

Inverclyde  
council

**LOCAL  
DEVELOPMENT  
PLAN**

**PROPOSED PLAN**  
MAY 2021

**DRAFT SUPPLEMENTARY GUIDANCE ON  
AFFORDABLE HOUSING IN THE INVERCLYDE VILLAGES**

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## **1.0 Introduction**

- 1.1 This guidance is part of a suite of supplementary guidance documents which support the Inverclyde Local Development Plan by providing further detail in respect of specific policies.
- 1.2 The guidance supplements Policy 18 - 'Land for Housing', which requires greenfield housing development in the Inverclyde villages (Kilmacolm, Quarrier's Village, Inverkip and Wemyss Bay) to make a contribution to the affordable housing requirements in these areas.
- 1.3 The guidance is aimed at:
- Developers preparing new projects;
  - Registered Social Landlords (RSLs) and other affordable housing providers;
  - Community groups and individuals seeking to comment on proposals at the pre-application and application stages; and
  - The Regeneration and Planning Service and Planning Board, both of which will assess and determine planning applications related to Policy 18.
- 1.4 The guidance is structured as follows:
- Section 2 provides background information, including a definition of affordable housing and the national, regional and local planning policy context.
  - Section 3 sets out the current affordable housing land supply and requirement in Inverclyde.
  - Section 4 identifies the scale of development to which the policy will apply, the preferred and alternative forms of affordable housing provision, how impacts on development viability will be addressed, and the need for a design led approach.
  - Section 5.0 outlines the key supporting processes, including early engagement, and the use of legal agreements.

## **2.0 Background**

### **Definition of Affordable Housing**

- 2.1 Scottish Planning Policy (2020) defines affordable housing as “housing of a reasonable quality that is affordable to people on modest incomes”.
- 2.2 Planning Advice Note 2/2010 ‘Affordable Housing and Housing Land Audits’ states that the housing types (tenures) listed below can contribute to affordable housing provision.

### **Social rented**

- 2.3 Housing provided at an affordable rent and usually managed locally by a Registered Social Landlord (“RSL”) such as a Housing Association, Housing Co-operative, or other housing body regulated by the Scottish Housing Regulator.

### **Subsidised low cost housing for sale**

- 2.4 Subsidised low cost sale - a subsidised dwelling sold at an affordable level. Discounted serviced plots for self-build can contribute. A legal agreement can be used to ensure that subsequent buyers are also eligible buyers. In rural areas this may be achieved through a rural housing burden.
- 2.5 Shared ownership - the owner purchases part of the dwelling and pays an occupancy payment to an RSL on the remainder.
- 2.6 Shared equity - the owner pays for the majority share in the property with the RSL, local authority or Scottish Government holding the remaining share under a shared equity agreement. Unlike shared ownership, the owner pays no rent and owns the property outright.

### **Unsubsidised low cost housing for sale**

- 2.7 Entry level housing for sale - a dwelling without public subsidy sold at an affordable level. Conditions may be attached to the missives in order to maintain the house as an affordable unit to subsequent purchasers.
- 2.8 Shared equity - the owner purchases part of the dwelling, with the remaining stake held by a developer.

### **Mid-market or intermediate rented**

- 2.9 Private rented accommodation available at rents below market rent levels in the area and which may be provided either over the medium or long term.

## **Policy Context**

### **Scottish Planning Policy 2020 (SPP)**

- 2.10 Scottish Planning Policy requires Planning Authorities to set out how planning will address affordable housing provision in new development, where an affordable housing shortage is identified in a Housing Needs and Demand Assessment (HNDA) and Local Housing Strategy (LHS).
- 2.11 Where affordable housing provision is required, the key requirements of Scottish Planning Policy are that:
  - Affordable housing policies should be realistic, taking into account issues including development viability and funding availability.
  - Local Development Plans should identify any expected developer contributions towards delivery of affordable homes, with the level of affordable housing required

generally to be no more than 25% of the total number of houses to be provided. Any percentage variations should be justified in the Local Housing Strategy and Development Plan

- The need for affordable housing should be met, where possible, in the housing market area where it arises.
- As far as possible, housing tenure should not be discernible from its design, quality or appearance.
- Any detailed policies on how the affordable housing requirements are to be delivered should be set out in supplementary guidance.

#### Planning Advice Note 2/2010 Affordable Housing and Housing Land Audits (PAN2/2010)

2.12 PAN 2/2010 sets out the variety of approaches and types of affordable housing which are available to planning authorities, if they require to make such provision.

2.13 In addition to the key points set out in SPP, PAN2/2010 states that:

- affordable housing provision should normally be the provision of serviced land e.g. a proportion of the site which can be developed by or for an RSL or local authority. The land should be transferred at a value appropriate for affordable housing, which will be less than the value for mainstream housing for sale. The PAN also states that, depending on the type of affordable housing required, there will be a variety of other ways in which developers can provide affordable housing on-site.
- affordable housing policies should be implemented in a flexible manner, taking full account of wider financial and market conditions. In particular, flexibility can be applied to the range of tenures; the percentage of affordable units identified in the development plan policy and on a specific site; provision on another site; and in some cases the use of a commuted sum.
- on-site provision is considered appropriate for developments of 20 or more units with off-site provision or commuted sums a possibility on smaller sites.

#### Clydeplan Strategic Development Plan (2017)

2.14 Clydeplan sets out the strategic planning context for the eight planning authorities across the Glasgow City Region. The Plan's Vision and Spatial Development Strategy support the provision of high quality and affordable housing in the right location, as it contributes to the creation of a successful, sustainable and growing city region. In support of the Vision and Spatial Development Strategy, Clydeplan sets out the strategic housing supply targets for the city region over the plan period, and identifies an effective housing land requirement to meet them. The supply targets are based on a Housing Need and Demand Assessment (HNDA), which was signed off as robust and credible by the Scottish Government's Centre for Housing Market Analysis in 2015. Policy 9 of Clydeplan supports the inclusion of affordable housing policies in Local Development Plans.

2.15 The affordable housing supply targets and land requirement for Inverclyde, for the period up to 2024 and from 2024-2029, are set out in Table 1.

Table 1: Clydeplan Strategic Development Plan Housing Supply Target and Housing land Requirement for Inverclyde (social rent and below market rent housing)

Inverclyde	Housing Land Supply Targets (Social Sector)*	Housing Land Requirement**
2012-2024	1,100	1,270
2024-2029	400	460

\* Social rent and below market rent

\*\* The housing land requirement is the housing supply target plus a 15% generosity allowance.

Inverclyde Local Development Plan

2.16 The Local Development Plan identifies that within the Inverclyde villages (Kilmacolm, Quarrier’s Village, Inverkip and Wemyss Bay) there is a limited supply of affordable housing, with no land specifically identified for affordable housing development. To address this the Plan, through Policy 18, requires 25% of houses on greenfield sites in the Inverclyde villages to be for affordable housing.

**Policy 18 – Land for Housing**

*To enable delivery of the Clydeplan Strategic Development Plan housing supply target for Inverclyde, new housing development will be supported on the sites identified in Schedule 3, and on other appropriate sites within residential areas and town and local centres. All proposals for residential development will be assessed against relevant Supplementary Guidance including Design Guidance for Residential Development, Planning Application Advice Notes, and Delivering Green Infrastructure in New Development.*

*The Council will undertake an annual audit of housing land in order to ensure that it maintains a 5 year effective housing land supply. If additional land is required for housing development, the Council will consider proposals with regard to the policies applicable to the site and the following criteria:*

- *a strong preference for appropriate brownfield sites within the identified settlement boundaries;*
- *there being no adverse impact on the delivery of the Priority Places and Projects identified by the Plan;*
- *that the proposal is for sustainable development; and*
- *evidence that the proposed site(s) will deliver housing in time to address the identified shortfall within the relevant Housing Market Area.*

*There will be a requirement for 25% of houses on greenfield housing sites in the Inverclyde villages to be for affordable housing. Supplementary Guidance will be prepared in respect of this requirement.*

Inverclyde Local Housing Strategy 2017-2022 and 2020 Update

2.17 The Inverclyde Local Housing Strategy 2017-2022 sets a context for the inclusion of a 25% affordable housing policy in Inverclyde under its Outcome 1: Access to Housing.

**3. The requirement for an affordable housing policy in the Inverclyde Local Development Plan**

Housing Supply Target and Housing Land Requirement for Affordable Housing

3.1 The Clydeplan Strategic Development Plan sets the Housing Supply Target and Housing Land Requirement for ‘social sector’ housing (social rent and below market rent) for Inverclyde, as set out in paragraph Table 1 above. The 1,100 units affordable housing supply target for the period 2012-2024 equates to an annual target of 92 units. For comparison purposes, Table 2 sets out how affordable housing completions since 2012 compare with that target. This illustrates that there has been sub-target provision in a number of years, and over the 2012-2020 period the average annual completions are 61 compared to an annualised Housing Supply Target of 92.

Table 2: Affordable housing completions 2012-2020

<b>Year</b>	<b>Affordable housing completions</b>
2012-13	114
2013-2014	59
2014-2015	1
2015-2016	106
2016-2017	0
2017-2018	68
2018-2019	93
<b>Average annual completions 2012-2020</b>	<b>63</b>

3.2 However, as set out in the Housing Land Technical Report 2021, a significant increase in delivery of affordable housing is expected, and underway, for the remainder of the period to 2024, with 891 housing association homes built or projected to be built between 2019 and 2024. The high number of completions is owing to these years marking the end of the initial and significant More Homes Scotland funding programme from the Scottish Government.

3.3 Table 3 compares completions and projected completions with the 2012-2024 Housing Supply Target and Housing Land Requirement showing that completions are expected to be in excess of the Housing Supply Target and Housing Land Requirement.

Table 3: Comparison of completions and projected completions to 2024 with Housing Supply Target and Housing Land Requirement to 2024

2012-2024 completions and projected completions	2012-2024 Housing Supply Target	2012-2024 Housing Land Requirement
1,371	1,100	1,270

3.4 Considering the period beyond 2024, the comparison of the Housing Land Requirement with the land supply for affordable housing is set out in Table 4.

Table 4: Land available for affordable housing compared with Housing Land Requirement for Affordable Housing post 2024.

Land available for affordable housing post-2024	Housing Land Requirement for affordable housing 2024-2029/32
564	460

- 3.5 Based on completions in the 2012-2024 period being expected to exceed both the Housing Supply Target and Housing Land Requirement for that period, and the land available for affordable housing in the post 2024 period exceeding the Housing Land Requirement for the 2024-2029 period, it is concluded that an area wide affordable housing policy in Inverclyde is not required.

Distribution of affordable housing and land for affordable housing in Inverclyde.

- 3.6 The Local Housing Strategy identifies a significant shortfall in the provision of social rent properties in Inverclyde, with 4,674 households registered as seeking new affordable homes across Inverclyde in 2016. It is noted that the overall pattern of unmet need is associated variously with supply issues, demand pressures and shortfalls in specific house types and sizes.
- 3.7 Social rented stock distribution in Inverclyde is weighted towards the main urban towns, particularly Greenock and Port Glasgow, as evidenced by Table 5. At March 2014, the number of social rented landlord units in Kilmacolm and Quarrier's Village was 52 and in Inverkip and Wemyss Bay it was 119. There has been no development of social rented houses in the villages since 2014.

Table 5: All dwellings by tenure and local housing market areas (LHMA)

	All dwellings	Owner Occupier (OO) (%)	Registered Social Landlord (RSL) (%)	Private Rented (PRS) (%)
Greenock South West	5,163	57	37	6
Port Glasgow	5,740	58	32	10
Greenock Central East	14,524	50	39	11
<b>Inverclyde East</b>	<b>25,427</b>	<b>54</b>	<b>37</b>	<b>10</b>
Greenock Central West	3,658	76	10	13
Gourock	5,577	81	9	11
Inverkip & Wemyss Bay	2,371	87	5	9
<b>Inverclyde West</b>	<b>11,606</b>	<b>81</b>	<b>11</b>	<b>8</b>
<b>Kilmacolm &amp; Quarrier's</b>	<b>1,743</b>	<b>86</b>	<b>3</b>	<b>11</b>
<b>Inverclyde</b>	<b>38,778</b>	<b>63</b>	<b>27</b>	<b>10</b>

Source: Assessors stock data, March 2014

- 3.8 Of the land identified in the Proposed Local Development Plan, that is expected to be developed for affordable housing, none of it is located in the Inverclyde villages of Kilmacolm, Quarrier's, Inverkip and Wemyss Bay.
- 3.9 The Housing Needs in Inverclyde report which informed the Local Housing Strategy 2017-22 notes that only 13.5% of sales in the Kilmacolm/Quarrier's Village area in 2015 were affordable to lower quartile income households, based on a 10% deposit.

3.10 The above information illustrates a limited supply of affordable housing (both social rent and private) in the Inverclyde villages.

## **4.0 Affordable Housing Provision in New Development**

### Scale of Development subject to Affordable Housing Requirement

- 4.1 The affordable housing requirement in Policy 18 will apply to all proposals for 20 or more residential units, whether proposed individually or as part of a phased development.

### Preferred Type of Affordable Housing Provision

- 4.2 To facilitate mixed communities, the Council's preference is for the affordable housing requirement to be met on the site of the proposed development through the transfer of serviced land sufficient to deliver 25% of the total number of residential units on the application site to a RSL for the provision of social rented, or mid-market or intermediate rent, or for the developer to make 25% of the total number of residential units on the application site available for low-cost housing for sale. A combination of affordable rented and for sale homes will also be acceptable. Where the percentage requirement results in a fraction, this will be rounded to the nearest whole number of units.
- 4.3 The area of the land to be made available for affordable housing will depend on housing needs in a particular location, i.e. houses or flatted development. It is recommended that developers engage in early discussions with the Council's Housing Strategy Team and RSLs, if applicable, to determine the appropriate unit size and type required in the local area.
- 4.4 A developer is required to demonstrate that any land to be transferred is:
- fully serviced to the site boundary (services must include, but are not limited to: telecommunications, foul and surface water drainage, gas (if available on rest of site), electricity and mains water supply);
  - free from physical constraints and any financial burdens
  - developable within the agreed period of the full development's proposed construction time frame; and
  - suitable for public grant funding (i.e. within the Scottish Government's subsidy target and development cost benchmarks).
- 4.5 Serviced land should be transferred at its end use value (i.e. social rent or mid-market/intermediate rent) or, by agreement between the developer and a RSL, at a lower value. The value of serviced land will be independently determined by the District Valuer and should reflect the location, the type of affordable housing and any other factor which will influence the value.

### Alternative Options for Affordable Provision

- 4.6 Where it is clearly demonstrated that the Council's preferred type of affordable provision cannot be delivered because this is either not possible within the necessary development timescales or public subsidy is not available, the Council will consider the alternative means of provision set out below.
- Affordable units built by the developer as an integrated part of the development and subsequently transferred to an RSL (either as shells or fully fitted units). These units must meet the design standards in the Scottish Government's grant funding criteria. Timescales for delivery of the affordable units, relative to the private units, will be set out in a legal agreement.
  - Provision on an alternative site which is within the same village as the application site, either in the form of serviced land or built units. Off-site provision must be equivalent to the value of the requirement on the original site and, where it is a greenfield site, be capable of accommodating the transferred requirement as well as any requirement arising from its own development. The site should be suitable for residential

development (i.e. the principle of this use is established in the Local Development Plan or through a planning permission), be free from constraint, and deliverable within the agreed development timeframe of the original application site. Where a public funding commitment is required, the site should be deliverable at a cost within the published Scottish Government subsidy target and development cost benchmarks. It should be noted that the provision of affordable housing off-site will be in addition to the affordable requirement relating to the alternative site.

- 4.7 Where Scottish Government grant funding cannot be secured the developer, working with a nominated RSL, should provide a reduced number of completed affordable units equivalent to the cost of providing serviced land. This can be combined with any private finance raised by the nominated RSL.
- 4.8 The commuted sums approach will not be considered by the Council as previous experience in Inverclyde has shown that it limited delivery of affordable housing. In addition, the limited supply of housing development opportunities in the village's means there is little scope for commuted sums to be used to deliver affordable housing.

#### **Design of Affordable Housing Provision**

- 4.9 In line with PAN 2/2010, the Council will normally require affordable housing to be:
- physically integrated with the market housing on the development site; and
  - indistinguishable from the general mix of other houses on a site, in terms of style and layout, use of materials, architectural quality and detail.
- 4.10 Where it is agreed that a developer will transfer built units to a RSL, consideration must be given to ensure that the design of the units does not place an undue burden on the RSL, in relation to future management and maintenance. Dialogue and agreement between the developer and the nominated RSL will be required in relation to achieving an appropriate layout and design.

#### **Viability**

- 4.11 While the Council recognises that the affordable housing requirement in Policy 18 will result in a cost to the developer, developers are expected to take this requirement into account when negotiating a land value with site owners. To inform land purchases/agreements, it is recommended that developers engage in early discussions with the Council's Strategic Housing Team and RSL, where applicable, on the house type and size that will best meet the need in the relevant Housing Market Area.
- 4.12 Where a developer can demonstrate that a site has exceptional costs, over and above that expected in most developments, which could not have reasonably been foreseen and would make a development proposal financially unviable, the Council may consider a reduction in the affordable housing requirement. In such circumstances, to enable a full assessment of development costs and impacts on viability, the developer is required to provide a development appraisal, which should compare the gross development value of a scheme with the cost of providing that development, including the value of the site (see Appendix 1 for further guidance on what should be included in an appraisal). The Council will refer the development appraisal to the District Valuer (or other agreed valuation surveyor), who will take account of any legitimate extraordinary costs and reflect this in the final affordable housing requirement.
- 4.13 The Council accepts the sensitive nature of the information requested in the appraisal and will therefore keep the content of the appraisal confidential between the applicant, named officials within the Council, and the independent assessor.

- 4.14 Where there is disagreement as to the economic viability of a proposed development, the matter may be referred to an independent expert appointed by the Council at the developer's expense.
- 4.15 Where it is considered that the burden imposed by the requirement is so great that the proposal would not otherwise take place, the Council will negotiate with the developer to determine if a contribution to the affordable housing requirement can be met by other means.

## **5. Supporting Processes**

### Early Engagement

- 5.1 Applicants are strongly encouraged to engage, at the earliest possible stage, with the Council's Planning and Housing teams, in order to determine and discuss the affordable housing requirement on the site (e.g. number of units, size, type etc.), availability of public funding and design etc. Early discussions will also enable any potential obstacles to the Council's preferred form of provision to be identified and addressed.
- 5.2 It is also recommended that developers enter into early discussions with RSL's or other appropriate affordable housing providers.

### Use of Legal Agreements

- 5.3 All affordable housing requirements will be secured through legal agreement (under Section 75 of the Town and Country Planning (Scotland) Act 1997) between the Council and the applicant/landowner. Such agreements must be concluded prior to the issuing of planning consent. A Section 75 Agreement will be registered with the Registers of Scotland and will be a burden on the title to the land.
- 5.4 The legal agreement will be prepared at the developer's expense and typically specify:
  - The mechanism for delivery of affordable housing (e.g. serviced land, built units or off-site provision)
  - The use to which serviced land can be put i.e. affordable housing;
  - Timescale for transfer of land or built units to an RSL;
  - The extent of the land/number of built units to be provided;
  - The agreement to transfer the specified land area/number of built units to an identified RSL, shown on a plan;
  - Return of serviced land to the developer where no development of affordable housing has been undertaken by RSL within a specified time, which is to be set out in the agreement;
  - Details of how any disputes will be resolved; and
  - A restriction which prevents more than an agreed number of private/market units to be constructed and/or occupied before the affordable housing land is transferred to the Council or identified RSL.

## **APPENDIX 1 – Information to be provided in a Development Appraisal**

Valuations and associated opinions included in an appraisal should be from suitably qualified and experienced persons. Typically a development appraisal should compare the gross development value of a scheme, with the cost of providing that development, including the value of the site. The development appraisal should be broken down into 3 principal areas:

1. Gross Development Value: - the estimated capital value of the completed development broken down by value of individual units.
2. Site Value: - purchase price (and date purchased) or agreed price (and date agreed) or estimated current value.
3. Costs of Development. This should include the following matters:
  - Infrastructure costs
  - Building costs including number, size and design of units
  - Professional fees (architects, quantity surveyors)
  - Planning and building regulation fees
  - Contingency allowance
  - Finance costs (i.e. interest paid on borrowing money to buy the site and fund the building works)
  - Developers profit margin
  - Selling agent's fees

These are minimum requirements and a more detailed appraisal may be required.

It should be noted that developers will be expected to pay for the District Valuer's report when requesting a reduction in the affordable housing requirement.

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