



Developer Contributions & Affordable Housing Supplementary Guidance December 2023

Part 2: Affordable Housing

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Please see [‘Part 1: Policy Implementation and Developer Contributions’](#) for further guidance on developer contributions requirements.

1. What is affordable housing?

1.1 National Planning Framework 4 2023 (NPF4) defines affordable housing as:

“Good quality homes that are affordable to people on low incomes. This can include social rented, mid-market rented, shared-ownership, shared-equity, housing sold at discount (including plots for self-build), self-build plots and low-cost housing without subsidy.”

(Annex F, page 144)

2. Why do we need an affordable housing policy?

2.1 The Scottish Government’s Housing to 2040 sets out their ambition “for everyone to have access to a warm, safe, affordable and energy efficient home that meets their needs, in a community they feel part of and proud of”. This approach recognises the need to provide a wide range of affordable homes, allowing people the choice of lifestyle and home regardless of income. Scottish Government planning policy supports this approach and NPF4 policy 16(e) states:

“Development proposals for new homes will be supported where they make provision for affordable homes to meet an identified need. Proposals for market homes will only be supported where the contribution to the provision of

affordable homes on a site will be at least 25% of the total number of homes...” (page 63)

2.2 Studies of housing need and affordable housing requirements are carried out across the Perth and Kinross area as part of the preparation of the Housing Need and Demand Assessment (HNDA). The HNDA gives long run estimates of housing need and provides an evidence base for the Council’s Local Housing Strategy (LHS) and the Local Development Plan (LDP). Further localised HNDAs have been undertaken by the Communities Housing Trust in Aberfeldy, Dunkeld & Birnam, Comrie, Mount Blair and Pitlochry. These have been undertaken to gain a better understanding of the impact that high market prices have in on houses in a rural setting.

2.3 Policy 20 in the adopted Perth and Kinross Local Development Plan 2 2019 (LDP2) identifies that 25% of the total number of housing units per housing site should be provided as affordable. This approach is then guided using the LHS priorities, planning policy, evidence from the HNDA and local housing lists. An analysis of this information then supports the identification of type and tenure for a location based on local need and demand.

3. Applying the policy: the sequential approach

- 3.1 LDP2 Policy 20 sets the Council’s requirement for affordable housing when assessing new development proposals. NPF4 (Policy 16) is also a relevant part of the statutory development plan.
- 3.2 The Council’s preference is to locate affordable housing on site and as part of a mixed development of private and affordable homes. There may be proposals for 100% provision of affordable housing, and these will be acceptable as part of a wider mixed community and where all other relevant LDP policies are met.
- 3.3 Residential developments, including conversions, consisting of 5 or more units should include provision of an affordable housing contribution amounting to an equivalent of 25% of the total number of units proposed, except where the LDP varies this quota on an individual site basis, or sites of 20 units or less in the City Centre Zone (see map below and Appendix 4 in Part 1 of this guidance). Whenever practical, the affordable housing should be integrated with, and indistinguishable from the market housing.

- 3.4 The Council’s sequential approach to the delivery of affordable housing requirements is laid out in Table 1. The details of tenure, house size and type, will be a matter for agreement between the developer and the Council and based upon local housing need and individual site characteristics.

On site	Provision of affordable housing on site; or Transfer of an area of serviced land to the Council/ Housing Association.
Off site	Provision of affordable housing off site; or Transfer of an area of serviced land to the Council/ Housing Association.
Commuted sums	Where it is not possible to achieve appropriate affordable housing on site.
Table 1: sequential approach	

3.5 On Site Provision

3.5.1 On-site provision is the preferred option for all development proposals. Where affordable housing is being provided on-site, the housing will either be built by or transferred to a Housing Association or the Council, with the exception of: discounted for sale, unsubsidised homes, private rented accommodation or discounted serviced plots for self-build.

3.5.2 Developers should enter early discussions with the Housing Strategy team (see contact details on page 14), preferably before the submission of a planning application.

This will help to identify the following:

- The type and size of affordable housing requirement to meet the needs in the area.
- The provider most appropriate to deliver the required mix of tenure.
- Provide advice on how the Scottish Government subsidy funding requirements can be met.

3.5.3 Developers will be required to build an agreed number, type, and mix of affordable housing units on site, including any required wheelchair housing (Housing for Varying Needs standards) for subsidised rent or sale by the Housing Association or Council. Where the affordable element is to be delivered by the developer, deadlines must be set for the delivery of the affordable housing relative to the timescale of

delivery of the private housing.

3.5.4 Alternatively, the land for the affordable housing element can be transferred to the Council or Housing Association to develop. Developers will agree to transfer an area of services land to a Housing Association or the Council for a valuation based on affordable housing only (as agreed by the District Value or an agreed chartered valuation surveyor).

3.6 Off Site Provision

3.6.1 Where on-site provision cannot be achieved; the Council may be willing to consider the provision of affordable housing off-site or the transfer of an area of serviced land off-site. This will depend on several factors such as the desire to achieve balanced communities, the site circumstances (location and accessibility) and any difficulties associated with its development.

3.6.2 If the Council accepts the provision of affordable housing off-site the developer will be required to build an agreed number, type and mix of affordable housing units on another site within the area that is under their control for subsidised rent or sale either for the Council or a Housing Association. Where the affordable element is to be delivered by the developer a deadline will be set for the delivery of affordable housing relative to the timescale of the private housing. The provision of affordable housing offsite will be in addition to the affordable housing requirement relating to the alternative site.

3.7 Transfer of an area of serviced land off-site

3.7.1 Alternatively, the land for the affordable housing element can be transferred to the Council or a Housing Association for them to develop. Developers will agree to transfer an area of serviced land for a valuation based on affordable housing only (as agreed by the District Valuer or an agreed chartered valuation surveyor).

3.8 Commuted Payments

3.8.1 It is important to note that it will only be in limited circumstances that the Council will accept the payment of a commuted sum in lieu of the provision of affordable housing on or off-site. One of the primary obstacles to the delivery of affordable housing in Perth and Kinross is the difficulty which Housing Associations' experience in being able to compete with private developers to acquire land. This, coupled with the importance of creating socially inclusive and mixed communities, means that the Council will generally always seek the provision of affordable housing on-site or on an alternative site within that housing market area. The payment of a commuted sum to meet an affordable housing requirement will only be a final option offered to a developer.

3.8.2 Commuted sums may be acceptable only if there are no suitable sites brought forward after following the sequential tests above or where there are restrictions to the availability of public subsidy. A Viability Assessment will be required in all cases to demonstrate why the development would not be financially viable with on-site provision. Evidence of this should be provided in a Viability Statement providing financial or planning justification as to why the development cannot incorporate affordable homes. More details about undertaking this process, see [Part 1](#) of this document on How to undertake Development Viability Assessments.

3.8.3 The instances where a commuted sum may be acceptable include:

- Where a development is in a remote rural setting or out with a settlement where it is difficult to access services;
- Where the scale of development results in sporadic units, creating affordability difficulties for Housing Associations;
- Where the number of units proposed are below the thresholds identified in the policy;
- Where the Council's Housing Service recommend that this is the most appropriate form of contribution in considering the Council's strategic housing priorities.

3.8.4 These payments will be used to enable off-site provision to make an equal and equivalent financial contribution to an affordable housing fund managed by the Council which promotes the direct provision of affordable accommodation through the Council or Housing Association on other sites. The commuted sum must be spent within the local housing market area. Income from this source will be identified in the Strategic Housing Investment Plan (SHIP).

3.9 Calculation of commuted sum

3.9.1 Commuted sums will be calculated in line with national guidance PAN 2/2010 Affordable Housing Land Audits and Affordable Housing Supply Programme: process and procedures MHDGN 2022/02, as well as guidance notes issued by the RICS and in particular 'Valuation of Land for Affordable Housing Scotland' GN100/2013 and GN Valuation of Development Property October 2019.

3.9.2 In line with PAN 2/2010, paragraph 22, the valuation of commuted sum will be determined independently by the District Valuer (DV). Research was commissioned from the DV (19 January 2023) to determine at what level the commuted sum should be set for each Housing Market Area in Perth and Kinross. On the basis of the research, the commuted sums effective from 1st April 2023 are as follows:

Housing Market Area	Plot Value Per Unit for Private Sale	Plot Value Per Unit for Affordable Housing	Commuted Sum Per Unit
Highland	£25,000	£1,000	£24,000
Kinross	£25,000	£1,000	£24,000
Perth	£36,000	£1,000	£35,000
Strathearn	£28,500	£1,000	£27,500
Strathmore	£21,500	£1,000	£20,500

Table 2: Commuted sums requirement per Housing Market Area

3.9.3 This table will be updated annually based on the procedure set out in 3.9.2 and published on the [Council's website](#).

3.9.4 Where an Affordable Housing commuted sum has been made developers will be able to reclaim any money not invested in the infrastructure it was required after the utilisation period of 5 years of the date of payment to the Council. Developers will have 12 months from the date of the 5-year deadline in which to reclaim any contribution. Where contributions are to be returned, interest will be made payable at 0.25% below the Bank of Scotland base rate.

4. Funding mechanisms for delivery of affordable housing

- 4.1 Most of the funding for affordable homes comes from the Scottish Government Affordable Homes Supply Programme (AHSP). This is supplemented by council funding (Council Tax second homes funds), commuted sums (in lieu of on-site affordable provision) from developers, Prudential Borrowing (Councils) and Private Finance borrowing (Registered Social Landlords). The plan for new housing is directed by the Council's Strategic Housing Investment Programme (SHIP).
- 4.2 The most common source of land for affordable homes comes from requirement in LDP2 Policy 20 for developers to deliver 25% of their development proposals for affordable homes. The land is transferred to the ownership of a Housing Association partner or the Council to build a variety of affordable types and tenures. The tenures are determined by need and demand in the local area. Less commonly, Councilowned land is developed by the Council itself or made available to Housing Associations to build affordable homes. Likewise, private developers may restructure their land stocks and dispose of land to Housing Associations or the Council for additional affordable housing.
- 4.3 Affordable homes can also be delivered through the renovation or repurposing of buildings using the same funding, including the Council buy-back scheme, returning former Council homes to Council ownership. Increasingly buildings are being repurposed and brownfield sites are being regenerated to create affordable homes that meet higher energy efficient and quality standards.

5. Types of affordable housing

5.1 There are a range of affordable housing options on offer in Perth & Kinross.

5.2 Homes for Rent

5.2.1 **Social rent** are homes generally provided by Housing Associations (RSLs) and Perth & Kinross Council at affordable rents on a secure basis to those in housing need. Homes are regulated by the Scottish Housing Regulator to ensure standards are high and rents kept affordable.

5.2.2 **Mid-market rental** good quality, affordable, private rented homes provided by Housing Associations aimed at people on low or modest incomes that would not be prioritised for a socially rented home. Rents are lower than private market rent levels in the area. Aimed at a wide range of demographics and needs.

5.3 Low-Cost Home Ownership

5.3.1 **Shared equity** helps first-time buyers and priority groups on low to medium incomes into home ownership. There are currently two schemes. In both the buyer holds the majority share of the home and are responsible for the property. Under the Open Market Shared Equity Scheme, the Scottish Government holds an equity share in a home that has been on the open market for sale. Under the New Supply Shared Equity Scheme, the Council or housing association holds an equity share in a new build home.

5.3.2 **Shared Ownership** provided by housing associations. It offers a route to homeownership; buyers unable to afford to purchase a property outright can part-buy and part-rent their home, at a 25%, 50% or 75% share in their home and pay rent on the other share. Rent is usually set at an affordable level of 2.75%.

5.3.3 **Self and custom build** housing are homes which are built or contracted by individuals or groups of individuals for their own use. These homes offer a unique alternative to standard market housing, bespoke to the needs of an individual, family or group, with their input on design and features. The Council may discount plots to make them affordable. Can be particularly suitable in rural areas.

5.3.4 **Co-housing** is designed to foster connection. Usually owner-occupied (can also be mid-market rent). Physical spaces allow neighbours to easily interact with each other around internal and external communal spaces with commonly provided guest accommodation. Collaborative decision-making on the design and use of the buildings helps to develop relationships with neighbours and provides support networks which can be particularly attractive to people later in life.

5.3.5 **Independent living** aims to provide suitable options of accommodation for individuals assessed as having care and support needs to live independently in the community. Independent living support is most commonly offered through social rent but can be provided in all tenures, including self-build.

6. Delivery of affordable housing on development sites

6.1 Once development potential has been established and a site moves through the planning process, there are several key areas to be considered when designing the site.

6.2 Integration and tenure blind design

Integration of affordable homes into any site should be key consideration from the outset. Affordable homes and market homes should be designed to create a sense of place within a development rather than as separate communities. Affordable plot sizes do not necessarily have to reflect their market equivalents, but they should be integrated into a varied tenure that produces choice and an attractive streetscape. This can be supported through the careful co-ordination of elements such as materials, colour palettes, architectural details, and boundary treatments. Different types of homes have sat adjacent to each other in the gradual development of urban areas, and this helps to create diversity within communities.

There are some factors that will help determine the site approach of affordable housing integration:

- The proposal should reflect the Council's commitment to supporting mixed and inclusive communities in Perth & Kinross by delivering choice.
- There should no difference in the quality of the design of all homes on the site.
- Consideration as to the mix of tenures within a site to provide choice and encourage diverse communities.
- The inclusion of specialist provision requirements to support independent living and that caters to all ages.
- Construction access and site management can also have an impact on the location of affordable housing, as well as any ongoing property maintenance and management.

6.3 Phasing

Developing a larger site in phases of less than five units, specifically to avoid the application of the affordable housing policy, will not be acceptable. It is recognised that in some cases, a developer may have a valid reason for developing in small phases. Any subsequent applications submitted for additional units which are clearly part of the same development and resulting in the total number of units increasing to five or more will have the affordable housing policy applied retrospectively. Developers wishing to develop in small phases are encouraged to discuss this with the Council at the outset to ensure that the affordable housing contribution can be properly planned.

6.4 Densities

A developer may seek to build less than five houses on a site which clearly has capacity for a larger development meaning that the affordable housing policy will not apply. It is recognised that in some locations lower density development is desirable and, in such situations, the Council will take account of standard housing densities, the location of the site, the character of the surrounding area, and the type of houses proposed in determining whether the smaller number is acceptable. Where it is considered acceptable, the guidance relating to phasing above, will also apply.

6.5 Houses for private rent

The Local Housing Strategy reports that letting agents and landlords in private renting view the sector as having high levels of demand. As evidenced in the HNDA (2022), Perth and Kinross Council has a higher percentage of households in the private rented sector at 16% than the Scottish average at 12%. Whilst it is acknowledged that some developers prefer to build to rent, it is considered that private housing for rent as an affordable category is difficult to implement due to difficulties in ensuring that rents remain at an affordable level i.e. a level which is comparable with Council and Housing Association rent levels. In such cases, developers are encouraged to contact the Housing Strategy team to discuss the available tenures of midmarket rent or intermediate rent, and what the levels of rent currently are. Affordable housing requirements relating to proposals for tied accommodation or properties built by private estates for essential estate workers will be assessed on an individual basis.

6.6 Sheltered housing developments

Open market sheltered housing schemes generally meet the requirements of the more active elderly population and as such can be seen to be addressing general housing needs, not affordable housing needs. The Council will continue to seek the provision of a wide range of housing suitable for older people and recognise that it will not be appropriate to require an affordable housing contribution from some types of specialist accommodation, for example, care homes or other residential institution. However, in the case of open market sheltered housing developments, these will be subject to the affordable housing policy. Where sheltered units are to be provided as part of a mixed development and will be available through a Housing Association or sold at an affordable price, they may be considered as meeting the affordable requirement for the development.

6.7 The retention of houses as affordable

The retention of houses as affordable in perpetuity will most easily be achieved where a Housing Association is involved i.e. social rent or some form of shared equity involving grant assistance from Scottish Government which allows for grant funding to be returned to the Scottish Government should the house be sold within a specified period. It is acknowledged it is harder to achieve affordability in perpetuity in the case of discounted for sale, shared equity or unsubsidised houses.

Houses which fall into the unsubsidised low-cost housing for sale category are smaller less expensive houses generally for entry level which are sold without any subsidy or discount. These houses may be affordable simply due to their smaller size. PAN 2/2010 suggests that some form of legal agreement may be required to retain such houses as affordable in perpetuity. However, it is considered that there will generally always be a limit on what the resale price of such houses will be. If the Council are satisfied that on resale such properties will remain at an affordable price – allowing for inflation and taking into consideration the area in which the houses are – then it is likely that, generally, it will not be necessary to impose a condition to maintain the houses as affordable in perpetuity. In the case of subsidised low-cost housing sale properties, either it is accepted that such houses will only be affordable to the first household, or a burden, or condition (e.g. Deed of Condition attached to the property's Title Deeds) is put in place in the title deeds to maintain the houses as affordable in perpetuity. The Council will consider applications containing subsidised low-cost housing for sale on their individual merits.

6.8 Affordable house prices

Analysis was carried out using data from the Centre of Housing Market Analysis (CHMA) documents¹ and by using A Practitioners Guide – Housing Need and Demands Assessment October 2018 data where a house is affordable to purchase if its price does not exceed 3.6 times a household’s income. The Perth and Kinross area has seen the largest increase in volume of house sales over the last 10 years of all Tayside partner areas at 27.8%. The average house sale value in Perth and Kinross has risen by 13% from 2009 to £199,463 in 2019. To improve accessibility to home ownership, the table below shows the maximum sales prices applicable to the low-cost housing for sale options potentially available to developers. Maximum prices for houses to be purchased through the Shared Equity, subsidised and unsubsidised lowcost housing for sale options:

Maximum Price Threshold	
Apartment Sizes	Price Threshold*
2 (1 bed)	£95,000
3 (2 bed)	£145,000
4 (3 bed)	£200,000
5 (4 bed)	£250,000
6 (5 bed)	£310,000
Table 3: Price thresholds	
<i>* The maximum based price threshold is calculated based on the Open Market Shared Equity Scheme area-based limits for Perth and Kinross²</i>	

¹ www.gov.scot/publications/centre-for-housing-market-analysis-list-of-guidance/

² www.gov.scot/publications/open-market-shared-equity-thresholds

6.9 Marketing and identification of priority client groups

Where the affordable housing proposed is unsubsidised or subsidised low-cost housing for sale, there will be further requirements in terms of the marketing of the affordable housing and the identification of the priority client groups. Developers are asked to contact the Housing Strategy team for further details on this. In general the priority client group is taken to mean people on modest incomes (income threshold to be assessed by Perth and Kinross Council), who are either first time buyers; or persons who currently own their own home but require a new home following a significant change in their household circumstances; or persons with a disability who own a house which does not meet their particular needs; and who are in the following priority:

- Council or Housing Association tenants who currently live in Perth & Kinross or;
- Council or Housing Association waiting list applicants who have an established local connection to Perth and Kinross and who have requested Perth and Kinross as an area in which they wish to be houses; or
- Residents of Perth and Kinross

The property must be the applicant's permanent home and not used as a second home or let out. The size of the property allocated should be appropriate to the size of the household. Developers may be required to submit a marketing strategy to the Council for approval as part of planning consent or Section 75 Agreement, the detail of which will be defined, but will likely indicate the advertising, marketing periods and application process for the relevant units. Prior to submitting a marketing strategy, developers are urged to contact the Council's Housing Strategy team to confirm the relevant time periods and priority client groups etc.

Contact Information

For further information on affordable housing and any enquiries regarding the guidance, please contact the Affordable Housing Enablers at:

Tel: 01738 476405

Post: Planning & Housing Strategy,
Perth & Kinross Council,
Pullar House,
35 Kinnoull Street,
Perth,
PH1 5GD

Email: AffordableHousing@pkc.gov.uk

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