REPORT OF THE HEAD OF PLANNING SERVICES – HPlg/07/73

WARDS AFFECTED: ALL

SUBJECT: REVIEW OF SCARBOROUGH BOROUGH LOCAL DEVELOPMENT FRAMEWORK AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

RECOMMENDATION:

Subject to any changes agreed by Members, it is recommended that:

i. The Scarborough Borough Local Development Framework Draft Affordable Housing Supplementary Planning Document (2007) be published for consultation setting out proposals to increase the number of housing developments that will be expected to incorporate elements of affordable housing and increase the proportion of affordable housing to be negotiated on those sites.

ii. The draft Supplementary Planning Document forms the basis for negotiations on residential schemes where a decision will be made after the proposed adoption of the document in September 2007.

iii. The option for implementing a ‘local occupancy’ housing policy approach within the Local Development Framework be re-consulted upon alongside the draft Supplementary Planning Document.
REASON FOR RECOMMENDATION:

Monitoring of housing trends and consultation over the past two years on the Local Development Framework Core Strategy and the Community Strategy has confirmed the need to increase significantly the supply of affordable housing. The planning system is one of the principal means of increasing that supply, through S106 agreements related to planning applications for housing.

Ultimately, the LDF Core Strategy will include new policy on the negotiation of affordable housing, but this a lengthy process and it will be some time before it is formally adopted.

In the meantime, every opportunity has been taken to increase the requirements for affordable housing when changes in national or regional guidance have allowed. Circumstances have changed again with the publication of PPS3 ‘Housing’, the Regional Spatial Strategy Panel’s report on the Examination in Public (RSS EIP) and the completion of the Borough wide Housing Market Assessment. In consequence, the Affordable Housing SPD has again been updated as a basis for public consultation.

To maximise the amount of affordable housing negotiated using the new SPD, its provisions should be brought into effect as soon after adoption as possible.

Within the rural areas of the Borough, there is concern that new housing should be targeted at local residents’ needs. Further consultation on such ‘local occupancy’ housing will help inform the Core Strategy.

HIGHLIGHTED RISKS:

In preparing the supplementary planning document there is a requirement to undertake thorough consultation with relevant parties. There will inevitably be some strong concerns in respect of the implications of the approach set out within the draft SPD, which will need to be fully considered prior to any decision to move to adopt the document. SPD’s are not ‘examined’ by an independent Planning Inspector (as will be the case with, for example, the Core Strategy). There is however scope for legal challenge through the courts.

1. INTRODUCTION

1.1 Members will be aware from previous reports of the Government’s new system of development plan preparation, which will see Local Plans being replaced over time by a portfolio of planning policy documents known collectively as the Local Development Framework (LDF). The LDF Core Strategy will include new policy on the negotiation of affordable housing in new housing development. This will be supported by more detailed guidance in a Supplementary Planning Document.
1.2 New policy in the Core Strategy is unlikely to be adopted until mid 2009. Consequently, the approach taken by the Council has been to update existing SPD whenever the opportunity arose on the basis of new national or regional policy.

1.3 Existing SPD, which supports the current Local Plan policy, was originally adopted in May 2000 and updated in February 2005 and February 2006 as new national and regional policy emerged.

1.4 Circumstances have changed yet again with the publication of PPS 3 ‘Housing’ in November 2006, publication of the RSS EIP Panel’s report and the provision of new information on local needs with completion of the Scarborough Borough Housing Market Assessment.

1.5 The opportunity has therefore been taken again to update the SPD. Broadly the thrust of the draft SPD remains the same as that which was adopted by the Council in February 2006, with the focus on the on-site provision of any affordable housing requirements. The significant change now being proposed is the introduction of amended site thresholds and percentages in light of the results emerging from the Borough wide Housing Market Assessment. A full copy of the revised SPD is attached at Appendix 1.

2. CORPORATE OBJECTIVES AND THE COMMUNITY PLAN

2.1 The Affordable Housing SPD will have significant impact upon the delivery of Community Plan Objective 3c – More Accessible and affordable housing.

3. BACKGROUND AND ISSUES

3.1 The issues for Members’ consideration are:

- The emerging evidence of the scale of housing need in the Borough.
- The ability of the planning system to contribute towards meeting this need.
- The proposed revisions to the SPD.
- The implications of the SPD on housing delivery.
- ‘Local occupancy’ housing.
- Next steps.

4. CONSULTATION

4.1 In resolving to amend the Local Development Scheme, Members agreed to the preparation of a draft Affordable Housing SPD to be published for consultation in May 2007. The scope and timings of the LDS have been
discussed with the Government Office for Yorkshire and The Humber and informal response to date is favourable. The draft SPD has been prepared jointly with Environmental Health Services.

5. **ASSESSMENT**

5.1 **The Emerging Evidence of the Scale of Housing Need in the Borough**

5.1.1 In August 2006 the Borough Council commissioned a ‘Housing Market Assessment’ (HMA). The overall objectives of the study were to:

- Understand the strategic context for housing in the area;
- Provide an assessment of the sub-regional housing market; and
- Assess variation in demand at the Borough and sub-Borough level.

5.1.2 The HMA has been received as a draft final report, and will be made available in the Members Room once finalised. The HMA will provide an invaluable body of evidence to inform the housing elements of the Local Development Framework.

5.1.3 The HMA has been informed by a range of sources, consisting of:

- The results of a sample survey of households in the urban areas of Scarborough Town, Filey/Hunmanby and Whitby/Sleights; and a 100% survey of households in rural areas;
- Interviews with key stakeholders including local housing and planning authority representatives, registered social landlords (RSLs), Estate Agents, Developers etc.
- A review of relevant secondary data including the 2001 Census, house price trends etc.

5.1.4 A key output from the HMA is that it provides evidence in respect of housing need in the Borough (defined as the quantity of housing required for households who are unable to access suitable housing without financial assistance).

5.1.5 This report focuses primarily on the affordable housing needs identified from the HMA. These have been obtained primarily from the household survey results, together with data on existing housing stock available to meet these needs.

5.1.6 The overall level of need is identified in the HMA through aggregating information in respect of a range of types of need:

- current occupiers of affordable housing in need;
- households from other tenures in need,
- households without self contained accommodation;
• estimates of newly arising need
• this is then discounted by deducting the future supply of affordable units by way of social re-lets.

5.1.7 Overall, the emerging HMA results suggest an annual affordable dwelling requirement for the Borough as a whole of 620 units (of which 80 are within that part of the Borough administered by the National Park Authority). The table below illustrates the pattern of need around the Borough.

<table>
<thead>
<tr>
<th>Market Area</th>
<th>General</th>
<th>Older</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1/2 Bed</td>
<td>3+ Bed</td>
<td>1 Bed</td>
</tr>
<tr>
<td>Scarborough Area</td>
<td>250</td>
<td>47</td>
<td>18</td>
</tr>
<tr>
<td>Whitby / Sleights</td>
<td>33</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Filey/Hunmanby</td>
<td>40</td>
<td>39</td>
<td>7</td>
</tr>
<tr>
<td>Western Parishes</td>
<td>10</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Southern Parishes</td>
<td>15</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>NYMNP</td>
<td>30</td>
<td>45</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>378</td>
<td>206</td>
<td>33</td>
</tr>
<tr>
<td>Scarborough Borough LPA</td>
<td>348</td>
<td>161</td>
<td>28</td>
</tr>
<tr>
<td>North York Moors LPA</td>
<td>30</td>
<td>45</td>
<td>5</td>
</tr>
</tbody>
</table>

5.1.8 The above results clearly demonstrate a substantial shortfall on the stock of housing available for those in housing need. By way of context, draft Regional Spatial Strategy provides an annual housing target for the Borough outside the National Park of 430 units, so even if the Council were to secure a substantial proportion (or even all of this) as affordable, the total level of need would not be met, and in doing so other elements of the housing market (and the areas wider aspirations in terms of economic growth) could begin to suffer. This is a factor common around the sub-region.

5.1.9 The HMA gives information in respect of the type of affordable properties needed by market area. This information will prove useful in respect of negotiating the type of units to be provided on sites, and should enable a closer link between specific needs in a given locality and the supply of units to be made available. It suggests that in Scarborough demand tends towards smaller properties, whilst elsewhere there is a more evenly split need for smaller and larger properties.
5.1.10 Tenure preferences are also addressed within the HMA, with the bulk of demand for social rented properties. Around 30% of household in need expressed a preference for intermediate housing, which consists of properties at prices and rents above those of social rent, but below market price. These can include shared equity products, other low cost homes for sale, and intermediate rent. Again, this is invaluable information in informing the range of tenure that should be negotiated to best meet local needs.

<table>
<thead>
<tr>
<th>Market Area</th>
<th>Tenure Preference</th>
<th>Total Annual Requirem</th>
<th>Tenure Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social Rented</td>
<td>Intermediate</td>
<td>Total</td>
</tr>
<tr>
<td>Scarborough Area</td>
<td>69.8</td>
<td>30.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Whitby / Sleights</td>
<td>76.4</td>
<td>23.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Filey/Hunmanby</td>
<td>71.0</td>
<td>29.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Western Parishes</td>
<td>77.8</td>
<td>22.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Southern Parishes</td>
<td>66.2</td>
<td>33.8</td>
<td>100.0</td>
</tr>
<tr>
<td>NYMNP</td>
<td>67.3</td>
<td>32.7</td>
<td>100.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>70.4</strong></td>
<td><strong>32.7</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Scarborough LPA</td>
<td>71.1</td>
<td>28.9</td>
<td>100.0</td>
</tr>
<tr>
<td>North York Moors LPA</td>
<td>67.3</td>
<td>32.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

5.2 The Ability of the Planning System to Contribute Towards Meeting Housing Need

5.2.1 Planning Policy Statement (PPS) 3 (Housing) was published in November 2007. The Statement puts forward the Government’s key policy goal that is to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live. One of the policy objectives set out in PPS3 is for the planning system to deliver a mix of housing, both market and affordable, particularly in terms of tenure and price, to support a wide variety of households in all areas, both urban and rural.

5.2.2 PPS3 sets out the measures that Local Planning Authorities should take within Local Development Documents (which encompasses SPDs) in order to provide affordable housing. These measures include the need to: ‘Set out the range of circumstances in which affordable housing will be required.’

5.2.3 PPS 3 identifies the national indicative minimum site threshold as 15 dwellings (the threshold currently set in the Council’s adopted Affordable Housing Supplementary Planning Document). However, the statement goes on to record that:

‘...Local Planning Authorities can set lower thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area.’

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5.2.4 The above extract from PPS3 therefore provides Local Planning Authorities with the ability to seek the provision of affordable housing on sites below the national indicative minimum site size threshold. It is considered that the emerging results of the Housing Market Assessment provide the evidence to support and justify the use of lower site-size thresholds.

5.2.5 In addition to national policy, the emerging Regional Spatial Strategy provides further encouragement. Draft RSS has been the subject of an examination in public, and the Panel’s Report is expected to be published on 26 March 2007. It is anticipated that the report will offer support for RSS Policy H3 that states the need for the Region to increase its provision of affordable housing. It reinforces the use of the national site-size threshold, and suggests that in areas identified as being of high need (which includes the Borough) authorities should seek over 40% of the homes on such sites as affordable. The Policy goes on to require that where opportunities for the provision of new housing are generally limited to sites below the national threshold a lower threshold should be set and/or off-site contributions should be sought.

5.2.6 From the above, there is demonstrable scope to reappraise the approach towards the delivery of affordable housing. Previous consultation in respect of the LDF and Community Strategy, and other initiatives such as Parish Plans have all identified that increasing the provision of affordable housing is a significant issue for the Borough.

5.3 The Proposed Revisions to the SPD

(a) Thresholds and percentages:

5.3.1 The Affordable Housing SPD adopted in February 2006 introduced a requirement that sites delivering 15 dwellings or more would be expected to incorporate 20% of affordable units on-site.

5.3.1 The revised SPD now proposes the following thresholds and percentages as a basis for negotiation:

<table>
<thead>
<tr>
<th>No. Dwellings</th>
<th>Scarborough</th>
<th>Whitby/Filey</th>
<th>Other villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>15+</td>
<td>40%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>10-14</td>
<td>40%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>5-9</td>
<td>25%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>2-4</td>
<td>-</td>
<td>-</td>
<td>50%</td>
</tr>
</tbody>
</table>

Note – The Scarborough market area is for this purpose is defined as the wards of Central, Castle, Northstead, North Bay, Newby, Woodlands, Stepney, Falsgrave, Ramshill and Weaponness with the Parishes of and Eastfield and Osgodby.
5.3.2 These requirements are considered justified for the following reasons:

- The national indicative threshold’ does not reflect the sites typically coming forward in the Borough, the bulk of which are smaller.
- The revised approach will ensure that a much greater proportion of sites submitted for planning consent in the Borough fall into categories for which affordable housing can be sought.

5.3.3 Assessment of the affordable needs identified within the HMA for particular parts of the Borough justify higher percentages of affordable housing on sites in Whitby, Filey and the villages, where needs significantly outstrip the likely levels of supply. In Scarborough a slightly different approach is considered necessary particularly in respect of smaller sites, as house prices in town still lag behind those in the rest of the Borough and too onerous a requirement may affect site viability and ultimately the strategy of seeking to focus the larger majority of development in Scarborough for a range of sustainability and regeneration reasons.

(b) Affordable Housing in Villages:

5.3.4 In respect of development in villages, the overall levels of development and size of individual sites are such as to mean that relatively little can be levered in through the approach set out in the SPD, even with the relatively low thresholds and high percentages suggested. The emerging RSS seeks to limit future levels of development in rural villages, and in such locations the development of ‘exceptions’ sites (sites on the edge of villages that would not be given planning consent for open market housing) solely for affordable housing is likely to be the principle means of meeting local needs in those areas.

(c) Calculation of dwelling requirement:

5.3.5 There will be cases where the percentage of affordable housing sought on a particular site does not give rise to an exact number. The options available are:

(a) To round down to the nearest whole number;
(b) To round up to the nearest whole number (essentially regarding the percentage targets as ‘minimum’ figures);
(c) To round down to give the unit ‘on-site’ figure, and seek financial contributions to make up the remaining shortfall.

5.3.6 The levels of need around the Borough are such as to justify (and require) strong measures to make any sort of impact on need. It is therefore recommended that option (c) be suggested in the consultation SPD. The Council will seek to identify alternative specific proposals on which such sums will be spent.
(d) Other amendments:

5.3.7 The opportunity has been taken to simplify the terminology used within the SPD and produce a more focussed and transparent document. The SPD has also been updated to reflect the current position of the Housing Corporation in relation to the use of Social Housing Grant to support the delivery of affordable housing through the planning system.

5.3.8 The ‘companion’ documents that provide more guidance in respect of the viability test and the negotiation procedures will be updated in light of the changes to the SPD to complete the package of information available to developers.

5.4 The Implications of the SPD for Future Housing Delivery

5.4.1 An assessment of the past 6 years worth of housing permissions suggests that the approach now proposed in the revised SPD would have netted a notional figure for affordable housing of 1026 units, at an average of 171 units per annum. This would have represented around 35% of all completions in this period. Whilst this is some way below the annual affordable figure identified in the HMA, it would represent a substantial contribution to the needs identified, in terms of both addressing current and emerging needs.

5.4.2 It must be stressed that this is a theoretical output, and in likelihood the overall percentage achieved will be below this, reflecting the different characteristics of sites coming forward for development that mean that the negotiated outcomes in terms of affordable housing will on occasions be lower than the negotiation starting point. The impact of this approach on the viability of sites will be a key consideration and is likely to be the focus of attention of the house building industry in responding to the consultation. By way of context the planning authorities in York and Harrogate, who have introduced revised thresholds and percentages in recent years, are delivering around 12-16% of their annual housing provision in the form of affordable units.

5.4.3 The challenge the Council faces is to identify the means by which the housing market can reasonably respond to meeting needs without undermining other elements of the regeneration and growth strategy. Put simply, if too much is demanded from sites, there is a risk that developments would become unviable and the supply of all housing would dry up. The risk of this happening can be mitigated to a degree by the use of Housing Corporation subsidy, which can provide grant to meet a genuine viability shortfall.

5.5 Local Occupancy Housing

5.5.1 Members will recall that the Core Strategy (Preferred Options) consultation document sought opinion on the possibility of introducing a ‘national park’ style approach towards new housing in rural areas, whereby occupants of new dwellings would be required to comply with a set of criteria attached to the dwelling by means of planning condition and/or legal agreement requiring:
• A demonstration of long-standing links to the community through either ongoing or previous periods of residency (of a set period ranging from 3 – 10 years), and a need for new accommodation (e.g. through household change).

• An essential need arising from age or infirmity to move to a locality to be near relatives who have been permanently resident in the area for a given period of time.

• People who have an essential need to live close to their work in the locality.

5.5.2 There was little meaningful consultation response to this issue in the Core Strategy. It is therefore recommended that the opportunity be taken to reconsult on this alongside the draft SPD. Whilst the ‘local occupancy’ approach does not produce significant affordability benefits, it does offer a means of targeting limited development in villages towards locally derived need, rather than external demand.

5.5.3 This additional consultation will seek views on the appropriateness of this concept to the Borough, the potential criteria that could be applied, and the settlements in which it could be operated. The decision as to whether to utilise the approach would be taken at a later date, in either a future version of the Core Strategy or other appropriate Local Development Document.

5.6 Next Steps

5.6.1 Following consideration of the report by this Committee, Cabinet and Full Council, the SPD will be published for consultation for a period of six weeks. In light of the wide reaching implications of this document the consultation will be advertised in the local press and all consultees on the LDF database (nearly 900 groups and individuals) will be notified. All comments received will be analysed and reported back to Members over the summer months hopefully enabling adoption in September. The SPD could then be used to inform the development control process immediately thereafter.

5.6.2 In order to ensure that all parties who may be affected by the revised SPD are aware of its implications ahead of adoption, it is recommended that it form the basis of negotiations on relevant proposals that may be determined post September from the date of publication of the draft SPD for consultation.

5.6.3 Members may wish to note that the SPD will be published using the Forward Planning team’s new consultation software package which will enable higher quality document design and presentation, and facilitate easier on-line representations, in line with Government guidance.
6. IMPLICATIONS

(a) Policy

6.1 The issues in this report provide a mechanism for updating the Council’s planning policies in respect of the delivery of affordable housing.

(b) Financial

6.2 The Forward Planning budget takes into account the commitments and resource implications of producing the SPD.

(c) Legal

6.3 The Town & Country Planning Act places a duty on local planning authorities to produce and adopt an LDF as replacement to the current Borough Local Plan.

(d) Staffing

6.5 The revised SPD will result in more sites being the subject of negotiations and/or viability assessment, which has implications in respect of staff capacity.

(e) Environment

6.6 Sustainability Appraisal of the SPD has been prepared and is available in the Members Room. The Appraisal is required to be made available as part of the consultation package.

(f) Others

The report has no direct implications on the following.

Crime and Disorder Act 1998
Health and Safety Issues
Co-operation with Health Authorities
Equality Implications

7. ACTION PLAN

7.1 The following actions are identified:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. P &amp; D considers draft SPD.</td>
<td>March 2007</td>
</tr>
<tr>
<td>2. Cabinet considers draft SPD.</td>
<td>April 2007</td>
</tr>
<tr>
<td>3. Full Council considers draft SPD.</td>
<td>April 2007</td>
</tr>
<tr>
<td>4. Draft SPD published for consultation</td>
<td>May/June 2007</td>
</tr>
</tbody>
</table>
5. P&D considers consultation responses, necessity for any changes to SPD and whether to move to adoption. July 2007

6. Cabinet considers consultation responses, necessity for any changes to SPD and whether to move to adoption. July 2007

7. Full Council considers consultation responses, necessity for any changes to SPD and whether to move to adoption. September 2007


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Background Papers:
A copy of the finalised Housing Market Assessment and Sustainability Appraisal of the draft SPD will be made available in the Members Room.

19 March 2007
## RISK ANALYSIS

<table>
<thead>
<tr>
<th>Issue/Risk</th>
<th>Consequences if allowed to happen</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation</th>
<th>Mitigated Likelihood</th>
<th>Mitigated Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised Affordable Housing SPD not pursued</td>
<td>Reduced ability to meet local affordable housing needs and related targets.</td>
<td>Very Likely</td>
<td>High</td>
<td>Proceed with preparation of SPD</td>
<td>Likely</td>
<td>Medium</td>
</tr>
<tr>
<td>Affordable Housing SPD not progressed due to challenge during consultation process and/or on adoption.</td>
<td>Restricts ability of Council to increase the provision of affordable housing in the Borough until such time as the Core Strategy is progressed.</td>
<td>Very Likely</td>
<td>High</td>
<td>Follow statutory procedures to reduce risk of successful challenge.</td>
<td>Likely</td>
<td>Medium</td>
</tr>
</tbody>
</table>

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<th>Page No.</th>
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<td>2.0 Why is it necessary to change the approach to negotiating</td>
<td>5</td>
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<tr>
<td>affordable housing</td>
<td></td>
</tr>
<tr>
<td>3.0 What is Affordable Housing?</td>
<td>5</td>
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<td>4.0 On Which sites will Affordable Housing be expected?</td>
<td>7</td>
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<td>5.0 What factors will be considered in negotiations</td>
<td>8</td>
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<td>6.0 What will be the process for negotiations?</td>
<td>12</td>
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</tbody>
</table>
FOREWORD

A shortage of affordable housing is one of the most pressing issues the Borough faces. Recent research suggests that need has nearly tripled in the past 5 years. In response to this the Council has assessed the means by which provision can be increased, pending the completion of the Borough’s Core Strategy – the central plank of the emerging Local Development Framework that will eventually replace the Local Plan.

The preparation of this revised Supplementary Planning Document is the most efficient way that the planning system can react to this issue.

The Council’s current Affordable Housing Supplementary Planning Document was adopted in February 2006. This in turn replaced guidance from February 2005, and introduced an approach whereby sites of 0.5 ha and above, or producing 15 or more dwellings would be expected to ensure that 20% of the resulting dwellings were affordable.

Following the publication of PPS3 in November 2005, the progression of the Regional Spatial Strategy through public examination in autumn 2005, and the emerging results of a Borough Wide Housing Market Assessment, the Council has decided to revise this guidance and look to provide more affordable housing by increasing the number of sites on which affordable housing will be expected and increasing the percentage of affordable housing on those sites.

Obtaining the views of as wide a range of interests as possible is imperative in assessing the effectiveness of the changes proposed within this document. You are urged to read this document and let us know your opinions.

In line with the procedural requirements a sustainability appraisal has informed the process of SPD preparation.

The Supplementary Planning Document should be read in conjunction with two companion documents produced by the Council:

- Affordable Housing Negotiation Protocol
- Viability Assessment Procedure

It should be noted that this Supplementary Planning Document relates to that part of the Borough outside the North York Moors National Park. The National Park Authority undertakes the planning function in its administrative area.
1.0 **What is the justification for requiring Affordable Housing?**

(a) **Introduction**

1.1 The Council believes that meeting the basic human need of a decent home at an affordable price is one of the foremost objectives of the planning system. Government support for this view is expressed in its guidance to local planning authorities that makes the need for affordable housing a material consideration which should be taken into account both in preparing plans and in considering planning applications.

(b) **Planning Policy**

1.2 Planning Policy Statement (PPS) 3 (Housing) published in November 2007, puts forward the Government’s key policy goal which is ‘to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live’. One of the policy objectives set out in PPS3 is for the planning system to deliver a mix of housing, both market and affordable, particularly in terms of tenure and price, to support a wide variety of households in all areas, both urban and rural.

1.3 PPS3 sets out the measures that Local Planning Authorities should take within Local Development Documents (which encompasses SPDs) in order to provide affordable housing. These measures include the need to:

‘Set out the range of circumstances in which affordable housing will be required,’

1.4 PPS 3 identifies the national indicative minimum site threshold as 15 dwellings (the threshold currently set in the Council’s adopted Affordable Housing Supplementary Planning Document). However, the statement goes on to say that:

‘…Local Planning Authorities can set lower thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area.’

1.5 In January 2006 the Regional Spatial Strategy for Yorkshire and the Humber was published in draft for consultation. Draft RSS has been the subject of an examination in public, and the Panel’s Report was received on XX March
1.6 One of the aims of the RSS in terms of housing is to:
   - Increase the provision of affordable housing across the region particularly in areas of high need.

1.7 RSS Policy H3 reinforces the use of the national site-size threshold, and suggests that in areas identified as being of high need (which includes the Borough) authorities should seek over 40% of the homes on such sites as affordable. The Policy goes on to require that where opportunities for the provision of new housing are generally limited to sites below the national threshold a lower threshold should be set and/or off-site contributions should be sought.

1.8 It is considered that the emerging results of the Housing Market Assessment provide the evidence to support and justify the use of lower site-size thresholds.

(c) Local Needs

1.9 The principle source of local housing needs information is the Council’s 2007 Housing Market Assessment. This Assessment shows the current and predicted number of households in the Borough who live in unsuitable housing and who need to move to solve their housing problems but are unable to buy or rent even at the lowest market prices.

1.10 The Housing Market Assessment shows there is a need for affordable housing across all areas of the Borough. It identifies an annual shortfall of 620 affordable homes across the Borough over the next five years (3,100 over the period April 2007 to March 2012). Of these 540 are required in that part of the Borough outside the National Park. The Assessment shows that 70% of those households in housing need can only afford social housing provided by a Registered Social Landlord (RSL). The remaining 30% require intermediate affordable housing. The needs information identified within the Housing Market Assessment is mirrored by other local indicators of housing need, such as the Council’s own Housing Waiting List which shows that demand for social rented accommodation has more than doubled in the last 5 years.

1.11 The Housing Market Assessment shows that the greatest need across the Borough is for two and three bedroom housing, primarily to meet the need of families and newly forming households.

1.12 Copies of the Housing Market Assessment are available from the Borough Council’s website.
2.0 Why is it necessary to change the approach towards negotiating Affordable Housing?

2.1 Much of the Borough’s housing supply is from smaller sites that fall below the site threshold of 15 dwellings in existing SPD. It is clear that waiting until the Core Strategy is adopted in 2009 will frustrate the aim of building more affordable housing and that the threshold in SPD should be lowered in line with emerging national and regional guidance. Policies to increase further the provision of affordable housing such as lowering the threshold further are being addressed in the Core Strategy. Once the Core Strategy has been adopted then the Affordable Housing SPD will be revised accordingly.

2.2 In the meantime this Supplementary Planning Document has been prepared to amplify saved Local Plan policies describing how additional opportunities will be taken to secure affordable housing within the context of Government advice.

2.3 The proposed changes to site sizes and percentages are set out in paragraph 4.1. These requirements are considered justified for the following reasons:

- The national indicative threshold does not reflect the sites typically coming forward in the Borough, the bulk of which are smaller.
- The revised approach will ensure that a much greater proportion of sites submitted for planning consent in the Borough fall into categories for which affordable housing can be sought.

2.4 An assessment of the past 6 years worth of housing permissions suggests that the approach now proposed in the revised SPD would have netted a notional figure for affordable housing of 1026 units, at an average of 171 units per annum. This would have represented around 35% of all completions in this period. Whilst this is some way below the annual affordable figure identified in the HMA, it would represent a substantial contribution to the needs identified, in terms of both addressing current and emerging needs. Under current and previous policies, the proportion of total dwellings that have been affordable has been around 10% per annum.

3.0 What is Affordable Housing?

(a) Types of Affordable Housing

3.1 The Council uses the Government’s own definitions of affordable housing as stated in PPS3.

3.2 Affordable housing is defined in PPS3 as including: Social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

3.3 Affordable housing should;
• Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
• Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

3.4 PPS3 refers to two forms of affordable housing, these are “Social Rented Housing” and “Intermediate Affordable Housing”.

3.5 Social Rented Housing is:
• “Rented housing owned and managed by local authorities and RSLs, for which guideline target rents are determined through the national rent regime. (Proposals set out in the three year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006). It may also include rented housing owned or managed by other persons and provided under equivalent arrangements to the above, as agreed with the Local Authority or with the Housing Corporation as a condition of grant.”

3.6 Intermediate Affordable Housing is:
• “Housing at prices and rents above those of social rents, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.”

• Intermediate Rented homes are provided at rent levels above those of social rented but below private rent levels. The Councils preferred method of providing Intermediate Rented homes is through an RSL.

• Discounted sale homes have a simple discount for the purchaser on its market price, so the purchaser buys the home at a reduced rate. The level of discount on open market value remains in trust for future occupiers. The level of discount offered on the properties open market value should be affordable in line with average gross household incomes.

• Shared Ownership products, such as HomeBuy, are a form of shared equity under which the purchaser buys an initial share in a home from a housing provider, who retains the remainder and may charge a rent. The purchaser may buy initial shares (‘staircasing’), and this payment should be recycled for more affordable housing. In most cases, a purchaser may buy the final share and own the whole home, though this is restricted in some rural parts of the Borough.

3.7 In the case of all forms of Intermediate Affordable Housing, the Council will place certain restrictions on who is eligible to purchase or rent the homes. Eligibility will be based on income levels, housing need and local connection.
3.8 Marketing of all Intermediate Affordable Housing will be undertaken by the RSL through advertising/marketing through local estate agents and through the erection of sign boards on site where permitted by the developer. Priority for the homes will be given to applicants. Where Intermediate Affordable Housing is resold the vendor is required, through an obligation within the S106 agreement, to inform the RSL of their intention to sell the home.

(b) Affordability

3.9 In the case of Social Rented Accommodation, affordable rents are set by the Housing Corporation in line with national rent restructuring guidelines.

3.10 In the case of Intermediate Affordable Housing, the Council uses the Government’s own measure of affordability based on gross household income. An owner-occupied or intermediate tenure property is unaffordable if it costs more than 3.5X a single or 2.9X a joint gross household income. In practice this means that developers are required to make substantial discounts on the sale price of homes to ensure that they are affordable. The Council continuously monitors local house prices and household income levels within the Borough.

4.0 On which sites will affordable housing be expected?

(a) Thresholds

4.1 It is proposed that the following thresholds and percentages as used as a basis for negotiation:

<table>
<thead>
<tr>
<th>No. Dwellings</th>
<th>Scarborough</th>
<th>Whitby/Filey</th>
<th>Other villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>15+</td>
<td>40%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>10-14</td>
<td>40%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>5-9</td>
<td>25%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>2-4</td>
<td>-</td>
<td>-</td>
<td>50%</td>
</tr>
</tbody>
</table>

4.2 There will be cases where the percentage of affordable housing sought on a particular site does not give rise to an exact number of dwellings (e.g. 11 units @ 40% would give a requirement of 4.4 units). In such cases the approach will be to round down the number to give the unit ‘on-site’ figure (in the above example 4 units), and seek financial contributions to make up the remaining shortfall (equivalent to 0.4 units in the example). These contributions will be based upon the proportionate cost of providing the unit on site.
4.3 The Council’s targets will only be reduced where it is demonstrated through an open book viability assessment that the required affordable housing target makes the development unviable and where any shortfall of funding to make the scheme viable cannot be met through the use of Housing Corporation Social Housing Grant.

4.4 PPS3 requires that best use is made of the sites suitable for housing development. If a scheme is considered to be not making best use of a site or not delivering the range of dwelling types required to balance the local housing market/meet local housing needs without good reason, then it will be refused. Schemes which ‘artificially’ reduce the number of dwellings below these thresholds to avoid providing affordable housing will not be accepted.

4.5 A planning application for development which forms part of a more substantial proposed development, on the same or adjoining land, will be treated as an application for the whole development, regardless of site ownership.

(b) Exceptions

4.6 Institutional care homes and nursing homes are not subject to an affordable housing requirement. However, proposals for all other forms of care and retirement accommodation (e.g. sheltered housing or extra care) which are self contained will be treated as applications for dwellings and affordable housing will be sought.

5.0 What factors will be considered in negotiations?

(a) On-site provision

5.1 The Council’s preferred means of securing affordable housing is by on site provision. It is anticipated that a site suitable for housing development will also be suitable to provide affordable housing on site. The presumption will be, therefore that provision of affordable housing should be made on the development site itself. It would only be in very exceptional circumstances that an alternative to on-site provision would be considered acceptable by the Council. In those instances all options to provide affordable housing on-site would need to have been considered first.

(b) Off-site Provision

5.2 Occasionally developers may opt to build or purchase affordable homes elsewhere than on the development site, perhaps because of site specific constraints or because of the existing mix of housing in the locality. This may also offer benefits such as achieving the development of problematic sites, or securing a higher level of affordable housing provision, or developing a scheme aimed at a particular section of the community such as a sheltered housing scheme for the elderly.
5.3 The Council will only consider off-site provision where there is certainty that the affordable homes being built or purchased are to a standard acceptable to an RSL. The homes being provided off-site should be in a suitable location, preferably in the same Ward or Parish as the new development. In addition, the Council would need to be assured that the ‘off-site’ affordable homes are provided within the same timescale as the new homes being developed and that any potential barriers that would prevent them being provided, such as land or property acquisition, planning consent or an agreement for sale with an RSL are in place and agreed before a planning application is submitted.

(c) Commuted Payments

5.4 Experience with using commuted payments is that it is not the most efficient way to deliver affordable housing. The value of the payment reduces over time and in a competitive housing market it is difficult to identify and acquire sites for affordable housing. Commuted sums would only be considered in exceptional circumstances where all the other options regarding on-site or off-site provision had been fully exhausted.

5.5 Such exceptional circumstances might arise, for instance where proposals for on-site provision are made in an area where a number of proposals for on-site provision are already in the pipeline.

5.6 The cost to a developer of providing affordable housing off site via a commuted sum should not be less than the cost of providing affordable housing on the development site. Therefore commuted sums are calculated on the basis of the actual cost to an RSL to develop the equivalent number of affordable units off-site. This cost will include both normal build costs and the costs of land or property acquisition. Where commuted sums are accepted, the amount payable per dwelling will be a sum equal to the difference between the appropriate RSL purchase price and the market valuation of an equivalent dwelling in the locality.

5.7 The Council would not consider the payment of a commuted sum in lieu of on-site provision where it was argued that the provision of affordable on-site housing makes a development unviable. In these circumstances the Council would seek Housing Corporation Social Housing Grant to meet any viability shortfall.

5.8 In all cases where a commuted sum payment is accepted the Council will seek to identify specific alternative proposals on which the sum would be spent and will undertake to return any unspent sums after 5 years.

(d) Design Standards

5.9 As with all forms of residential accommodation, the Council expects affordable housing to be built to a high standard of design and amenity. Affordable housing units provided within new residential development should be of a similar size and quality to open market housing and should be visually indistinguishable.
5.10 The Council requires that the type of affordable homes provided are a pro-rata mix of the size and type and of homes being built on the overall development.

5.11 Where Housing Corporation Grant is used to bring added value to a development then homes should be designed to meet any current Housing Corporation development standards.

5.12 On-site provision should be “pepper-potted” in small clusters throughout the development especially if houses are being proposed. The Council will not support the principle of grouping affordable units together as this can reinforce feelings of social exclusion and can have a negative impact on the establishment of sustainable communities. It is accepted that in certain circumstances it may not be practical to pepper-pot individual affordable housing units throughout the development. In such cases; smaller clusters of affordable units located throughout the development may be considered.

(e) Tenure Mix

5.13 The Council recognises the importance of achieving a mix and range of tenures in order to promote social inclusion and sustainable communities. In line with Government policy, the Council does not accept that mixing different tenures creates bad, unattractive or difficult to manage neighbourhoods.

5.14 The Housing Market Assessment shows that 70% of the Borough’s affordable housing needs are for social rented housing. This priority will be reflected in negotiations for all sites. On all larger sites a proportionate number of intermediate affordable homes will also be required to ensure the creation of balanced, mixed tenure communities.

(e) Economics of Provision

5.15 In accordance with the Council’s procedure for negotiating affordable housing provision, developers must obtain an agreement with an RSL partner regarding the sale of affordable homes prior to the submission of a full planning application. Ideally developers should seek to build the agreed number of dwellings to the RSLs specification, selling them to the RSL at a previously agreed discount of their open market value.

5.16 The amount that RSLs are able to pay developers to acquire affordable homes is constrained by their borrowing capacity. RSLs use projected rental income to fund loans to purchase affordable homes. The maximum rents charged by RSLs must be affordable and in line with Housing Corporation rent caps and this therefore puts a ceiling on the amount they are able to borrow. An illustrative table of current prices that RSLs are able to pay developers for a range of standard house types is provided in Table 1.
Table 1 of Transfer Prices by Property Type (2005 figures*)

<table>
<thead>
<tr>
<th>Type</th>
<th>Rent per week</th>
<th>Transfer price per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bed Flat</td>
<td>£54</td>
<td>£31000</td>
</tr>
<tr>
<td>2 Bed Flat</td>
<td>£57-61</td>
<td>£38000-40000</td>
</tr>
<tr>
<td>2 Bed House</td>
<td>£64</td>
<td>£42000</td>
</tr>
<tr>
<td>3 Bed House (small)</td>
<td>£66-68</td>
<td>£48000</td>
</tr>
<tr>
<td>4 Bed House</td>
<td>£73-74</td>
<td>£54000</td>
</tr>
</tbody>
</table>

* Prices will be regularly updated.

5.17 In the case of other Intermediate Affordable Housing products, such as HomeBuy or discounted sale, homes need to be sold to an RSL at a price that will enable the RSL to sell these homes on at an affordable level (see 4.2). Sale prices to RSLs also need to take into account the reasonable on-costs of the RSL.

(f) Housing Corporation Grant

5.18 The Housing Corporation will only agree to use Social Housing Grant where the use of that grant can bring additional value to the development over and above normal planning requirements. Thus grant can be used in order to provide additional affordable units or to improve the quality and design of the homes being provided.

5.19 The Council would encourage developers and RSLs to explore the use of Social Housing Grant with the Housing Corporation on all new residential developments that have an affordable housing requirement. Housing Corporation grant can be used to improve the energy efficiency of affordable homes and enable the homes to be more adaptable, accessible as well as improving spatial standards.

5.20 The Council recognises that in some circumstances the economics of provision will mean that the provision of affordable housing makes a potential development unviable. In such circumstances the Council will seek to meet any identified viability shortfall through the use of Housing Corporation grant. Only if Social Housing Grant is not available will the Council seek to negotiate a reduction in the number of affordable homes to be provided.

(g) Viability

5.21 Where there is a proven need for affordable housing, but a developer is unwilling to provide it or is not able to provide the scale of contribution expected, the onus will be on the developer to demonstrate why a site should not include provision in line with the Councils' targets.

5.22 Where there is dispute concerning the effect of providing affordable housing on the viability of a project, applicants will be required to provide full financial
details for independent appraisal in line with the Councils’ open book Viability Assessment Procedure (available on request, or from www.scarborough.gov.uk).

5.23 It is not sufficient for developers to argue that they did not take into account the need to provide affordable housing in the amount they have paid for land as it is reasonable to expect that land values will reflect the requirements of the Local Plan. The Council also considers that any normal development costs, such as site demolition, preparation, retaining walls, piling, infrastructure provision and flood mitigation should be established at the outset and reflected in the amount paid for land.

5.24 All assessments of development viability will only consider the viability of the particular development site in question. Assessments will not take into account the specific financial circumstances of any given developer. Equally, assessments will not take into account the specific needs of land owners to maximise the amount they are paid for land by developers in order to ensure the viability of, for example, the relocation of a property, facility or service to an alternative location.

5.25 Where it is proven through an open book appraisal that the developer is unable to provide the level of affordable housing required with the Council’s targets, the Council will seek to meet any identified viability shortfall through the use of Housing Corporation grant. Only if Social Housing Grant is not available will the Council seek to negotiate a reduction in the number of affordable homes to be provided on-site.

6.0 **What will be the process for negotiation?**

(a) Affordable Housing Plans

6.1 In the interests of speeding up the application process, a planning application for development that generates a requirement for affordable housing must be accompanied by an Affordable Housing Plan. Guidance on preparing an Affordable Housing Plan is available from the Council.

6.2 The Affordable Housing Plan requires developers to provide details of the affordable housing that they propose to deliver. This information includes the number of affordable homes to be provided, the type, the tenure, their location within the development and confirmation that an agreement has been reached with an RSL partner. Once agreed these details can be set out in a Section 106 Agreement. Planning Applications submitted without a completed agreed Affordable Housing Plan shall be recommended for refusal.

6.3 In the case of outline applications, the delivery of affordable housing must be agreed in principle. The Council will still require details of the number, type and tenure of the affordable homes to be provided at the outline application stage. Full details in relation to the location of homes and an agreement with an RSL partner will need to be confirmed within an agreed Affordable Housing Plan before full planning permission is awarded.
(b) Involving a Registered Social Landlord

6.4 The Council’s preferred method for the provision of all forms of affordable housing is through the involvement of a Registered Social Landlord (RSL). The involvement of a RSL is the best way of ensuring that provision is designed and managed so that it meets local needs and will remain affordable for successive occupiers.

6.5 The Council will encourage and facilitate early discussions with RSLs to ensure that a partnership approach is adopted early in the process. The Council will provide developers with a list of RSL partners who have a local management presence in the Borough and who are able to access Housing Corporation grant. In line with the Housing Corporation’s own policies regarding value for money, stock rationalisation and the development of sustainable communities, the Council would prefer developers to choose an RSL partner with an existing concentration of units in the Borough.

6.6 Should a developer wish to work with an RSL who is not on the Council’s own preferred list, the Council will require early dialogue between the developer and the potential RSL provider at the pre-application stage. The Council would require detailed information on the RSLs standards in order to be satisfied that effective measures are in place to ensure the “quality local management” of the homes. The Council will also need to be assured that the allocation of the homes will be undertaken fairly and properly to meet local needs. The Council reserves the right to refuse planning permission if it is not fully satisfied that effective housing management arrangements are in place.

6.7 On all developments of social rented housing, the Council reserves the right to nominate tenants for the new homes. This will be on the basis of 100% initial lets and 75% of relets. Allocations will be undertaken in accordance with the Council’s allocations scheme.

(c) The Means of Securing Provision

6.8 Planning conditions and/or legal agreements (Section 106 Agreements) will be used to secure the following matters.

6.9 In the case of on or off site provision:

- The agreed amount and form of affordable housing is built and transferred to a Registered Social Landlord at an agreed cost), prior to occupation of an agreed amount of open market housing (normally half the market element).
- Adequate measures are in place to ensure that properties will remain affordable to successive occupiers

6.10 In the case of the provision of development land:
• The site is made available free of charge prior to the occupation of an agreed amount of open market housing
• The site is of a size capable of accommodating the required number of affordable housing units, it is fully serviced and is free of any abnormal development costs, or constraints
• The site will remain available for development by any RSL to their specification (subject to planning permission) for a period of 5 years or until the completion of the private market housing, whichever is the later

6.11 In the case of commuted sums offered by developers:

• The payment by the developer to the Council of an agreed sum prior to the completion of an agreed amount of open market housing
• The ‘ring fencing’ of any payments to ensure that they are spent on specified levels and forms of affordable housing provision within a mutually agreed time period which will provide sufficient time to identify, assemble and commit suitable sites (e.g. 10 years).

6.12 In the case of commuted sums requested by the Council:

• The payment by the developer to the Council of an agreed sum (to be equivalent to the costs to the developer of making on site provision) prior to the completion of an agreed amount of open market housing.
• The identification by the Council, of specific proposals, or range of proposals, on which the sums will be spent within a period of 5 years.