

Main Issues Report 2013

Housing for People on Modest Incomes Position Paper

1. Introduction

- 1.1 This position paper provides an overview of the current approach to the delivery of housing for people on modest incomes in Aberdeenshire. It will consider whether it meets the requirements of Scottish Planning Policy and other national planning documents, and whether it forms a sound basis for a policy for making planning decisions designed to deliver affordable housing in Aberdeenshire. The assessment will offer a preferred course of action in order to continue, and where possible improve, the delivery of affordable housing but will also provide alternative options which will be debated through the Main Issues Report 2013. This paper should be read in the context of the policy review papers "Review of Policy 6 Affordable Housing" and the associated Supplementary Guidance "SG Affordable Housing 1 Affordable Housing". (see www.aberdeenshire.gov.uk/ldp)

2. National Policy Context

- 2.1 The planning system supports the Scottish Government's commitment to achieve its aim of increasing the supply of affordable housing to ensure that all sections of society have access to suitable living accommodation.
- 2.2 In order to increase the rate of house building, hence increasing the amount of affordable housing, Scottish Planning Policy (SPP) advises that housing land allocations should be generous and provide a greater range of housing, including affordable housing. The government defines affordable housing as housing of a reasonable quality that is affordable to people on modest incomes.
- 2.3 According to PAN 2/2010: *Affordable Housing and Housing Land Audits*, the Government aims to increase the supply of all house types and tenures to create a sustainable mix of communities. In doing so, it is hoped that the choice of housing available to those on lower incomes will be increased. PAN 2/2010 emphasises that all the following range of tenure types can contribute to the provision of affordable housing.
- Social rented;
 - Subsidised low cost housing for sale (subsidised low cost sale, shared ownership, shared equity);
 - Unsubsidised low cost housing for sale;
 - Mid-market or intermediate rented.
- 2.4 The level of need for affordable housing must be measured by local authorities who will compile a Housing Need and Demand Assessment (HNDA) and a Local Housing Strategy (LHS). This provides the necessary evidence to establish the number of affordable homes required on a local basis to meet local need. When it is established that there is a shortage of affordable housing in any location, it can then be addressed by the development plan as part of the housing land allocation. The planning authority can also use the evidence to establish the required level of affordable housing over or above the benchmark figure of 25% set by SPP.

- 2.5 It should be noted that the new draft SPP currently under consultation is proposing that the figure “should generally be no more than 25%”, effectively reducing the burden on the development industry.

3. Regional/Strategic Policy

- 3.1 Policy 6 Affordable Housing confirms the 25% benchmark figure of affordable housing set by SPP while providing the specific local level of required affordable housing set by the HNDA. In the case of Aberdeenshire the contribution varies from 10% to 50% depending on the settlement.
- 3.2 SG Affordable Housing 1: Affordable Housing enforces the aim of Policy 6 by advising that development should contribute towards affordable housing in proportion to the scale of the development and the extent of the local need. The specific contribution will be fairly assessed at the time of the application and will generally consist of serviced land within the development site or houses that are available at an affordable level without contribution of public funds. In exceptional circumstances it may be possible for developers to make available land off-site or pay a commuted sum towards the provision of affordable housing elsewhere in the locality, such as within the local secondary school catchment area.
- 3.3 The Aberdeenshire Local Housing Strategy 2013-2017 identifies a target to build 200 new affordable houses per annum to the end of 2015 increasing to 400 units thereafter. Of these totals, 60% should be for social rented housing and 40% “intermediate” housing; housing not for rent, but made available at a cost below full market value and including “shared equity” (where part of the deposit or mortgage is paid for from a public source).

4. Aim of the Affordable Housing Policy

- 4.1 The aim of Policy 6: Affordable Housing and its associated supplementary guidance SG Affordable Housing 1: Affordable Housing is to ensure that a suitable level of affordable housing is provided through the development process. The Policy highlights that a flexible approach is required to deliver the required volume and accepts that affordable housing can be delivered in a number of ways. There is an expectation that developers must provide a range of house types in order to achieve Aberdeenshire Council’s aim of sustainable mixed communities, including properties which, at full market value, are affordable to people with modest incomes.

5. Discussion

- 5.1 The range of people unable to access the housing market is wide ranging. Both ends of the issue related to affordable housing must be considered. While there are people at one end of the scale who will, in all likelihood, never be in a position to buy their own property, there are others at the other end who simply needs the opportunity to become a first time buyer. Both ends of the scale, with very different needs, are linked with their desire to find somewhere affordable to live.

Economic Need

- 5.2 The future economic growth of the north east depends in the continuation of sourcing sufficient skilled people to either remain in the area after graduation or encouraging inward migration of skilled workers, including graduates to not only work in the oil and gas industry but also the service industries. By not catering for this end of the spectrum, it can be seen that there could be a negative impact on the economy and well-being of the area. While there will always be a political desire to promote public rented accommodation for those in most need it must be recognised that the Government definition of affordable housing includes market value housing, and making provision for affordable housing for young professionals addresses a clear economic need. While the Council's own figures state that Aberdeenshire is only achieving half the percentage of housing units compared to the Scottish average, when this housing type is included in the calculation the reality might be better than it appears.

Existing Housing stock

- 5.3 Scottish Government guidance states that a household can afford to buy a house if it costs no more than 3.5 times the gross wage of a single earner and 2.9 times the gross wage of a dual income household. At the re-sale and new build prices of 2008, the most recent year where figures are available, evidence shows that in Aberdeenshire, single wage earners on at least average wages would not be in a position to purchase a property and only dual income households on an average wage or above would be able to access the housing market.
- 5.4 In order to achieve the Council's aim to create sustainable mixed communities, SG LSD2: Layout, siting and design of new development of the LDP requires developers to provide a suitable mix of houses tenures and types. This aim was as a result of a period where, fuelled by readily available and low interest credit, developers were building large homes speculatively with little consideration of actual need. This appears to be confirmed by the fact that in 2008 over 31% of houses built in Aberdeenshire had more than 6 rooms against a Scottish average of only 13%. Not only does this result in a lack of supply of new-build housing for people looking up start on the housing ladder but also a deficiency in opportunities for older people looking to downsize. This then affects the second-hand market, forcing prices up as too many people chase too few mid range properties.
- 5.5 "Used" housing must also be taken into consideration as these properties represent the vast bulk of housing transactions, and also provide a supply of lower cost housing. In the following postcode areas, at an asking price of £85,000 or under, the following number of properties are currently for sale on the ASPC website (as at July 2013);

| | |
|--|----|
| Banff/Macduff | 23 |
| Fraserburgh | 14 |
| Turriff | 12 |
| Peterhead | 11 |
| Huntly | 9 |
| Stonehaven, Inverurie, Westhill/Elrick | 1 |
| Banchory, Ellon, Portlethen | 0 |

This demonstrates the differences in property values in the Aberdeen and Rural Housing Market Areas as well the level of affordability in some towns. As a result, in some areas where the economy is sluggish, houses at full market value may fulfil a significant portion of the need while in other, more buoyant areas, it may be necessary to provide properties at a discounted rate. It is clear that in the Aberdeen Housing Market Area there is an acute problem.

Aspirations for affordable housing

- 5.6 Currently it is estimated that 36% of those on the Aberdeenshire waiting list will actually never be able to demonstrate sufficient need to qualify for a house. After one year, most are removed from the list having, in many cases, found privately rented accommodation. Evidence points to the private rented sector as being a relatively significant source of accommodation. In 2010, the last date when data was available, there were 6065 registered landlords who provided 8977 properties for rent; 8.4% of the total dwellings in Aberdeenshire.
- 5.7 If enough lower priced residential accommodation units were built to supplement the existing second hand market, the needs of this population could be accommodated,. Accordingly any full market value property sold at or below the affordability threshold of 3.5 times the lower quartile average wage could be classified as affordable, or more accurately low cost. There are many benefits for this, including providing opportunity for the 36% of people on the waiting list who have no established need and whom are distorting the real statistics.

Homeless people

- 5.8 There are currently 7405 people on the council waiting list, an increase of 581 from 2012. If it is accepted that a third of those on the list have no needs case then approximately 2500 can be considered to require affordable housing. Of these 7405, 1409 are classified as homeless, accounting for 44% of all allocations last year. However the total of homeless is being reduced by 200 per annum (11% - 12%). This reduction can be perhaps explained by the introduction of a Homeless Prevention Team who mediates any issues and/or breakdowns within families. The introduction of such initiatives demonstrates that the issue of affordable housing cannot be resolved by the Planning Service alone but must be rather addressed by a multi function/service approach. Nevertheless, while there is an established need to accommodate the homeless, as the trend for homeless numbers continue to drop (at least over the last three years), it can be perhaps established that there is no increasing need for a higher level of housing units to accommodate this sector of society

The deficit in Social Rented Housing

- 5.9 In order to target the section of society who will never be in the position to buy their own homes it is essential that the 10% figure of affordable homes supplied by developers is at least maintained. Currently the benchmark figure is set at 25%. What results in practice is the situation that 15% of the house plots on a site, which the developers could have expected to not be available for their use under the terms of national planning policy, are returning to them. This allows them to construct

housing as they see fit and may distort the expectations of value on the land. It also fails to respect the national requirements that serviced development land is made available for the construction of affordable housing.

Unforeseen implications

- 5.10 To achieve the sustainable mix of communities required by LDP, a wide range of house sizes and price points are required. Current policy focuses on social housing and gives relative free reign to the market to provide housing for sale. This in turn is causing issues relating to the supply of smaller, more affordable, housing into the supply of housing stock. Measures which achieved a compromise position between the nil construction value that should be expected from national policy, and the “free reign” value achieved by the current policy should be considered. This can be done through “affordability by design”, by building smaller houses or houses with different internal specifications. Not only would this enable some individuals to enter that property market who are currently priced out but would also add lower cost housing to the stock through future sales.
- 5.11 The delivery of affordable housing through planning policy is challenging and a co-ordinated approach by all key agencies is required sharing a common understanding of the definitions of “affordable housing”. The responsibilities of the planning service and the housing authority need to be clarified to distinguish between affordable housing for those who will never be able to own or rent a market house, and housing for people on modest incomes who aspire to own their own property.

6. Options

- 6.1 In order to achieve the Council’s aim to create sustainable mixed communities, SG LSD2: Layout, siting and design of new development of the LDP requires developers to provide a suitable mix of houses tenures and types. While it is perhaps too soon to establish the efficiency of SG LSD2 in providing a suitable mix of housing it may be prudent to place greater emphasis within the guidance on the delivery of housing for people on modest incomes.
- 6.2 The Housing Authority and other agencies must have a shared understanding that “affordable housing” is in accordance with the SPP definition, i.e. housing of a reasonable quality that is affordable to people on modest incomes. The title of the policy should reflect this and should be amended to Policy 6: Affordable Housing and Housing for People in Modest Incomes. Appropriate open market value housing should be classified as affordable.
- 6.3 More specific advice should replace Appendix 1 of SG Affordable Housing 1 which does not provide a suitable level of clarity. While it provides information on the definition of affordable housing, the rest of the content lacks detail and gives the impression that the provision of affordable housing is generally decided by negotiation rather than the target levels set by Schedule 4. However SG AF1 must have a sufficient level of flexibility in order to reflect any unpredicted change to the economic climate. The guidance should provide clarity as to what is expected from developers to allow their budgeting to be as accurate as possible. This might include details such as the required variety of house type and unit size to meet the aim of sustainable mixed communities, the definition and specification of housing that is

affordable by design and what, if any, exceptional circumstance would justify commuted sums.

- 6.4 We believe that where developers fail to deliver the benchmark figure of affordable housing required in any given settlement (generally only achieving approximately 10%), the remaining 15% should be built with an expectation by both the landowner and the developer of little or no profit and not built as market value housing as is the current situation. However due to issues over funding and as the sites may remain unbuilt for some time with associated maintenance issues, it may be reasonable to allow them as a contribution in the short term to the 40% of open space required by the ALDP. This would require a new element of supplementary guidance SG "Affordable Housing 2; Housing for people on modest incomes" to articulate these issues and establish the desired outcomes from the application of policy
- 6.5 PAN 2/2010 is clear that it is the responsibility of the Planning Authority not the Housing Authority to decide when it is appropriate to accept commuted sums. PAN 2/2010 also advises that the spend area for commuted sums should be on other appropriate sites within the developer's ownership or in the relevant housing market area, rather than academy catchment areas as is the current position. The academy catchments span the housing market area boundary and so the current policy and practice should be amended to reflect this fact.
- 6.6 The current practice of taking affordable housing contributions for developments of less than four houses should be ceased as it is not a requirement of PAN and does not translate to onsite provision which is the current aim of SG AH1. It is not an exceptional circumstance when it is requested as a matter of course.

7. Conclusion

Preferred Options Summary

- 7.1 While the construction of affordable housing on sites throughout Aberdeenshire through public subsidy remains our preferred method, it must be accepted that there is a gap between demand and supply. SG LSD2: Layout, siting and design of new development of the LDP requires developers to provide a suitable mix of houses tenures and types that are affordable for people with a range of income levels. As the LDP has only been adopted since June 2012 it is too early to establish whether the guidance has been successful in increasing the range of housing built. However, greater emphasis should be placed within SG LSD2 on the delivery of this range of housing and it may be appropriate to amend the guidance. It is proposed that Part d i) is amended to:
 - i) the balance of the development (mixture of house **sizes**, types **and tenures (including housing for people on modest incomes)** and other building types and land uses);
- 7.2 In doing this we are attaching more weight to the provision of how new housing can accommodate the needs of a greater range of society and in doing so create more inclusive and sustainable communities, This approach is more far reaching and should result in many of the groups currently unable to gain suitable accommodation entering the housing market.
- 7.3 The definition of housing for people in modest incomes should be clearly defined and used throughout the delivery process. This term should be used in addition to the term "affordable housing" which should relate to housing to which subsidy has been applied.

- 7.4 The need for developers to provide serviced land to comply with the requirements in the Aberdeenshire Local Housing Strategy should be retained to maximise the amount of affordable housing that is delivered, even if this only maintains the current 12% being achieved.
- 7.5 The construction of affordable housing by the use of commuted funds should only be used in *exceptional* circumstances. In the majority of cases serviced plots should be provided rather than a commuted sum.

Reasonable alternative option

- 7.6 The Scottish Government requires a benchmark figure of 25% of housing units to be “affordable”, accepting that this figure may include housing not provided through public subsidy. Due to a lack of Government funding, historically only 12% of the total housing units have been delivered in the recent past. A consequence of the narrow definition of affordable housing in the HNDA has been that the balance of the 25% has generally reverted back to the developers to build full market value properties on the sites that the Local Authorities or RSLs cannot afford to develop themselves. However, by using the national definition of affordable housing provided by Circular 2 /2010, it should be possible to achieve at least the benchmark figure of 25% by taking a sequential approach to the delivery of housing for people on modest incomes. Developers should be able to achieve the required amount of affordable housing by adhering to the following criteria and in the following order:
- Delivery of social rented affordable housing provided at an appropriate rent and usually managed locally by a Social Rented Landlord (RSL);
 - Delivery of housing for sale, sold at an affordable level as defined by the current HNDA and with public subsidy;
 - Delivery of housing through a shared ownership or shared equity model co-funded either by the developer or public bodies;
 - Provision of entry level housing for sale without public subsidy; or
 - Private rented accommodation available at rents guaranteed below market rent levels.
- 7.7 By taking this approach, we will be able to achieve the aims of the Scottish Government in providing a mix of house types which will provide accommodation for a range of people from those with the greatest need to the people who simply cannot afford to enter the housing market. As it stands, only those with the greatest need are provided with housing. To be clear, to achieve the requisite amount of affordable housing it is likely that developers will need to provide, in this order, 1) serviced plots for construction by RSLs of properties for rent OR 2) homes at an appropriately discounted price level OR 3) homes made available through shared ownership of equity OR 4) entry level homes for sale at an appropriate price level OR 5) homes privately let at an appropriate level. A combination of all of these should equate to 25% of the total number of plots.
- 7.8 In cases where there is no available public funding to build on the serviced plots made available to as a contribution to the 25% benchmark figure, the sites can be used as a contribution to the 40% public open space until such time as funding is available. In no circumstances should this result be more than 15% of the total site area.