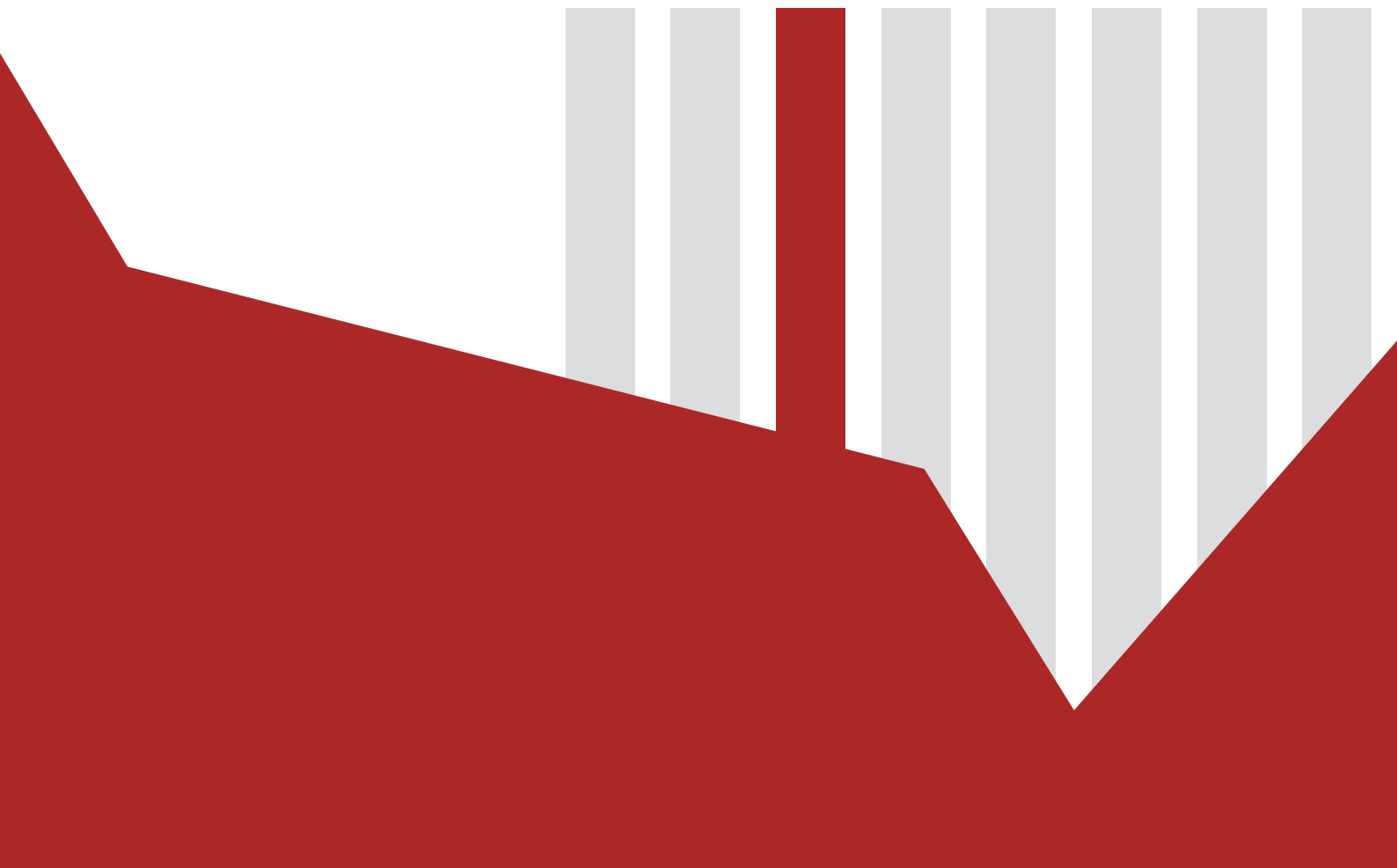


proposed local development plan

# **affordable housing quota & tenure mix** 2016

supplementary planning guidance



### **How to Respond to this Consultation**

Comments are sought on this draft Supplementary Planning Guidance which was approved for consultation at Council on 6 September 2016. You can respond electronically or in writing from 19 September to 31 October 2016. Comments should be directed to:

**Wendy McGuire**  
**Team Manager, Investment and Regeneration**  
**John Muir House**  
**Haddington**  
**East Lothian**  
**EH7 4LB**

Or by email to: [hsd@eastlothian.gov.uk](mailto:hsd@eastlothian.gov.uk)

You can access an electronic version of the consultation document and accompanying material from the East Lothian website. Alternatively, if you would like a printed copy of the consultation document, or require a different format, please get in touch using the contact details above.

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## 1. Introduction

This draft Supplementary Planning Guidance (SPG) on Affordable Housing has been prepared under Section 22 of the Planning etc. Scotland Act 2006, in accordance with SPP (2014) and forms part of the East Lothian Proposed Local Development Plan (LDP). It supplements *Policy HOU3: Affordable Housing Quota* and *Policy HOU4: Affordable Housing Tenure Mix* of the Proposed LDP in relation to the delivery of affordable housing. It sets out how the planning system can assist with facilitating the delivery of affordable housing.

This draft SPG is non-statutory and is intended to provide further information and detail on how the above policies of the East Lothian LDP should be interpreted and applied. As such it provides a framework for the implementation of East Lothian Council's Affordable Housing Policy (as it relates to LDP policy i.e. quota, tenure mix, specialist provision etc.) and outlines the mechanisms by which affordable housing can be delivered within a broader economic context. It aims to set out detailed guidance alongside the Strategic Development Plan (SDP) and LDP policies on affordable housing.

This Supplementary Planning Guidance has been prepared to:

- Set out information and advice to individuals and organisations with an interest in affordable housing
- Provide clarity in relation to the affordable housing requirement and contributions to be sought
- Promote transparency and consistency with regard to the negotiation of developer contributions.

## 2. National and Local Strategic and Policy Context

This draft SPG has been informed by strategic and policy requirements outlined as follows:

- **Scottish Planning Policy (SPP), 2014**

SPP defines affordable housing as:

*“Housing of reasonable quality that is affordable to people on modest incomes. In some places the market may be able to meet most affordable housing needs but this will not be the case everywhere. Affordable housing may be provided in the form of social rented accommodation; mid-market rented accommodation; shared ownership housing; shared equity housing; housing sold at a discount (including plots for self-build) and low-cost housing without subsidy” (SPP 2014).*

SPP states that where the Housing Need and Demand Assessment (HNDA) and Local Housing Strategy (LHS) identify a shortage of affordable housing, it should be addressed in the LDP as part of the housing land allocation. The HNDA provides the evidence base for defining housing supply targets in LHSs and allocating land for housing in LPDs.

In accordance with SPP, this draft SPG sets out how the affordable housing requirement is expected to be delivered. A 25% affordable housing contribution<sup>1</sup> will be sought from developers of new housing developments consisting of five or more units. That means all developments which propose to develop housing defined under use class 9 whether a conversion, amenity, sheltered or retirement will still fall under the affordable housing policy and the 25% affordable housing quota. The Council will seek to secure this 25% in the same manner as any other affordable housing where this can be justified by the HNDA whilst consistent with and complementing the LHS and LDP. To allow for the transition between plans, affordable housing quotas for previously allocated sites will remain as set by the previous local plan. As such the affordable housing quota of the previous plan was 25%, other than at Blindwells and at Letham Mains, Haddington where 30% and 17% quotas were set respectively.

- **Planning Advice Note (PAN) 2/2010: Affordable Housing and Housing Land Audits**

PAN 2/2010 Affordable Housing and Housing Land Audits (August 2010) revoked PAN74 Affordable Housing (March 2005). PAN 2/2010 sets out information and advice with regard to technical planning matters and provides a statement of advice on developing planning policy in relation to affordable housing and housing land audits.

PAN 2/2010 describes a range of tenure types that can contribute to affordable housing and alternative means of delivering affordable housing which are considered in full at Section 4 of this draft SPG.

Consistent with PAN 2/2010, this draft SPG also covers issues such as developer

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<sup>1</sup> 30% affordable housing contribution for Blindwells and 17% affordable housing contribution for Letham Mains

contributions or methodologies for their calculation and design and management issues.

PAN 2/2010 is anticipated to be replaced by draft PAN:

<http://blogs.scotland.gov.uk/planningarchitecture/2016/02/17/planning-delivery-advice-housing-and-infrastructure-2/>

Once this is finalised, this draft SPG will be reviewed in accordance with the new PAN and revised accordingly.

- **The Housing (Scotland) Act, 2001**

The Housing (Scotland) Act 2001 places a statutory requirement on local authorities to produce an LHS which sets out its strategy, priorities and plans for the delivery of housing and related services. The LHS should set out the approach of the local authority and its partners to delivering housing across all tenures, to meet identified need in its area.

The Act states that the LHS must be supported by an assessment of housing provision and related services. The HNDA is a key part of the evidence base for both the LHS and Development Plans, and should form the basis for setting the Housing Supply Target (HST).

Local authorities, as both the statutory housing and planning authority, are responsible for assessing housing requirements, ensuring a generous supply of housing land and enabling the delivery of both market and affordable housing.

- **Local Housing Strategy Guidance, 2014**

Consistent with Scottish Government LHS Guidance, the LHS must consider the scale and distribution of the affordable housing requirement for a specified area. Where a shortage of affordable housing is identified, it should clearly set out the role that affordable housing policies are anticipated to play in addressing this.

In accordance with LHS Guidance, the East Lothian LHS 2012-17 provides the strategic direction to tackle housing need and demand and inform future investment in housing across the county. The LHS sets out five strategic outcomes including *'Outcome 1: Increase housing supply and improve access to appropriate housing including affordable housing'*. The preparation of draft SPG contributes towards meeting this outcome.

A revised East Lothian LHS will be prepared to cover the period 2017-22 and will link as appropriate to this SPG.

- **Housing Need and Demand Assessment Guidance, 2014**

The Scottish Government's HNDA Guidance provides a step-by-step approach to assessing need and demand across all tenures. Local authorities are encouraged to undertake this analysis at a housing market area level and provide a clear understanding of the operation of the housing system as a whole. The HNDA should provide evidence to inform policies in relation to the level of affordable housing required.

- **Climate Change (Scotland) Act 2009**

The Scottish Government has set targets to reduce Scotland's greenhouse gas emissions by 42% by 2020 and at least 80% by 2050 compared to 1990 levels. This includes setting annual emissions targets and measures relating to adaptation, energy efficiency and waste reduction. The LHS has a role to play in ensuring that people live in warm, dry, energy efficient, low carbon homes which they can afford to heat.

The Housing (Scotland) Act 2001, Section 89(5)(b), places a statutory duty on Scottish Ministers 'to ensure, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016'. This obligation relates to housing in all tenures.

National Planning Framework 3 commits to renewable energy production particularly within rural settlements where planned renewable energy development is required for properties unable to gain from the gas grid. Rural areas without renewable heating systems are more susceptible to fuel poverty, having to pay higher fuel costs for electricity systems.

### 3. The Need for Affordable Housing

The Scottish Government's vision for housing in 2020 is '*...a housing system which delivers an affordable home for all*'<sup>2</sup>. This Section of draft SPG sets out the identified need for affordable housing and corresponding key issues.

The only official definition of affordable housing comes from Scottish Planning Policy which defines affordable housing as

*"housing of a reasonable quality that is affordable to people on modest incomes... affordable housing may be in the form of social rented accommodation, mid-market rented accommodation, shared ownership, shared equity, discounted low cost housing for sale including plots for self build, and low-cost housing without subsidy".*

#### Assessing the Need for Affordable Housing

The Joint Delivery Plan (2015), developed by the Joint Housing Policy and Delivery Group, identifies priority actions to ensure delivery of the strategic objectives set out in Homes Fit for the 21st Century, specifically the requirement to build new, high quality, affordable homes to meet need and demand from a growing and ageing population, including the needs of those on lower incomes.

It builds on the commitment of the Scottish Government to support the strategic integration of land use planning and housing via a strengthened national policy framework, demonstrated through the alignment of LHS Guidance (2014); SPP (2014) and HNDA Guidance (2014). Local authorities are encouraged to undertake HNDAs at a regional level, having a cross -boundary approach and taking account of the wider housing market. HNDAs are a key component of the modernised development planning framework, providing evidence to inform the development of LHSs and Development Plans.

The SESplan HNDA was signed off as robust and credible by the Scottish Government in June 2011. It covers housing need and demand across the South East Scotland area including East Lothian and provides part of the evidence base to set Housing Supply Targets in the LHS. The Housing Supply Target is used to determine the housing land requirement for the LDP and ensure suitable land is allocated to meet this requirement.

The HNDA provides an estimate of total housing need by calculating current housing need and estimating future housing demand. The estimated supply from existing stock turnover is then deducted to provide the net housing need and demand figure.

The HNDA identifies a need for 11,770 new units across East Lothian from 2009-32 and 6,835 units during the period 2009-24, net of turnover. It shows that between 2009 and 2032, 33% of the total housing supply in East Lothian should be for affordable housing. In the short term up to 2019, it demonstrates that affordable housing need will be more

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<sup>2</sup> <http://www.scotland.gov.uk/Publications/2011/02/03132933/2>



acute with a 41% annual requirement. SPP suggests the quota of affordable homes that can be expected from a market housing site should normally be no more than 25% of units.

The primary requirement in relation to affordable housing is for social rented housing, however it is recognised that other affordable housing models are required to meet need and demand.

#### **Summary of Key Issues Identified in SESplan HNDA / LHS 2012-17**

SESplan HNDA identifies a range of issues in relation to the need and demand for housing across the county, informing an evidence base for the LHS 2012-17. These issues are summarised as follows:

- Circa 4,000 households on the Council's housing list
- Identified need for 10,050 houses in East Lothian between 2009 and 2024
- Requirement for 6,250 units of housing between 2009 and 2019
- Further requirement for 3,800 units of housing to be delivered between 2019-2024
- Lack of availability of land to deliver affordable housing is a major problem
- 33% affordable housing needed within the overall housing supply figure
- High demand for all types and sizes of housing in East Lothian
- A combination of a growing population; households becoming smaller and an ageing population is likely to mean that more affordable housing is required, particularly smaller units
- An ageing population is likely to mean more affordable housing is needed for older people and people with a physical disability
- Changes to homelessness legislation will put increased pressure on affordable housing and mean more new build affordable housing is needed
- High house prices and challenges around borrowing from lenders create difficulties in relation to purchasing on the open market, particularly for first time buyers
- An increased range of tenures are available that should be supported
- The economic climate has caused the house building industry to slow down, affecting the amount of affordable housing which can be built
- The private rented sector can be difficult for people to access and afford
- Welfare Reform is causing difficulty for some household groups with regard to the affordability of housing costs and for landlords to be able to invest in new housing
- Existing housing stock is highly pressured and must be used effectively

The LDP requires to ensure sufficient housing land is available to deliver 6,250 homes in the period 2009-19 and a further 3,800 homes over the period 2019-24. In total, sufficient housing land is needed in order that 10,050 homes can be developed in the period 2009-24.

### **Specialist Provision**

Provision also needs to be made for specialist housing and other specific housing needs. It will be a requirement of all developments which propose to develop housing defined under use class 9 whether a conversion, amenity, sheltered or retirement will still fall under the affordable housing policy and the 25% affordable housing quota.

Demographic trends indicate that the population of older people is increasing and will continue to increase in the future, as older people are living longer. A significant proportion of older people will live alone or in smaller households, increasing the need for smaller homes. A high proportion of older people are likely to have dementia / complex needs, which will have major implications for housing support and specialist housing provision. The projected changes to the population and household trends point to a shift towards a higher level of dependence within our population.

In addition to an ageing population, the need for specialist provision is and will continue to become increasingly important for people with a physical disability; people with a learning disability and people with a mental health condition, due to a growing population generally; an increase in complex needs and dementia; increasing expectations and the policy objective of the Scottish Government to continue to shift the balance of care away from institutional settings.

The LDP, LHS and Strategic Plan for Health and Social Care Integration (2016) support the principle of specialist housing provision and provision for specific housing needs. There is also a commitment to achieving National Health and Wellbeing Outcomes, in particular Outcome 2 *'People, including those with disabilities or long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community'*.

The majority of older people currently live in private mainstream housing. However a potentially substantial proportion of those with a particular housing need are unlikely to have equity available in their existing homes, to have the capacity to fulfil their housing needs in the private market.

An assessment of the housing needs of people with particular needs in East Lothian is currently in progress, anticipated to complete in 2016/17. It is likely that the evidence will demonstrate requirements to increase the availability of housing, including housing for varying needs, specialist and adapted housing. It is likely that a range of housing options will be required to meet the needs of older and disabled people i.e. sheltered and amenity housing. Addressing the housing needs of increasing numbers of older people will require a major rethink and redesign of services and building new, affordable and sustainable housing is a priority. A variety of house types and sizes will be required, to promote mobility in the housing system and enable downsizing where appropriate. Accessible and adaptable smaller homes and developing specialist housing will be critical.

Social housing providers currently provide the majority of sheltered housing developments and the suitability of these properties to meet the changing needs of older people will be reviewed. Social housing providers will further respond to specific housing

needs where there is sufficient evidence for this.

#### **Town Centres Provision**

Town Centres are an important part of the settlement strategy, providing a focus for a wide mix of land uses including housing. Town Centres help to bring visual and wider environmental benefits while contributing to the more general regeneration of the town. The LHS will set out opportunities for supporting town centre living and look at funding initiatives to help resource affordable housing. It will set out opportunities for supporting town centre living to contribute to meeting local housing need and demand. Housing/tenure mix is key to the success of town centres, just as new housing schemes should have a good mix of tenures and have affordable units dispersed evenly throughout.

#### **Rural Housing Provision**

New build housing development in the countryside will be supported in the LDP where there is no existing house or no appropriate existing building suitable for conversion to a house is available in the locality.

In the case of small scale housing proposals in the countryside, the LDP will support new affordable housing if evidence can be provided and the affordable housing provider can ensure that the dwellings can remain affordable for the longer term.

#### **4. Affordable Housing Contribution**

Based on the evidence from SESplan HNDA and the LHS 2012-17, a specific policy intervention in the planning process in the form of an affordable housing policy is required to help increase the supply of affordable housing across the county.

The SESplan shows a need for affordable housing between 33% and 41% across the period up to 2032, being more acute in the earlier period up to 2019. However, SPP suggests the quota of affordable homes that can be expected from a market housing site should normally be no more than 25% of units.

##### **Site Thresholds**

The affordable housing quota of the previous plan was 25%, other than at Blindwells and at Letham Mains, Haddington where 30% and 17% quotas were set respectively. Other than these exceptions, the quota for the provision of serviced affordable housing land that will be required from any housing proposal submitted under this plan will be 25% of the total number of dwellings.

The LDP requires that in developments of five or more units as a minimum, the provision of serviced land should be transferred to deliver an affordable housing contribution amounting to 25% of the total number of units proposed. This will include all developments which propose to develop housing defined under use class 9 whether a conversion, amenity, sheltered or retirement.

The Council's priority will always be to secure onsite delivery, however, it also recognises that this can be expensive and resource intensive on smaller sites and not always practical due to the following:

- Difficult to transfer land e.g. units above shops or block of flats
- Numbers may be inefficient from a management perspective
- Integration with large expensive properties
- Designing within an existing footprint does not always provide the best layout for affordable housing.

On such developments, the Council's preference would be to consider the delivery of alternative tenures such as mid market rent or discounted sale which are outlined in section 6 of this guidance.

The Council may also consider an off-site contribution if a developer can provide an alternative allocated housing area in its ownership which can deliver housing in an area of high need.

Only when both the above are impracticable will the Council look to secure a financial contribution in the form of a commuted sum which will help contribute towards the delivery of affordable housing elsewhere.

### **Securing the Affordable Housing Contribution**

#### ***Town and Country Planning (Scotland) Act 1997 (Section 75)***

The delivery of the Affordable Housing contribution will be secured through the Town and Country Planning (Scotland) Act 1997 (Section 75) which allows a planning authority to enter into an agreement with any person interested in land in their District (in so far as the interest of that person enables him to bind the land) for the purpose of restricting or regulating the development or use of the land, either permanently or during such period as may be prescribed by the agreement.

For a development scheme requiring the provision of an affordable housing contribution, a planning obligation contained within a section 75 agreement will require to be entered into by all relevant parties to the section 75 agreement to secure the affordable housing requirement.

The cascade approach referred to above will be secured within the section 75 agreement as follows:

- On site by the transfer of serviced land
- On site by the delivery of completed units
- Serviced land off site
- Commuted sum

The Section 75 will also provide for timeframes within which to agree the method of delivery of the affordable housing contribution, the triggers for the delivery of the affordable housing contributions and valuation method. The Section 75 agreement will require to be concluded prior to the issuing of any associated planning consent.

The onus is on the applicant to demonstrate how the affordable housing contributions will be met within its proposal which must be agreed with the Council.

The priority for the Council is to deliver on site, either through the transfer of serviced land to the Council or an RSL or by way of the provision of completed units to the Council or an RSL. It is therefore critical that the landowner / developer contact the Council's Strategic Investment and Regeneration Team to consider and agree the most appropriate mechanism for each site.

#### **On site provision by transfer of serviced land:**

The affordable housing requirement must be provided in full on site, delivered by way of transferring fully serviced land to an affordable housing provider; either the Council or one of its preferred Registered Social Landlords (RSL). Serviced land is defined as land that is certified as ready for development and which benefits from the availability of utility service connections in the immediate vicinity including surface water drainage, water mains, electricity, gas, telecoms and mains sewer with an access point and route of vehicular and pedestrian access is available.

Where serviced land is being transferred to the Council or an RSL, it will be valued at an appropriate end-use value determined by the District Valuer, in accordance with the current Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards, or at a value agreed by all parties involved in line with RICS standards.

It will be critical for the landowner / developer to agree with the affordable housing provider the location and area of land within their development that is to be transferred. This will be dependent on the housing mix, house types and density required.

It is beneficial for the affordable housing provider to be involved in the pre-planning discussions to minimise changes in design and ensure that the area identified to deliver the affordable units has the capacity to do so.

It will also be important to agree an overall phasing strategy as part of the planning application to agree and ensure that the triggers for when the affordable land is transferred makes sense in terms of the overall build programme and can be programmed in to budgets and bids for subsidy and ensure delivery within agreed timescales.

Developers are encouraged to approach the Council's Strategic Investment and Regeneration Team as early as possible. This should help streamline the planning process and minimise risk of abortive costs to the developer.

#### **Land Values**

Developers should take the requirement for affordable housing into account in their land and property negotiations with landowners to ensure the reduced land value is reflected in the purchase price (Developers should note that such value will be minimal). PAN 2/210 states '*where non-market housing is to be provided as part of the development or part of the site is to be purchased by and RSL or Council at a value lower than market housing, this will affect the price which can be paid for the land and will require to be negotiated with the site owner*'

The Council's preference is to appoint the District Valuer to value land for affordable housing; however the Council could agree to enter into a joint instruction with a Developer to appoint another independent Chartered Surveyor with Registered Valuer status who hold expertise in the valuation of land for affordable housing.

Any section 75 contribution should be reflected in the land values and it is recommended that landowners and developers assume a nil value for any land delivering affordable housing.

#### **On-site Provision by Way of Units**

Depending on the circumstances the affordable housing provider may wish to explore the delivery of units rather than the transfer of serviced land. The Council will be flexible with developers who wish to build affordable homes themselves to be transferred to an agreed affordable housing provider if costs and values are acceptable.

It will be important to work collaboratively to discuss this option as early in the process as possible to ensure that the location and area of land is suitable to deliver the required mix which must be agreed with the Council's Investment and Regeneration Team. This Team will also be responsible for agreeing the tenure delivery on site (set out in section 5).

Where units are being delivered rather than land, the completed units will be valued by the District Valuer. The District Valuer will be instructed to provide a market valuation for the completed units which makes no allowance for the restriction of use of the units for affordable housing. This value will be subject to a discount to be agreed between the affordable housing provider and the developer.

It is important that a partnership approach is adhered to as this ensures that the development provides the correct location, size of site along with the correct tenure type and size of affordable housing for the needs of the area that the development is within. It will also ensure that any abortive costs are minimised by agreeing the delivery mechanism as early as possible.

The affordable housing units should be fully integrated within the layout of the development and must not differentiate between the other units in the development.

#### **Off-site Provision**

The provision of an off-site contribution would be deemed appropriate in circumstances where it would be inappropriate to provide affordable housing on-site due to circumstances such as:

- Issues surrounding the management of any provision provided on the original site;
- Site-specific constraints,
- High development costs on the original site.
- The alternative site may be in a better position to provide affordable housing
- The timeframe for the development of the offsite alternative could benefit the Council or RSL especially when there are constraints due to subsidy provision.

Any off-site contribution would need to be agreed with the Council in the first instance and would be in the form of fully serviced land and/or built units for the Council or RSL as outlined above. The land would be required to be valued at an end-value use for affordable housing or at a value agreed by all involved.

The alternative site should have planning permission or be allocated for housing within the LDP. In determining what the affordable requirement should be, the following factors will be assessed:

- Numbers
- Location
- Need
- Timing
- Housing type and mix
- Rate of delivery

The site area and number of affordable units provided off-site must be the equivalent to that which would have been provided on-site. If off site is accepted, the units must be over and above any units already required by this site as affordable.

### **Commuted Sums**

It is important to note that a commuted sum will rarely be acceptable, although the Council may accept that the payment of a commuted sum is the most appropriate form of affordable housing contribution, where neither on site or off site is practical. This will only be in those limited circumstances where all other options have been exhausted or where:

1. The development is in a remote rural steading conversion with no provision for new build
2. Where economies of scale create viability issues for the developer
3. Where there is a high concentration of affordable housing delivered in the area and the provision of a commuted sum would help achieve affordable units in an area with greater need

Commuted sums will be paid to the Council and reinvested in the provision of affordable housing in East Lothian. The funds will be used to acquire sites, fund build costs and acquire units. Commuted sum methodology is based on national guidance of PAN 2/2010.

A commuted sum for each ward within East Lothian has been assessed in accordance with the District Valuer as outlined in appendix 5 and is the value equivalent to the cost of providing the percentage of serviced land required by the policy.

These valuations will be updated every two years or earlier if there has been a material change in the market. The valuations have been based on a market land value to enable the council to secure equivalent land parcels elsewhere to deliver the equivalent number of units. This will be required for applications which fall below on-site thresholds or in exceptional circumstances as a last resort if a site is not financially viable for the development when in the first instance the affordable housing delivery mechanism does not work or the site becomes economically unviable.

The commuted sum paid will be ring fenced for spending within the ward that the development site was in and will be spent within five years of grant of planning permission.

### **Viability Assessments**

The Council accepts that the expected provision of affordable housing can affect the land values for residential development at a given location. However, developers are expected to have taken account of planning policies and this guidance, including its affect on land values before entering into land and property negotiations. Early discussions with both planning and investment officers area will therefore be essential.

However, it is acknowledged there are often other contributions, other unknown costs at the time of purchase which altogether could make the development unviable. Where a scheme is claimed to be unviable, developers will be required to demonstrate this by submitting a financial viability assessment on an 'open book' basis together with any other



options such as a reduction in the requirement in order that the development might proceed. In some cases the Council may instruct an independent appraisal. Only in exceptional circumstances will the Council give exemption.

The Council will not normally consider the following costs as abnormal:

- Site purchase / acquisition
- Site clearance works including levelling
- Removal of known contamination / remediation
- Provision of access
- Drainage
- Grouting

## **5. Delivery / Development Requirements**

As outlined earlier, the developer must provide a minimum of serviced land for affordable housing at the rate of 25% of the total number of dwellings. When an application is submitted to the Planning Department for consideration, the Council's Strategic Investment & Regeneration Team is asked to provide comments on the content of the application. To ensure that the affordable housing is fully integrated with the overall development, the affordable housing provider should be involved in the preparation of the Masterplan for the overall development, especially where the developer is bringing forward larger sites.

### **Assessment of Sites**

In all circumstances the approach to delivering affordable housing must be agreed with the Council, including the affordable housing provider. Developers must seek early discussions with the Council on matters related to delivery, including the location, number, type, tenure, density and design of affordable housing as well as the delivery method.

Each site will be assessed on its own individual merit. The need and demand of an area for which the proposed site is within and whether the site is viable in terms of delivering on-site or off-site within an agreed timescale and availability of funding will all be critical.

### **Larger Strategic Sites**

When designing the affordable housing on a larger site it is important to ensure integration to blend the affordable housing aspects within the overall development rather than isolating these areas to ensure the development is tenure neutral. The aim will be to produce a design that delivers a mixed community with a sense of place and identity. Groups of affordable housing should be distributed throughout a larger site rather than concentrated in one area.

### **Rural Housing Sites**

Where an opportunity is identified for development in a rural area with no new build provision and in an area which is isolated from any public transport and local amenities, these sites can often be unsuitable for social rent. The values can also often make it unsuitable for sale, therefore a mid-market rent tenure will be the first preference if there is an identified need.

The LDP is supportive of new build housing development in the countryside where there is no existing house or no existing building suitable for conversion. In the case of a small scale housing proposal, the LDP will support affordable housing if evidence of need is provided and the affordable housing provider ensures that the dwelling will remain affordable for the longer term.

### **Town Centre Housing Sites**

The LHS will set out opportunities for supporting town centre living and look at funding initiatives to help resource affordable housing. It will set out opportunities for supporting town centre living to contribute to meeting local housing need and demand.

The Council will seek to secure 25% affordable housing in the same manner although is aware that there can often be higher abnormal costs. It will therefore look for opportunities to supporting town centre living to contribute to meeting local housing need and demand.

### **Layout**

To help create inclusive, mixed communities, it is important that the affordable elements of a housing scheme are well integrated with the market housing. This means that they should not be segregated and should preferably be dispersed throughout the development. Integration will also be assisted if the developer builds the affordable housing, which will help ensure consistency in the design and materials used. It will also be important that the affordable plots are located near to public transport routes and other facilities.

### **House Types**

Provision of housing, including affordable housing is not just a matter of delivering numbers but it is also about achieving the correct location, type of housing, mix of housing and size of housing, including specialist provision as outlined in section 2. New affordable housing is therefore likely to include a range of house types as outlined in section 6 which will be agreed with the Council based on the requirements set out within its LHS. It is critical that the correct affordable housing mix and property size is provided to reflect the demographic of the area.

The demographics of East Lothian are changing and with a growing ageing population there is a corresponding increase in demand for affordable housing suitable for older people and the specific design or management requirements this necessitates.

The Council is currently carrying out a joint housing needs assessment to establish the requirements for housing suitable for households with specific needs, including accessible and adapted housing, wheelchair housing and supported accommodation, such as sheltered and extra care housing. This study will complete during 2016/17. All developments which propose to develop housing defined under use class 9 whether amenity, sheltered or retirement will still fall under the affordable housing policy and the 25% affordable housing quota. The Council will seek to secure this 25% in the same manner as any other affordable housing

### **Tenure Requirements**

Social rented accommodation is the predominant tenure preference for the Council and it is the affordable housing tenure which is in most need identified through the HNDA. The Council however recognises that there is a wide range of housing tenures that can be affordable and realises that there is a need to deliver these alternative affordable housing tenures and support a wide tenure mix to increase the availability of choice to help meet that need. The Council will consider all tenures of affordable housing (outlined in section 6) proposed by developers in line with the priorities set out in the LHS and SHIP to ensure affordable housing requirements are met.

A wide tenure mix and delivery partners can help ensure housing, including affordable housing, is delivered. The LDP's policies and proposals take this and the need for affordable housing into account. The appropriateness of the site, development viability and the strength of the housing market may impact on the delivery of affordable housing on small sites, and off-site provision and commuted sums may be considered in these circumstances. This will also help to ensure that affordable housing quotas can be delivered even when there is a lack of funding available.

#### **Availability of Subsidy**

The availability of funds to support the delivery of affordable housing will be set out in the Council's LHS and SHIP. The Scottish Government confirm the Council's definite resource allocation on an annual basis with minimum resource allocations publicised for future years.

This can make it difficult to confirm a tenure split as the availability of subsidy helps to inform the mix of tenures to be provided. The tenure mix and delivery mechanisms must therefore be agreed with the Council before approval of any planning permission.

#### **Design**

The construction and build should be such that any differences between affordable and private units cannot be distinguished, however, the affordable provider may have specific requirements in relation to the specification to ensure that this meets the needs for the client group and for the provider to consider the building materials and components for their lifecycle maintenance costs.

As a minimum, all housing must comply with the Scottish Governments Housing for Varying Needs (HfVN) criteria both internally and externally, particularly where subsidy is secured.

Scotland's Sustainable Housing Strategy sets out a vision for the new build market and developers to maximise the potential of innovative design and construction techniques to deliver more, greener, warmer, higher quality, affordable homes as part of sustainable neighbourhoods, creating export and other economic opportunities which will support low carbon economies and prevent fuel poverty.

It is therefore important that developers consider sustainable development and integrate this into their plans and house type. The Scottish Government support Greener Standards in house building which also increases the energy efficiency of properties. Extra funding is available through the Affordable Housing Supply Programme (ASHP) for homes meeting the 'silver' sustainability standard for emissions and energy use within section 7 (Sustainability) of building regulations.

Where possible, developments should also aim to achieve Secure by Design Accreditation.

All matters of design should be discussed and agreed with the affordable housing provider for which the properties are being delivered.

It is critical the applicant reaches agreement with the Council as early as possible to ensure the affordable housing requirement is to be provided in an appropriate form and layout which will allow needs to be met. Applicants are encouraged to discuss their application at as early a stage as possible to minimise abortive fees and help streamline the planning process. This will also help to ensure that the affordable housing provider captures these opportunities within their investment plans.

## 6. Affordable Housing Tenures

The Council recognises the following tenures as affordable housing in accordance with SPP and the definitions set out in PAN2/2010.

**Social Rent:** Housing provided at an affordable rent and managed by the Council, a Registered Social Landlord or other not for profit social housing provider regulated by the Scottish Housing Regulator. To qualify for Scottish Government subsidy the design specifications will be required to meet Housing for Varying Needs criteria. It should be noted that all developments are not guaranteed to receive public subsidy and that early discussions are important to ensure they are included within the SHIP.

**Mid-Market / Intermediate Tenure Rent:** Accommodation available at rents below market rent levels in the area usually lower than Local Housing Allowance which may be provided either over the medium or long term. This tenure may be provided by a Registered Social Landlord, a developer or another organisation agreed by the Council. Rents and eligibility criteria will be set in agreement with the Council and the provider.

**Subsidised Low Cost Home Ownership for Sale (shared equity):** a publicly funded subsidised unit sold at an affordable level. The owner pays for the majority share in the property with an RSL, local authority or Scottish Government holding the remaining share under a shared equity agreement. No rent or occupancy payment is taken and the owner will own the property outright. The householder may be required to buy out the equity balance at an agreed point in the future or on market sale.

**Low Cost Home Ownership (Shared Ownership):** the owner purchases part of the dwelling and pays an occupancy payment to a RSL on the remainder. The occupant has the ability to buy or increase the level of ownership of the house in the future.

### **Unsubsidised Low Cost Home Ownership**

**(Discounted Sale Model):** a standard house or flat sold by the developer in partnership with the Council to an agreed identified client group at a specified price below market value. The methodology for calculating the discounted sale is calculated as 3 times the median income level in East Lothian at the time the property is advertised. The tables set out at Appendix 2 of this document show income details for each housing ward area<sup>3</sup>.

Attached to the missives would be a Deed of Conditions in order to maintain the house as an affordable unit to subsequent purchasers. The conditions are agreed and set between the Council and the developer within the Section 75 agreement.

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<sup>3</sup> These figures will require to be reviewed annually

**Unsubsidised Low Cost Home Ownership**

**(Golden Share):** a model similar to Discount Sale except there is a difference in criteria regarding pricing and eligibility. Typically the asking price would be set at 80% of the market value in perpetuity, the market value being set by an independent or District Valuer to the satisfaction of the Council. Eligible purchasers must be able to evidence a local connection and an ability to finance the purchase of the full market value of the property.

**Unsubsidised Low Cost Home Ownership**

**(Unsubsidised Shared Equity):** The owner purchases part of the property typically 60- 80% of the value with the remainder of the stake held by the developer.

**Self Build:** This will involve developers selling serviced plots for self build by the intended owner occupier at a discounted price. It will need to be clearly demonstrated that such housing meets the needs of and is affordable to categories of household identified through housing needs information for that area.

***Note – Not all of the above tenure options will deliver affordable housing in perpetuity. All tenure mix will have to be agreed and supported by the Council's Investment and Regeneration Team.***

## 7. Partnership Working

Developers will be expected to work in partnership with the Council and RSLs to ensure housing needs are met including in terms of tenure and house type and size. There will be a need to work collaboratively on masterplanning too.

For the success of meeting affordable housing needs it is vital that all parties involved work in partnership. The Council are committed to working flexibly to maximise the potential of affordable housing within East Lothian as not only will this help increase the number of affordable homes within the area but it will have a wider benefit to the community. These benefits will bring education opportunities, employment opportunities and wider gains such as renewable energy and positive environmental impacts.

### Roles and Responsibilities

- **Roles and Responsibilities of Planning**
  - Developing a strategic approach to housing and direct provision of services or delivery through other providers
  - Ensure the adequate provision of affordable housing to meet needs of residents
  - Ensure effective delivery of affordable housing through the LDP
- **Roles and Responsibilities of the Legal Team**
  - Securing the Affordable Housing provision within the s75
- **Roles and Responsibilities of Developers**
  - Seek early discussions with the Council to determine the affordable requirements
  - Ensure that the requirements for affordable housing are reflected in land values
  - Demonstrate proposals for affordable housing and delivery are clearly set out in any application
- **Strategic Investment and Regeneration**
  - Provide advice to developers on the preference for onsite, offsite or commuted sum
  - Provide information on housing need for the area
  - Provide a mix and house types
  - Provide advice on detailed mechanisms for delivery
- **Roles and Responsibilities of RSL's**
  - Have support from the Council to deliver the affordable housing
  - Agree the mix and house types with the Council
  - Ensure the Council is aware of timescales for the SHIP and priorities for funding
  - Develop good working relations with developers to co-ordinate joint proposals



## **8. Monitoring and Review**

This draft SPG and associated mechanisms for delivery will be reviewed in accordance with the development planning cycle in relation to the HNDA, LDP and LHS and any other relevant information. It is anticipated that this SPG will be reviewed at least every two years. Reviews will be more regular if a material change takes place i.e.

- changing legislation, policy or guidance
- housing need assessments reflect significant changes
- a material change in market conditions is evidenced which impacts upon commuted sum values

Monitoring of planning approvals and completions via the Housing Land Audit and SHIP will also inform Affordable Housing Policy review. The SHIP will be submitted to the Scottish Government every two years with the next submission due in November 2016.

The availability of Scottish Government subsidy will also change. This is confirmed annually at present, which creates difficulties in relation to agreeing tenure splits. It is anticipated that these annual programmes will change in coming years to reflect a three year programme.

## **Appendix 1: Principles for Mid Market Rent/Intermediate Tenure Rent**

Properties to be made available as mid market or intermediate rent should be made available at a level below Local Housing Allowance rates.

### **Eligibility Criteria**

- Applicants should have a low or modest income and income criteria will be agreed for each development.
- Applicants should have a Local Connection to the area.
- The property must be the applicant's permanent and sole home and not sublet to any other persons.
- The size of the property must be appropriate to the size of the household.

The Council would wish to see the following priority ranking applied to applicants:

- Tenants or applicants of East Lothian Council who live or who have applied to live in the area.
- Tenants or applicants of a local Registered Social Landlord (RSL) who live or who have applied to live in the area.
- Applicants who are currently living in the private sector struggling to pay higher rents
- Applicants who are in the armed forces or are a veteran, widow, widower or other partner of service personnel
- Applicants who are an incoming worker with a formal offer of local employment

## Appendix 2: Income Details for Housing Ward Areas

Income and sale price will be dependent on the circumstances and size of property being marketed. The applicant will need to demonstrate that they cannot buy a house suitable for their needs on the open market and the amount they can contribute is the maximum mortgage they can reasonably obtain plus their contribution towards the deposit.

| Income Figures and Suggested Discounted Sale Price for a 2bedroom 3 person flat 65sqm |                               |                         |                          |                         |                    |                        |                                   |
|---|-------------------------------|-------------------------|--------------------------|-------------------------|--------------------|------------------------|-----------------------------------|
| Ward  | Housing market area           | Median household income | Average household income | Suggested single income | Average flat price | Mortgage multiplier x3 | Discounted flat price 15% deposit |
| 1   | Musselburgh West              | £27,971                 | £29,742                  | £22,531                 | £125,000           | £89,226                | £79,524                           |
| 2   | Musselburgh East and Carberry | £24,539                 | £27,140                  | £20,355                 | £120,000           | £81,420                | £71,841                           |
| 3   | Preston/Seton/Gosford         | £24,079                 | £27,010                  | £21,421                 | £115,000           | £81,030                | £75,606                           |
| 4   | Fa'side                       | £26,706                 | £30,087                  | £23,752                 | £112,500           | £90,261                | £83,834                           |
| 5   | North Berwick Coastal         | £31,863                 | £32,475                  | £25,980                 | £160,000           | £97,425                | £91,694                           |
| 6   | Haddington and Lammermuir     | £31,591                 | £31,986                  | £23,262                 | £120,000           | £95,958                | £82,103                           |
| 7   | Dunbar and East Linton        | £31,020                 | £32,536                  | £24,402                 | £120,000           | £97,608                | £86,125                           |

Source: CACI data (2013) and DV calculation of commuted sum figure for each East Lothian ward area (August 2014)

| Income Figures and Suggested Discounted Sale Price for a 2bedroom 4 person house 85sqm |                               |                         |                          |                          |                        |   |
|--|-------------------------------|-------------------------|--------------------------|--------------------------|------------------------|---|
| Ward   | Housing market area           | Median household income | Average household income | Average 2bed House Price | Mortgage multiplier x3 | Discounted 2bed House price 15% deposit |
| 1  | Musselburgh West              | £27,971                 | £29,742                  | £165,000                 | £89,226                | £104,971                                |
| 2  | Musselburgh East and Carberry | £24,539                 | £27,140                  | £160,000                 | £81,420                | £95,788                                 |
| 3  | Preston/Seton/Gosford         | £24,079                 | £27,010                  | £145,000                 | £81,030                | £95,329                                 |
| 4  | Fa'side                       | £26,706                 | £30,087                  | £142,500                 | £90,261                | £106,189                                |
| 5  | North Berwick Coastal         | £31,863                 | £32,475                  | £200,000                 | £97,425                | £114,617                                |
| 6  | Haddington and Lammermuir     | £31,591                 | £31,986                  | £165,000                 | £95,958                | £112,891                                |
| 7  | Dunbar and East Linton        | £31,020.00              | £32,536.00               | £160,000.00              | £97,608.00             | £114,832.94                             |

Source: CACI data (2013) and DV calculation of commuted sum figure for each East Lothian ward area (August 2014)

### **Appendix 3: Criteria for Unsubsidised Low Cost Home Ownership (Discounted Sale Model)**

#### **First time buyers**

- Gross annual household income should be up to the range of £21,500 - £34,000 depending on area and house type. Savings will also be taken into account. Income to be verified by East Lothian Council.
- Purchasers must be able to secure a mortgage for their contribution
- Purchasers must be able to fund fees associated with the purchase of the property **or** (if there has been a significant change in household circumstances)

#### **Second time buyers** in need of larger property and unable to step up

- Circumstances and savings will also be taken into account. Income to be verified by East Lothian Council.

#### **Circumstances:**

- Overcrowded and evidence that the applicant is unable to step up
- Disabled person in unsuitable accommodation
- Marital break down

#### Appendix 4: Commuted sums

| Ward | HMA                           | commuted sum | commuted sum |
|------|-------------------------------|--------------|--------------|
|      |                               | house        | flat         |
|      |                               |              |              |
| 3    | Preston/Seton/Gosford         | £23,100.00   | £7,000.00    |
| 5    | North Berwick Coastal         | £68,700.00   | £43,000.00   |
| 1    | Musselburgh West              | £39,700.00   | £15,000.00   |
| 2    | Musselburgh East and Carberry | £35,500.00   | £11,000.00   |
| 6    | Haddington and Lammermuir     | £39,700.00   | £11,000.00   |
| 4    | Fa'side                       | £21,000.00   | £5,000.00    |
| 7    | Dunbar and East Linton        | £35,500.00   | £11,000.00   |

## **Appendix 5: Contact List**

### **Housing**

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