



Caerphilly County Borough  
Local Development Plan

Hearing Session 3  
MATTERS ARISING

Examination 2010

**Caerphilly County Borough Council submission**

Examination document reference :

MA 3.1

Submission date :

20th May 2010



## CONTENTS

	<b>PAGE</b>
Introduction	1
Criteria Based Policy on the release of sites for Affordable Housing	2
Potential for the Reduction of the Threshold to 5 dwellings and the Role of Commuted Sums	4



## INTRODUCTION

This note has been produced in direct response to issues raised at Hearing Session 3 **Affordable Housing Provision** held on the 28<sup>th</sup> April 2010 at the request of the Inspector (Mr Alwyn Nixon).

The note addresses:

- The potential for a criteria based policy for sites allocated for other purposes or not proposed for development in the Plan to be considered in appropriate circumstances for affordable housing schemes
- The potential for reducing the affordable housing threshold to 5 dwellings and the role of commuted sums in delivering affordable housing on sites between 5 and 9 dwellings.

The paper should be read in conjunction with:

- **ED18** Maximising Affordable Housing
- **SB35** BP6 Supplementary Paper 4: Affordable Housing Viability Assessment
- **SB31** Background Paper 6: Population and Housing

Three other matters were discussed at Hearing Session 3:

- An explanation is needed as to how the need for affordable housing has been considered in determining the level of growth.
- The reconsideration of the wording of Policy SP16 to make it clearer that the Plan makes a total potential provision for 10,024 dwellings, in order to ensure that a moderate growth strategy of 8,625 dwellings is delivered
- The revision to the wording of Paragraph 1.77 of the Written Statement to change the reference to Caerphilly as a rural authority

As the first two issues are matters pertaining to the overall housing provision, rather than affordable housing provision, it is considered that these issues are best addressed within the Hearing Session 2 matters arising paper rather than in this Hearing Session 3 Affordable Housing Provision Paper.

The third issue relating to the wording of paragraph 1.77 of the Written Statement has been discussed in respect of the proposed rewording of Policy SP12 Conservation of Natural Heritage within the Matters Arising paper for Hearing Session 1.

## **Criteria Based Policy on the release of sites for Affordable Housing**

The Inspector requested the Council to consider drafting a policy that would allow for urban exception sites to deliver affordable housing. The Council does not consider that there is a need for a policy of this type, however as agreed a policy has been included below for consideration by the Inspector.

### **Urban Exception Sites**

**CWXXX Proposals for affordable housing on sites within settlement limits that are allocated or protected for alternative land uses will be permitted where:**

- A. There is demonstrable evidence that the site is no longer needed for its allocated use and is unlikely to be developed for such purposes;**
- B. A need for affordable housing has been identified within the settlement;**
- C. It can be demonstrated that the need for affordable housing in the settlement cannot be met on an alternative site within that settlement or in a nearby settlement;**
- D. The site is solely for affordable housing and there are suitable arrangements to ensure that the housing is affordable for the initial and subsequent occupants;**
- E. The development of the site for housing is compatible with adjoining land uses and would not have an unacceptable adverse effect on the ability of an adjoining business or use to operate; and**
- F. The development is at an appropriate location and scale and is in-keeping with the form and character of the settlement.**

This policy would need to be supported by a reasoned justification such as this:

Urban exception sites are a potential means of delivering affordable housing on sites, which are no longer required for their allocated or protected use. It is not the intention of this policy to permit residential development on sites that are clearly required for their allocated use nor should it be used to undermine the protection of valuable land for community use, which is vulnerable to more profitable forms of development.

In order for affordable housing to be acceptable on urban exception sites the developer will first be required to provide demonstrable evidence that the site is, in general terms, no longer needed for its allocated use and that it is unlikely to be developed for such purposes within the plan period.

The release of urban exception sites for affordable housing will only be appropriate where there is a genuine local need for affordable housing within

the settlement in question and where the need can be proven it cannot be met on an alternative site.

In order to ensure that an urban exception site is solely for affordable housing and that suitable arrangements are in place to ensure that the housing is affordable in perpetuity, the Council will require the developer to demonstrate that the scheme will be delivered in partnership with a registered social landlord or the appropriate housing body.

In considering the suitability of an exceptions site to provide affordable housing, the Council will consider whether the development of the site for a residential use would have an unacceptable adverse effect on the operation or use of any adjoining property or land for its existing or designated use.

The release of urban exception sites for affordable housing will only be appropriate where the site is at an appropriate location, scale and is in-keeping with the form and character of the settlement.

## **Potential for the Reduction of the Threshold to 5 dwellings and the Role of Commuted Sums**

### **Introduction**

At Hearing Session 3, evidence was presented demonstrating why the Council considered that the current threshold of 10 dwellings was appropriate. However, it is recognised that the level of need in the County Borough is so high that any potential to maximise affordable housing would be beneficial, even if the potential increase in units is only minimal. In light of this, further consideration has been given to the evidence in terms of the potential to reduce the threshold and the role that commuted sums could play in delivering units on smaller sites.

### **Current Position – Threshold of 10 dwellings or 0.3 Ha**

The evidence base supporting the decision to set the affordable housing threshold at 10 dwellings or 0.3 Ha is set out within **SB35** BP6 Supplementary Paper 4: Affordable Housing Viability Assessment and expanded on within **ED18** Maximising Affordable Housing. The key evidence in these documents supporting a threshold of 10 dwellings is as follows:

### ***Analysis of Site Supply***

- An analysis of the size of sites that have come forward in the last 3 years indicated that 84% of all dwellings granted consent have been on sites of 10 or more units.
- The majority of sites granted consent on sites of under 10 units have been for 1 dwelling developments.
- If the threshold was reduced to a figure below 10 it would deliver very few additional units, unless it was reduced to 1 dwelling:
  - A threshold of 5 would deliver 41 additional units (3 per annum)
  - A threshold of 4 would deliver 57 additional units (4 per annum)
  - A threshold of 3 would deliver 73 additional units (5 per annum)
  - A threshold of 2 would deliver 96 additional units (6 per annum)
  - A threshold of 1 would deliver 161 additional units (11 per annum)
- If the threshold was reduced to 1 it would mean that affordable housing would need to be negotiated and a Section 106 agreement signed on 80 residential applications per annum based on past approved application rates – 60 applications a year more than if the threshold was set to 10<sup>1</sup>. This represents a significant increase in workload and the Council has insufficient resources to accommodate such a significant increase. It will inevitably lead to delays in determining applications and the development of sites.

### ***Viability***

- Determining the viability of small sites is more complex than large sites due to the variable nature of sites coming forward.

---

<sup>1</sup> This represents only those planning applications granted. There will also be a workload associated with applications that are subsequently refused or withdrawn, which is not reflected within these figures.



- Viability testing indicates that a 10 dwelling threshold would generate viable results that are broadly similar to those of a 1 Hectare site
- Viability testing of 1 dwelling sites indicates that a positive residual value can be generated even with contributions to affordable housing. However, some small sites are already likely to have a higher land value (such as residential) due to the nature of previous uses. These complexities mean that it is more difficult to derive a generic policy that would be viable across all types of sites.

### ***Other Supporting Evidence***

- The LHMA recommends a threshold of 10-15 dwellings
- It conforms with the definition of a large site in TAN 1 and adheres to the minimum site size used for allocations.
- A threshold of 10 dwellings would allow for on-site provision (as advocated in Paragraph 12.5 of TAN 2). If the threshold was reduced below 10 it would mean that a contribution equivalent to less than 1 dwelling may be required in some of the lower market areas.

The evidence base as summarised above demonstrates that it would not be appropriate to reduce the threshold to anything below 5 dwellings for reasons of viability and resource implications. However, in light of the importance of maximising affordable housing, it is considered that there was merit in giving further consideration to the reduction of the threshold to 5 dwellings. The implications of this are discussed below.

### **Resources**

It will be noted from the summary that one of the key concerns regarding a reduced threshold was that it would require negotiations on significantly more applications than would be required if the threshold was set at 10 dwellings. This could potentially lead to delays in sites coming forward due to the limited resources available to negotiate affordable housing progress and Section 106 agreements. It is clear that reducing the threshold to 1 would result in a significant increase in workload for which the resources are not likely to be available for very few additional affordable units. Given the nature of the site supply the reduction of the threshold to 5 instead would be more manageable, equating to approximately 5 applications a year more than if the threshold remained at 10 dwellings. As such, it is considered that the reduction of the threshold to 5 could be accommodated within existing resources without incurring significant delays in bringing sites forward.

### **Viability**

As will be noted from section 4.6 of **ED18** Maximising Affordable Housing, viability testing has been carried out as part of a consideration of reducing the threshold. Table 4.8 indicates that the very small sites (less than 5 dwellings) are primarily replacement dwellings, garden land, conversions and infill plots. In determining viability, it was deemed appropriate to assess viability against

an existing residential use value, whilst recognising that the variety of sites coming forward makes the determination of what is viable more complex.

Table 4.8 also indicates that sites that have come forward recently with a capacity of between 5 and 9 dwellings have been primarily brownfield in nature (industrial, former community use and other brownfield). It is therefore considered appropriate to determine viability on the basis of the approach utilised in **SB35** BP6 SP4: Affordable Housing Viability Assessment through a comparison against industrial use plus 25% uplift.

The testing was carried out in a high (Caerphilly), medium (Pontllanfraith/Ystrad Mynach) and low (Rest of Caerphilly) sub-market area assuming the same level of affordable housing as required in Policy CW14 will be secured. The testing carried out was based on a development of 5 x 3 bed detached dwellings as this was a common type of development.

	<b>5 dwellings (0.143 Ha) residual value</b>	<b>Industrial land plus 25% uplift (0.143 Ha)</b>	<b>Viability</b>
Caerphilly (40%)	£103,000	£40,179	Viable
Ystrad Mynach (25%)	£93,000	£32,143	Viable
Rest of Caerphilly (10%)	£59,000	£31,250	Viable

As highlighted in the Table above, if the threshold was set to 5 dwellings, based on the uplift above industrial use approach, development would still be viable at the CW14 area-specific requirements in each of the tested areas, indicating that a reduced threshold would be appropriate.

### **Commuted Sums**

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

Off-site provision may be secured through the use of commuted sums to fund the provision of affordable housing elsewhere in the area. The reduction of the threshold from 10 dwellings to the figure of 5 dwellings will result in a requirement for affordable housing in some market areas that equates to less than a whole dwelling. For example a 5 dwelling development in the Newbridge market area where 10% affordable housing would be viable would generate a requirement for 0.5 dwellings. In these circumstances, the onsite provision of affordable housing would not be feasible and therefore it would be more appropriate for a financial contribution in the form of a commuted sum to be provided.

A proposed calculation to determine how much affordable housing would be required is set out within **LA32** SPG1 Affordable Housing Obligations. Whilst this SPG will need to be revised to take into account the findings of the affordable housing viability assessment, the calculation for commuted sums contained within Section 9.3 of the document is still considered to be appropriate as it is equivalent to the Social Housing Grant required to develop an RSL scheme. The contribution should be calculated according to the formula set out below:

$$\text{ACG per unit (£)} \times \% \text{ SHG} \times N = \text{Financial Contribution (£)}$$

**ACG** – Acceptable Cost Guidance per dwelling based on the current ACG rates as published by WAG.

**% SHG** – Social Housing Grant (SHG) is a capital grant made available by the Assembly Government to Registered Social Landlords to provide new affordable housing. The rate of SHG is normally expressed as a percentage of the Acceptable Cost Guidance rate cost set out of the scheme. The current SHG rate is 58% of ACG, but this may be subject to change as a result of new WAG guidance.

**N** – Number of units required, were provision to be on site

This formula for the calculation reflects the approach adopted by neighbouring local authorities and consultation with RSLs operating within the Caerphilly County Borough area has indicated that this type of calculation would be appropriate.

Whilst the use of commuted sums will be explained in more detail within the revised SPG it is considered that contributions secured through commuted sums could be used for the following:

- Where the contributions secured would fund less than a whole dwelling, contributions can be pooled until sufficient funding has been secured for the provision of one or more dwelling. The provision of affordable units should then be provided in the same settlement as the application site. However, should no suitable options for the provision of affordable housing be available within a specific settlement, provision should be made within the same sub-market area.
- The purchase and refurbishment of long-term empty properties by a RSL, which will be managed as affordable housing. The Council is already in partnership with RSLs as part of the implementation of the Empty Property Strategy.
- Delivery of the Mortgage Rescue Scheme
- The provision of Homebuy Loans
- Supplementing onsite affordable housing provision on other developments in the local area.

## **Suggested Wording of Policies CW14 and SP17**

If the Inspector is minded to reduce the threshold to 5 dwellings or 0.15 Ha as a means of increasing the affordable housing target, it is suggested that Policy CW14 of **SB80** Written Statement (incorporating Focused Changes and Additional Focused Changes) be amended as follows:

### **Affordable Housing Planning Obligation**

**CW 14 Legal agreements will be required to ensure that there is provision of an element of affordable housing, in accordance with an assessment of local need, for all allocated and windfall housing sites that:**

- A Accommodate ~~1010~~ 5 or more dwellings; or**
- B Exceed ~~0.3~~ 0.15 ~~0.3~~ha in gross site area, or**
- C Where the combined product of adjacent housing site proposals would exceed the thresholds set in A or B above**

**Where there is evidence of need, the Council will seek to negotiate the following affordable housing targets of:**

- 40% of the total number of dwellings proposed on sites within the Caerphilly Basin (excluding Aber Valley);**
- 25% in the Northern Connections Corridor (excluding Newbridge); and**
- 10% in the Rest of Caerphilly County Borough (including Newbridge but excluding the Heads of the Valleys Regeneration Area**

It is not envisaged that amendments are required to the supporting text of the Policy (paragraphs 2.28-2.30) as reference is already made within this policy to the indicative nature of the target and the fact that site-specific targets will depend on the current evidence at the time that an application is submitted. The supporting text also indicates that further information on the affordable housing requirements is provided in the Supplementary Planning Guidance (SPG) on Affordable Housing. It is considered that the SPG would be more appropriate than the Written Statement in explaining the implementation of the policy on smaller sites in relation to commuted sums.

### **Affordable Housing Target**

The planning obligation requirements for affordable housing as set out in Policy CW14, directly impacts upon the calculation of the Affordable Housing Targets identified in Policy SP17. As has been calculated in ED18 Maximising Affordable Housing, the reduction of the threshold to 5 dwellings has the potential to deliver an additional 41 dwellings. Allowing for rounding, if this is added to the planning system target set out within Paragraph 1.86, it would equate to a target of 940 dwellings over the plan period.

As identified in SB36 BP6 Supplementary Paper 5: Affordable Housing Targets, the comprehensive target for affordable housing is based upon a consideration of the relationship between the number of units to be delivered through the planning system and the number to be delivered through other mechanisms – the former represents a quarter of the latter. However, this relationship is based upon a threshold of 10 dwellings. If the threshold was to be reduced to 5 dwellings, producing 40 more units, it does not necessarily follow that the comprehensive target will increase by four times that of the planning system. Rather it is likely that the comprehensive target will increase by a similar amount i.e. by 40 dwellings also resulting in a target of 3,640 dwellings. The potential wording of the policy to reflect a lower threshold for affordable housing is set out below.

**SP17 The Council will seek to deliver ~~3,600~~ 3,600–3,640 affordable dwellings between 2006 and 2021 in order to contribute to mixed communities**

1.85 *The Council aims to ensure that everyone in the County Borough has access to a good quality home that meets their housing requirements and the provision of a choice of housing that is affordable to the local population is vital in achieving this. A shortfall of affordable housing is a significant issue facing residents in the County Borough. Indeed, the Local Housing Market Assessment (2007) indicates that there is a Borough-wide shortfall of 516 affordable units per annum.*

1.86 *The target of 3,600 dwellings to be delivered within the plan period reflects the number of units that can be delivered across the County Borough using a range of delivery mechanisms in response to levels of need. The planning system, through the use of planning obligations, is one method of securing ‘affordable housing’ and it is anticipated that ~~900~~ 900–940 units can realistically be delivered through planning obligations during the lifetime of the plan.*

## **Conclusion**

Whilst there is considerable evidence that suggests a threshold of 10 dwellings is appropriate for Caerphilly County Borough, further consideration has indicated that if the threshold were to be reduced to 5 dwellings this would be both viable and deliverable. This change in threshold would generate an additional 41 affordable dwellings, which although only minimal compared to the overall affordable housing need, would serve to maximise delivery. It is therefore the case that if the Inspector is minded to reduce the threshold to 5 dwellings, the Council will be supportive of this approach.

Consideration has been given to the role of commuted sums where onsite provision cannot be provided and it is considered that this approach would be feasible. An explanation of the delivery of commuted sums will be set out within the revised Supplementary Planning Guidance for affordable housing.