

SPG 13 AFFORDABLE HOUSING (2012)

1. INTRODUCTION

1.1. The vision of the Council's Local Housing Strategy (2009) is:

"...To best meet people's housing needs by ensuring the provision of accommodation of their choice that is appropriate to the needs of each household and is safe, warm and affordable..."

1.2. To help achieve this, the Strategy identifies the Local Development Plan (LDP) as a key tool in the delivery of affordable housing through the planning system within the County Borough. Strategic Objective 4c of the LDP aims:

"To deliver the level and type of residential development to meet the identified needs of the County Borough ensuring that a significant proportion is affordable and accessible to all."

1.3. Whilst the planning system is not the only method of meeting this need, it plays an important role in increasing the supply of good quality affordable homes.

1.4. The requirement to meet need for affordable housing is a material planning consideration and will be taken into account in the determination of planning applications.

2. POLICY CONTEXT

2.1. The purpose of this Supplementary Planning Guidance (SPG) is to give further guidance on how the Council will implement the affordable housing policies contained within the LDP. It will outline how the Council will seek to deliver affordable housing as part of new residential developments through the planning process, with the aim of meeting housing need as identified in the Local Housing Market Assessment (LHMA, 2012).

- 2.2. The delivery of affordable housing in the County Borough will be facilitated by **Policy COM5** Affordable Housing:

POLICY COM5 Affordable Housing

Where a local need is demonstrated, the Council will expect an appropriate element of 'affordable housing' to be provided on sites capable of accommodating 5 or more dwellings or exceeding 0.15 hectares in size.

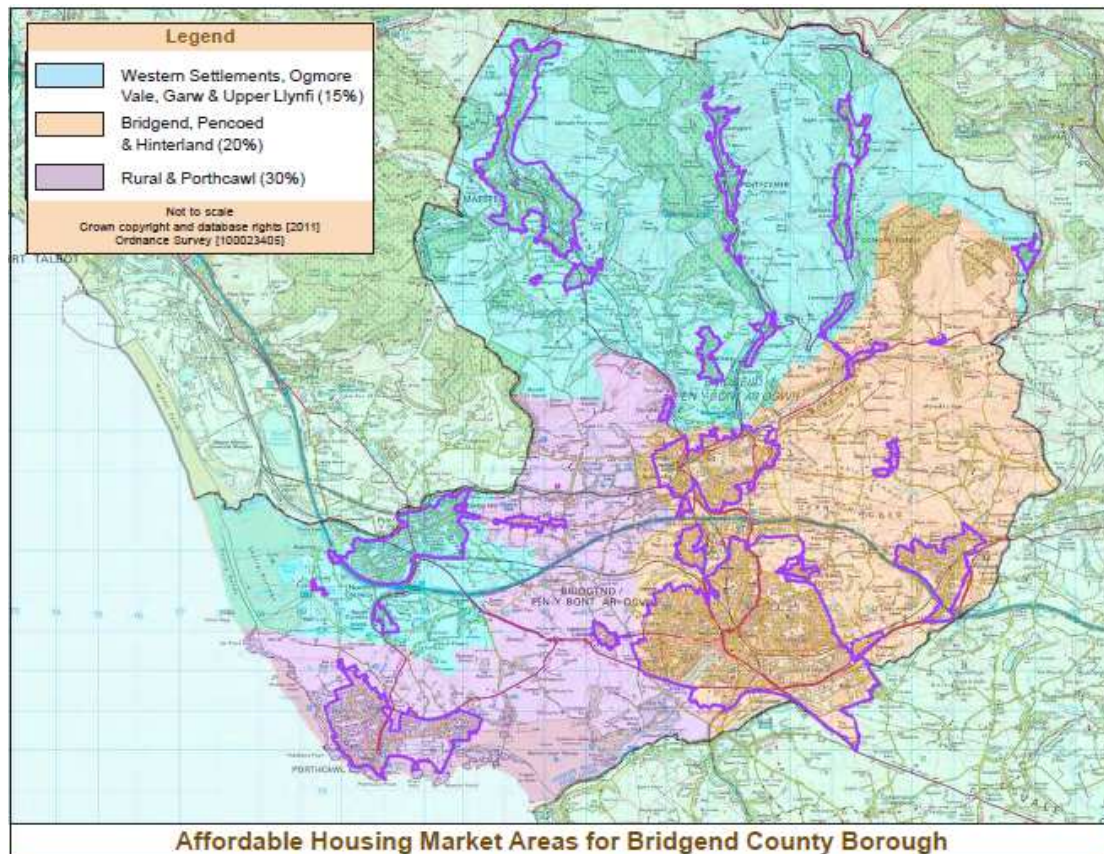
The Council will seek the following affordable housing Market Area targets:

- **30% affordable housing in Porthcawl and Rural;**
- **20% affordable housing in Bridgend, Pencoed and Hinterland;**
- **15% affordable housing in the Western Settlements, Ogmore, Garw and Upper Llynfi Valleys.**

Such affordable housing will be implemented through the use of appropriate planning conditions and/or obligations/agreements and/or through contractual agreements between the Council, developers and Registered Social Landlords.

- 2.3. The area specific targets and thresholds contained in Policy COM5 have been derived from the Affordable Housing Viability Study (AHVS, 2010) that was prepared as part of the LDP evidence base. The AHVS was completed in line with an agreed methodology prepared by Three Dragons on behalf of the South Wales Strategic Planning Group (SEWSPG). The Study demonstrated that the levels of affordable housing identified in Policy COM5 are viable. The diagram below illustrates the location of the different Market Areas.

Diagram 1: BRIDGEND CBC Market Areas



3. DEFINITION OF AFFORDABLE HOUSING

3.1. Technical Advice Note (TAN) 2: Planning and Affordable Housing (2006) and Planning Policy Wales Edition 4 (2011) defines Affordable Housing as:

“...Affordable housing for the purposes of the land use system is housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers...” (TAN 2, 2006)

3.2. TAN 2 defines the two main types of affordable housing as:

- Social rented housing – provided by local authorities and registered social landlords where rent levels have regard to the Assembly Government’s guideline rents and benchmark rents; and
- Intermediate housing - where prices or rents are above those of social rented housing but below market housing prices or rents. This can include low cost home ownership models including shared equity and assisted purchase schemes.

3.3. All other types of housing are referred to as ‘market housing’ which is private housing for sale or rent where the price is set in the open market and occupation is not subject to control by the local authority or RSL.

This includes low cost market housing, which the Assembly Government does not consider to be affordable housing for land use planning purposes.

- 3.4. Annex B of TAN2 also indicates that affordable housing should include provision for the home to remain affordable for future eligible households, or if a home ceases to be affordable or staircasing to full ownership takes place, any subsidy should generally be recycled to provide replacement affordable housing.

4. AFFORDABLE HOUSING NEED

- 4.1. As part of the LDP process, a Local Housing Market Assessment (LHMA) was completed in 2009 and updated in 2012. The LHMA followed the steps of the needs assessment model specified by the Welsh Government's Local Housing Market Assessment Guide (2006) and the 2012 Update indicated **a yearly requirement of 1,762 affordable dwellings** throughout the County Borough.
- 4.2. Delivering 1,762 affordable dwellings on a yearly basis through the planning system is unlikely to be achieved given the planned total build rate of 600 dwellings per year for the LDP period. The 2012 update of the LHMA undertook sensitivity testing of the figure to take account of the current prevailing market conditions in the County Borough. This factored in higher affordability thresholds that households in the private rented sector pay in current market conditions and the supply of private rented accommodation, supported by Local Housing Allowance, as a short term solution to house those requiring affordable housing. This reduced the **need for new affordable units to 292 per year**, which represents the affordable housing pressure experienced in current market conditions, and still represents some 48.7% of new housing planned for the County Borough as being affordable. It should be recognised however that this figure does not reflect limitations relating to development viability.
- 4.3. The LHMA forms part of the evidence base for the LDP, which seeks to maximise affordable housing contributions whilst still ensuring that development is viable. The **LDP target of approximately 1,310 affordable dwellings** to be delivered through the planning system provides a more realistic assessment of what can be achieved through the Plan period.

5. PROCESS

- 5.1. The Council appreciates that the expected provision of affordable housing can affect land values for residential development at any given location. However, it will expect developers to have taken account of this guidance (and its impact on land values) before entering into land and property negotiations. Pre-application discussions are advised and encouraged with Council Officers to determine the likely provision of

affordable housing and other planning obligation requirements that will be expected for a proposal; however, it is acknowledged that in exceptional circumstances, such as where there are significant abnormal costs associated with developing a site, the levels of affordable housing sought in policy may result in a development becoming unviable.

5.2. Where the viability of providing affordable housing is considered to be an issue, developers will be required to provide information to the Council to enable Officers to undertake an 'open book' financial assessment of the costs and anticipated profits of the scheme based on properly sourced evidence. The submitted information will need to include details of:

- **The acquisition price of the site**
- **Projected construction costs**
- **Any abnormal costs**
- **Proposed final sales values per unit**
- **Developers profit requirement**
- **Unit types**
- **Finance costs**
- **Any other relevant information**

5.3. The Council will then use a Development Appraisal Toolkit to examine the economics of the development and determine the viability of affordable housing provision. Where a development appraisal indicates that the provision of affordable housing required would not be viable, a lower percentage may be negotiated.

5.4. In the event of a dispute over site viability or any of the information submitted, independent verification should take place by a third party commissioned by the local authority. The identity of the third party should be agreed upon by both the Council and the developer and the cost of this independent appraisal will be met by the developer.

5.5. The latest viability assessment was carried out in August 2010 and the assumptions used reflect current market conditions at that time. If it can be demonstrated that there have been significant changes in market conditions since the viability assessment was undertaken, it may be appropriate to reconsider the affordable housing requirements based on an assessment of viability on a site-specific basis.

5.6. The targets contained in Policy COM5 assume that no Social Housing Grant (SHG) will be made available by the Welsh Government to assist in funding affordable housing provided as part of market housing developments. If grant funding is available for a scheme then this will be taken into account when determining the appropriate level of affordable housing on the development. A higher level of affordable housing might be sought in such circumstances, though this will be based on an assessment of viability at the time.

- 5.7. Securing affordable housing through planning obligations is seen as a priority by the Council; however this will not negate the need to contribute towards other obligations/levies. Developers should refer to the LDP, other planning obligations SPG and/or other charging schedule information published by the Council for details of other requirements.
- 5.8. **Where the Council identifies that a site has been sub-divided resulting in the number of units on each part of the site falling below the affordable housing threshold, then the total number of residential units will be calculated and the affordable housing policy will be applied accordingly. Similarly, where there is phasing of development on larger sites, the affordable housing should be phased appropriately to ensure that it contributes to the delivery of mixed communities in a phased manner. In all cases, the timing of delivery of the affordable units in relation to the market units on a site will be clearly set out in the Section 106 agreement.**
- 5.9. An element of affordable housing will be required on all outline, full or change of use planning applications for housing, or for a mix of uses incorporating housing, which either can accommodate 5 or more dwellings or exceed 0.15 hectares of gross site area. **Where affordable housing has been secured at outline stage, any change in numbers as a consequence of a subsequent application may result in an increase or decrease in affordable housing provision.** In situations where no information is available on the number of units, an average density of 35 units per hectare will be used to determine the site capacity and affordable housing requirement. In the case of mixed use schemes, the affordable housing requirement will be calculated on the basis of the housing area(s) proposed, rather than on the total site area.

6. DELIVERY

- 6.1. The delivery of affordable housing through the planning system is to be achieved through three policy mechanisms:
- On site Provision
 - Off site Provision
 - Commuted Sums

ON SITE PROVISION

- 6.2. **It is the Council's preference for a Registered Social Landlord (RSL) to be involved in the development and management of affordable housing to ensure control over subsequent changes of ownership and occupation. The preferred method of delivery is for affordable housing units to be provided on-site by a developer and then transferred to an RSL approved by the Welsh Government to operate in BCBC (See Section 8 for RSL details).**

- 6.3. The type, size and mix of affordable housing on a particular site will be determined according to local needs, and will draw on the evidence base provided by the LHMA.
- 6.4. **Affordable housing units for social rent must comply with the Welsh Government's Development Quality Requirements (DQR). Intermediate affordable units should also aim to be DQR compliant, or as a minimum they should meet the Welsh Government's Welsh Housing Quality Standards. In addition, the Welsh Government requires all new dwellings, including affordable housing, to meet the required level of the Code for Sustainable Homes.**
- 6.5. It is expected that for the foreseeable future social rented affordable housing may need to be delivered without the benefit of Social Housing Grant (SHG).
- 6.6. The developer's contribution should be equivalent to the SHG required to deliver a new build scheme on site (currently at a rate of 58% of Acceptable Cost Guidance (ACG)). In practice, the nominated RSL should pay the developer not more than 42% of the ACG per unit less the RSL's on-costs (the Council will specify the unit transfer price). The Council will also not normally seek to supplement developer contributions with SHG. Please find the latest ACG figures in Appendix 1.
- 6.7. No SHG will be utilised for intermediate affordable housing for sale. In these instances, the developer's contribution should be equivalent to the equity retained for the scheme i.e. the nominated purchaser or nominated RSL should pay the developer a % of the open market value (which will be determined in conjunction with the Council).
- 6.8. No SHG will be utilised for intermediate affordable housing for rent. This model is normally calculated and agreed with the RSL on a % of the Local Housing Allowance. The % for intermediate rent will be determined on a scheme by scheme basis.
- 6.9. If, after using all reasonable endeavours, the owner has been unable to dispose of the affordable housing to a nominated RSL, an alternative method for securing on site affordable housing benefits (to a value not less than that which would have been achieved had the owner disposed of the affordable housing to the nominated RSL) will be delivered.
- 6.10. If the owner is unable to comply with the alternative scheme, the owner shall pay the Council a sum equal to the value which would have been achieved had the owner disposed of the units to a nominated RSL. This will be utilised by the Council to facilitate the provision of affordable housing within the Borough.

OFF SITE PROVISION

6.11. In the interests of ensuring communities are balanced and mixed, it is the Council's preference for the need for affordable housing to be delivered on site. Off site provision will only be considered in circumstances where it would be unfeasible for on-site provision to be made, or where the Council's strategic aims would not be achieved. This may include circumstances where:

- The on site management of affordable units cannot be secured effectively.
- The provision of affordable housing in another location within the vicinity would better contribute to mixed communities by widening the choice of housing.
- The on site provision of the affordable units could not physically be provided on site by virtue of their size, type and level of contribution.
- There are other exceptional circumstances as considered appropriate by the local authority.

6.12. In the exceptional cases where off site provision is considered acceptable by the local authority, the units provided should be of an equivalent nature to the type of units that would be required on site. A sequential approach to the location of off site provision will be appropriate with the preference being for the provision of affordable housing within the same settlement. If this is not achievable then provision should be made within the same sub-market and then, only if no other options are available, provision may be acceptable elsewhere in the County Borough where there is evidence of need.

COMMUTED SUMS

6.13. In cases where on site provision is not considered appropriate and units cannot be delivered off-site, the Council will consider whether or not a commuted sum is appropriate.

6.14. The commuted sum should be of the equivalent value to the developer contribution if the affordable units were being provided on site. This will be calculated using the following formula:

$$\text{Commuted Sum} = \text{RV } 100\% - \text{RV AH}$$

Where,

RV = Residual Value

AH = Affordable Housing

RV100% = Residual Value at 100% market housing

RV AH = Residual Value when affordable housing target is applied.

6.15. Such contributions will be used to support overall affordable housing provision within the County Borough to be delivered in partnership with

RSLs. Contributions will be used to provide either part or full funding for schemes, projects and initiatives which may include:

- To enable the purchase and refurbishment of long term empty properties by an RSL for reuse as affordable housing
- Purchase of land for Affordable Housing
- Delivery of Mortgage Rescue
- Development of Supported or Adapted Housing Schemes
- Supplementing on site affordable housing provision on other developments in the local area
- Any other scheme identified by the Council that will increase the supply of affordable housing in the County Borough.

7. EXCEPTION SITES

- 7.1. The Local Development Plan does not provide for affordable housing 'exception' sites in the countryside, where development is usually strictly controlled. This is because there has been little expressed concern or identified shortfall of affordable rural housing in the County Borough. Any subsequent need that does arise can easily be accommodated within the main urban areas, which lie no more than 4 to 5 miles from any countryside location.
- 7.2. Neither does the Council propose affordable housing exception sites on the edge of the County Borough's towns and villages on the basis that the County Borough is highly urbanised and has ample opportunities within settlements to provide affordable housing opportunities. Even those small villages identified in the LDP's settlement hierarchy and in very close proximity to larger towns and villages which adequately service all of the County Borough's local communities needs including for affordable housing.
- 7.3. Given the above Development Plan policy position, there is no requirement, and indeed, no basis for further commentary of exception sites in this SPG.

8. CONTACTS

8.1. Bridgend County Borough Council

For general affordable housing queries contact:

Housing Strategy, Civic Offices, Bridgend, CF31 4WB

Tel: 01656 643527

Email: housing@bridgend.gov.uk

For Section 106 queries contact:

Development Planning, Civic Offices, Bridgend, CF31 4WB
Tel: 01656 643193
Email: developmentplanning@bridgend.gov.uk

For pre-application enquiries please contact:

Development Control, Civic Offices, Bridgend, CF31 4WB
Tel: 01656 643166
Email: planning@bridgend.gov.uk

8.2. Registered Social Landlords

There are four Registered Social Landlords zoned to operate within BCBC under the Welsh Government's zoning arrangements. These are:

Wales & West Housing Association

3 Alexandra Gate, Ffordd Pengam, Tremorfa, Cardiff CF24 2UD
Tel: 0800 052 2526
www.wwha.co.uk

Valleys to Coast Housing

No.1 Court Road, Bridgend CF31 1BE
Tel: 0300 123 2100
www.v2c.org.uk

Linc Cymru Housing Association

387 Newport Road, Cardiff CF24 1GG
Tel: 029 2047 3767
www.linc-cymru.co.uk

Hafod Housing Association

First Floor, St Hilary Court, Copthorne Way, Cardiff CF5 6ES
Tel: 029 2067 5800
www.hafod.org.uk

Appendix 1

Current Welsh Government Acceptable Cost Guidance (ACG) Figures

ACG figures provide guidance on the likely acceptability of social rented schemes for grant purposes but can be used as a basis for determining the price an RSL pays for an affordable housing unit with or without grant. The figures reflect current standards set out in Development Quality Requirements 2005. To take account of cost variations throughout Wales, five cost bands have been determined. The specific localities falling within each band are shown in Table 1, which is based on Community Council areas within BCBC.

Table 1

ACG Band	Community Council
1	Garw Valley, Ogmores Valley
2	Coychurch Higher, Llangynwyd Middle, Ynysawdre
3	Cefn Cribbwr, Llangynwyd Lower, Maesteg
4	Brackla, Bridgend, Coity Higher, Coychurch Lower, Cynffig, Laleston, Merthyr Mawr, Newcastle Higher, Pen-coed, Porthcawl, St Bride's Minor

The costs per dwelling related to occupancy, type of unit and property band are detailed in Table 2.

Table 2

UNIT TYPE	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
7P4B HOUSE	156100	171200	186200	206300	226400
6P4B HOUSE	147100	159800	172600	189600	206600
5P3B HOUSE	126000	137000	148100	162800	177500
4P3B HOUSE	118000	128300	138700	152500	166300
4P2B HOUSE	112400	122800	133200	147000	160800
3P2B BUNGALOW	102400	115200	127900	144900	161900
3P2B FLAT	95200	100400	105600	112500	119400
2P1B FLAT	75500	80100	84700	90900	97000
1P1B BEDSIT	56900	60600	64200	69100	74100
SHARED ABBEYFIELD	73900	77000	80100	84300	88500