

Affordable Housing

Supplementary Planning Document



Scarborough
Borough Council

February 2022

Alternative Format Documents

Alternative Format Documents

Alternative Format Documents

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Alternative Format Documents

Executive Summary

Executive Summary

Applicants and agents in particular need to read the Supplementary Planning Document (SPD) so that they know how the Council will practically interpret and apply the requirements of the affordable housing policies within the Local Plan, National Planning Policy Framework and online Planning Practice Guidance.

Please read this SPD before you agree to make transactions for land sales and purchases.

Update Note:

This update to the Supplementary Planning Document is to provide updated information on First Homes which has been brought into force from 28 June 2021.

Executive Summary:

The Affordable Housing Supplementary Planning Document (the SPD) applies to new housing development in Scarborough Borough (excluding the area within the North York Moors National Park) and it will help put in place the Council's Local Plan policies for affordable housing.

The introduction to the SPD (Chapter 1) explains the justification for requiring affordable housing and its national and local policy context.

Chapter 2 explains the different types of affordable housing and the definition of affordability.

Chapter 3 covers the thresholds for on site provision of affordable housing. It clearly identifies an area based approach.

Chapters 4 and 5 relates to the consideration of planning applications involving affordable housing, including the factors involved in the negotiation such as design standards, tenure mix and viability. It emphasises the need for applicants to supply the right type of information on viability to the Council.

Chapter 5 covers the Council's approach to unilateral undertakings and Section 106 legal agreements for affordable housing, including standard agreements / undertakings which are intended to make the planning application process clearer.

Chapter 5 also explains what happens after a planning application involving affordable housing is determined. The procedures for collecting and monitoring financial contributions can be found here, together with the ways the Council will spend contributions to deliver more affordable housing throughout the Borough (set out in Chapter 4). The Council will ensure that the process of how contributions are handled and spent is clear and transparent and readily accessible. Contributions will be spent on projects which will secure more affordable housing in the Borough. Contributions will be spent in a timely manner and handled efficiently. The Council will monitor and review the process closely so that value for money is secured.

Chapter 6 and Appendix 2 relate to viability and the assessment procedure.

Executive Summary

Appendix 1 contains maps which show the extent of the housing market areas which apply to Table 3.1 of this document and Policy HC3 of the Local Plan.

Quick Guide to Affordable Provision on Sites

Both this SPD and the Local Plan set out the process and requirements for the provision of affordable housing. The following will set out the requirements (as amended by this updated SPD) to avoid confusion.

From 28 December 2021 there will be a requirement to provide 25% of affordable homes as 'First Homes' ⁽¹⁾

The remainder of the affordable provision will be split between rented (affordable and/or social) and other intermediate tenures. The tenure split remains as a 70:30 rented/intermediate split for the remainder of the affordable housing (75%).

The following is an example of how this will work in practice:

- Whitby Housing Site for 100 dwellings.
- There is a requirement for 30% affordable housing (30 units).
- 25% of those units will be First Homes (8 units)
- 70% of the remaining units will be affordable/social rented (15 units)
- 30% of the units will be other intermediate (Discount Sales Housing, Shared Ownership, etc) (7 units)

This updated tables show the requirements by area when a scheme for 10 or more dwellings is proposed and there is a requirement for affordable housing.

	Housing Market Areas/Parishes		
	Scarborough ⁽²⁾	Filey, Hunmanby & Southern Parishes ⁽³⁾	Whitby, Northern & Western Parishes ⁽⁴⁾
Affordable % Contribution	10%	15%	30%

Table 2.1 Affordable Requirement by Area

-
- 1 This can be put back until 28 March 2022 if there has been substantial pre-application engagement but can also be brought forward from 28 June 2021 at the discretion of the applicant.
 - 4 Whitby, Northern and Western Parishes consists of Whitby, Eskdaleside, Sandsend, Ruswarp, Newby, Scalby, Burniston, Cloughton, East Ayton, West Ayton, Brompton, Sawdon, Wykeham, Ruston and Snainton.
 - 3 Filey and the Southern Parishes consists of Filey, Hunmanby, Cayton, Seamer, Irton, Muston, Gristhorpe, Lebberton, Reighton, Speeton and Osgodby
 - 2 Scarborough consists of the Town area (Wards of Castle, Falsgrave & Stepney, Northstead, Weaponness & Ramshill and Woodlands) and the Parish of Eastfield

Executive Summary

	Housing Market Areas/Parishes		
	Scarborough	Filey, Hunmanby & Southern Parishes	Whitby, Northern & Western Parishes
First Homes	30%	30%	30%
Discount Sales Market Housing	30%	40%	45%

Table 2.2 First Homes/Discount Market Sales housing discount of Market Values by area

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What is the justification for requiring Affordable Housing ? 1

1 What is the justification for requiring Affordable Housing ?

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. The Council's Corporate Plan, "Better Borough, Brighter Futures (2020-2023)" has the aim of 'Ensuring everyone in the Borough has a decent home to live in, and has access to good quality, affordable housing'. Government support for this view is expressed in 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.

National Planning Policy

1.2 The National Planning Policy Framework (Para 63) states that where local planning authorities have identified that there is a need for affordable housing they should '..... specify the types of affordable housing required, and expect these requirements to be met on site.....'

1.3 It is considered that the results of the recently updated Strategic Housing Market Assessment (2021) and the Affordable Housing Economic Viability Assessment provide the evidence to support and justify the affordable housing percentages as well as financial contributions in lieu of on site provision.

Local Planning Policy

1.4 This SPD seeks to build on the policy framework provided by the Scarborough Borough Local Plan (2017), and in particular Policy HC 3.

Local Needs

1.5 The principle source of local housing needs information is the Scarborough Borough Strategic Housing Market Assessment 2021. The Assessment shows the current and predicted number of households in housing need in the Borough.

1.6 The Housing Market Assessment identified an overall affordable housing need from 3,507 households over a 16 year period (2022-38) resulting in an annual need of 219 affordable homes across the Borough.

1.7 The Assessment demonstrated a need for both rented and intermediate affordable housing, which includes low cost home ownership. Around 47% of households in need are in the category of 'Households aspiring to home ownership'. There is significant need across all the main property types (1, 2 and 3 bed dwellings). The Housing Market Assessment mirrors the demand from other local indicators of housing need. There is a high need for all types of housing across all areas of the Borough.

1.8 The main reasons for such current high levels of housing need in the Borough are principally affordability of housing and shortage of supply (of affordable units). Housing affordability has continued to be an issue with relative affordability in 2020 being 6.37x earnings (median). The average house price in the Borough is around £150K. However, lower quartile

1 What is the justification for requiring Affordable Housing ?

earnings are £20,576 (2020) whilst median gross incomes are around £27k per annum (2020), with the lowest 10% earning less than £15,646 per annum. The latest data for Gross Disposable Household Income (Nomis) suggests that the average disposable income per head in Scarborough Borough is £18,695 in 2018.

1.9 Copies of the Strategic Housing Market Assessment are available from the Borough Council's website.

What is Affordable Housing ? 2

2 What is Affordable Housing ?

Types of Affordable Housing

2.1 The Council uses the Government's own definitions of affordable housing as stated in the National Planning Policy Framework (NPPF).

2.2 Affordable housing is defined in NPPF (July 2021) as housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is essential for local workers) and which complies with one or more of the following definitions below.

2.3 Affordable housing includes social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

2.4 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.

2.5 Affordable housing for rent meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents ⁽⁵⁾ (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

2.6 First homes is as set out in the Ministerial Written Statement of Christopher Pincher (24 May 2021) and in the concurrent updates to the online Planning Practice Guidance (<https://www.gov.uk/guidance/first-homes>). The definition of a first home is one that is sold at least 30% below market value to a first-time buyer and retains its market discount in perpetuity for future sales. There is also a upper limit on household income (£80,000), the house price (£250,000) and the ability for Local Authorities to add additional requirements including a preference for key workers and/or a higher level of discount.

2.7 Discounted market sales housing is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households. Information on this type of affordable product and the mechanisms for controlling its current and future occupation, sales values and other matters are set out in Chapter 4.

⁵ Capped at the Local Housing Allowance rate

2 What is Affordable Housing ?

2.8 Other affordable routes to home ownership is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

2.9 Please note that this is the definition as of the date of adoption of the Affordable Housing SPD. Any subsequent update to the definition as set out in Regulation or other associated guidance will supersede the definitions set out above.

Affordability

2.10 In the case of Social Rented Accommodation, affordable rents are set by the Homes England in line with national rent restructuring guidelines.

2.11 In the case of Intermediate Affordable Housing, the Council uses the one of a number of recognised definitions of affordability based on gross household income. An owner-occupied or intermediate tenure property is generally considered to be unaffordable if it costs more than 3.5x gross household income.

On which sites will Affordable Housing be expected ? 3

3 On which sites will Affordable Housing be expected ?

Thresholds

3.1 The thresholds and percentages set out in Table 3.1 will be applicable to all developments.

Affordable Threshold (no of dwellings)	Housing Market Areas		
	Scarborough	Filey/Hunmanby/Southern Parishes	Whitby/Northern & Western Parishes
10+	10%	15%	30%
9 or less	No Contribution ⁽⁶⁾		

Table 3.1 Affordable Contribution by Housing Market Area

3.2 The table above sets out the percentage of affordable units required within different sized schemes within the different Housing Market Sub-Areas within the Borough. This method of calculating the affordable contribution was found sound by the appointed Planning Inspector through the Local Plan Examination in Public. The Local Plan has since been adopted on 3rd July 2017. The Housing Market Sub-Areas (for the purposes of this SPD) are defined in the maps attached at Appendix 1.

3.3 The Council's targets for on-site provision will only be reduced where it is demonstrated through an open book viability assessment (see Chapter 6 / Appendix 2) that the required affordable housing target makes the development not viable.

3.4 In addition to any pre-application fee applicable a fee of £250 (subject to review) will be charged to cover the assessment of any viability appraisal submitted. The viability assessor will attend at least one of the pre-application meetings and provide a written response on the Viability Assessment. Further charges may apply if additional meetings on viability or further written advice is required. Where the Council is unable to carry out an in-house viability assessment this may lead to the requirement for independent advice to validate a viability appraisal submitted by an applicant seeking to justify a variation. In such cases the reasonable costs (agreed upfront) will be met by the developer/applicant. The Council wishes to avoid situations where developers purchase land without taking the requirement to provide affordable housing into account. Developers should not expect that the requirement to provide affordable housing will be waived or reduced where this has not been accounted for in the land purchase price.

3.5 There will be cases where the percentage of affordable housing sought in a particular site does not give rise to an exact number of dwellings (e.g. 21 units @ 30% would give a requirement of 6.3 units). In such cases the approach will be to round down or round up the number to give the 'on-site' provision units figure (in the above example, 6 units) (6.5 or anything above would be rounded up).

⁶ Unless the site is 0.5 hectares or more, in which case the provision will be based on the figures shown shown for schemes of 10 dwellings or more. See Paras 3.28 and 3.29 for more information.

3 On which sites will Affordable Housing be expected ?

3.6 The best use should be made of sites suitable for housing development. If a scheme is considered to be not making best use of a site by not delivering the number or range of dwelling types required to balance the local housing market or meet local housing needs without good reason, then it will be refused.

3.7 Where a planning application is submitted for a development which forms part of a more substantial proposed development, on the same or adjoining land, an overall figure for affordable housing would be agreed at the onset, for subsequent review during the phasing of the development.

Vacant Building Credit

3.8 In line with the Government's online Planning Policy Guidance, a 'vacant building credit' will be applied to appropriate developments where a vacant building is either converted or demolished. This credit will be equivalent to the gross floorspace of the building to be demolished or brought back into use. This credit does not apply when a building has been abandoned or where a building has been made vacant for the sole purpose of re-development.

3.9 In instances where buildings are demolished or removed on health and safety grounds it will be at the discretion of the Council whether to apply vacant building credit. Any person wishing to demolish buildings before submitting a planning application for housing should seek the advice of the Local Planning Authority prior to carrying out any works. If it is an emergency, potentially out of office hours, the Council should be notified as soon as possible with a full explanation of why the works were carried out and supported by any relevant structural or safety reports and photographic evidence.

3.10 Where there is an overall increase in floorspace in the proposed development, the Council should calculate the amount of affordable housing contributions required from the development as set out in their Local Plan. A 'credit' should then be applied which is the equivalent of the gross floorspace of any relevant vacant buildings being brought back into use or demolished as part of the scheme and deducted from the overall affordable housing contribution calculation. This will apply in calculating either the number of affordable housing units to be provided within the development or where an equivalent financial contribution is being provided.

3.11 The existing floorspace of a vacant building should be credited against the floorspace of the new development. For example, where a building with a gross floorspace of 8,000 square metre building is demolished as part of a proposed development with a gross floorspace of 10,000 square metres, any affordable housing contribution should be a fifth of what would normally be sought.

Outline Applications

3.12 In the case of outline applications, the delivery of affordable housing must be agreed in principle. The Council will require inclusion of a formula as applicable for the size of site (based on Table 3.1) for the calculation of the appropriate number, type and tenure of the affordable homes within a Section 106 Agreement at the outline application stage, which will be applied to Reserved Matters proposals.

On which sites will Affordable Housing be expected ? 3

Financial Contributions

3.13 In exceptional circumstances a financial contribution may be accepted in lieu of on-site or off-site provision, the contribution will be paid into a ring-fenced Housing Enabling Fund which will be used to contribute to the overall affordable housing provision in the Borough through a range of projects such as (e.g. supporting the development of rural affordable housing, enabling any specialist housing provision such as supported housing, forward / gap funding schemes, improving tenure mix / affordability, empty homes / refurbishments, etc). This is not an exhaustive list and the fund can be used to support new innovative ways to contribute to increasing affordable housing provision including the consideration of viability assessments submitted with an application to ensure the maximum number of affordable units are secured. Each year a monitoring statement will be produced and displayed on the Council's website detailing the monies collected and how the fund has been utilised.

Exceptions

3.14 Institutional care homes, nursing homes and almshouses (Use Class C2) are not subject to an affordable housing requirement. This does not include voluntarily age-restricted C3 uses which will be required to contribute towards affordable housing needs.

3.15 In some cases independent local charitable trusts provide affordable housing for local people in housing need. Most are for older or disabled people living in a specific geographical area or connected with a particular trade (for instance Almshouses). We accept that, whilst such Trusts do not fully meet the criteria of the affordable housing definition as outlined in online Planning Policy Guidance, they do provide a form of social housing that plays a part in meeting local housing need, therefore the Council will adopt a flexible approach to the consideration of stand alone applications for proposed developments by such bodies.

3.16 In these instances the Council would not expect such a provider to provide additional affordable housing or expect the homes provided to be in strict accordance with the Council's definition of affordable housing.

3.17 However, where a developer wishes to include such an organisation as part of a wider private housing development in order to meet the on-site requirement regarding affordable housing, the Council would expect the organisation proposed, to offer an equivalent arrangement to affordable housing provided by a Register Provider (RP). In these instances, the Council would need to be satisfied that:

- The rents of the homes being proposed were affordable;
- There were adequate safeguards in place to ensure that the homes remain affordable in perpetuity;
- The proposed lettings and management arrangements were equivalent to those provided by a regulated RP;
- The level of security of tenure offered was equivalent to that offered by an RP; and
- The proposals complied with required design standards expected of RPs.

3 On which sites will Affordable Housing be expected ?

3.18 The Council will expect to secure such provisions through a formal agreement under s.106 of the Town and Country Planning Act 1990.

Self Build/Custom Build

3.19 The Government is also promoting self and custom build developments ⁽⁷⁾with the recently introduced statutory requirement to maintain a self-build register and provide an appropriate number of serviced plots ⁽⁸⁾to meet identified need. To encourage self and custom build there is an expectation that such developments will generally be exempt from affordable provision along with other obligations. Such developments are already exempt from Community Infrastructure Levy.

3.20 Most self-build plots will come forward on an individual basis or in some cases as a small group if it involves a self-build collective. Rarely would a self-build scheme involve 10 or more units in a single planning application, however, it may do so if a landowner applies for an outline application for a site of self or custom build plots.

3.21 In such instances a pragmatic approach should be taken towards affordable provision. On the basis that the scheme is genuinely targeted for self or custom build it is considered that an affordable contribution should not be sought. Following the grant of any such outline permission there will be the submission of reserved matters for individual plots. In essence all the land owner is aiming to do is provide greater certainty that development (in this case self-build) is acceptable in principle.

3.22 A legal declaration to confirm a proposal is for self-build or custom build must be made through the submission of an exemption form to the Council alongside any planning application. In any of the cases described above the applicant will be required to enter into a legal agreement restricting the scheme to self and/or custom build homes.

3.23 The legal agreement will also include a clause or clauses to ensure that should some or all of the units not come forward for self-build then an affordable contribution will be payable on those units in accordance with the normal requirements of this SPD and Policy HC3 of the Local Plan.

3.24 If the scheme was to come forward with no self-build dwellings at all and revert to a typical private market housing scheme then the affordable housing requirement would also revert back to that as set out in Policy HC3 of the Local Plan with an expectation of on-site provision.

7 Para 016 of the PPG defines this as where an individual, an association of individuals, or persons working with or for individuals or associations of individuals, build or complete houses to be occupied as homes by those individuals.

8 The Self-build and Custom Housebuilding Regulations 2016 definition was updated by the PPG (Para 026) on 28 July 2017. This defines a serviced plot as one that has access to a public highway and has connections for electricity, water and waste water, or, in the opinion of a relevant authority, can be provided with access to those things within the duration of a development permission granted in relation to that land.

On which sites will Affordable Housing be expected ? 3

3.25 Should any individual or multiple plots come forward that would not fall under the definition of self-build then they would be expected to provide on-site affordable housing or to make a financial contribution to the off-site provision of affordable housing depending on the scale of the scheme. This will be on a pro rata basis and calculated at the time of an application. The following example explains how this will work in practice:

A scheme of 15 self-build plots is approved in outline. 10 of these plots do come forward for self-build properties; however, 5 are ultimately built by a local builder on a speculative basis. These 5 dwellings would not be classed as self-build and would not be exempt from an affordable contribution as the entire scheme was for 10 or more dwellings (or 0.5 hectares). As these properties represent a third of the development then they will be expected to provide a third of the typical affordable contribution for the full scheme; be that on-site or an off-site contribution.

3.26 It is proposed to adopt the exemption rules currently used for exempting a Community Infrastructure Levy payment on self and custom build homes. This will ensure that exemptions for self and custom build will only apply to persons who are building their own home or have commissioned a home from a contractor, house builder or sub-contractor. Individuals claiming the exemption must own the property and occupy it as their principal residence for a minimum of 3 years after the work is completed.

Larger Homes (the 0.5 hectare rule)

3.27 Where a scheme comes forward for nine or fewer homes but is on a site which is 0.5 hectares or greater an affordable contribution will be required. In such instances it will not normally be feasible to provide units on site and an in-kind off-site provision or financial contribution will be sought. This will be calculated using the normal percentage requirement for an off-site in-kind offer or, if a financial contribution is the preferred option, be calculated in the same manner as all other financial contributions (examples shown in Chapter 4).

3.28 When such schemes are to be submitted early discussions with both the Local Planning Authority and the Local Housing Officer are encouraged. This is to determine what the in-kind and off-site provision should consist of or, if a financial contribution is to be sought, to ensure it is proportionate to the number of units that would otherwise be provided off-site.

4 What factors will be considered in negotiations ?

4 What factors will be considered in negotiations ?

4.1 Firstly there are three options for the provision of affordable housing. These are shown below with further detail following:

- on-site provision;
- off-site provision of land or actual housing units;
- a financial contribution.

On-site Provision

4.2 The preference is always for on-site provision. There are some limited instances when an off-site contribution (in-kind or land) or a financial contribution may be acceptable. This is explained in more detail in the following paragraphs. In accordance with Para 63 of the NPPF, the Council expects affordable housing to be secured by on-site provision. It is anticipated that where a site is suitable for housing development it will also be suitable for affordable housing to be provided on the site. Therefore, where the dwelling numbers trigger the relevant policy threshold, the presumption will be that provision of affordable housing should be made on the development site itself. It would only be where it can be robustly justified that an alternative to on-site provision is appropriate that it 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, and it would need to be clear that the most appropriate solution for contributing to mixed communities in the specific circumstances was through an alternative route.

Off-site Provision

4.3 This can take the form of in-kind provision or, as a final option, a financial contribution.

In-Kind Provision

4.4 Occasionally developers may propose to build or purchase affordable homes or alternatively provide serviced land 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. As above, on all occasions, the expectation would be to fully review the on-site scope first.

4.5 In such cases 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 RP.
- The homes or land being provided off-site should be in a suitable location, preferably in the same Ward or Parish as the new development.

What factors will be considered in negotiations ? 4

- 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 RP are in place and agreed before a planning application is agreed.
- The mechanism for providing off-site provision is explained in Chapter 5.

Financial Contributions

4.6 In certain circumstances a financial contribution may be accepted in lieu of on-site provision and in-kind off-site provision.

4.7 This is the least favoured option as it places further pressure on the Borough Council to find sites and acquire land themselves or identify opportunities to allocate such affordable housing contributions and takes the responsibility away from the developer.

4.8 The contribution will be based on the affordable housing provision as calculated in Table 3.1 and will be the difference between the value of market housing on the site and the transfer value of affordable units. An example of how the financial contribution will be calculated is shown later in this section, however, first it is important to explain and set out transfer values.

Transfer Values

4.9 To assist in determining the viability of schemes and to aid the calculation of off-site contributions, the Housing Service has conducted research into transfer values and the most appropriate means of determining such values; whether they should be fixed, based on a £ per sq m or a % of open market value. The conclusion was that transfer values should be fixed and expressed as a percentage of open market value. This provides certainty for both the housebuilder and the registered provider. Furthermore there is still the flexibility allowed through 'viability appraisal' as set out in Policy HC 3 of the Scarborough Borough Local Plan.

4.10 This will allow account to be taken of occasions when values cannot be achieved and a Registered Provider cannot meet the transfer value set out below. Where this is the case and it affects the overall viability of a scheme, such evidence will need to be reflected in a viability appraisal. The proposed alternative transfer value must be based on an independent valuation carried out by a suitably qualified (RICS) local valuer, the cost of which should be borne by the applicant. It is therefore important that developers discuss the transfer of housing to Registered Providers as early in the process as possible and preferably prior to the submission of a planning application. Where such matters are not resolved to the satisfaction of the Council within the set period for determining an application such proposals will be recommended for refusal unless an extension of time can be agreed.

4.11 These transfer values have been updated in accordance with guidance from the Borough Council's Housing Section. Using the latest figures achieved on sites and in discussion with Registered Providers the proposal is to have fixed transfer values based on a percentage of the Open Market Value (OMV) for rented and low cost home ownership (LCHO). No separate values have been provided for social rent and affordable rent following the discussions with the

4 What factors will be considered in negotiations ?

Registered Providers. However, this would not prevent social rented units being provided on any scheme. The transfer values differ per locally defined Housing Market Areas and relate to the viability of schemes and the relative value of property in the respective areas. The table below sets out the transfer values for the various areas of the Borough and then examples of calculating off-site contributions are provided.

	Housing Market Area		
	Scarborough Urban	Filey/Hunmanby/Southern Parishes	Whitby/Northern & Western Parishes
Rented	55% of OMV	42% of OMV	40% of OMV
Low Cost Home Ownership	60% of OMV	47% of OMV	45% of OMV

Table 4.1 Transfer Values

4.12 The lower values for rented units reflect the need to ensure that rents are within the Local Housing Allowance for the area, and that the units will be affordable for households in need, and to allow the potential for social rented units to be provided where possible. ⁽⁹⁾

4.13 The examples below show how financial contributions will be calculated. The main aim is to ensure, in accordance with the NPPF, that affordable housing is delivered on-site. One way of doing this is to ensure that it is not financially beneficial to the developer to simply pay a financial contribution and thereby pass the responsibility of provision to the Council.

How A Financial Contribution Will Be Calculated

Example 1: Using a % Transfer Value for Low Cost Ownership in Scarborough

A scheme of 20 flats in Scarborough would normally provide 2 on-site affordable units. The flats are valued at £200,000 on the open market. The transfer value for this area and tenancy type is 60% (£120,000 per unit).

If these units are sold as market housing the developer will receive £200,000 per unit; £80,000 more than if they were transferred to an RP. Therefore the financial contribution should be £80,000 per unit and a total contribution of £160,000.

Example 2: Using a % Transfer Value for Rented in Filey

A scheme of 30 dwellings in Filey would normally provide 5 on-site properties (rounded up from 4.5). There are a variety of property types ranging from 2 to 4 bed dwellings with an overall valuation of £2.85m which averages out to £190,000 per property. The transfer value for this area and tenancy type is 42% (£79,800 per unit).

9 The indications typically assume nil grant – the usual current starting point for affordable housing provision.

What factors will be considered in negotiations ? 4

If these units are sold as market housing the developer will receive £190,000 per unit (average); £110,200 more than if they were transferred to an RP. Therefore the financial contribution should be £110,200 per unit and a total contribution of £551,000.

First Homes and Discounted Market Sale Housing

4.14 First Homes and Discount Market Sale Housing (DMS) are similar in that they are both affordable products to purchase. First Homes are described by Government as a form of DMS and both allow the opportunity for a household or person to buy a property at a discount below market value with that discount being held in perpetuity for future sales. The criteria and eligibility differ but in essence they offer a very similar opportunity to access a home to buy.

4.15 The main differences in terms of planning policy are that First Homes must be provided at the rate of 25% of all affordable homes on a housing site, have a standard discount across the Local Authority area and are limited to purchasers who meet the definition of a first time buyer. The discount attributed to Discount Market Sale Housing can vary across the Local Authority area.

4.16 This section will look at additional local criteria and eligibility requirements for each of these products and the discount applied to each tenure type. Both products have a set minimum discount (FH:30% and DMS:20%) that can be increased depending on local evidence. As reflected in transfer values there is clearly a house value differential across the Borough and the SPD should take this into account when setting appropriate discounts to ensure such products are genuinely affordable.

4.17 At the time of updating the SPD, the latest Zoopla Zed-Index values suggest an average property value of £258,517 (previous £244,341) in Whitby with values down to circa £193,477 (previous £180,000) in Filey and Hunmanby. It is more difficult to ascertain an exact figure for Scarborough Urban though the latest data shows an average price of £185,614. There will be significant variations as some areas have significantly higher house prices such as Scalby where average sales prices over 12 months are over £325,000 with average values estimated at over £375,000. It is however clear that house prices in the urban area are historically lower although there are significantly less opportunities for medium to large new build schemes in this location.

4.18 Utilising Rightmove, an assessment of house prices for terraced and semi detached properties has been undertaken. A more detailed assessment of 2 and 3 bedroom terraced and semi detached properties has also been undertaken as these are considered a more appropriate spread for purchasers for a DMS or First Home purchaser as this eliminates some of the larger bedroomed properties that would not necessarily be financially achievable for first time buyers or purchasers of a DMS home.⁽¹⁰⁾ The data for the individual towns and parish areas is shown in Appendix 3 and provides relevant information on a locational basis which will be used in determining any further discounts from that set nationally.

¹⁰ We have only used units where it specifically cites 2 or 3 bed and have tried to omit any properties that's sales prices are very low due to them being shared ownership or similar

4 What factors will be considered in negotiations ?

New Build Homes

4.19 Previous research has also shown that there is a premium on new build homes as may be expected. For example homes at Middle Deepdale (3 bed Kebbell) start at £209,950 which is considerably above Eastfield property prices and 16% above average 3 bed semi-detached property prices in Scarborough (unparished). In the same location Linden Homes are selling 3 bed semi properties for £182,950 which while not as high as Kebbell is similar to Scarborough (unparished) and significantly higher than Eastfield. Also at Middle Deepdale, Keepmoat has 3 bedroom semi properties currently listed for £255,695 (33% higher than Scarborough unparished average for semi-detached properties). Likewise in Seamer, Linden Homes are selling 3 bed semi properties for between £194,950 and £227,950. This is between a 7% and 25% uplift. In Whitby there are few new developments available as all are generally sold. Castle Fields in Whitby lists a starting price for any home as being £240,000 so on the assumption that this is a comparable unit this would be an 18% uplift.

4.20 It is therefore considered, as with the previous iteration of the SPD, that a premium needs to be added to new build homes over and above the average market value for sold second-hand homes. A figure of 15% is considered to be reasonable and this has been used to assess affordability. Clearly if figures differ substantially from what is listed then negotiations about variations on discounts can take place with the developer/applicant.

4.21 These figures need to be considered in light of earnings and be used to set a realistic discount against what are likely to be appropriate properties for persons using this method of purchasing a house.

4.22 The latest average earnings (2020) for the Borough as shown on the NOMIS website is £521.80 a week which equates to £27,134 a year. Whilst there is no current guidance from Government on what an income to mortgage multiplier should be, historically figures of around 3.5x to 4.0x income were suggested. On the basis of this average salary this would equate to a mortgage of between £94,969 to £108,536 (the cost of which would currently be between circa £450 and £520 per month over a 25 year period with interest rates around 3%) in addition to a deposit of around 10%. This results in proposed house prices of between £104,466 and £119,390 giving an average of circa £112,000.

4.23 Clearly the actual mortgage available can be greater dependent on the lender and other factors but these proposed limitations are considered realistic and based on the assessment of a lender known to provide mortgage products for discount sale housing (and assume this will also be applicable for First Homes). This is a not a standard product and there are a limited number of lenders who provide mortgages although with this becoming a mandatory requirement it is likely additional lenders will offer products for this sector of the market. For the purposes of this exercise a mortgage rate of 3% has been used for a period of 25 years.

4.24 Taking the above information into account the following table show the average prices for properties (2 and 3 bed terrace and semi-detached properties) along with an uplift for new build. It also sets out the % reduction to enable the home to be considered generally affordable (between £105,000 and £120,000) for a DFS Home or a First Home (using data for only 2/3 bedroom semi and terraced properties).

What factors will be considered in negotiations ? 4

Location	Av Price Semi/Terrace (2/3 beds only)	15% New Home Uplift	Discount to £112,000
Eastfield	£124,970	£143,716	22.07%
Scarborough (unparished)	£136,879	£157,411	28.85%
Filey	£157,131	£180,701	38.02%
Cayton	£157,695	£181,349	38.24%
Hunmanby	£160,744	£184,856	39.41%
Osgodby	£162,407	£186,768	40.03%
Southern Parishes ⁽¹¹⁾	£164,908	£189,644	40.94%
Seamer, Irton & Crossgates	£165,702	£190,557	41.23%
Burniston & Cloughton	£171,300	£196,995	43.15%
Western Parishes ⁽¹²⁾	£180,337	£207,388	45.997%
Newby and Scalby	£181,494	£208,718	46.34%
Whitby	£184,955	£212,698	47.34%

Table 4.2 Calculations for Discounts by Area

4.25 Considering these percentage discounts provides an indication of the discount that should be set (once rounded up or down). These align well with the current Housing Market Sub-Areas and the locational affordable housing requirements as set out in Local Plan Policy HC 3.

4.26 As previously stated the discounts for DMS can vary across an area to reflect the sub areas but First Homes must only use a single discount rate of either 30%, 40% or 50%. As a result of this and the differential in the value of housing markets in the three sub areas means that a simple system of using the same discount for the two forms of tenure; Discount Sales Housing and First Homes, is not feasible.

4.27 There are questions over the impact on viability of having a First Homes discount that is set too high. Using a figure above 30% will significantly reduce the discounted price of such products in the Scarborough area and in turn likely impact on the delivery of a policy compliant level of affordable housing. Further work on the viability of discount rates for First Homes is being carried out as part of the Local Plan review and it is therefore proposed to adopt the nationally set discount of 30% until the full impacts of amending that upwards can be fully tested. If that work finds that a higher discount of 40% or 50% can be implemented without adversely affecting viability then a further update of the SPD will take place.

11 Gristhorpe, Lebberston, Muston, Reighton, Speeton, Folkton & Flixton

12 East & West Ayton, Wykeham, Brompton, Sawdon, Ruston & Snainton

4 What factors will be considered in negotiations ?

4.28 In respect of DMS, the only area which has been amended is Eastfield which is proposed as a 30% discount (as opposed to 20%). It is considered this is appropriate due to the majority of future development here taking place in Middle Deepdale which has considerably higher values than those dwelling sales in the wider parish of Eastfield used to evidence this study.

4.29 These different tenures will have differing eligibility criteria and restrictions which will be set out later.

Location	% Discount for Discount Market Sale Housing
Eastfield	30%
Scarborough (unparished)	
Filey	40%
Cayton	
Hunmanby	
Osgodby	
Southern Parishes	
Seamer, Irton & Crossgates	
Burniston & Cloughton	
Western Villages	45%
Newby & Scalby	
Whitby	

Table 4.3 Proposed Discounts for DMS by Area

4.30 In respect of DMS housing any deviation from the above will have to be supported by evidence submitted at the planning application stage with specific details relating to the house types, market value and proposed discount being offered for the DMS units. The Planning Section will take advice from the Housing Section as to whether any such deviation is justified and acceptable.

How would this affect pricing of new homes in the Borough?

4.31 As an example using the average values of 2/3 bed terraced and semi detached homes would result in the following discounts. These are indicative only and homes that are valued above and below this level will lead to a range of house prices for the different house types offered under this scheme:

- Whitby - Using the proposed discounts in this location this would result in the average price of a 2/3 bed unit (terraced or semi) of £116,983 (DMS) and £148,888 (First Home)[from a market value of £212,698];

What factors will be considered in negotiations ? 4

- Scarborough Urban - Using the proposed 30% discount in this location would result in an average price for both DMS and First Homes of £110,188 (from a market value of £157,411); and
- Filey - Using the proposed discounts in this location would result in the average price of £108,421(DMS) and £126,491 (First Home) [from a market value of £180,701].

4.32 These examples show the levels of discount required to make a DMS product genuinely affordable but First Homes will be less affordable in higher market areas as a result of the borough wide 30% discount. All products will still require a substantial commitment from a purchaser and in these cases of the biggest discounted properties, deposits in the region of £10,000 and a mortgage payment of around £450 to £520 a month.

4.33 This sets out the discounts to be applied to Discount Market Sale housing and First Homes. The detail on how such products will be managed and the mechanisms that will need to be installed as part of any S106 Agreement are set out below.

Managing the Process (First Homes)

4.34 Developers will be expected to deliver 25% of the affordable housing units as First Homes. The remaining 75% should be in accordance with locally adopted policy on tenure split.

4.35 The purchase of First Homes is restricted to eligible persons as set out by Government. At the current time eligibility is as below (but any changes nationally would supersede this SPD):

- A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.
- Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase.
- A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

4.36 These are the nationally required criteria, however, in addition there will also be locational criteria which will require a First Homes purchaser to be limited to:

- Being a current resident of the Borough area; or
- Being in full time employment within the Borough area; or
- Needing to move to take up employment within the Borough area; or
- Needing to move to provide care and/or support to a close family member residing in the Borough area.

4.37 This local eligibility criteria is considered important to ensure that the current demand for affordable housing as established in the Strategic Housing Market Assessment 2021 firstly meets the needs of the local population. The SHMA found a need for at least 219 affordable homes per annum and a high proportion of those (circa 47%) being households who aspired to purchase a property but were unable to do so at market values.

4 What factors will be considered in negotiations ?

4.38 As per the current guidance any additional local criteria will only be applied for the first 3 months of marketing a First Home. If the property is not sold after that 3 month period the criteria will revert to the nationally set criteria to widen the base.

4.39 First Homes will require a greater level of process management both for the initial sale and for future re-sales. The Housing and Legal Section of the Borough Council will be required to manage this process to determine the the person(s) purchasing the property meet the applicable criteria and provide any legal confirmation. To manage the process a fee of £1040⁽¹³⁾ per dwelling will be levied on the developer to cover the costs associated with managing this process. Such tasks include, but are not limited to;

- Checking eligibility of First Home buyers;
- Acting as the contact between the Borough Council, prospective purchasers and the housebuilder / developer;
- Advertising available properties and notifying persons on the list of current availability;
- Checking the resale process and agreeing discounts on resales following the independent valuation of such properties;
- Legal processes involved with the sale and subsequent re-sale of such properties.

4.40 This fee will be paid up front on the commencement of the development and will be non-refundable should the property not be sold within any pre-determined timescale and returned to the open market.

Legal Requirements for First Homes

4.41 The exact requirements for inclusion in the legal agreement will be for discussion between the developer and the Council at the time of each scheme, however, the Government's guidance sets out some standard requirements as below, but not limited to:

- a. On their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer. This will require that any future re-sale of the property retains the discount attached at the time of the original purchase. The Council can agree to the sale of a property on the open market only where it has been shown that the property has been satisfactorily marketed (for at least 6 months). In such circumstances the Local Authority would have to be compensated for the loss of the affordable unit with the required level of discount being paid to the Local Authority on sale of the property (so for example a person selling a property for £200,000 on the open market that initially had a 30% discount would be required to pay the Local Authority £60,000 on sale);
- b. Developers should obtain a valuation from a minimum of two registered valuers (RICS accredited) acting in an independent capacity, and that valuation should be in accordance with the Royal Institution of Chartered Surveyors red-book valuation guidance for new-build homes. When the home is resold in future, the seller should secure a valuation in the same way in accordance with RICS's guidance;

13 Index linked with RPI and increased accordingly each 12 months. This was initially set at £1000 as of October 2019 and the RPI Index has risen from 290.4 to 301.9 as of May 2021

What factors will be considered in negotiations ? 4

- c. If such a property is re-possessed the lender who takes possession of the property must notify the Borough Council and following the sale of the property (on the open market) any additional funds once the debt has been settled will be paid to the Local Authority to deliver affordable housing in lieu of the loss. This will be managed under a Mortgagee Exemption Clause;
- d. No property purchased through the First Home scheme should be sub-let to any other persons without the express consent of the Borough Council and for no more than a maximum of two years.

4.42 In addition to the above re-sales of property is restricted to the original discount and other local eligibility criteria applied at the time of first sale unless the property was unsold in the first 3 months and reverted back to national guidelines. Should a re-sale property not be sold within a set period (to be set out in the legal agreement) then the Local Authority will have the discretion to revoke the local eligibility criteria to assist in selling the property.

4.43 In exceptional circumstances an owner could apply to the Council to revoke the requirement for the property to be a First Home and allow it to be sold at full market value. There would have to be substantial marketing evidence that the limitations to first time purchasers has prevented the property from being sold over an extended period. In such rare circumstances the Council may allow the removal of the First Homes restriction, however, the discount that would have been applied to the home would have to be paid to the Council to fund affordable housing. The example below clarifies how this will work in practice:

4.44 Example: A property valued at £200,000 is sold at a 30% discount for £140,000.

4.45 After 5 years the property is put on the market. It now has an open market value of £240,000 and is therefore listed for £168,000. The property remains unsold for 6 months and the Local Authority allows the revocation of the First Home restrictions. It is therefore available to purchase for £240,000 with no restrictions on who can purchase the property. If it sells at this amount the seller would then have to contribute £72,000 to the Local Authority which would be put towards delivering affordable housing in the locality.

4.46 The same principal would apply for a developer who was unable to sell a property with the a financial contributions at the same level as the discount being paid to Council to be put towards affordable housing delivery in the area.

Managing the Process (Discount Market Sales Housing)

4.47 Discount Market Sales housing will require a greater level of process management both for the initial sale and for future re-sales. The Housing Section of the Borough Council will manage this process as Registered Providers are not generally in favour of doing so; there is no financial benefits to managing the process and is often viewed as being a burden. To manage the process a fee of £1040⁽¹⁴⁾ per dwelling will be levied on the developer to cover the costs associated with managing this process. Such tasks include, but are not limited to;

- Setting out Eligibility Criteria and keeping it updated;
- Compiling and updating a list of persons interested in the Discount Market Sale product;

14 Index linked with RPI and increased accordingly each 12 months

4 What factors will be considered in negotiations ?

- Acting as the contact between the Borough Council, prospective purchasers and the housebuilder / developer;
- Advertising available properties and notifying persons on the list of current availability;
- Assessing applications in respect of eligibility and interviewing prospective purchasers;
- Administering the resale process and agreeing to future discounts on resales following the independent valuation of such properties.

4.48 This fee will be paid up front on the commencement of the development and will be non-refundable should the property not be sold within any pre-determined timescale and returned to the open market.

The Non-Sale of Discount for Sale Housing

4.49 A period of time will be set in the legal agreement for the disposal of such properties. If the dwelling is not sold within the agreed timescale then it will be returned for sale on the open market with no discount clauses.

4.50 Should a dwelling be returned for sale on the open market the developer must pay a commuted sum to the Local Authority prior to the dwelling being sold. The commuted sum would be equivalent to the discount attributed to the property.

4.51 The Local Planning Authority will monitor the non-sale of such units and will use this evidence in future discussions relating to the provision of affordable units of this type. If there is a pattern of non-sales of such units the Local Planning Authority and Housing Section may suspend the acceptance of such affordable house types to determine the cause and only accept alternative low cost home ownership models for a period of time.

Eligibility for Discount Market Sale Housing

4.52 Like all affordable housing there needs to be some level of control over access to this form of housing. As such the Housing Section will set, monitor and update eligibility criteria for persons to access Discount for Sale Housing. This criteria will likely include, but not be limited to:

- Being unable for financial reasons to buy outright in the open market (a property of an appropriate scale for their requirements);
- A maximum household income but be able to demonstrate they can afford and be accepted for the mortgage;
- Purchasing the property as their only home and not to use it (or sub-let it) for any purpose other than their permanent residence;
- Any criteria as set out in an accompanying S106 Agreement.

4.53 In addition there will also be locational criteria set by the Housing Section which will likely include, but not be limited to:

- Being a current resident of the Borough area; or
- Being in full time employment within the Borough area; or

What factors will be considered in negotiations ? 4

- Needing to move to take up employment within the Borough area; or
- Needing to move to provide care and/or support to a close family member residing in the Borough area.

Legal Requirements for Discount for Sale Housing

4.54 The exact requirements for inclusion in the legal agreement will be for discussion between the developer and the Council at the time of each scheme, however, such clauses are likely to include, but not be limited to:

- A clause that ensures that the property will remain affordable in perpetuity. This will require that any future re-sale of the property retains the discount attached at the time of the original purchase;
- When a property is sold/resold the value of the property from which a discount will be subtracted will have to be established by a minimum of two independent valuation (RICS accredited) and submitted to the Borough Council for confirmation before the property can be advertised;
- If such a property is re-possessed the lender who takes possession of the property must notify the Borough Council and follow the same procedure as (b) to dispose of the property and realise its value;
- If the Discount for Sale property (first time sale only) cannot be sold within an agreed period from completion (for example 12 months) then the property will be allowed to return to the open market and be sold without restriction. In such cases the developer must, prior to the property being put on to the open market, pay the Borough Council a commuted sum for the provision of off-site affordable housing in accordance with the discount that was to be applied;
- No property purchased through the Discount for Scheme should be sub-let to any other persons without the express consent of the Borough Council.

Design Standards

4.55 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 the same quality as the market housing and should be visually indistinguishable.

4.56 The Council will negotiate the type and size of affordable housing on a site by site basis, however, the Department for Communities and Local Government's Technical housing standards - nationally described space standard should be met unless there are exceptional and mitigating circumstances to warrant any provision below the set standards (see Para 4.16). These standards are shown in the table below.

Number of Bedrooms	Number of Bedspaces (persons)	1 storey dwelling (bungalows and flats)	2 storey dwelling (houses)	3 storey dwelling (houses)
1	1	39	N/A	N/A
1	2	50	58	N/A

4 What factors will be considered in negotiations ?

Number of Bedrooms	Number of Bedspaces (persons)	1 storey dwelling (bungalows and flats)	2 storey dwelling (houses)	3 storey dwelling (houses)
2	3	61	70	N/A
2	4	70	79	N/A
3	4	74	84	90
3	5	86	93	99
3	6	95	102	108
4	5	90	97	103
4	6	99	106	112
4	7	108	115	121
4	8	117	124	130
5	6	103	110	116
5	7	112	119	125
5	8	121	128	134

Table 4.4 DCLG - Minimum Gross Internal Floor Areas and Storage (m2)

4.57 Further information on the above space standards can be found at: [DLUHC Technical Housing Standards](#)

4.58 These space standards are optional regulations and should be applied when there is a Local Plan policy based on evidence and local needs and where the viability of development is not compromised. Whilst there is no bespoke space standard policy in the Local Plan there is a design policy which promotes 'good design' that seeks to create desirable places where people want to live and invest. Design includes scale, form and layout all of which can contribute towards the provision of adequately sized dwellings and rooms. Dwellings that have under sized rooms could be considered as being of poor design quality and on that basis can, at the discretion of the Council, be refused consent under the general principles of Policy DEC1: Principles of Good Design.

4.59 Providing decent quality homes with adequate sized rooms is necessary if the Council is to achieve its main corporate aim of **'Towards a prosperous Borough, with a high quality of life for all'**. It is also a way of addressing the health inequalities experienced across the Borough. In North Yorkshire, Scarborough Borough has the highest levels of deprivation in a number of wards and the lowest levels of life expectancy across the County. There are many contributors to poor health and a variety of ways to help address such problems. Good quality housing is part of the solution which should include appropriate levels of space for all residents not just those who can afford to buy a home.

What factors will be considered in negotiations ? 4

4.60 The Council will seek to achieve these Nationally Described Space Standards (NDSS) on all housing developments that include a proportion of affordable housing. If a scheme comes forward with units that are below the NDSS they will only be supported in exceptional circumstances. If such a scheme is to be supported the developer must:

- provide appropriate evidence at the time of submission that demonstrates there is a realistic prospect that an RP will sign up to the affordable homes provided on the scheme. This should be in the form of expressions of interest and/or formal written offers;⁽¹⁵⁾ and
- have the support of the Local Housing Authority that the proposal meets local requirements including the ability of the Registered Provider (RP) to provide a demonstrable management presence. The expectation is that an RP should have a management presence. Where an RP has no local management presence, then they will need to state how they can provide such a presence, which meets with the approval of the Local Housing Authority. If no such demonstrable management presence can be provided then the local housing authority will not approve the use of that RP.

Layout

4.61 In order to ensure sustainable communities, affordable housing should be distributed throughout a development in small groups or clusters, typically of 4 to 8 units. In larger schemes where more than 100 dwellings are proposed slightly larger clusters, of up to 12 units, may be appropriate, dependent on design and location factors and an appropriate housing mix within the clusters. The Council will not support the principle of grouping affordable units in significant numbers together as this can reinforce feelings of social exclusion and can have a negative impact on the establishment of sustainable communities.

Tenure Mix

4.62 The Council recognise 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.

4.63 The Scarborough Borough Strategic Housing Market Assessment (SHMA) 2021 showed that there is an annual need for 219 affordable dwellings per annum. The SHMA identified an approximate 53/47 split (rented/intermediate), however, due to the continuing high levels of demand for social rented housing in the Borough, the Council will retain the tenure split as set out in the adopted Local Plan of 70:30 (rented/intermediate). The reason for doing so is that with the introduction of First Homes the tenure split only applies to the remainder once First Homes has accounted for 25% of affordable homes. This results in rented tenures accounting for 52.5% of affordable rented housing which relates closely to the findings of the SHMA. This evidence is locally derived and is a material factor when considering implementing Para 65 of the NPPF that requires 10% of housing to be for affordable home ownership.

¹⁵ Such formal written offers may be without full board approval

4 What factors will be considered in negotiations ?

4.64 Whilst affordable home ownership is supported, providing such a high level would severely restrict the delivery of other tenures especially in the Scarborough area which only requires a 10% affordable housing contribution overall.

4.65 In areas of the 15% affordable requirement this would result in a tenure mix of a 33/67 split between rented and intermediate tenures. In some instances, this may not be an issue, however, the guidance of the Local Housing Authority should be sought on an individual basis to consider local evidence in relation to the findings of the SHMA and more recent findings in respect of demand for affordable products.

4.66 In areas of the 30% affordable requirement, achieving the NPPF requirement would be a realistic prospect under the current policy.

4.67 It is therefore proposed that the requirements as set out in the adopted Local Plan will continue to be used in the implementation of planning applications as opposed to fully implementing Para 65 of the NPPF. Where proposals deviate from this requirement the advice of the Local Housing Authority will be sought in respect of the current position of affordable demand by tenure type.

Economics of Provision

4.68 In accordance with the Council's procedure for negotiating affordable housing provision, developers are encouraged to obtain an agreement with an RP partner regarding the sale of affordable homes **prior to the submission of a planning application.**⁽¹⁶⁾ Applicants should be encouraged to liaise with the Council on proposed affordable housing provision at the earliest possible stage. Ideally developers should seek to build the agreed number of dwellings to the RPs specification, selling them to or constructing them for the RP at a previously agreed price level. This price level reflects the relevant affordability criteria (rent / purchase share costs to the resident) and the RP's financial modelling based on the capitalised value of those revenue streams after allowing for (netting-off) their management and maintenance costs, etc.

4.69 The amounts that RPs are able to pay developers to acquire affordable homes are constrained by their borrowing capacity as supported by the value of these revenue streams. RPs rely on projected rental income. They can charge affordable rents at up to 80% of local market rental levels (including service charge). However, these are also capped by the Local Housing Allowance rates. As a result this puts a ceiling on the amount they are able to borrow. A table of transfer values was shown earlier in this chapter (Table 4.1) and these represent current prices (as a % of Open Market Value) that RPs are considered able to pay developers (The figures will be subject to ongoing review and will be updated accordingly when required).

4.70 In the case of other Intermediate Affordable Housing products, such as low cost home ownership, homes need to be sold to an RP at a price that will enable the RP to make these homes available at an affordable level (see para 2.1). Sale prices to RPs also need to take into account the reasonable development "on-costs" of the RP.

16 This is an absolute requirement if nationally described space standards are not to be met.

What factors will be considered in negotiations ? 4

Viability

4.71 Where there is a proven need for affordable housing, but a developer is not able to provide the scale of provision or contribution expected, the onus will be on the developer to demonstrate why a site should not include provision in line with the Councils' targets. In accordance with the NPPF all viability appraisals will now be made publicly available. This is covered in more detail in Chapter 6 - Viability and the Assessment Process.

4.72 Future Local Plan reviews will require substantially more viability evidence from the developer and/or site promoter at the point of submission. It will be their responsibility to substantiate the viability of a scheme taking into account the policy requirements relating to affordable housing and other matters and setting out a residual land value that will be a level that will allow the release of the site for development.

5 What will be the process for negotiation ?

5 What will be the process for negotiation ?

Affordable Housing Plans

5.1 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 shown below and it is important to involve both Planning Officers and Local Housing Officers in early discussions.

5.2 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 and their location within the development. Wherever possible, confirmation that an agreement has been reached with an RP partner should also be detailed. Once agreed, these details can be set out in a Section 106 Agreement, the heads of terms of which are required to be submitted with a planning application as part of the Council's validation requirements. Planning applications submitted without a completed and agreed Affordable Housing Plan shall be recommended for refusal.

5.3 In the case of outline applications, the delivery of affordable housing must be agreed in principle. The Council will require inclusion of a formula as applicable for the size of site (based on Table 3.1) for the calculation of the appropriate number, type and tenure of the affordable homes within a Section 106 Agreement at the outline application stage, which will be applied to Reserved Matters proposals. Full details of the number, tenure mix and location of affordable homes will need to be confirmed within an agreed Affordable Housing Plan before detailed planning permission is awarded.

Involving a Registered Provider

5.4 The Council's preferred method for the provision of all forms of affordable housing is through the involvement of a Registered Provider (RP). The involvement of a RP 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.

5.5 The Council will encourage and facilitate early discussions with RPs to ensure that a partnership approach is adopted early in the process. The Council will provide developers with a list of RP partners who have a local management presence in the Borough. In line with Homes England policies regarding value for money, stock rationalisation and the development of sustainable communities, the Council would prefer developers to choose an RP partner with an existing concentration of units in the Borough.

5.6 Should a developer wish to work with an RP who is not on the Council's own preferred list, the Council will require early dialogue between the developer and the potential RP provider at the pre-application stage. The Council would require detailed information on the RPs 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.

What will be the process for negotiation ? 5

5.7 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 re lets. Allocations will be undertaken in accordance with the Council's allocations scheme.

The Means of Securing Provision

5.8 Section 106 Agreements will be used to secure the following matters.

5.9 In the case of on or off-site provision:

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

5.10 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 RP to their specification (subject to planning permission) for a period of 10 years or until the completion of the private market housing, whichever is the later.

5.11 In the case of commuted sums to be provided by developers:

- The payment by the developer to the Council of an agreed sum prior to the completion of an agreed amount of 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 10 year time period which will provide sufficient time to identify, assemble and commit suitable sites.

5.12 In using Section 106 Agreements to secure affordable housing the Council recognise that there may be occurrences where they need to be reconsidered where they stall development.

6 Viability and the Assessment Process

6 Viability and the Assessment Process

6.1 The starting point for all development proposals is to be policy compliant in terms of affordable housing provision. On occasions when a developer confirms that they are unable to provide the appropriate level of affordable homes they will have to provide a full viability assessment.

6.2 This involves the provision of full financial details for appraisal, which in accordance with the NPPF (2018) will be made publicly available.

6.3 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 the 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.

6.4 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 desires 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.

6.5 Should a viability assessment be submitted in support of a lower percentage of on-site affordable provision this will be expected to take account of the transfer values set out in the document.

6.6 The new NPPF and supporting Planning Practice Guidance (PPG) also provided updated guidance on viability. Paragraph 009 of the PPG on Viability refers to review mechanisms for assessing viability. It confirms that contributions can be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles. In light of this it is proposed through this SPD that where contributions are reduced below the requirements set out in policies of the Local Plan (or as superseded by other policy and guidance) the Local Planning Authority may require the developer to enter into a review mechanism set out in the supporting legal agreement. Where there are significant unknowns and/or acceptance of very high proposed abnormal costs it may be appropriate to re-assess costings at the end of the development process to capture any potential contribution from costs that were over estimated. Any capture cannot exceed the policy compliant level of affordable homes and how this is calculated will be agreed with the developer prior to approval.

6.7 Government guidance confirms that as the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.

Viability and the Assessment Process 6

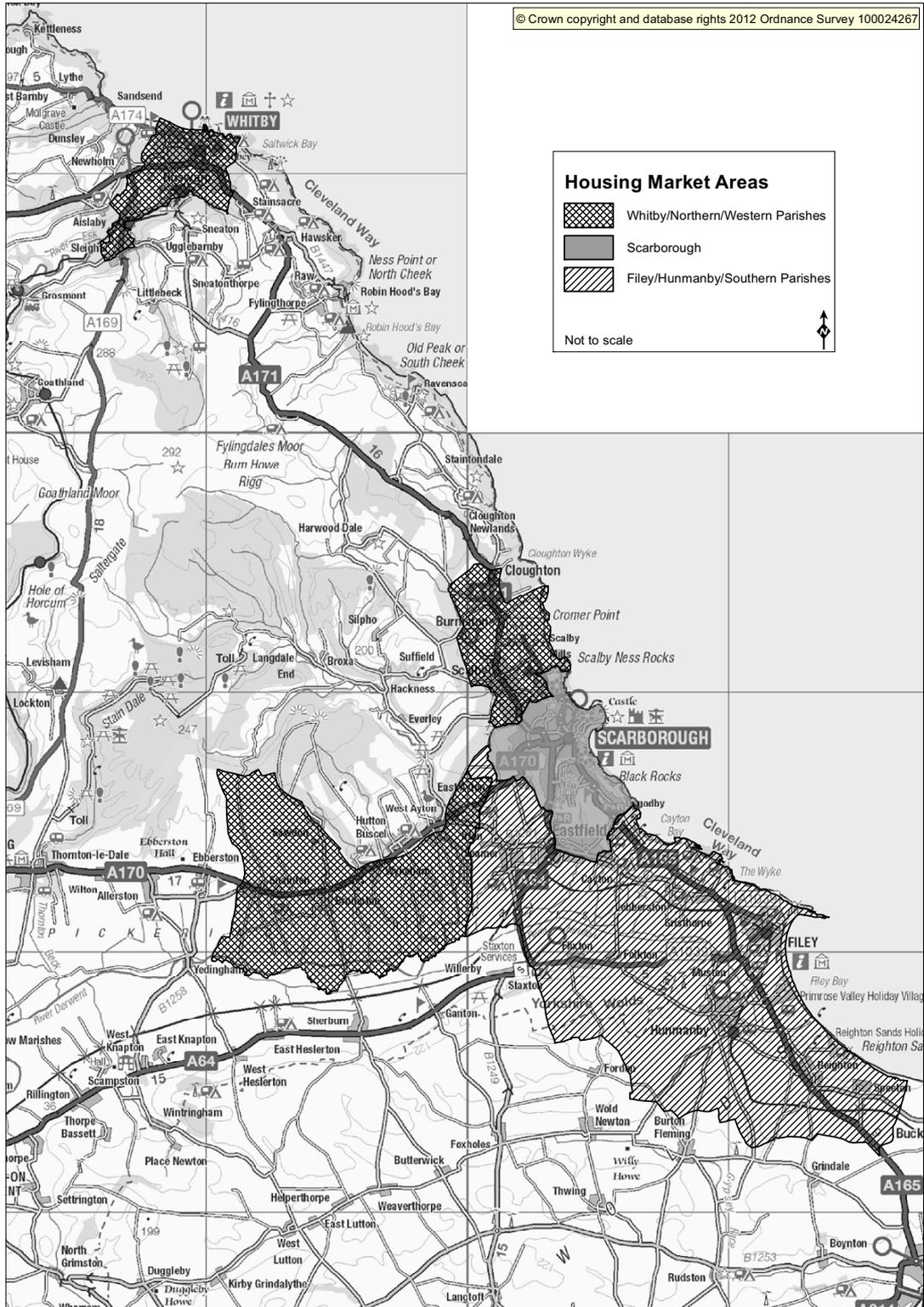
6.8 The information required for the submission of a Viability Appraisal is set out in Appendix 2: Information Requirements for Viability Appraisals . You are encouraged to use the residual land value method as set out in the Appendix and this will assist in speeding up the consideration of submitted evidence.

Appendices

Maps Showing Extent of Housing Market Areas 1

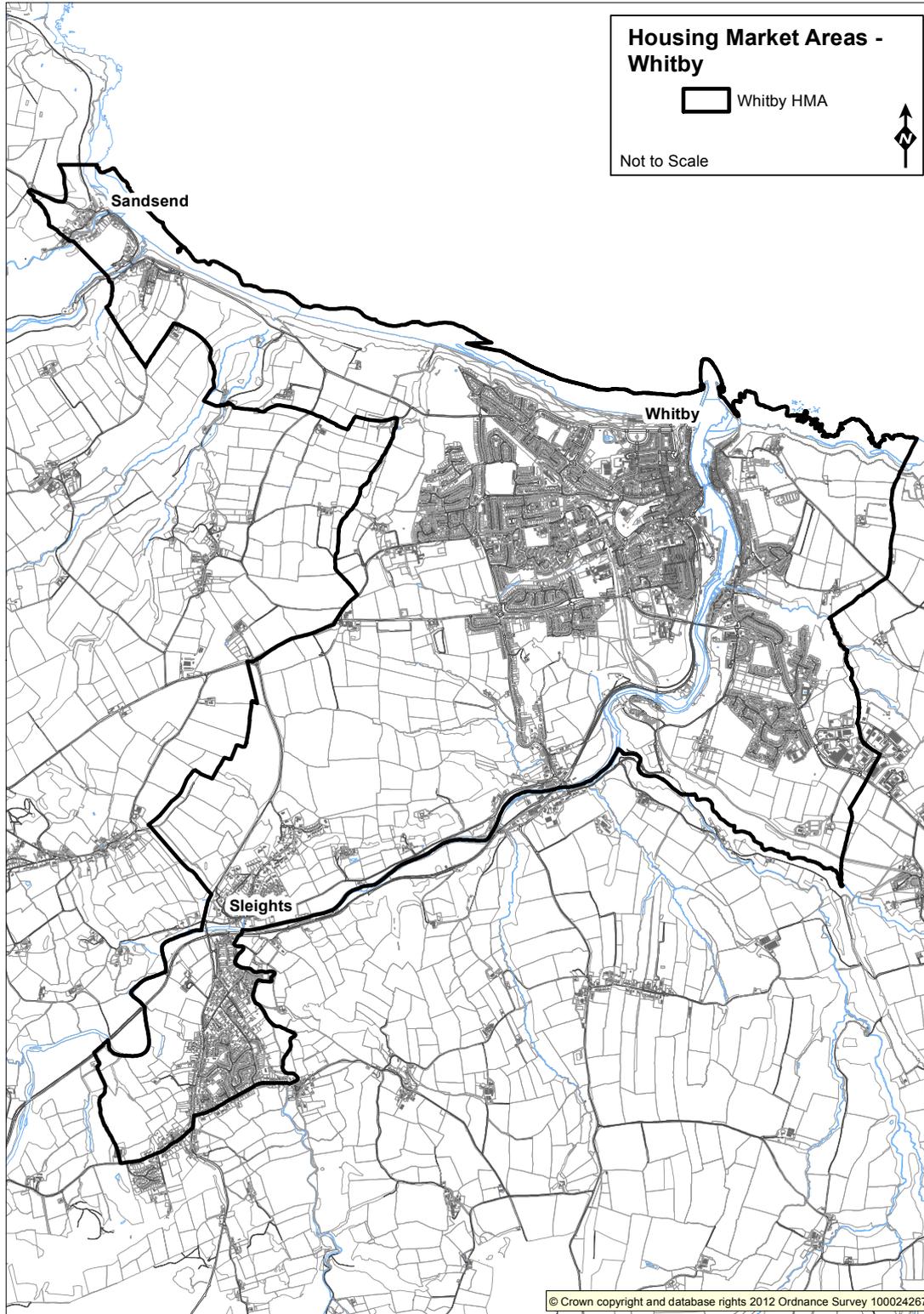
Appendix 1 Maps Showing Extent of Housing Market Areas

1 Maps Showing Extent of Housing Market Areas



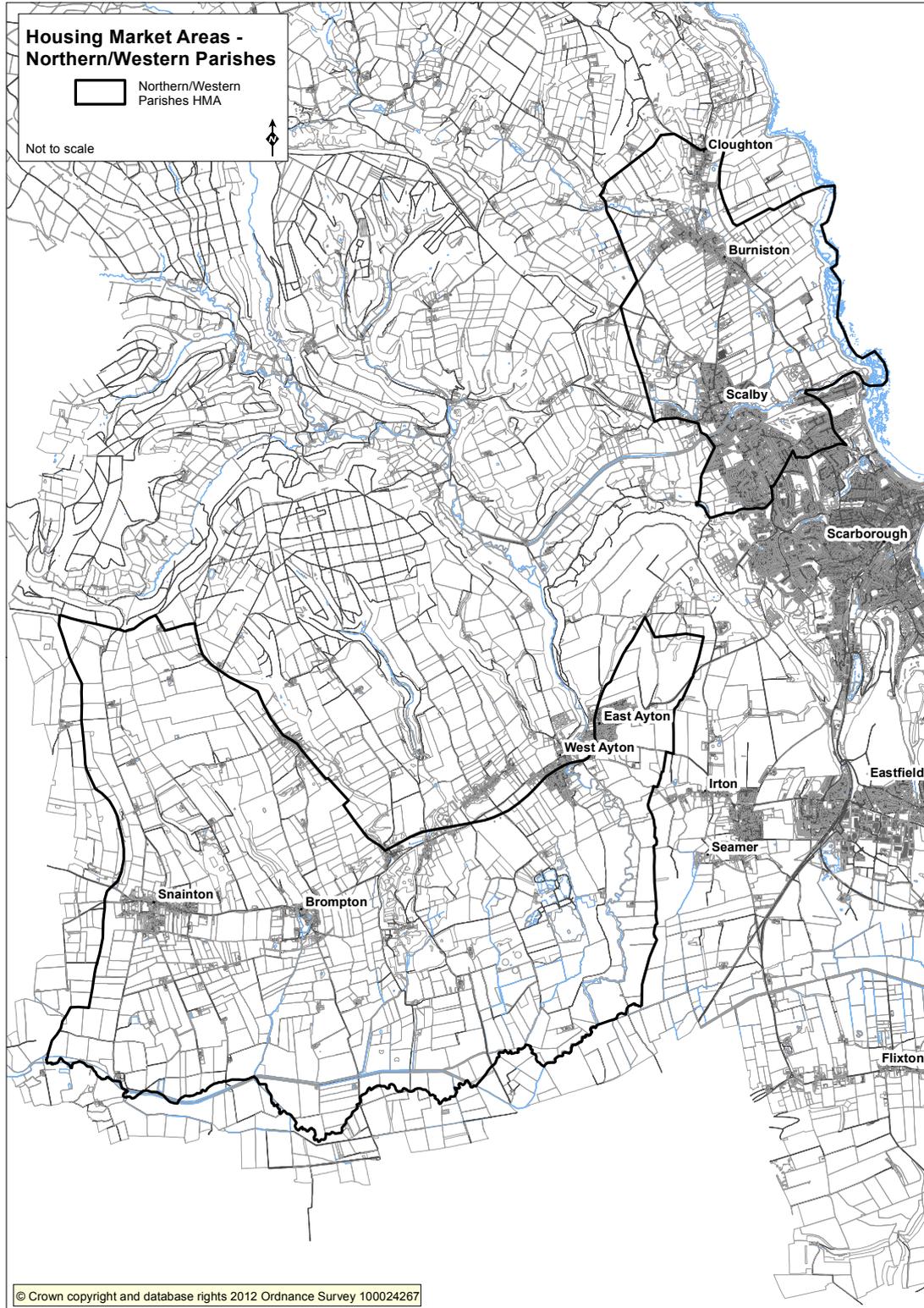
Map 1 Housing Market Areas (Borough)

Maps Showing Extent of Housing Market Areas 1



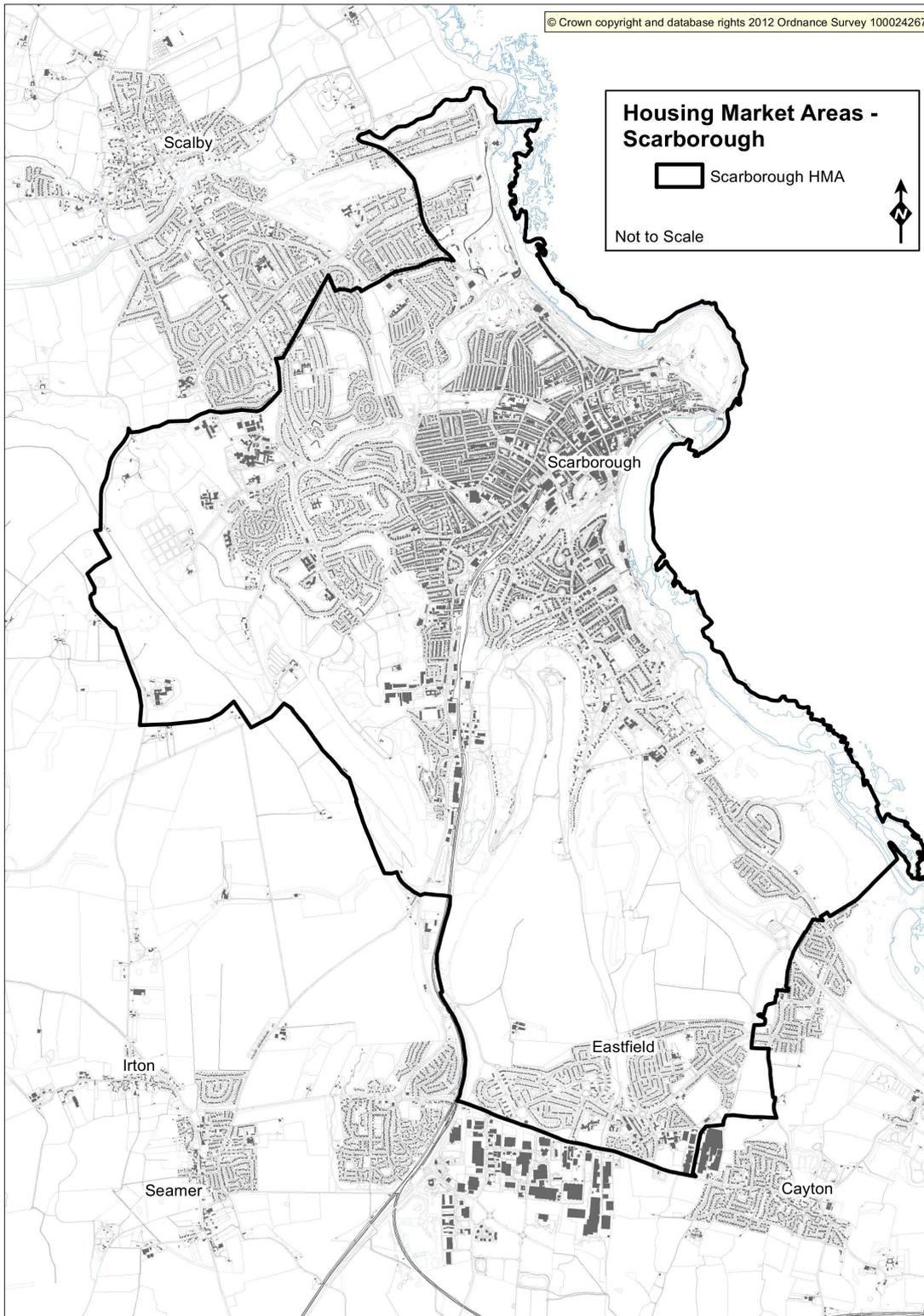
Map 2 Housing Market Areas - Whitby

1 Maps Showing Extent of Housing Market Areas



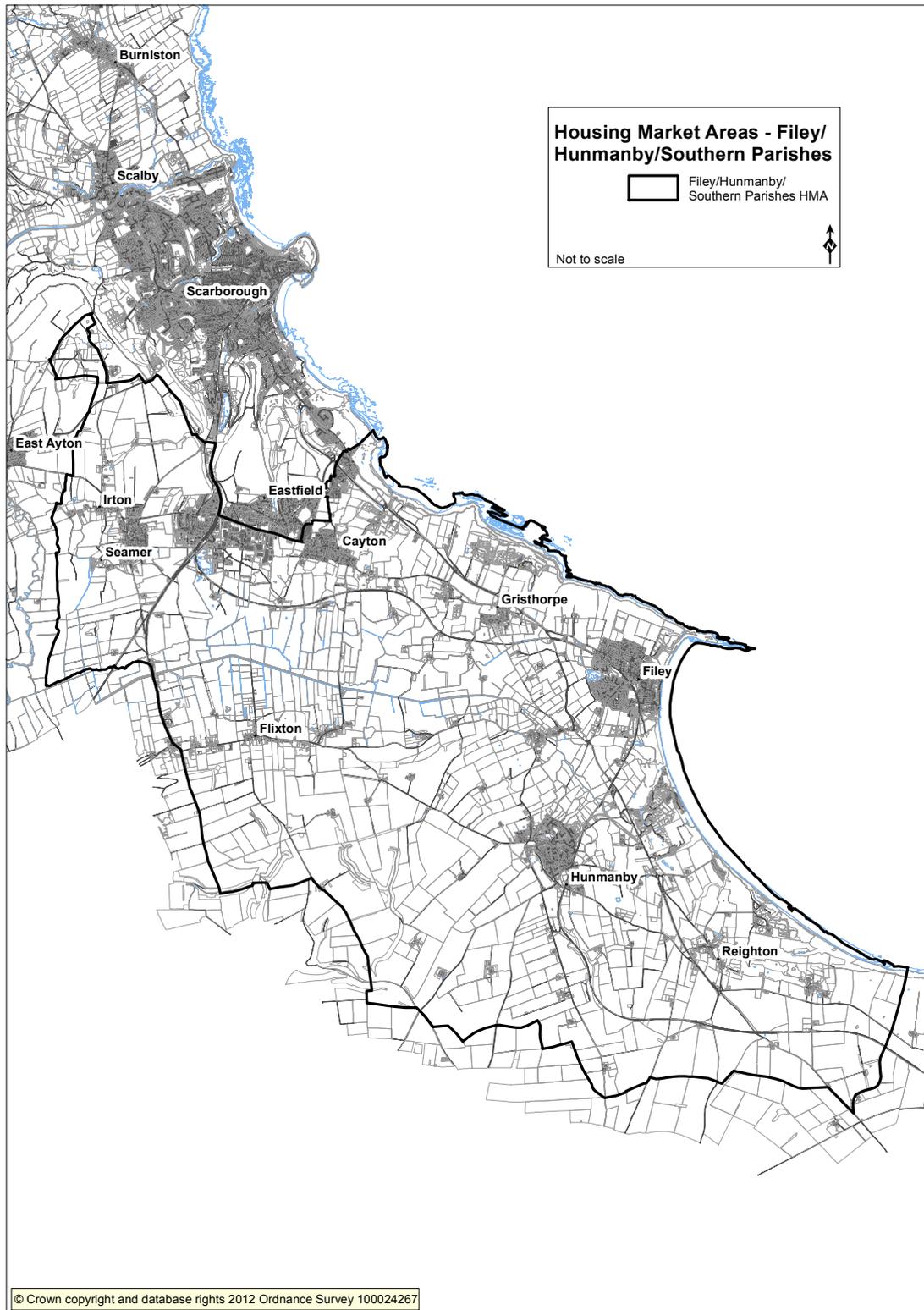
Map 3 Housing Market Areas - Northern/Western Parishes

Maps Showing Extent of Housing Market Areas 1



Map 4 Housing Market Areas - Scarborough

1 Maps Showing Extent of Housing Market Areas



Map 5 Housing Market Areas - Filey/Hunmanby/Southern Parishes

Information Requirements for Viability Appraisal 2

Appendix 2 Information Requirements for Viability Appraisal

This is a guide to pre-application negotiations (or later application negotiations) where there is an affordable housing requirement that a developer considers would make the development economically unviable. This guide needs to be read in conjunction with the rest of this SPD and the Local Plan.

As stated within this SPD, the Council's preferred means of securing affordable housing is by on site provision. The Council recognises, however, that in exceptional circumstances it may not be appropriate to negotiate on site affordable housing provision. Such circumstances are referred to in Para 4.4 of this document. In such proven circumstances, the Council can consider seeking to meet additional costs through additional subsidy from Homes England ⁽¹⁷⁾. If that fails the Council would then look at other alternatives including a reduction in the number of affordable homes required.

Off site provision and then a commuted sum will only be considered where all other options have been exhausted.

Where there is a proven need for affordable housing, but a developer is unwilling to provide it, the onus will be on the developer to demonstrate why a site should not include provision or should not make provision on the basis of the set amount for that location. 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 to demonstrate why they cannot provide the affordable housing. They will also need to demonstrate that in making this assessment they have considered indicative transfer prices set out in this SPD.

It is not sufficient for applicants to argue that the land costs did not take into account the need to provide affordable housing as, in the national plan led planning system, it is reasonable to expect that land values will reflect the requirements of the Local Plan. In addition, it is also reasonable to expect that development costs will have been established from the outset by the developer and reflected in the land acquisition price.

The Procedure for Assessment

Where developers raise issues relating to viability during pre-application discussions, the Local Planning Authority's Viability Assessor will invite the developer to provide details of the value of the completed development and all costs incurred to achieve this value. The information that should be included is set out below, however other factors may need to be added.

Where viability is an issue at pre-application stage and supporting information is to be submitted at such time an additional charge of £250 will be charged for the assessment of the viability information, attendance by the Viability Assessor at any pre-application meetings and a written report.

17 The Viability Assessor will calculate the total viability shortfall cost (i.e. the additional sum required to make the scheme viable for the developer with on-site affordable housing provided). In these instances, the Housing Strategy Officer will contact the Housing Corporation with a view to securing Social Housing Grant Subsidy (SHG) for an RSL to enable the RSL to purchase the properties at a price that does not affect the viability of the scheme. The amount of SHG required will be the difference between the amount the RSL can borrow against the rents and the amount per unit required to make the scheme viable for the developer.

2 Information Requirements for Viability Appraisal

The Viability Assessor will consider the financial impact of the cost on the affordable housing on affecting the overall viability of the development. In making this assessment, the Viability Assessor will build in an assumed acceptable developer profit level. In accordance with the NPPF levels are proposed to be 15-20% on market housing and 6% on affordable housing.

In instances where the Developer does not provide sufficient or adequate information for the Viability Assessor to make a satisfactory assessment the Developer will be advised what further information is required.

In instances where the developer pushes ahead with the application without a satisfactory assessment being made, the application will be recommended for refusal.

If there is a disagreement or a dispute concerning the Council's own valuation, a second independent assessment will need to be undertaken by an external valuation expert. It is anticipated that the costs of providing this valuation should be borne by the Developer.

Within the Council's SPD the 'onus' is on the developer to demonstrate why a site should not include provision. This is fully supported by the updated NPPF.

Information Required For A Viability Assessment

Introduction

The Viability Assessment comprises a conventional Residual Valuation, comparing the projected value of the completed development with the costs of its delivery to generate the value of the Residential Development land. The list of information required below under a Viability Appraisal is not exhaustive and further information may be required in certain instances.

The Following Information should be provided

A Scheme Overview

A1.1 Total Site Area

A1.2 Non Developable Area

A1.3 Net Developable Area

A2 Dwellings

A2.1 Spreadsheet showing the total numbers of market housing and affordable housing indicating the tenure.

A2.2 Spreadsheet showing dwellings including type (detached / semi / terrace / flat / bungalow) and number of bedrooms including individual gross internal areas (in m2).

B Development Value (GDV)

Information Requirements for Viability Appraisal 2

B1.1 Market value of each open market house (by type) ⁽¹⁸⁾ including £m²

B1.2 Transfer value of any rented product

B1.3 Sales values of Shared ownership units

B1.4 Sales values of discount for sale units

B1.5 Sales values of starter homes

C Construction

C1.1 Build costs per sqm including preliminaries (BCIS as a maximum unless more detailed QS data is provided. If property is to a higher spec than BCIS then it is expected that this will also be reflected in the sales price)

C1.2 External works including infrastructure (an appropriate percentage unless more detailed information is submitted)

(Build Costs and Externals MUST be shown separately to enable a simple comparison with BCIS figures)

C1.3 Abnormals (detailed breakdown of costs which would not be covered in build costs or externals such as demolition)

C1.4 Contingency (percentage of build costs)

D Other Costs

D1.1 Site acquisition costs – including agent fees, stamp duty and legal fees

D1.2 Professional fees (Percentage of GDV)

D1.3 Sales and marketing costs (Larger sites will have show homes and on-site staff, whilst smaller sites will use a local estate agent)

D1.4 Finance costs (cost of borrowing money to finance a scheme). ⁽¹⁹⁾

D1.5 S106 – details of any other S106 costs such as open space or education

E Profit and Overheads

E.1 Assumption on profit levels. A developer can expect a reasonable level of profit to mitigate any risk and thereby secure funding. A more complex development may expect a higher level of return. Profit levels for private housing is expected to be between 15-20% (as set out in Government Planning Guidance) and 6% for affordable housing.

18 Values will be expected to take into account such provisions as garages; therefore values of the same property types can vary

19 In certain circumstances a cashflow sheet will be required to set out costs and revenues of the proposal over the duration of the build that clarifies the monthly and overall finance costs.

2 Information Requirements for Viability Appraisal

F Residual Land Value

F1 When the total costs, including profits are taken from the gross development value, we are left with the amount a developer is able to pay for the land. If the amount is reasonable taking into account comparable values and amount of uplift on the existing land use then the scheme is considered viable.

Data on House Prices 3

Appendix 3 Data on House Prices

The following information relates to the house prices in the Borough.

Whitby

In the previous 24 months in Whitby the average price of terraced and semi detached properties has been £208,104. The average price for these type of properties when limited to 2 and 3 bed dwellings is £184,955.

Western Villages (East & West Ayton, Brompton, Wykeham, Snainton)

In the previous 24 months in the Western Villages the average price of a terraced and semi detached properties has been £199,243. There are more limited sales in the villages to the west of Scarborough, however, there has been 46 sales of 2 and 3 bed terraced and semi properties along this stretch of villages. The average sales value has been £180,337, some £20,000 lower than total sales.

Newby and Scalby

In the previous 24 months in Newby & Scalby the average price of terraced and semi detached properties has been £187,110. The average price for these type of properties when limited to 2 and 3 bed dwellings is £181,494 which is around £6,000 lower. Scalby itself is significantly higher than the wider parish area with respective figures being up to £204,451 and £227,368.

Seamer, Irton & Crossgates

In the previous 24 months in Seamer, Irton and Crossgates the average price of terraced and semi detached properties has been £179,670. The average price for these type of properties when limited to 2 and 3 bed dwellings is £165,703 which is significantly lower.

Burniston and Cloughton

In the previous 24 months in the villages of Burniston and Cloughton the average price of a terraced and semi detached properties has been £203,977. When concentrating on the 2 and 3 bed units the figure for Burniston and Cloughton falls to £171,300.

Southern Parishes (Gristhorpe, Lebberston, Flixton, Folkton, Muston & Reighton)

In the previous 24 months in these parishes sales have been limited, however, the average price of terraced and semi detached properties has been £182,905. The average price for these type of properties when limited to 2 and 3 bed dwellings is £164,908 which is considerably lower though the numbers of sales are limited.

Osgodby

In the previous 24 months in Osgodby the average price of terraced and semi detached properties has been £173,309. The average price for these type of properties when limited to 2 and 3 bed dwellings is £162,407 which is circa £10,000 lower.

3 Data on House Prices

Hunmanby

In the previous 24 months in Hunmanby the average price of terraced and semi detached properties has been £166,701. The average price for these type of properties when limited to 2 and 3 bed dwellings is £160,744 which is slightly lower.

Cayton

In the previous 24 months in Cayton the average price of terraced and semi detached properties has been £160,734 (in this instance the data seems incorrect for terraced properties, however, the average price for semi detached is £170,188). The average price for these type of properties when limited to 2 and 3 bed dwellings is £157,695.

Filey

In the previous 24 months in Filey the average price of terraced and semi detached properties has been £157,197. The average price for these type of properties when limited to 2 and 3 bed dwellings is £157,131 which is not significantly different.

Scarborough (Unparished)

Data has been assessed over the past 12 months for this area due to the high level of transactions compared to other areas. In the previous 12 months the average price of terraced and semi-detached properties in this area has been £150,054. The average price from these types of properties when limited to 2 and 3 bed dwellings falls to £136,879.

Eastfield

In the previous 24 months in Eastfield the average price of terraced and semi detached properties has been £147,405. The average price for these type of properties when limited to 2 and 3 bed dwellings is £124,970 which is significantly lower. However, it should, be noted that there has been a large number of sales in the new Middle Deepdale sites and the sales of these on Rightmove do not specify the number of bedrooms. These sales values have been considerably higher than those in the existing parts of Eastfield.



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