

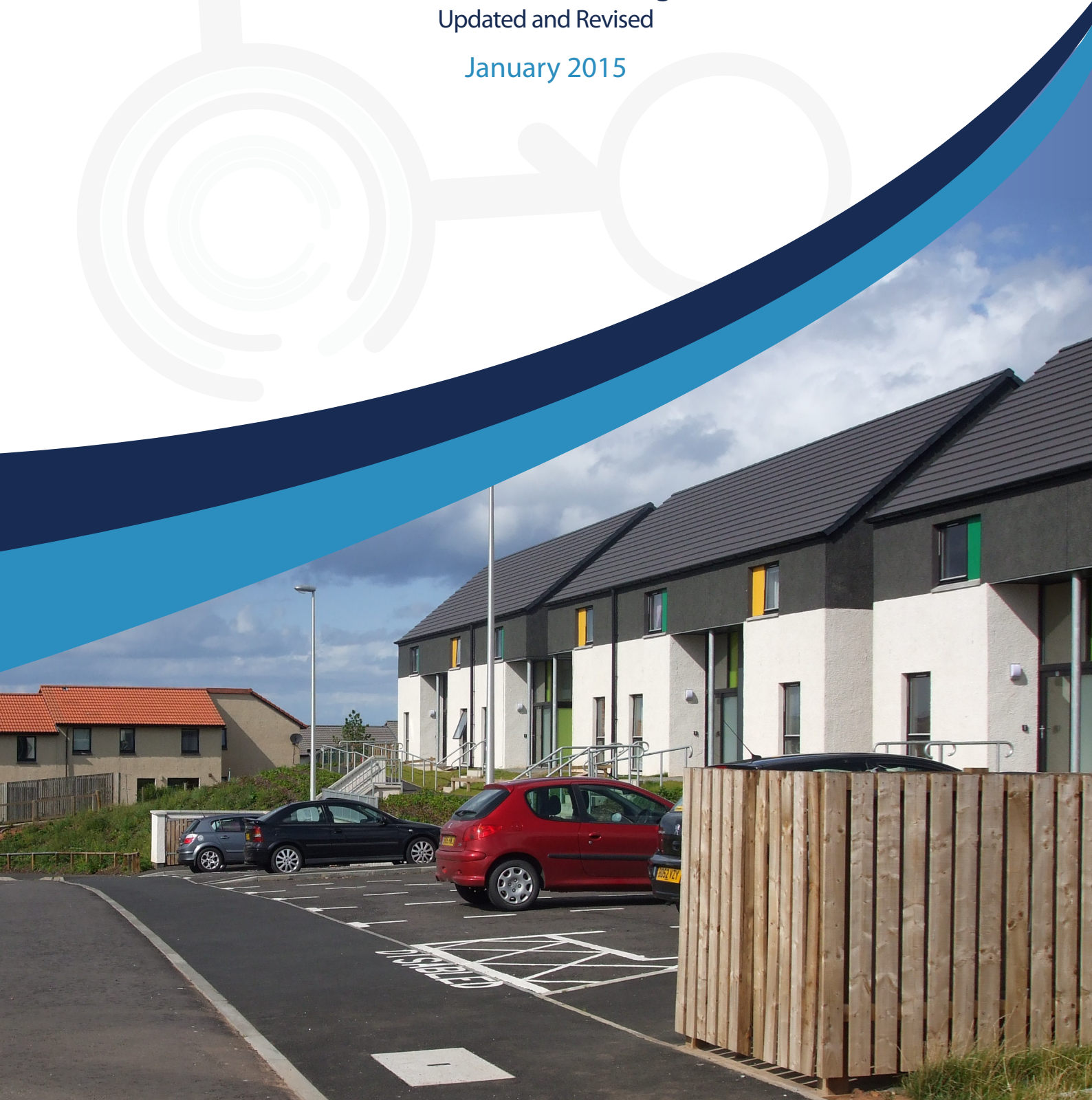
# Scottish Borders Local Plan

Supplementary Guidance on

## Affordable Housing

Updated and Revised

January 2015



**REGULATORY SERVICES**

**SUPPLEMENTARY GUIDANCE ON  
AFFORDABLE HOUSING**

**Review and Updated January 2015**

## **CONTENTS**

	<b>Page</b>
<b>1. Introduction</b>	<b>3</b>
<b>2. The Need for Affordable Housing</b>	<b>3</b>
<b>3. What is Affordable Housing?</b>	<b>4</b>
<b>4. Housing Needs Assessment</b>	<b>6</b>
<b>5. Affordable Housing Contribution</b>	<b>6</b>
<b>6. Affordable Housing Policy</b>	<b>8</b>
<b>7. Delivery of Affordable Housing</b>	<b>10</b>
<b>Appendix 1: Background Policy</b>	
<b>Appendix 2: Affordable Housing Procedure Note</b>	
<b>Appendix 3: List of Contacts within SBC</b>	

## **1. INTRODUCTION**

- 1.1 This document provides guidance supplementary to the Strategic Development Plan and Local Plan policies on affordable housing. Together the Strategic Development Plan, Local Plan and this Supplementary Guidance provide the Council's Affordable Housing Policy. Relevant background policies are noted in Appendix 1 to this guidance. Sections 4 and 5 of the Guidance Note provide justification for the Policy contained in Section 6.
- 1.2 The guidance was initially developed in April 2005. Amendments to the initial guidance have been incorporated in March 2007 and January, 2011. All were subject to public consultation.
- 1.3 This draft Supplementary Guidance would replace the previous Guidance following public consultation, and once adopted by the Council.

## **2. THE NEED FOR AFFORDABLE HOUSING**

- 2.1 The Council is committed to assisting with the delivery of sufficient good quality affordable housing in a variety of tenures to meet the needs and aspirations of individuals and communities in the Scottish Borders. There is an established need for 268 units per annum of affordable housing in the Scottish Borders according to the SESplan Housing Need and Demand Study published in May 2011.
- 2.2 The housing needs of the population are generally met through the normal operation of the housing market. However in some areas, and among some groups, intervention in the housing market is necessary to ensure their housing needs are met.
- 2.3 The principal providers of affordable housing in the Scottish Borders are the Registered Social Landlords (RSLs). Berwickshire Housing Association, Scottish Borders Housing Association, Eildon Housing Association and Waverley Housing comprise the Borders Housing Network and provide over 90% of the social/affordable housing in the area, the remainder being met by smaller specialist providers. Berwickshire and Eildon Housing Associations are the primary developers of new build affordable housing in the region. Berwickshire Housing Association focuses on the former Berwickshire District area and Eildon Housing Association are active across the Borders. More recently Scottish Borders Housing Association has become involved in provision of new build affordable housing through re-development and regeneration of sites and stock secured via Council housing transfer.
- 2.4 The financial climate in relation to development lending, along with the limited funding available from the Scottish Government means that RSLs are finding it challenging to develop to the level required. Fragile and locationally sensitive economic recovery continues to suppress the private housing market across wide areas. Therefore, developer-led projects continue at a low level, and this constrains the supply of sites made available to RSLs through legal (planning obligations) agreement. As a result, there is evidence that the needs of those sectors of the population who require affordable housing to buy or rent are not being fully met.

- 2.5 It is challenging to develop implement policy to deliver affordable housing particularly for the first or second time buyer sector. However, the Council's affordable housing policy is designed to assist the delivery of a variety of tenures including social rented, low cost, privately subsidised, open market housing. The restricted availability of affordable family housing is of particular concern as the gap between incomes and market house prices and rental levels continues to widen.
- 2.6 It should be recognised that planning policy is not the sole solution to meeting the affordable housing deficit. However, it can provide an invaluable means to contribute towards identified need in a focussed and strategic manner.

### **3 WHAT IS AFFORDABLE HOUSING?**

- 3.1 Scottish Planning Policy was published in February 2010 and includes the following definition.

*“Affordable housing is defined broadly as housing of a reasonable quality that is affordable to people on modest incomes. In some places the market may be able to meet most affordable housing needs but this will not be the case everywhere. Affordable housing may be in the form of social rented accommodation, mid-market rented accommodation, shared ownership, shared equity, discounted low cost housing for sale including plots for self-build, and low-cost housing without subsidy.”*

- 3.2 The Council's Proposed Local Development Plan is based on this government guidance.
- 3.3 It is important to note that the policy set out in the Proposed Local Development Plan makes no distinction between tenures. However, the policy objective is to provide a variety of affordable housing types and tenures in a comprehensive range of locations across the Borders.
- 3.4 The range of categories of housing that are accepted as meeting the definition of affordable housing will continue to be kept under review to enable a flexible response to new initiatives, best practice and market conditions. Currently the identified categories are as follows:
- Social Rented Housing – owned and managed by a Registered Social Landlord (RSLs). RSLs are required through their registration with Scottish Housing Regulator to meet identified housing needs.
  - Shared Ownership - where a house is part owned by the householder and the remainder rented from the RSL. The householder has the ability to buy or increase the level of ownership of the house in the future, if desired and financially able to do so.
  - Shared Equity – housing where a percentage of the dwellinghouse is sold to households with an identified housing need, with an RSL, the Local Authority and/or private developer retaining an equity share in the dwellinghouse. Typically, the

householder may require to buy out the equity balance at an agreed point in the future e.g. after 10 years, or on subsequent market sale.

- Subsidised Low Cost Home Ownership (LCHO) – owner occupied housing built with some level of public subsidy for example as previously provided by Scottish Government. Such homes are sold at a discount, and nominal rights are retained to ensure that initial occupants fall within specified categories of need. Where such housing units are re-sold a clawback mechanism exists to reclaim a proportion of the increased value, commensurate with the length of occupation. The clawback period can vary between projects.
- Unsubsidised LCHO (also referred to as Discounted Units) – standard house or flat units which the developer agrees to sell to an identified client group at a specified price below market value. The level of discount will be agreed between the developer and the planning authority. A financial sum, diminishing over time, will require to be settled upon subsequent market sales. These sums will be used by the Council to support other affordable housing projects.
- Private below market rent – accommodation at a rental level agreed (reflecting social rent levels) between the Council and the developer to meet an identified need ordinarily for a minimum period of 15 years.
- Mid-market rent (MMR) - standard house or flat units let for an agreed period at below market rent, but above social rented sector rents. National Housing Trust and associated mechanisms will comprise the majority of such units, although other similar mechanisms could be considered on a case by case basis. The typical term for which properties can remain available for rent is ordinarily 10 years. It would be expected that mid-market rentals would align with the Local Housing Allowance as set by the Department of Work and Pensions.
- The provision of serviced plots at below market value for self or community build.

#### **4 HOUSING NEEDS ASSESSMENT**

- 4.1 PAN 2/2010 on affordable housing provides advice on developing planning policy and how it should be implemented. The PAN states that where a Council's Local Housing Strategy and Housing Needs and Demand Assessment identifies a shortage of affordable housing and the planning authority believes the planning system has a role to play in its provision then the Development Plan should be clear on its scale and distribution and what is expected from developers. .
- 4.2 The Scottish Government provides guidance on the assessment of housing need and demand across all tenures in order to provide a clear understanding of the operation of the housing market. The Government's Centre for Housing Market Analysis is tasked with the approval of housing needs and demand assessments (HNDA) undertaken by planning authorities. The SESplan HNDA was approved by the Centre and forms the basis for the provision of housing land within the SESplan area.

## **5 AFFORDABLE HOUSING CONTRIBUTION**

- 5.1 The Council considers all residential developments of 2 or more house units, including windfall development and conversions, as potentially contributing to meeting affordable housing need. The key factors that that will be considered in this respect are outlined below:

### Percentage of Affordable Housing

- 5.2 It is proposed to apply a baseline or minimum requirement of 25% of affordable housing need when assessing the relevant contribution requirements. This position will be applied across all four of the housing market areas (HMAs). The proposed targets are supported by the HNDA, and an adjustment has been made to ensure the continued attractiveness of the Borders to developers. This also reflects the 25% benchmark figure included in Scottish Planning Policy.
- 5.3 Table 1 presents the affordable housing requirement by the four current housing market areas.

**Table 1 - Percentage Requirement of Affordable Housing for Housing Market Areas in the Scottish Borders**

Housing Market Area	Effective Supply 2012 HLA	Affordable Housing Unit Requirement (5 year*)	Affordable Housing Requirement (%)	Adjusted Affordable Housing Requirement (%)
Berwickshire	1,197	295	25.0%	25%
Central Borders	1786	724	41.0%	25%
Northern	729	281	39.0%	25%
Southern	104	40	38.0%	25%
Scottish Borders	3816	1,340		

\*Rounded figures. Source: SBC Housing Land Audit 2012, SESplan HNDA 2010, SBC Housing Needs & Demand Assessment Update 2008-2009 (2011).

### Thresholds for On-Site Provision

- 5.4 The guidance requires that all sites of 17 units and above be considered for on-site provision of affordable housing. This includes sites allocated in the adopted Local Development Plan and windfall developments. The figure of 17 units is applied as these sites will deliver the 4 unit minimum that may attract Registered Social Landlord participation.
- 5.5 Where sites of 17 or more units do not attract RSL participation, one of the other policy mechanisms detailed in paragraph 3.4 will require to be applied. It will be necessary for the terms and conditions of affordable housing delivery to be agreed with SBC, and reflected in the associated legal agreements. Early engagement with SBC officers is therefore strongly encouraged in all instances where on-site affordable housing contribution is required.

### Commuted Sum Contributions

- 5.6 To ensure that all possible contributions towards the delivery of affordable housing are achieved commuted sums will be sought for those sites of 2-16 residential units. These will be applied by SBC to assist with the delivery of affordable housing projects within the same HMA as the housing proposal. The level of commuted sum payable will be assessed in relation to the value independently set by the District Valuer for each HMA.

### Commercial and Other Developments

- 5.7 Seeking contributions from industrial or general business development is not considered to be appropriate in the Scottish Borders context. In an area that already has market failure and experiences great difficulty in securing inward investment there would be little benefit derived from imposing a further burden to business development in the locality.

## **6 AFFORDABLE HOUSING POLICY**

- 6.1 The Council's proposed Supplementary Policy Notes are set out below. As noted in paragraph 1.1, the Supplementary Policy Notes should be read in conjunction with the policies contained in the adopted Local Development Plan and Strategic Development Plan:

### **PROPOSED LOCAL DEVELOPMENT PLAN**

#### **POLICY HD1 – AFFORDABLE AND SPECIAL NEEDS HOUSING**

**Where the Local Housing Strategy or local Housing Needs and Demands Assessment identifies a local affordable housing need, the Council will require the provision of a proportion of land for affordable or special needs housing, currently set at 25%, both on**



allocated or windfall sites. The final scale of such affordable and/or special needs housing will be assessed against:

- a) ongoing local housing needs assessment work being carried out by the Council,
- b) the location and size of the site, and
- c) the availability of other such housing in the locality.

Developers may be required to make contributions through:

- d) the provision of a proportion of the site for affordable housing, or
- e) the provision of additional land elsewhere to accommodate the required number of affordable housing units, or
- f) the provision of commuted payments

## **SUPPLEMENTARY POLICY NOTES**

### **SUPPLEMENTARY POLICY NOTE AH1 – HOUSING NEEDS ASSESSMENT**

The Council recognises the different levels of need for affordable housing in the Scottish Borders and will seek through on-going research, including housing needs and demand assessment, to establish an affordable housing requirement within each housing market area. The requirement will be monitored on a regular basis and adjusted accordingly to reflect the nature of need at that time.

### **SUPPLEMENTARY POLICY NOTE AH2 -THRESHOLDS**

The Council will seek provision for 25% of affordable housing on each site of two or more residential units in the housing market areas as specified in Table 1 of this Supplementary Planning Guidance.

In specific circumstances the Council may consider the contribution of appropriate off-site delivery, or, where on site provision is considered inappropriate, the Council may consider the provision of a commuted payment.

In considering housing proposals for sites of 2 to 16 residential units the Council will consider the provision a commuted payment as being appropriate.

### **SUPPLEMENTARY POLICY NOTE AH3 (A) – SITE/OFF-SITE PROVISION**

The affordable requirement for developments of 17 or more residential units should normally be provided on site. However, off-site provision may be acceptable where all of the following criteria apply:

1. there are exceptional reasons, such as poor access to public transport and local services; or where economies of scale would accrue through the pooling of affordable contributions from several schemes onto one site within the same housing market area or additional benefits towards policy objectives would be achieved; and
2. there is an agreed mechanism and development schedule in place to deliver the requisite number of affordable units (e.g. through an agreement with an RSL) at an alternative location within the same housing market area; and
5. the alternative site makes an appropriate contribution to meeting unmet local housing need relative to the principal development site

### **SUPPLEMENTARY POLICY NOTE AH3 (B) - COMMUTED PAYMENTS**

Commuted payments will be acceptable in relation to residential developments of 2-16 units. The Council will consider the possibility of commuted payments in relation to developments of 17 or more residential units only in highly exceptional cases. This will require that there are compelling and legitimate reasons within the context of this policy that preclude on site provision.

Where commuted sums are agreed, the Council undertakes to spend the sum to facilitate affordable housing provision within the housing market area it was collected within 5 years of the full payment being settled.

### **SUPPLEMENTARY POLICY NOTE AH4 - EXEMPTIONS**

The detailed exemptions policy included in the Council's SPG 9 Developer Contributions should be referred to in terms of exemptions to all developer contributions including affordable housing.

## 7 DELIVERY OF AFFORDABLE HOUSING

### Monitoring & Implementation

- 7.1 It is essential that the policy is implemented effectively and that it delivers affordable housing on the ground. To this end the Council will monitor planning applications and completion rates, recording where developments are taking place and within which post code sectors. The Plans & Research Team will carry this out through the annual Housing Land Audit. The application of the policy can also be monitored, for example the percentage of affordable housing provided on site, off site or via commuted sums. It will also record the reasons for off site or commuted sum provisions and reasons for any reduction in provision through exceptional costs. The use and effectiveness of any planning obligations agreements entered into will also be monitored. The information will be available for public scrutiny.
- 7.2 A detailed procedure note that outlines how the policy will be administered by the Council is included in Appendix 2. The note provides relevant advice to officers, developers, RSLs and other stakeholders regarding policy implementation. This will integrate with the development of the Council's Strategic Housing Investment Plan and related programmes to deliver additional affordable housing.

### On-Site Provision

- 7.3 The provision of the affordable requirement on site assists the delivery of the Council's objective of sustainable communities with a range and mix of tenures and house types that can share and support community and other facilities.
- 7.4 The Council will encourage developers to enter into a partnership with RSLs. This would help to ensure the provision of affordable housing units in perpetuity and the maximisation of affordable housing benefit. The valuation of land transferred to a RSL should be based on its end use as affordable housing, or by agreement between the developer and a RSL, at a lower rate. Government advice stresses that it would not be appropriate to require a developer to construct new houses to be handed over free to an RSL, although by agreement, a developer may provide completed units equivalent to the cost of providing the percentage serviced land required by the policy.
- 7.5 Where a partnership approach to affordable housing delivery is identified early contact with relevant RSL is encouraged. Subsequent development proposals are required to be provided to the planning authority. In all instances, written documentation from the identified RSL partner should be supplied to the Development Management case officer prior to the application being determined. Details requiring to be specified include:
- the number of units proposed
  - their character and style
  - their location within the site
  - the proposed form of tenure
  - the anticipated development and delivery dates relative to the market unit development.
- 7.6 The advantages of providing the affordable housing requirement within the developer's site is the ability to integrate affordable housing with general needs housing and create links to surrounding services. It also has the advantage of relative speed of delivery. Concentration of affordable housing into consolidated sites or groups of sites, rather than spreading individual units through a development site, may assist RSLs in the management of their housing stock. However, in other cases fuller integration with market units may be identified as more appropriate.

### Off- Site Provision

- 7.7 If the exemption policy for on-site provision is satisfied, developers are required to make off-site provision for the affordable housing requirement. Provision of land off-site offers opportunities to build affordable housing in areas of need, which are not subject to interest

from the private house builders, and empowers RSLs by providing them with a flexible and developable asset.

7.8 Any costs for site maintenance incurred prior to development will be allocated proportionately to stakeholders by the Local Authority. The key requirements for the agreement of off-site provision are;

- at a minimum, will result in the equivalent site area that was required on-site,
- is in the same housing market area as the general needs housing from which the requirement is derived,
- satisfies off-site exemptions policy tests,
- is considered appropriate by SBC for affordable housing provision,
- development for affordable housing is not constrained by policy, ownership, financial, access, or other affordable housing development factors, and clear delivery mechanisms and, where appropriate, fall-back positions, are established to the satisfaction of SBC.

### Commuted Payments

7.9 If SBC is satisfied in terms of policy that the affordable housing land cannot be provided on-site or off-site, commuted payments may be acceptable. SBC's commuted sum calculations are fully cognisant of Scottish Government guidance. They are derived from the District Valuer's assessments of affordable housing land values and the identified affordable housing requirement on a housing market area basis. Table 2 below sets out the commuted sums in respect of each affordable house required.

**Table 2 - Value of Commuted Sums**

Area	Commuted sum per affordable house requirement
Berwickshire	£8,000
Central Borders	£17,000
Northern	£30,000
Southern	£6,000

Source: District Valuer 2014

### Negotiations Officer

7.10 To ensure consistency and co-ordination of approach the negotiation of the affordable housing requirement will be carried out by SBC's Development Negotiator and Housing Strategy Officer. These officers comprise the principal point of contact for developments requiring affordable housing contributions.

### Exemptions

7.11 Housing units which conform with SBC Affordable Housing policy definitions are, with the exception of Play/Open Space, exempt from other Development Contribution requirements.

### Planning Agreements

7.12 Planning obligations agreements are required to be entered into, incorporating all relevant stakeholders, to govern the heads of terms established from the negotiation process. These will require to be concluded prior to the release of any associated planning consent. These agreements are designed and drafted to regulate the provision of land or units, details and phasing of a development and the payment of financial contributions.

7.13 To ensure that the requirement for a legal agreement does not unduly delay the processing of planning application a model planning obligations legal agreement will be developed by the Council. This would also ensure a greater consistency of approach. Planning obligations templates containing standard clauses can be requested from the SBC's Legal Services in an attempt to both assist the drafting process and achieve a level of consistency.

## **APPENDIX 1: BACKGROUND POLICY**

## **APPENDIX 1: BACKGROUND POLICY**

### Scottish Planning Policy:

Affordable Housing (Paragraphs 86-88)

Identification of Housing Requirements (Paragraph 70-76)

### Planning Advice Note 2/2010:

Affordable Housing and Housing Land Audits (Section 1)

### SESplan Strategic Development Plan:

Paragraph 117

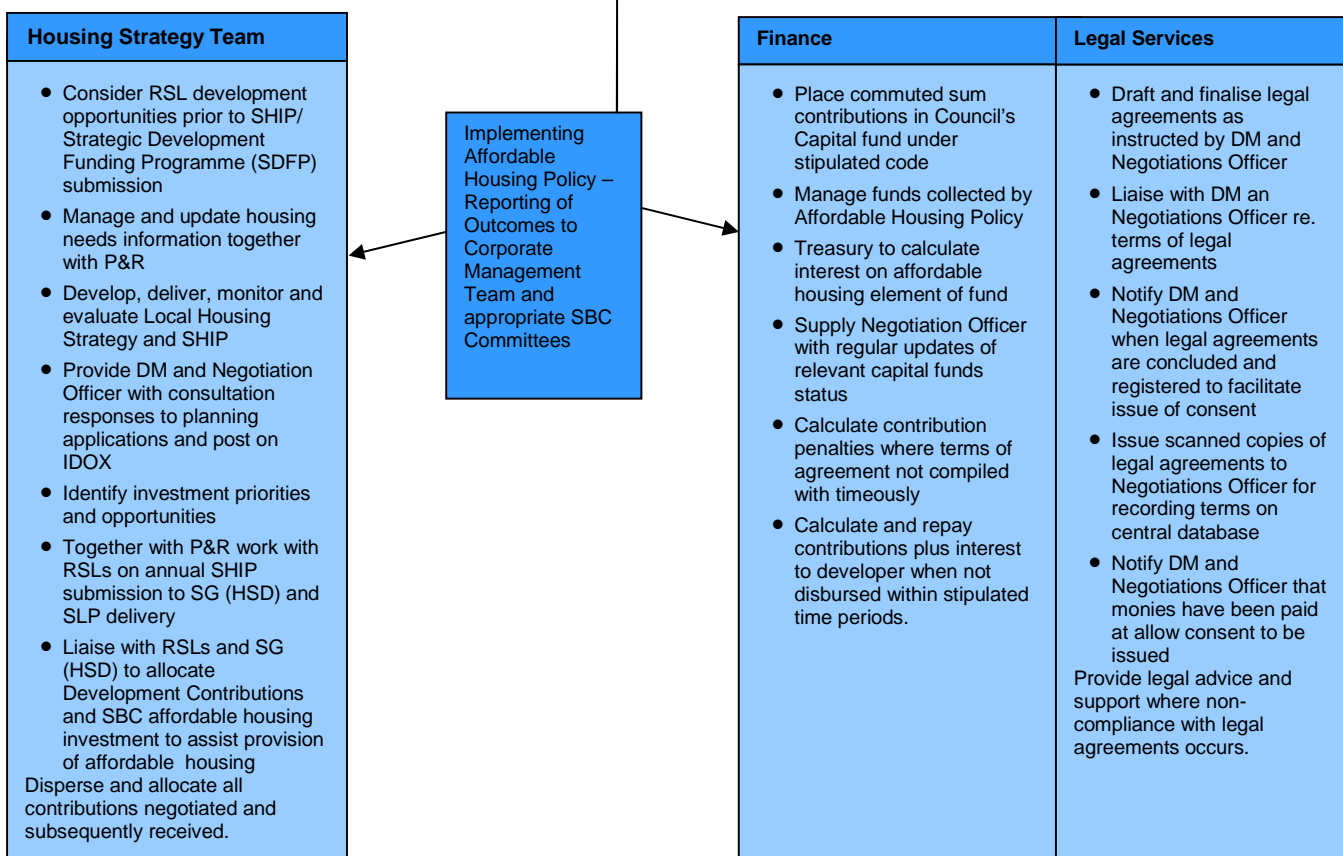
## **APPENDIX 2: PROCEDURE NOTE ON AFFORDABLE HOUSING**

## APPENDIX 2: PROCEDURE NOTE ON AFFORDABLE HOUSING

The implementation of the affordable housing policy will be undertaken by services across the Council. Figure 1 below specifies the responsibilities for these departments and teams. RSLs receiving initial enquiries in relation to development of affordable housing should refer landowner to SBC for coordinated response.

Figure 1 Responsibility for Implementing Affordable Housing Policy

Development Management (DM)	Uniform Team	Negotiation Officer	Plans and Research (P&R)	GIS Team (GIS)
<ul style="list-style-type: none"> <li>Identify Planning Applications where affordable housing requirement is needed</li> <li>Where appropriate, refer relevant details to HST for consultation</li> <li>Instruct Legal Services re legal agreement for commuted sums</li> <li>Upon advise from Legal and completed legal agreement, release consent</li> </ul>	<ul style="list-style-type: none"> <li>Adapt system to record information of affordable housing units approved (future improvement)</li> <li>Track completions (future improvement)</li> </ul>	<ul style="list-style-type: none"> <li>Negotiate on/off site AH provision with developers on basis of consultation responses supplied by HST</li> <li>Update and inform DM officers of negotiation/agreement outcomes with developers</li> <li>Instruct Legal Services to draft legal agreements on terms negotiated for on/off-site provision</li> <li>Notify DM when Legal agreements registered and consents can be issued</li> <li>Update central database with pertinent terms of legal agreements and Finance up-dates for all AH contributions</li> <li>Monitor and report collection and spend compliance with terms of legal agreements</li> </ul> <p>Liaise with Finance and HST when contributions received and advise HST of spend, allocation and dispersal obligations</p>	<ul style="list-style-type: none"> <li>Monitoring affordable housing through housing land audit (HLA)</li> <li>Responsible for policy development</li> <li>Responsible for updating SPG</li> <li>Assist HST with Local Housing Strategy and Strategic Housing Investment Plan (SHIP)</li> </ul>	<ul style="list-style-type: none"> <li>Assist with HLA</li> <li>Develop and maintain HLA geodatabase</li> <li>Provide technical back up and statistical information relating to HLA and effective land supply</li> <li>Input to affordable housing geodatabase</li> </ul>





**APPENDIX 3: LIST OF CONTACTS WITHIN SBC**

### **APPENDIX 3: LIST OF CONTACTS WITHIN SBC**

Development Management – John Hayward (Development Manager), Council Headquarters, Newtown St Boswells, TD6 0SA.

Tel: 01835 825068 E-mail: [JHayward2@scotborders.gov.uk](mailto:JHayward2@scotborders.gov.uk)

Developer Contributions - Jon Bowie (Development Negotiator), Council Headquarters, Newtown St Boswells, TD6 0SA.

Tel: 01835 825060 E-mail: [JBowie@scotborders.gov.uk](mailto:JBowie@scotborders.gov.uk)

Housing Strategy Team – Gerry Begg (Housing Strategy Manager), Council Council Offices, Paton Street Galashiels TD1 3AS.

Tel: 01896 662770 E-mail: [gbegg@scotborders.gov.uk](mailto:gbegg@scotborders.gov.uk)

Plans and Research Section – Laura Hill (Planning Officer), Council Headquarters, Newtown St Boswells, TD6 0SA

Tel: 01835 825060 E-mail: [LHill@scotborders.gov.uk](mailto:LHill@scotborders.gov.uk)

### **Alternative format/language paragraph**

You can get this document on tape, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

#### 其他格式／外文譯本

這份資料冊另備有錄音帶、大字體版本以及多種其他格式。你可以透過以下地址與我們聯絡，索取不同版本。此外，你也可以聯絡以下地址索取本資料的中文和其他外文譯本或索取更多拷貝。亦可要求我們做出安排，由我們的工作人員當面為你解釋你對這份出版物中的不明確之處。

#### [Alternatywny format/język]

Aby uzyskać kopię niniejszego dokumentu w formie audio, dużą czcionką, oraz innych formatach prosimy o kontakt na poniższy adres. Używać tam można również informacje o tłumaczeniach na języki obce, otrzymaniu dodatkowych kopii oraz zaaranżowaniu spotkania z urzędnikiem, który wyjaśni wątpliwości i zapytania związane z treścią niniejszej publikacji.

#### **Parágrafo de formato/língua alternativos**

Pode obter este documento em cassete audio, impressão aumentada e vários outros formatos contactando a morada indicada em baixo. Pode ainda contactar a morada indicada em baixo para obter informações sobre traduções noutras línguas, cópias adicionais ou para solicitar uma reunião com um funcionário para lhe explicar quaisquer áreas desta publicação que deseje ver esclarecidas.

#### Параграф об альтернативном формате/языковой версии

Чтобы получить данный документ в записи на пленке, в крупношрифтовой распечатке и в других различных форматах, вы можете обратиться к нам по приведенному ниже адресу. Кроме того, по данному адресу можно обращаться за информацией о переводе на различные языки, получении дополнительных копий а также с тем, чтобы организовать встречу с сотрудником, который сможет редставить объяснения по тем разделам публикации, которые вам хотелось бы прояснить.

Contact Jacqueline Whitelaw, Environment and Infrastructure, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA, Tel 01835 825431, Fax 01835 825071, email [eitranslationrequest@scotborders.gov.uk](mailto:eitranslationrequest@scotborders.gov.uk)

## **Appendix B: Valuation of Commuted Sum Payments for Scottish Borders Council**

# Valuation of Commuted Sum Payments for Scottish Borders Council

Report for:  
Jon Bowie  
Scottish Borders Council

Prepared by:  
Elin Herd BSc (Hons) MRICS  
Senior Surveyor  
RICS Registered Valuer  
DVS

Tel: 03000 506276

[elin.a.herd@voa.gsi.gov.uk](mailto:elin.a.herd@voa.gsi.gov.uk)

Case Number: 1498035 EAH/JS

Date: 01 May 2014

## Contents

Executive Summary.....	1
1. Introduction.....	2
2. Valuation Parameters.....	2
3. Property Information.....	4
4. Valuation.....	7
5. General Information.....	12

DRAFT

## Executive Summary

### 1.1 Introduction

You have asked me to provide a value of the commuted sum payments to be made for the four Housing Market Areas in the Scottish Borders.

### 1.2 Valuation Date

1 April 2014.

### 1.3 Special Assumptions

The valuations are provided subject to the **special assumption** for the purposes of calculating the commuted sums; the Affordable Housing element reflects the future use of any proposed affordable housing would be restricted in perpetuity to the provision of social rented housing.

### 1.4 Value of Commuted Sums

Housing Market Area (HMA) (£)	Unrestricted Market Value of Plot (£)	Value of Plot for Affordable Housing (£)	Commuted Sum (£)
Northern	35,000	5,000	30,000
Central	22,000	5,000	17,000
Berwickshire	13,000	5,000	8,000
Southern	11,000	5,000	5,000

## 1. Introduction

I refer to your instructions dated 19 March 2014 and my terms of engagement dated 1 April 2014.

I am pleased to report to you as follows.

## 2. Valuation Parameters

### 2.1 Identification of Client

Jon Bowie of Scottish Borders Council.

### 2.2 Purpose of Valuation

You have asked me to provide you with the value of the Commuted Sums to be paid in each Housing Market Area in lieu of providing affordable housing on site.

### 2.3 Date of Valuation

The date of valuation is 1 April 2014.

Please note that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

### 2.4 Confirmation of Standards

The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards 2014 UK Edition, commonly known as the Red Book.

Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

### 2.5 Agreed Departures from the RICS Professional Standards

There are no departures beyond those restrictions on the extent of investigations and survey, and the assumptions, stated below.

### 2.6 Basis of Value

The basis of value adopted is Market Value which is defined at VPS 4, para 1.2 as:

*'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

### 2.7 Special Assumptions



The valuations are provided subject to the **special assumption** for the purposes of calculating the commuted sums, the affordable housing element reflects the future use of any proposed affordable housing would be restricted in perpetuity to the provision of social rented housing.

## 2.8 Nature and Source of Information Relied Upon

I have assumed that all information provided by, or on behalf of you, in connection with this instruction is correct without further verification – for example, details of tenure, tenancies, planning consents, etc.

My advice is dependent upon the accuracy of this information and should it prove to be incorrect or inadequate, the accuracy of my valuation may be affected.

I have had reference to the following documents:

- SBC's Supplementary Planning Guidance on Development Contributions – Updated and Revised April 2014
- Supplementary Planning Guidance on Affordable Housing – Updated and Revised January 2011
- PAN 2/2010: Affordable Housing and Housing Land Audits which supersedes PAN 74 Affordable Housing
- RICS Professional Guidance, Scotland, Valuation of Land for Affordable Housing Scotland (GN 100/2013)
- RICS Valuation Information Paper No.12, Valuation of Development Land
- Housing Supply Division Guidance Note (HSGN) 2014/01 – Application of Benchmark Grant and Rent Assumptions 2013-2014

Sales information has been gained from Propval, Registers of Scotland, Rightmove and Borders Solicitors Property Guide.

## 2.9 Extent of Investigations, Survey Restrictions and Assumptions

An assumption in this context is a limitation on the extent of the investigations or enquiries undertaken by the valuer. The following agreed assumptions have been applied in respect of your instruction, reflecting restrictions to the extent of our investigations.

- This valuation report has been prepared on a 'desk-top basis' and therefore no property inspections have been undertaken.
- No detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property was undertaken. The Valuer has had regard to the apparent state of repair and condition, and assumed that inspection of those parts not inspected would neither reveal defects nor cause material alteration to the valuation, unless aware of indication to the contrary. The building services have not been tested and it is assumed that they are in working order and free from defect. No responsibility can therefore be accepted for identification or notification of property or services' defects that would only be apparent following such a detailed survey, testing or inspection.
- It has been assumed that good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings.
- It has been assumed that the property and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in

breach of any covenant.

- Valuations include that plant that is usually considered to be an integral part of the building or structure and essential for its effective use (for example building services installations), but exclude all machinery and business assets that comprise process plant, machinery and equipment unless otherwise stated and required.
- It has been assumed that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated. However where an inspection was made and obvious signs of such materials or techniques were observed, this will be drawn to your attention and captured in this report.
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010 and it has been assumed that the premises are compliant unless stated otherwise in this report.
- No environmental assessment of the property (including its site) and neighbouring properties has been provided to or by the VOA, nor is the VOA instructed to arrange consultants to investigate any matters with regard to flooding, contamination or the presence of radon gas or other hazardous substances. No search of contaminated land registers has been made.

However, where an inspection was made and obvious signs of contamination or other adverse environmental impact were visible this will have been advised to you, further instructions requested and the observations captured in the report. Where such signs were not evident during any inspection made, it has been assumed that the property (including its site) and neighbouring properties are not contaminated and are free of radon gas, hazardous substances and other adverse environmental impacts. Where a risk of flooding is identified during any inspection made, or from knowledge of the locality, this will be reported to you. The absence of any such indication should not be taken as implying a guarantee that flooding can never occur.

### **3. Property Information**

#### **3.1 Housing Market Areas**

Your Council have divided the Scottish Borders into four Housing Market Areas (HMA's) and these are as follows:

**Central** – this includes towns and villages such as Hawick, Galashiels, Kelso, Selkirk, Jedburgh, Tweedbank, Earlston, Melrose, Newtown St Boswells and St Boswells.

The Waverley Railway line will be opening in 2015 and will serve part of this area down the A7 corridor leading to Tweedbank.

**Berwickshire** – the major settlements here are Eyemouth, Duns, Chirnside and Coldstream.

**Northern** – This includes the towns of Peebles, West Linton, Innerleithen, Cardrona and Lauder. These towns are all within commuting distance of Edinburgh.

**Southern** – this is a much more sparsely populated area leading from the western side of Peeblesshire down to the southern part of Roxburghshire. The main settlement here is Newcastleton but also includes the Yarrow Valley, Etrick Valley, Tweedsmuir and Teviothead.

### 3.2 Affordable House Type

For the affordable housing part of the calculation I have assumed that 12 houses will be built and that 6 of those will be 2 bed/4 person houses and 6 No.3 bed/ 5 person houses. The usual providers of social housing within the Scottish Borders area are Eildon Housing and Berwickshire Housing and they tend to build slightly larger houses than the private sector and are of good quality construction and usually built to the greener standard. I have assumed that the houses will be semi detached or terraced with gardens to front and rear, there will be central heating, double glazing and a downstairs cloakroom with WC, however, there will be no en-suite facilities.

I have adopted the following floor areas on a Gross Internal Basis as defined in the RICS Code of Measuring Practice, 6th Edition.

2 bed/4 person	80 square metres
3 bed/5 person	90 square metres

### 3.3 Private House Type

For the private housing part of the calculation I have looked at various new build properties being constructed by Persimmon, Miller Homes, Barratts, Taylor Wimpey and M & J Ballantyne. In view of this I have adopted the following house type:

2 storey semi detached/mid terraced properties, with gardens to front and rear, there will be central heating, double glazing, a downstairs WC and en-suite master bedroom. The Gross Internal Areas have been adopted as follows:

2 bed/4 person house	73 square metres
3 bed/5 person house	83 square metres

### 3.4 Definition of Affordable Housing

Scottish Planning Advice Note (PAN 2/2010) was published in February 2010 and states that “*affordable housing is defined broadly as housing of a reasonable quality that is affordable to people on modest incomes. In some places the market may be able to meet most affordable housing needs but this will not be the case everywhere.*”

*Affordable housing may be in the form of social rented accommodation, mid-market rented accommodation, shared ownership, shared equity, discounted low cost housing for sale including plots for self build, and low-cost housing without subsidy”.*

For the purpose of assessing the Commuted Sum payments you have asked me to assume that social rented accommodation is the type of affordable housing to be adopted. This type of tenure currently accounts for the highest proportion of affordable housing provision in the Borders.

Social rented housing is owned and managed by a Registered Social Landlord (RSLs). RSLs are required through their registration with Scottish Housing Regulator (previously Community Scotland) to meet identified housing needs.

The main RSLs in the Borders are Berwickshire Housing Association, Scottish Borders Housing Association, Eildon Housing Association and Waverley Housing who between them provide over 90% of the social/affordable housing in this area. It is anticipated that in the future Eildon Housing Association will be the “leading developer” of RSLs operating in the Scottish Borders.

### 3.5 Affordable Housing Contributions

According to your Supplementary Planning Guidance on Affordable Housing, Scottish Borders Council considers all residential developments of two or more housing units, including land for development and conversions, as potentially contributing to meeting affordable housing needs.

### 3.6 Percentage of Affordable Housing

It is stated in Paragraph 5.2 that “it is proposed to apply a baseline or minimum requirement of 25% of the total unit development size of all new private housing sites to be made available for affordable housing”.

### 3.7 Commuted Payments

On site provision of affordable housing will also be the preferred option, however, in exceptional circumstances the payment of a commuted sum in lieu of on-site or off-site provision will only be acceptable where all of the following criteria are met:

1. Where exceptional reasons, such as poor access to public transport and public services; where the economies of scale would accrue through the pooling of affordable contributions from several small schemes on one site within the same Housing Market Area or additional benefits to achieving policy objectives would be achieved; and
2. There is an agreed mechanism in place to deliver the requisite number of affordable units (eg an agreement with an RSL) at an alternative location within the Housing Market Area; and
3. The Council undertakes to spend a sum to facilitate affordable housing provision within the Housing Market Area it was collected within five years of the full payment being settled.

### 3.8 Defects and Repair

It is assumed the proposed houses which will be erected on the plots will be of standard construction and traditionally built with no apparent defects.

### 3.9 Services

The valuation figures for affordable land within this report are provided on the basis of fully serviced land. Therefore it is assumed that the plots would be connected to the usual mains services of water, drainage and electricity or as appropriate for remote locations, adequate drainage, water and electricity provisions.

### 3.10 Access and Highways

It is understood that the maintenance of roads and footpaths ex adverso the property is the responsibility of the local authority.

### 3.11 Energy Performance Certificates

Not applicable.

### 3.12 Planning

The following paragraphs provide some background to commuted payments within the planning context.

Planning Advice Note 2/2010- Affordable Housing and Housing Land Audits was published in August 2010 and section 1 replaces PAN 74- Affordable Housing. It provides advice and information on how the planning system can support the Government’s commitment to increase the supply of affordable housing. The key points are as follows:

- **Definition:** affordable housing is defined in the Scottish Planning Policy (SPP) as housing of a reasonable quality that is affordable to people on modest incomes. The following tenure types are

included: social rented, subsidised low cost housing for sale, unsubsidised low cost housing for sale and mid market or intermediate rented.

- ***Delivery through the planning system:*** where a shortage of affordable housing has been identified through the Housing Needs and Demand Assessment (HNDA) and Local Housing Strategy (LHS) then it should be addressed in the development plans as part of the housing land allocation. The development plan should be clear on the scale and distribution of the affordable housing. Authorities may seek a percentage of affordable housing contribution from new housing developments provided this is justified by the HNDA and included in the LHS and development plan. The Benchmark figure is that each site should contribute 25% of the total number of housing units as affordable units.
- ***Nature of contribution:*** this should normally be the provision of serviced land e.g. a proportion of the site which can be developed by or for a RSL or local authority. The land should be transferred at a value appropriate for affordable housing which will be less than the value for mainstream housing for sale. The PAN also states that “Depending on the type of affordable housing required, there will be a variety of other ways in which developers can provide affordable housing on-site”.
- ***Flexibility:*** PAN 2/2010 stresses that its advice has to be applied constructively and with flexibility in response to financial and market conditions. The key matters where flexibility may be exercised include: a range of tenures; the percentage of affordable units identified in the development plan policy and on a specific site; provision on another site; and in some cases the use of a commuted sum. PAN 2/2010 states that “in particular and taking into account the availability of public funding, the wide range of affordable housing tenures means that the inability of a RSL or council to commit to development within a similar timescale to the market housing should not unnecessarily inhibit the timeous delivery of affordable housing. On the basis of the HNDA, the full range of affordable housing tenures will normally be an acceptable means of delivering the development plan policy”.
- ***Site thresholds:*** as a guide on-site provision is considered appropriate for developments of 20 or more units with off-site provision or commuted sums a possibility on smaller sites. In rural areas these thresholds could be lower.
- ***Off-site provision and commuted sums:*** where sites are unsuitable for on-site provision or affordable housing, off-site provision within the same housing market area or commuted sum payments may be acceptable. Commuted sums should only be used sparingly. Such alternatives should be of a value equivalent to the cost of providing the percentage of serviced land required by the policy. The value should be independently determined by the District Valuer or suitably experienced chartered valuation surveyor.

### 3.13 Equality Act 2010

Whilst I have had regard to the provisions of the Equality Act 2010 in making this report, I have not undertaken an access audit nor been provided with such a report. It is recommended that you commission an access audit to be undertaken by an appropriate specialist in order to determine the likely extent and cost of any alterations that might be required to be made to the premises or to your working practices in relation to the premises in order to comply with the Act.

### 3.14 Mineral Stability

The properties are not in an underground mining area and a Mining Subsidence Report has not been obtained.

## 4. Valuation

### 4.1 Valuation Methodology / Approach and Reasoning

The valuations have been prepared having regards to the two valuation approaches outlined in the RICS Valuation Information Paper No 12, Valuation of Development land and the recently published RICS Guidance Note on the Valuation of Land for Affordable Housing (GN 100/2013), namely, the comparison method and the residual method.

DRAFT

#### 4.2 Calculating Commuted Payments.

Guidance on how commuted payments should be calculated is limited however best practice is outlined in PAN2/2010 as follows.

*22. Where it is agreed that an alternative to a contribution of land within the proposed development site is acceptable, the developer will provide either land or homes or a commuted sum of a value equivalent to the cost of providing the percentage of serviced land required by the policy. Best practice is that the value should be independently determined by the District Valuer or a chartered valuation surveyor suitably experienced in the type of property and the locality. Wherever possible the relevant parties should agree to appoint and instruct a valuer, failing agreement on which the valuer should be appointed by the Chairman of the RICS in Scotland. The commuted sum is a matter for negotiation between the developer and the local authority, having regard to development costs, other contributions that are being sought, and other relevant factors, for example layout and design. Planning authorities may wish to consider a policy for calculating a commuted sum, but this should be the subject of consultation with stakeholders before being applied.*

The difference between the unrestricted MV and the affordable housing value is considered to reflect the amount the RSL will have to pay over and above the affordable land value to obtain the plot. Using this methodology the developer contribution is directly related to land costs and reflects the difference in land values between housing market areas. The valuations are reviewed and updated regularly. This methodology is considered to be in line with PAN 2/2010

#### 4.3 Valuation of Land for Affordable Housing

The two main components required to value land for affordable housing is an assessment of the monies available for the scheme and deducting any costs associated with constructing the scheme. The amount of monies available will include the gross development value (GDV) of the scheme and will include any finance available for public subsidies.

I have used a residual method which deducts all the costs of development such as construction costs, fees, voids, etc. from the total finance available which includes the Housing Association Grant (HAG) subsidy and private finance and then this leaves a value which is the residual amount that an RSL can afford to pay for a plot of land.

I have assumed a development of 12 houses of which 6 are 2 bed/4 person properties and 6 are 3 bed/5 person properties.

New guidance was issued in January 2014 (HSGN 2014/01) which sets out the benchmark grants and rent assumptions and this gives a figure of grant subsidy for a rural area of £59,000 for a 3 person equivalent or £63,000 for a 3 person equivalent 'greener' subsidy. I have assumed the higher subsidy of £63,000 as this appears to be the main type of housing constructed by the local housing associations. I have used the benchmark projected rent assumptions for 2014/15 which are £4,270.46 pa for a 4 person house and £4,525.13 pa for a 5 person house.

The value of the affordable land plot will be constant throughout the Scottish Borders area as the HAG funding from the Scottish Government and the levels of rent to be charged for these properties will be constant within this area.

The value of land for an affordable plot has been calculated to be **£5,000 (Five Thousand Pounds)**.

#### 4.4 Valuation of Land for Private Housing

There is limited comparable evidence of recent land transactions so I have carried out a residual valuation on the basis of a notional house plot. In order to form a view of the estimated GDV of the development then I have had regard to a range of values for modern 2 and 3 bedroom semi detached/terraced properties within each of the four Housing Market Areas based on recent sales and properties currently available on the market. I have then deducted the costs of the development such as the estimated building costs, marketing and legal fees, professional fees, acquisition costs, developers' contributions and developers' profit.

I have assumed a scheme of 12 houses of which 25% would have to be affordable therefore leaving 9 private houses of which I have assumed 4 will be 2 bed/4 person units and 5 will be 3 bed/5 person units.

I have assumed that any payments due to the developer for the affordable housing land would be offset by the requirement to provide serviced plots for the RSL.

I have had consideration of the information provided by your Council on developer contribution levels by Housing Market Areas and have taken an average of the contribution but weighted this towards the more heavily populated areas. These developer contributions are for education and life long learning, Waverley Railway (Northern HMA), the Peebles Bridge Study, Newtown St Boswells Regeneration and contributions to the road network in the Central HMA. I have looked at each HMA separately and adopted a weighted average figure.

The market value of the notional house types for each HMA are summarised below:

<b>Housing Market Area</b>	<b>2 bedroom/ 4 person house</b>	<b>3 bedroom/ 5 person house</b>
Northern	£160,000	£178,000
Central	£138,000	£160,000
Berwickshire	£125,000	£140,000
Southern	£115,000	£130,000

#### 4.5 Comparable Evidence For Notional House Values

1. The Cather, Gala Meadow, Galashiels (Miller Homes). A two storey semi detached house of 87.51m<sup>2</sup>. Accommodation – hall, lounge, WC, kitchen/dining room, three bedrooms (one en-suite shower room) and bathroom. Sale price £157,000 to £159,000.
2. The Angus 2, Gala Meadow, Galashiels (Miller Homes). A two storey semi detached villa of 72.37m<sup>2</sup>. Accommodation – lounge/dining room, kitchen, WC, two bedrooms (one en-suite shower room) and bathroom. The sale price is £133,000.
3. The Annan II, Melrose Gait, Galashiels (Persimmon). A two storey end terraced villa with accommodation comprising lounge, kitchen, WC, three bedrooms (one en-suite) and bathroom. The floor area is 69.58m<sup>2</sup> with a sale price of £137,950.
4. The Vineries, Clovenfords (Barratts). The Dunrobin is for sale at £159,995. This is a two storey semi detached villa of 83.3m<sup>2</sup> with accommodation comprising lounge, kitchen/dining room, WC, three bedrooms (one en-suite shower room) and bathroom.
5. The Chatsworth B, Peebles (Taylor-Wimpey). This is a two bedroom end terraced villa at a sale price of £157,000. The floor area is 69.89m<sup>2</sup>.



6. The Buchan, Heath Grange, Chirnside (Persimmon). This is a two storey semi detached villa with accommodation comprising lounge, kitchen/dining room, WC, three bedrooms and bathroom with a sale price of £129,950 for a floor area of 80.64m<sup>2</sup>.
7. The Anstruther, Heath Grange, Chirnside (Persimmon). This is a two storey semi detached property with two bedrooms and a sale price of £112,950 for a floor area of 72.74m<sup>2</sup>.
8. The Woodman, Leet Haugh, Coldstream (Hudson Hirsell LLP) is being advertised at £145,000 for a two bedroom mid terraced property with a floor area of 79,m<sup>2</sup>.
9. The Forrester, Leet Haugh, Coldstream (Hudson Hirsell LLP) is being advertised at £179,500 for a two storey end terraced, three bedroom property with a floor area of 108m<sup>2</sup>.
10. The Kinchan, Leet Haugh, Coldstream (Hudson Hirsell LLP). This is a two storey semi detached three bedroom property at a sale price of £177,500 for a floor area of 103.75m<sup>2</sup>.

#### 4.6 Opinion of Value

<b>Housing Market Area (HMA) (£)</b>	<b>Unrestricted Market Value of Plot (£)</b>	<b>Value of Plot for Affordable Housing (£)</b>	<b>Commuted Sum (£)</b>
Northern	35,000	5,000	30,000
Central	22,000	5,000	17,000
Berwickshire	13,000	5,000	8,000
Southern	11,000	5,000	6,000

Given the combination of uncertain market conditions and the type of valuation involved (residual valuations) this valuation carries a greater than normal range of uncertainty. Reference is made to the RICS Valuation-Professional Standards 2014 VPGA 9 (Valuation Certainty) and I would caution as to the possibility for a need to show some degree of flexibility in the use and interpretation of the reported values.

#### 4.7 Currency

All prices or values are stated in pounds sterling.

#### 4.8 VAT

I understand that VAT does not apply to this transaction and my opinion of value reflects this. In the event that my understanding is found to be inaccurate, my valuation should be referred back for reconsideration.

#### 4.9 Costs of Sale or Acquisition and Taxation

I have assumed that each party to any proposed transaction would bear their own proper legal costs and surveyor's fees.

#### 4.10 Market Commentary

The financial crisis of several years ago has affected the cost and availability of finance which has restricted the number of mortgage products available to prospective homeowners and contributed to general falls in average house prices throughout Scotland. The introduction of the Help to Buy Scheme does seem to have increased interest in new build properties within the Central and Northern HMAs however property prices are still lower compared to pre-recession prices and properties can take a lot longer to sell. This is especially the case in the Berwickshire and Southern HMAs. These market concerns have been reflected in our valuation of the commuted sums.

### **5. General Information**

#### 5.1 Status of Valuer

It is confirmed that the valuation has been carried out by Elin Herd a RICS Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the valuation competently, and is in a position to provide an objective and unbiased valuation.

#### 5.2 Conflict of Interest

Checks have been undertaken in accordance with the requirements of the RICS standards and have revealed no conflict of interest. DVS has had no previous material involvement with the property.

#### 5.3 Restrictions on Disclosure and Publication

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

You may wish to consider whether this report contains Exempt Information within the terms of paragraph 9 of Schedule 7A to the Local Government (Scotland) Act 1973 (see section 2 and Part II of Schedule 1 to the Local Government (Access to Information Act 1985) and your Council can treat it accordingly.

#### 5.4 Limits or Exclusions of Liability

The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers. No responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of the report unless previously agreed.

#### 5.5 Validity

This report remains valid for 12 months from its date, for Commuted Sum purposes only, unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

I trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further.

Elin A Herd BSc (Hons) MRICS  
Senior Surveyor  
RICS Registered Valuer  
DVS