteria for the delivery of affordable housing and identifies different mechanisms for delivery and levels of provision. Developers of all sites will be expected to contribute towards the provision of affordable housing. The nature of these provisions will vary from site to site. The Council has produced Supplementary Guidance (SG) on Affordable Housing which provides further guidance on how this policy will operate.

Housing proposals for 20 or more homes, or for 1 hectare or more of land, will be expected to include a range and choice of house types, tenures and sizes, including affordable housing. For such developments the Council will seek appropriate on-site provision for affordable housing. The nature of on-site affordable homes provision is to be determined according to identified need and local circumstances, and will contribute to meeting the housing need in Clackmannanshire based upon the Council's current Housing Need and Demand Assessment. The level of affordable housing requirement should generally be no more than 25% of the total number of units.

The Council will take into account the overall viability of the development in determining the nature and timing of the affordable housing requirement, but it will be for the developer to demonstrate why the particular circumstances of a site would warrant a significantly different percentage to that indicated above. The phasing of the delivery of any on-site affordable housing will be agreed by the Council on a site by site basis as part of an approved development brief or masterplan, or through a planning obligation or conditions attached to the planning permission for the development. Wherever practicable the affordable housing should be integrated with the marketing housing.

Where a developer can clearly demonstrate that it is not feasible to provide affordable housing on its site, and the Council agrees with its findings, a commuted payment towards affordable housing located elsewhere may be acceptable. Any commuted sum must be agreed and secured through a formal planning obligation before any development can start on the site. Further guidance is provided in the Affordable Housing SG.

Developers of smaller sites, of less than 20 homes, where on-site delivery is not practicable, will be obliged to provide a commuted sum to the Council for affordable homes, which will generally be at a rate of 25% of the number of units proposed, but adjusted to take account of local need and circumstances. Further guidance is provided in the Affordable Housing SG.





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