

## **Review of SG Affordable Housing 1: Affordable Housing**

### **1. Introduction**

- 1.1 The purpose of this paper is to examine SG Affordable Housing 1: Affordable Housing in light of changes in the national policy and local context. 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.

### **2. Approach**

- 2.1 The current SG Affordable Housing 1 supports Policy 6 Affordable Housing and the aims of the ALDP and Structure Plan. It seeks to assist with the need for affordable housing in Aberdeenshire and requires that all new housing development must generally contain 25% of affordable housing, defined as “housing of a reasonable quality that is affordable to people on modest incomes”.
- 2.2 SG AH 1 makes reference to Schedule 4 which is contained in the ALDP and contains local variations to the 25% requirement. This information is also detailed in settlement statements.
- 2.3 The SG is clear that the specific contribution required by development will be assessed at the time of application or pre-application enquiry taking into account settlement information, the current market and site circumstances as well as input from the Housing Authority. Developers will be expected to take the requirement for affordable housing into account when negotiating land value. This advice means that affordable housing is considered in the overall viability assessment of a site. The policy suggests that in all but exceptional cases this contribution will be in the form of serviced land within the development or houses within the site which are affordable without public subsidy.
- 2.4 The reasoned justification and Appendix 1 are clear on how the affordable housing requirement can be met through a mix of house types as advocated by SG LSD2 Layout Siting and Design. Appendix 1 usefully clarifies the different types of affordable housing which can be delivered in line with the policy.

### **3. Background**

#### National context

#### National Planning Framework 2

- 3.1 Planning authorities are required to take the framework into account when preparing development plans and it is a material consideration when determining a planning application. It sets out a vision for Scotland up to 2030. The provision of housing is a key part of the “Development Strategy” and a main element of the “Spatial Strategy 2030” and aims to “encourage sufficient supplies of homes which are affordable in places where people want to live”. This is further elaborated under the heading *Housing* which calls for “Houses of the right type, in the right place and at the right price”. This is a broad approach to affordable housing provision which makes no reference to “housing need”.
- 3.2 NPF 2 also calls for improved affordability of housing and suggests “co-ordinated delivery through the new development plan process, local housing strategies and strategic housing investment plans”. Within Aberdeenshire co-

ordinated delivery is compromised by lack of a shared understanding about what affordable housing is.

#### Scottish Planning Policy (SPP)

- 3.3 Scottish Planning Policy (SPP) is the statement of the Scottish Government's policy on nationally important land use planning matters. SPP was adopted in February 2010 and replaces the previous SPP3 Planning for homes. The policy will be reviewed before the end of 2013.
- 3.4 Affordable Housing is one of the core "subject policies" contained within SPP. SG AH1 adheres to the SPP definition of affordable housing and Appendix 1 lists the same types of housing that constitute affordable housing.
- 3.5 The SPP calls for clarity on the scale and distribution of affordable housing as well as what the expectation is for each developer. The SPP suggests that to deliver the affordable housing requirement in rural areas a flexible approach should be taken, taking into account viability and availability of funding.
- 3.6 SPP identifies a benchmark figure of a 25% affordable housing contribution on all new housing developments. The LDP delivers a range of requirements about this figure informed by the Housing Needs and Demand Assessment, Schedule 4 and settlement statements detail any settlements where the 25% benchmark does not apply.
- 3.7 The SPP asserts that "As far as possible the tenure of housing should not be discernible from its design, quality or appearance". Appendix 1 elaborates on this and calls for affordable housing to be considered an integral part of the development and visually in character with market housing and physically integrated which is linked to policy on layout, siting and design.

#### Planning Advice Note: 2/2010 Affordable Housing and Housing Land Audits

- 3.8 Planning Advice Notes (PANs) provide advice and information on technical planning matters. The PAN is divided into two sections and this policy review is concerned with section 1. Affordable Housing. This section provides advice and information on how the planning system can support the Government's commitment to increase the supply of affordable housing. The PAN reinforces the SPP definition of affordable housing as "housing of a reasonable quality that is affordable to people on modest incomes".
- 3.9 The PAN outlines the full range of types of affordable housing which is replicated in appendix 1 of the SG. There is a slight difference in wording and as the PAN gives further elaboration on what the terms mean and refers to "subsidised" rather than discounted low cost housing. In order to avoid confusion Appendix 1 should adopt the same definitions as the PAN.
- 3.10 The PAN recognises the impact of tenure type on the valuation of land and stresses the need for clarity in LHSs and development plans. Authorities are encouraged to engage in early discussion with housing developers to reach agreement on the mix of affordable housing provision required.
- 3.11 The PAN explains that Local Authorities, RSLs developers and other providers should be working together to deliver affordable housing with a "common and shared understanding of the policy and its implications". Based on the fundamental issue over the definition of "affordable housing", that common and shared understanding is not being achieved.
- 3.12 The PAN identifies that affordable housing contributions may not be appropriate for developments of less than 20 units. SG AH 1 does not operate using a minimum threshold ; all sites must provide affordable housing. This is

appropriate given that Aberdeenshire is a rural planning authority and the PAN advises that in rural areas where the general scale of development is smaller, a lower threshold for on-site provision may be appropriate in order to make affordable housing available in a range of locations. Clarification could be provided in SG AH 1 that, as the preference is for on site provision, a minimum threshold should be for developments of less than four houses, as 1 unit of the 4 could be affordable.

- 3.13 The Pan identifies that commuted sums should only be used sparingly and that the development plan should set out the exceptional circumstances where such off site payments are appropriate. SG AH 1 needs to be significantly more assertive and should have clear criteria for when commuted payments may be appropriate.
- 3.14 The PAN is clear that should commuted sums be accepted they must help meet an identified need in the same housing market area. However SG AH 1 suggests that commuted sums should contribute to housing elsewhere in the local community such as the catchment of the local academy. This could be problematic as the catchment areas in some cases straddle between HMAs. (eg Mearns Academy, Banchory Academy, Alford Academy, Kemnay Academy, Inverurie Academy, Meldrum Academy and Ellon Academy). Minor amendment may be required to introduce a primary test for such sums being spent in the same Housing Market Area of the school catchment as where they were collected.

Letter from Chief Planner, Planning For Affordable Housing, March 2011

- 3.15 In light of the current adverse economic climate the Chief Planner wrote to all the local authority heads of planning to advise on the Governments Affordable Housing Policy.
- 3.16 He asserted that innovative and flexible approaches would be required to deliver affordable housing. He also adds that affordable housing policies should be realistic and take into account development viability and availability of funding. He calls upon Local Authorities when drawing up affordable housing policies to consider whether the 25% contribution or more is really deliverable in the current economic climate with the risk that such obligations may stifle development entirely. He also places greater emphasis on planning for affordable housing without public subsidy as it is counter-productive to secure land for proposals requiring high levels of subsidy.
- 3.17 The Chief Planner's letter raises the issue of the current economic climate and how this may present challenges to the delivery of affordable housing. The Chief Planner recommends that Planning Authorities and their policy take a flexible approach to affordable housing. This is a challenge as although policy must be realistic and adaptable to change it must give sufficient clarity to developers.

Strategic/regional context

Draft Aberdeen City and Shire Strategic Development Plan

- 3.18 It is anticipated that the current Aberdeen City and Shire Structure Plan (2009) will be replaced by the Aberdeen City and Shire Strategic Development Plan in June 2013. The proposed Strategic Development Plan focuses on nationally or regionally important planning issues as well as planning issues that are best dealt with in a co-ordinated manner with City and Shire Councils working together.

- 3.19 As already highlighted both the Structure Plan and the Proposed Strategic development plan use a different definition of affordable housing to that of SPP and SG AH 1. Affordable housing as defined by the Strategic Development Planning Authority as the more narrow: "Housing which is made available at a cost below full market value to meet an identified need. It includes homes rented from the council and housing associations and, in some cases, homes sold or rented from the private sector".
- 3.20 The Proposed Strategic Development Plan promotes "sustainable mixed communities" and that provision of affordable housing is critical to this aim. The plan suggests that in most cases new housing must provide 25% affordable housing and that the mix and size of homes must be in line with local development plans and supplementary guidance.

#### Aberdeen City Local Development Plan

- 3.21 Aberdeen City Council produced their Local Development Plan in 2012. Aberdeen City and Aberdeenshire share a Strategic Development plan as well as Housing Need and Demand Assessment and Housing Land Audit. Both Aberdeen City and Aberdeenshire have their own Local Housing Strategies, however, these are informed by the same Housing Need and Demand assessment, it is therefore informative to look at Aberdeen City's policy on affordable housing at this time.
- 3.22 In Aberdeen City, small sites capable of accommodating up to four dwellings contribute only a small proportion of the land supply. A threshold of five units has been set for affordable housing contributions. Given that Aberdeen City's policy is based on the same housing need and demand assessment and that it is physically impossible to provide an on site provision with less than 4 houses this supports a move in the Aberdeenshire policy to a minimum threshold.
- 3.23 Aberdeen City LDP contains Policy H5 Affordable housing and Supplementary Guidance. The Supplementary Guidance gives more detail than SG AH 1 as it indicates the exact amount of commuted payment that is required per housing plot (currently £25,000).
- 3.24 Aberdeen City's Supplementary Guidance gives further clarity for the likely arrangements for provision of affordable housing. It creates further thresholds of less than 20 and more than 20 houses and acknowledges that onsite provision of social rented may not be appropriate if there are fewer than 20 houses proposed, as there would be significant management costs involved. This gives additional clarity for what is expected by developers and as both City and Shire are responding to the same affordable housing need developers should have the same level of clarity across the region.
- 3.26 It is also worth noting that Aberdeen City has a separate policy on Housing Mix. Policy H4 housing mix calls for developments for over 50 houses to have an "appropriate mix of dwelling types and sizes" in addition to affordable housing so that specific groups such as the elderly and families can be catered for.

#### Aberdeenshire Local Housing Strategy 2012-2017

- 3.26 Aberdeenshire Council is required to produce a Local Housing Strategy (LHS) informed by Housing need and demand assessment. The LHS provides strategic direction to tackle Housing Need and Demand.
- 3.27 Strategic outcome statement 1 refers to Affordable Housing. Actions are proposed to increase the supply of social rented housing with a target of 60% of new affordable housing to be in the social rented sector, delivered primarily through the RSL development programme along with the Council's new build

programme, and 40% to be of “intermediate tenure options for rent and for sale”.

#### 4. Drivers of change

- 4.1 The supporting text and appendix 1 of the policy do not reflect significant and meaningful changes to Scottish Planning Advice on the delivery of affordable housing or the Chief Planners letter. It reflects a time when development finance was available and land values were sufficiently high to support a strategy of direct cross-subsidisation of affordable housing from land values. Now the matching funding to enable the delivery of such housing is significantly more constrained, and the contribution that can be made towards meeting need for social rented housing that is provided by an affordable housing policy has decreased. Rather than continue to expect a policy on “affordable housing” to substitute for direct Government finance of social housing it is appropriate to take stock of what we wish a policy on affordable housing to achieve.
- 4.2 In preparation of the current ALDP 2012 affordable housing was not identified as a main issue but given current challenges in the provision of affordable housing this option could be pursued in the preparation of the 2016 ALDP. The PAN outlines in Box 1 the main steps to be followed if affordable housing was identified as a main issue. It promotes increased consultation and discussion of a variety of approaches and this would assist in the development of a shared understanding of what affordable housing is. Box 1 suggests that after consulting on affordable housing as a main issue the LHS should then be prepared. Currently the LHS is published to accord with production of the Strategic Development Plan and was last published in 2012.
- 4.3 A number of specific issues can be identified within SG AH 1, all of which lead to the need for greater clarity in the policy:
  - It tries to give clarity to the development industry about what is expected, but also makes reference to the specific contribution being “clarified during the pre-app or application process” and “negotiation at the time of application” over the percentage of affordable housing and how it is delivered. This does not provide this certainty. In order to provide the development industry with greater clarity it would be better to simplify the advice to remove variability that this can introduce. It may also be worthwhile to add justifications for affordable housing contributions that deviate from the norm of 25% in the settlement statements.
  - A significant inconsistency is apparent between the reasoned justification and the policy. While the policy requires “exceptional circumstances” to be demonstrated to justify off site contributions, the reasoned justification suggests that cumulative contributions from small scale developments can be used to provide affordable housing in small settlements. This statement does not imply any “exceptionality”. It is not clear who would define what is exceptional, leaving it open for other parties to claim that exceptional circumstances exist.
  - It is not clear that commuted sums will be taken for individual houses. The collection of commuted sums for developments below 4 houses is questionable as it will not contribute to on site provision of affordable housing or sustainable mixed communities
  - This is also contrary to other parts of the policy as it does not translate to onsite provision, or assist in delivering the ALDP’s goal of sustainable mixed communities. In any case affordable housing is unlikely to be provided in smaller settlements as the sum gathered can be spent anywhere in the same

academy catchment area, and is most likely to be attributed to scheme within one of the major towns where social housing occupancy can be guaranteed. Appendix 1 identifies a variety of forms of affordable housing one of which is plots for self build. It may well be that at least 25% of all houses built in the countryside represent this form of development.

- SG AH 1 does not give any clarification on the house type / tenure mix to be delivered. As recommended by the PAN, it defers the decision on mix of affordable housing to discussions in “early course” between authorities and developers. The flexibility provided by SG AH1 does not promote the climate of “certainty and confidence” encouraged by the PAN.
- Reference is also made to the masterplanning process but, in practice, details about affordable housing at this stage are often vague and not finalised, devaluing the certainty provided by the masterplanning approach.
- The reasoned justification refers directly to Scottish Planning Policy (SPP) to define affordable housing as “housing of a reasonable quality that is affordable to people on modest incomes” This is considered to be an appropriate definition to use. However, this is not the same as the definition that is used in the proposed Strategic Development Plan or the Local Housing Strategy which are both derived from the definition based on the Housing Need and Demand Assessment. Differences in the definitions used between the HoNDA, the Strategic Development Plan and the Local Development plan are also confusing. This difference in definition defines the difference in approach promoted by the Housing and Planning functions of the Scottish Government and may lead to uncertainty for developers and delays or failures in delivery of Affordable Housing. It may even be appropriate to distinguish between the type of affordable housing that is provided by the planning service and term it something other than “affordable housing” to draw out this distinction.
- There are further challenges to the delivery of affordable housing as the LHS policy that 60% of the affordable housing provided is social rented housing is unrealistic and could hamper the overall development of a site. While SGAH:1 does offer sufficient flexibility with advice on the different types of affordable housing as well as taking into account the viability of the individual development there is a challenge for the policy to be sufficiently flexible while giving sufficient clarity on what is expected by the development industry. While it is recognised that the LHS is correct in identifying that 60% of affordable housing is social rented accommodation, delivering this will be extremely challenging when there is likely to be issues with funding. In this context the emphasis of the policy may need to change. While a laudable ambition, this does not reflect the reality of the availability of public subsidy, and as such is a meaningless target which, if applied to the affordable housing requirement of the Local Development Plan will result in under provision of affordable housing. This model for prioritising the delivery of social rented housing on its own may also compromise the aim of the LDP and the Strategic Development Plan to create sustainable mixed communities.
- In general, appendix 1 does not help with the clarity of the SG and should vastly be reduced or removed entirely.

## **5. Recommendations**

- 5.1 Further clarity must be given in the policy as to what is usually expected from developers and what they should budget for. There should be better clarity about what an exceptional circumstance that justifies commuted sums is.
- 5.2 Work needs to be carried out with the Housing Authority and other agencies in order to develop a shared understanding of what affordable housing is and that Planning Policy must be in accordance with the SPP definition. It may be necessary to describe the variety of unit size and type we are looking for in order to meet aims of sustainable mixed communities and create housing that is affordable by design as something other than “affordable housing”.
- 5.3 The current practice of taking affordable housing contributions for developments of less than four houses should be reviewed as it is not a requirement and does not translate to onsite provision which is the current aim of SG AH1
- 5.4 Appendix 1 is lengthy and does not ultimately do what it sets out. It provides some useful information about types of affordable housing however the rest of the content is somewhat vague and gives the wrong message that affordable housing is decided by negotiation.
- 5.5 In accordance with PAN 2/2010 the Planning Authority not the Housing Authority must decide when it is appropriate to accept commuted sums this is not currently happening. The spend area for commuted should be according to housing market area rather than academy catchment area. The current policy and practice is not in line with Pan 2/2010.
- 5.6 SG AH 1 should be flexible in order to be responsive to an unpredictable economic climate while giving clarity to the development industry about what is expected
- 5.7 Given the challenging economic climate and the lack of a shared understanding of what affordable housing means there needs to be a full consultation on proposed strategies of delivery of affordable housing this can be carried out by identifying affordable housing as a main issue

## **6. Summary of main points**

- 6.1 The delivery of affordable housing through planning policy is facing distinct challenges. There needs to be a co-ordinated approach to affordable housing by key agencies, including Planning Policy, with a shared understanding of what affordable housing is. The responsibilities of the planning service and the housing authority need to be clarified. Affordable housing policy needs to be identified as a main issue and a revised SG AH 1 fully consulted on; this will facilitate feedback from key agencies and the development industry. SG AH 1 needs to be clear about its expectations for the development industry in provision of affordable housing but also enable sufficient flexibility in order to adapt to an unpredictable economic forecast.

## **7. References**

Aberdeenshire Council (2012) *Aberdeenshire Local Development Plan 2012*

Scottish Government (2010) *Scottish Planning Policy*

Scottish Government (2009) *National Planning Framework 2*

Strategic Development Planning Authority (2009) *Aberdeen City and Shire Structure Plan*

*Strategic Development Planning Authority (2012) Proposed Aberdeen City and Shire Strategic Development Plan*

*Aberdeenshire Council (2012) Local Housing Strategy 2012-2017*

*Scottish Government (2010) Planning Advice Note 2/2010: Affordable Housing and Housing Land Audits*

*Mackinnon, JG (2011) Letter to Heads of Planning, Planning for Affordable Housing*