

# Affordable Housing Delivery Statement



**June 2009**

**Affordable Housing Delivery Statement**  
**2007-2011**

**Caerphilly County Borough Council**

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## Foreword

We are delighted to be able to introduce the Affordable Housing Delivery Statement (AHDS) for 2007-2011. This Affordable Housing Delivery Statement sets the direction and targets for affordable housing in the County Borough during the period 2007–2011 and has been prepared jointly by Housing and Planning. The delivery of this Statement will be based on the partnerships we have with the community, council services, housing associations, developers and organisations that all have an interest in housing.

The overall aim of the AHDS is to provide a clear statement of how the Caerphilly County Borough Council intends to improve delivery of affordable housing as part of the strategic housing and planning functions. It provides a declaration of the measures that we seek to implement to increase the supply of affordable housing in the area in response to both the One Wales target as well as the local authority's own identified affordable housing need.

This is a period of great challenge for us, as the pressures on housing within our communities are acute, but it is also a period of great opportunity, as together we are now stronger, more focused and able to represent and communicate the needs of our communities at sub regional, regional and national levels.

Housing is at the centre of our towns and villages and can make a positive contribution to the well-being of our residents. If our communities are to be sustainable in the long term, housing should meet the needs of local residents, be located in appropriate areas and be affordable for local people to buy or rent.

The Affordable Housing Delivery Statement is important and given the support of partners and availability of resources we can look forward to meeting our aspirations of increasing the supply of affordable housing to address a range of needs across Caerphilly County Borough Council.

Finally, we would like to thank officers and partners for their valuable contributions in compiling this vital document.

*Cllr Lyn Ackerman*

**Cabinet Member for the Environment  
and Housing Services**

*Cllr Rob Gough*

**Cabinet Member for Transportation  
and Planning**

# 1 Introduction

- 1.1 Caerphilly County Borough Council aims to ensure that everyone in the County Borough has access to a good quality home that meets their housing requirements. Communities should be mixed, balanced and sustainable, and a choice of housing that is affordable to the local population is vital in achieving this. The cost of buying and renting a house at market value is greater than many on low incomes can afford, and consequently intervention is needed to provide 'affordable housing' through other mechanisms.
- 1.2 A shortage of affordable housing across the Caerphilly County Borough is a key issue facing residents at the present time. This Affordable Housing Delivery Statement (AHDS) provides a declaration of the measures the local authority seeks to implement to increase the supply of affordable housing in the area in response to both the Welsh Assembly Government's (WAG) One Wales target of 6,500 new affordable homes to be delivered in the period 2007/8 to 2010/11 and the local authority's own identified affordable housing need.
- 1.3 The main aims of the AHDS are to:
- Define affordability and affordable housing;
  - Confirm our understanding of affordable housing need;
  - Provide a statement of the various policy approaches the local authority intends to utilise to secure affordable housing in the period 2007/8 to 2010/11;
  - Identify the target number of affordable units that can realistically be delivered in the local authority area in the four year period 2007/8 to 2010/11;
  - Explain how the delivery of affordable housing will be monitored; and
  - Identify the potential risks to delivery.
- 1.4 It is intended that this document be read in conjunction with other Council documents setting out affordable housing policies and priorities including:
- People, Property & Places - A Housing Strategy for Caerphilly County Borough 2008-2013
  - Council Approved Unitary Development Plan (2003)
  - Deposit Local Development Plan (2008)
  - Caerphilly County Borough Community Strategy – Community Planning in Action (2004)
  - Supporting People Operational Plan 2009/10
- 1.5 This document has been subject to public consultation and full Council have ratified the use of the AHDS as an interim policy document to inform the delivery of affordable housing in the period leading up to the adoption of the Caerphilly County Borough Local Development Plan.

## **2 Assessing the Need for Affordable Housing**

### **2.1 Local Housing Market Assessment**

2.1.1 In accordance with WAG guidance, the Council, in partnership with four Registered Social Landlords, commissioned Fordham Research to carry out a Local Housing Market Assessment (LHMA). The assessment, which was completed in late 2007, provides a better understanding of the local housing market, the key drivers of local housing demand and supply and the level of affordable housing need within the County Borough. It forms a key part of the robust evidence base to inform the development of housing and planning policies.

2.1.2 As part of the ongoing commitment to ensure the evidence on affordable housing remains up to date, key elements of the LHMA have recently been updated by Fordham Research using a base date of December 2008. The findings of both studies are taken into account within this Statement.

### **2.2 Defining Affordable Housing**

2.2.1 The term affordable housing for the purpose of the land use planning system is defined in *Technical Advice Note 2: Planning and Affordable Housing* as:

*“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, paragraph 5.1).

2.2.2 There are two main types of affordable housing as defined in TAN 2:

- **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.
- **Intermediate Housing** – where prices or rents are above those of social rented housing but below market housing prices and rents. This includes Low Cost Home Ownership models such as shared equity or assisted purchase schemes.

2.2.3 All other housing is classified as ‘market’ housing, which includes private rent or sale in the open market, where no occupancy restrictions are in place.

### **2.3 Defining Affordability**

2.3.1 The LHMA provides a definition of affordability. Due to the complexity of the term, ‘affordability’ has been defined from three perspectives – mortgage affordability, private rental affordability and combined affordability.

#### ***Mortgage affordability***

2.3.2 The definition of mortgage affordability as identified in the LHMA is:

*“A household containing one person in employment is eligible for a mortgage if the gross household income multiplied by 3.5 is greater than the cost of the mortgage requirement. A household containing more than one person in employment is eligible for a mortgage if the gross household income multiplied by 2.9 is greater than the cost of the mortgage requirement.”*

- 2.3.3 The mortgage requirement is calculated on the basis of the estimated property price minus the level of savings and any equity. This approach is in accordance with the LHMA guide definition of affordability.

#### **Private rental affordability**

- 2.3.4 The definition of private rental affordability is:

*“A household is unable to afford private rented housing if renting privately would take up more than 25% of its gross household income (excluding housing benefits).”*

#### **Combined affordability**

- 2.3.5 In addition to this, there are a number of people who are unable to buy or privately rent a property. This is the measure of what the Caerphilly LHMA terms combined affordability, which is defined as:

*“A household containing one person in employment is not eligible for a mortgage if the gross household income multiplied by 3.5 is less than the cost of the mortgage requirement. A household containing more than one person in employment is not eligible for a mortgage if the gross household income multiplied by 2.9 is less than the cost of the mortgage requirement.”*

#### **AND**

*A household is unable to afford private sector housing if renting privately would take up more than 25% of its gross household income”.*

- 2.3.6 Further details on the assessment of affordability including financial information by tenure can be found in the LHMA report which is available on the Council website:

<http://www.caerphilly.gov.uk/Pdf/housing/lhma-report.pdf>

## **2.4 Affordable Housing Need**

- 2.4.1 In line with requirements as set out in the Local Housing Market Assessment Guide (WAG, 2006), a four stage assessment of the need for affordable housing was included as part of the Caerphilly LHMA. The requirement is derived by subtracting the current and arising need from available housing stock and future supply. The findings of the most recent calculation of the shortfall in affordable housing as identified in the 2008 study is shown in Table 1.

**Table 1: Affordable Housing Requirement**

Stage and step in calculation	Notes	Output
<b>STAGE 1: CURRENT NEED (Gross)</b>		
1. Existing households in need of accommodation		3,838
2. Homeless households and those in temporary accommodation		42
3. Minus cases where they can afford to meet their need in the market		948
4. equals Total current housing need (gross)	1+2-3	2,932
<b>STAGE 2: AVAILABLE STOCK TO OFFSET NEED</b>		
5. Current occupiers of affordable housing in need		1,500
6. plus Surplus stock		0
7. plus Committed supply of new affordable units		176
8. minus Units to be taken out of management		0
9. equals Total stock available to meet current need	5+6+7-8	1,676
10. equals Total current unmet housing need	4-9	1,256
11. times annual quota for the reduction of current need		20%
12. equals annual requirement of units to reduce current need	10×11	251
<b>STAGE 3: NEWLY ARISING NEED</b>		
13. New household formation (gross per year)		1,124
14. Proportion of new households unable to buy or rent in the market		38.1%
15. Existing households falling into need		950
16. Potential out-migrants unable to afford market housing		28
17. In-migrants unable to afford market housing	(included in steps 13-15)	-
18. Total newly arising housing need (gross per year)	(13×14)+1 5-16	1,350
<b>STAGE 4: FUTURE SUPPLY OF AFFORDABLE UNITS</b>		
19. Annual supply of social re-lets (net)		865
20. Annual supply of intermediate housing available for re-let or resale at sub-market levels		30
21. Annual supply of affordable housing	20+21	895
<b>NET SHORTFALL OR SURPLUS OF AFFORDABLE UNITS</b>		
Overall shortfall or surplus	12+18–21	706

Source: Caerphilly County Borough LHMA 2008

2.4.2 On the basis of this methodology, the LHMA Update (December 2008) indicates that there is a shortfall of 706 affordable units per annum. The

calculation was revised as part of the recent update of the LHMA and an increase from 516 units in the 2007 LHMA was identified. This rise in those in affordable housing need is due to increases in both the number of existing households in need and newly arising need.

2.4.3 The table below identifies affordable housing need across the three sub-market areas defined in the County Borough. The LHMA (2007) indicates that a significant annual need has been identified in the South and Middle sub-markets, although a small surplus is apparent in the northern sub-market area. However, the LHMA recognises that there are pockets of need across this area and localised data such as housing registers should be examined to determine local shortfalls.<sup>1</sup>

**Table 2: Geographical distribution of affordable housing requirements in Caerphilly County Borough**

<b>Sub-markets</b>	<b>Need</b>	<b>Supply</b>	<b>TOTAL</b>	<b>% of net shortfall</b>	<b>Supply as % of need</b>
South	502	84	417	0.8	0.2
Middle	1035	874	161	0.3	0.8
North	176	240	-64	-0.1	1.4
<b>TOTAL</b>	<b>1713</b>	<b>1198</b>	<b>516</b>	<b>1.0</b>	<b>0.7</b>

Source: Caerphilly County Borough LHMA 2007 - household survey data

## 2.5 Total housing requirements

2.5.1 As part of the preparation of the Local Development Plan (LDP), the Council has considered a range of projections of future population growth and the resulting number of households for which provision should be made within the plan period 2006 to 2021<sup>2</sup>. On the basis of these considerations, the LDP makes provision for a population of 177,500, which equates to a total requirement for 8,625 dwellings over the plan period, or 575 dwellings per annum.

2.5.2 It should be noted that the need for affordable units identified within the LHMA (2007) of 516 units is only slightly below the annual house-building requirement of 575 units. It is therefore not realistic to expect all of the affordable units to be delivered through new build, as this would mean almost all new development in the County Borough would have to be affordable. Indeed, the draft LHMA update indicates that the affordable housing need of 706 units now actually exceeds the annual house-building rate. Furthermore, it is important to recognise that the planning system, which is dependent on new build, can make only a modest contribution towards meeting the need for affordable housing in the County Borough: the majority of the need for affordable housing will have to be met through the other mechanisms

<sup>1</sup> The figure for the distribution of affordable housing need across market areas is not available in the LHMA update (December 2008) as the latest version only updated specific data. It is not anticipated that the distribution of need would have changed significantly.

<sup>2</sup> Further information on the population assumptions used to inform the Local Development Plan is set out within the LDP Population and Housing Background Paper.

identified in this Statement. The limited contribution that can realistically be achieved through the planning system is discussed further in Section 3.

### **3 Meeting the Need for Affordable Housing**

#### **3.1 Council Approved Unitary Development Plan**

- 3.1.1 The planning system, through the use of planning obligations (Section 106 agreements) is one method of securing affordable housing, although it is recognised that the planning system can only play a limited role in the delivery of affordable housing to meet the significant need identified.
- 3.1.2 The Unitary Development Plan (UDP) was approved by the Council for development control purposes in March 2004 and forms the policy framework within which provision is made for the development and conservation needs of the County Borough for a fifteen-year period from 1996 up to 2011. It is used by the Council to guide and control development.
- 3.1.3 The UDP makes provision for 7,100 dwellings within the plan period. Whilst the plan itself does not identify how many of these units will be affordable (i.e. an affordable housing target), the UDP contains policies to increase the supply of affordable housing through the implementation of Affordable Housing Policy H3, which requires an element of affordable housing on sites of over 35 units.
- 3.1.4 **However, as the UDP has not been formally adopted, under the requirements of the Affordable Housing Delivery Statement guidance, the Council is able to introduce interim affordable housing policies through the AHDS based on evidence reflecting an up-to-date consideration of housing need.**
- 3.1.5 In response to the significant evidence of need identified in the LHMA, it is important that opportunities to secure affordable housing are maximised. The LHMA identifies that a realistic threshold over which affordable housing would be required would be in the range of 10-15 units. In light of the 516 units per annum need for affordable housing, there is clear evidence to support the inclusion of a threshold at the lowest point of the range. It is therefore considered that a reduction in the UDP threshold for affordable housing from 35 units to 10 units can be justified. A threshold of 10 units would also reflect the classification of a 'major' site in planning terms, being both the minimum size for the inclusion of a site in the Joint Housing Land Availability Study schedule and for the allocation of land for housing in both the UDP and the LDP.
- 3.1.6 The following interim planning policy will therefore be used in the determination of planning applications:
- The Council will seek to negotiate with developers for the provision of an element of affordable housing on all sites of 10 or more dwellings where there is evidence of need and where site conditions allow.***
- 3.1.7 This policy will be implemented upon ratification of the AHDS by the Council.
- 3.1.8 The UDP does not define quotas for affordable housing to be provided on sites. Instead, the affordable housing requirements are examined on a site-specific basis having regard for the housing needs identified by the Council's

housing division on the basis of the most recent housing needs survey and other information on housing needs such as Council and RSL waiting lists.

- 3.1.9 The LHMA provides the most recent examination of the housing market and therefore provides the most up-to-date evidence on housing need, which can be used as a basis of negotiations for affordable housing provision as per the requirements of Policy H3.
- 3.1.10 In line with the LHMA evidence and recommendations, the Council will seek to negotiate **up to 40% affordable housing in the South and Middle sub-market areas**. This will be required on all allocated and windfall sites that exceed the threshold of 10 units as set out in the policy above.
- 3.1.11 In the Northern sub-market area, the overall need is not so acute but pockets of need still exist, the LHMA recommends a lower target. On this basis, the Council will seek to negotiate **up to 25% affordable housing in the North sub-market area**. A list of wards included in each of the sub-markets is provided in the Appendix.
- 3.1.12 This AHDS does not fulfil the role of conventional Supplementary Planning Guidance. However, the AHDS document, including the interim threshold policy and sub-market requirements for affordable housing, is a material consideration which will be afforded significant weight in the determination of planning applications for housing and in dealing with such proposals at appeal.
- 3.1.13 The Council is currently undertaking a viability assessment as part of work of the LDP to provide the evidence to support targets and thresholds in the Deposit document. As the targets and thresholds in the AHDS are broadly similar to those in the LDP, this viability assessment also forms part of the evidence base for the AHDS. Upon completion of this work, the viability assessment will be a consideration in justifying the targets and thresholds as set out in the AHDS. Should the findings of this viability assessment indicate that in current economic circumstances and/or without the use of Social Housing Grant, a development would not be viable, this information may be used as evidence to indicate that a lower level of affordable housing should be negotiated within a particular area. However, there is still a need for viability to be considered at planning application stage as more detail on exact proposals will be known at this stage, which could have an impact on viability. This is discussed further within Section 4.2

## **3.2 Contribution from Existing and Windfall Sites**

- 3.2.1 The Local Authority has been successful in recent years in negotiating a significant number of affordable units on sites of over 35 dwellings through the implementation of Policy H3 of the UDP. A total of 86 affordable units secured through Section 106 Agreements were delivered in the 2007/2008 period and there are a further 125 committed affordable units that have been secured through Section 106 agreements that are expected to be delivered within the One Wales period. Many of the sites negotiated have also been awarded funding through the Social Housing Grant programme. This is reflected within the Social Housing Grant totals as identified within Section 5 of this Statement. The contribution from Section 106 sites upon which SHG

has been approved or where a bid has been made equates to just under one third of all units projected to be delivered through SHG.

- 3.2.2 A total of 36 units are committed through Section 106 agreements without the use of SHG. Due to the limited amount of funding available through SHG, it cannot be assumed that funding will be available for use in every site secured through planning obligations and therefore it is anticipated that non-SHG funded schemes will become more prevalent in Caerphilly during the One Wales period and beyond.
- 3.2.3 In response to the planning policy framework set out within this Statement, it is considered that a number of windfall affordable units could realistically be negotiated through the implementation of the relevant planning policies. However, it is important to recognise that the property market downturn has significantly reduced the number of planning applications for housing that are being submitted to local authorities upon which affordable housing could potentially be sought. In addition, where affordable housing is being sought, site viability may be an issue. Given the time taken to negotiate and then develop affordable units, it is considered that very few houses will come forward in advance of the last year of the One Wales programme. In the interests of realism, an assumption of 20 units to be delivered in 2010/2011 has been made.
- 3.2.4 The forecasted completions of units per annum reflect forecast completions of units as set out in the 2008 Joint Housing Land Availability Study<sup>3</sup> and/or RSL projected build programmes. Given the current economic downturn, it is anticipated that the majority of the units will come forward within the last year of the One Wales period.

### **3.3 Rural Exceptions – Affordable Housing**

- 3.3.1 The UDP also contains a Rural Exceptions Affordable Housing Policy, which permits the development of small-scale affordable housing development outside of defined settlement boundaries where there is a genuine need that cannot be satisfied within neighbouring settlements. The policy aims to ensure that in those rural areas where it is unlikely that a site of a sufficient scale to trigger the size threshold as set out in Policy H3 of the UDP would come forward, affordable units could be provided to meet local affordable housing needs.
- 3.3.2 Whilst it is recognised that large parts of Caerphilly County Borough are rural in nature, the vast majority of the resident population of the area live within the linear urban settlements, which typify the South Wales Valleys. Only a small proportion of the resident population live in individual farmsteads, hamlets and villages, which are located sporadically throughout the surrounding countryside.
- 3.3.3 To date, no planning applications have been submitted to the local authority for affordable housing developments on rural exceptions sites and there is therefore no committed supply of affordable units to be delivered through this mechanism.

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<sup>3</sup> The 2008 JHLAS is subject to agreement by the study group coordinated by the Welsh Assembly Government.

3.3.4 Whilst the Council would support rural exceptions affordable housing developments where such sites are acceptable in planning terms taking into account all other material considerations, it is likely that the contribution that such schemes would make in delivery of affordable housing would be very small based on past development rates. In light of this, no assumption has been made for the contribution rural exceptions sites can make to the overall local affordable housing target.

### **3.4 Deposit Local Development Plan**

3.4.1 As a result of changes to the planning system, the local authority has prepared a Deposit Local Development Plan (LDP), which will provide the development strategy and policy framework for Caerphilly County Borough in the period up to 2021. Upon its adoption, which, in accordance with the Welsh Assembly Government agreed Delivery Agreement, is scheduled for December 2010, the LDP will replace the UDP as the land use plan for the County Borough and will be used in the determination of planning applications.

3.4.2 The Deposit LDP, published in October 2008, has been prepared in accordance with national planning guidance including the revised Ministerial Interim Planning Policy Statement on Housing (2006), which makes extensive reference to affordable housing, and Technical Advice Note 2: Planning and Affordable Housing (2006). The Deposit LDP is now a material consideration in the determination of planning applications.

3.4.3 This section explains the policy approach that will be taken forward in the Local Development Plan as a means of increasing affordable housing through the land-use planning framework. However, it is important to note that **these policies will not be implementable until the LDP is adopted at the end of the four-year One Wales period (2010/11)**. The LDP policy approach will not result in an increase in affordable units within One Wales period and therefore figures have not been attributed to affordable housing to be delivered through these new policy mechanisms. However, the LDP will play an important role in the delivery of affordable units through the land-use planning system in the period up to 2021.

3.4.4 Upon adoption of the LDP, the delivery of affordable housing through the planning system will be through the implementation of Policy CW14 on Affordable Housing Planning Obligations. The policy, as identified in the Deposit LDP, states:

***“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 10 or more dwellings; or***

***B Exceed 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 an affordable housing proportion of up to 25% of the total number of dwellings proposed on sites within the Heads of the Valleys Regeneration Area, and an affordable housing proportion of up to 40% of the total number of dwellings proposed on sites within the Northern Connections Corridor and the Southern Connections Corridor.”***

- 3.4.5 The thresholds and quotas set out in the Policy CW14 are based on robust evidence on affordable housing need as set out in the Local Housing Market Assessment. An affordable housing threshold of 10 dwellings or 0.3 Ha in the LDP will ensure that obligations can be sought on all major housing sites, thereby increasing the delivery of affordable units. Furthermore, the prescription of area-specific targets based on levels that could realistically be provided to address local need, will also be beneficial in increasing affordable housing supply by providing certainty to developers as to what is expected.
- 3.4.6 As part of the LDP process an affordable housing target has been set indicating the number of affordable units that could realistically be provided through the planning system having regard to the policy requirements and existing housing commitments. This target indicates that approximately 1,360 affordable units could potentially be delivered through planning obligations within the plan period. A total of 244 of these units were committed as of the base date of 1<sup>st</sup> April 2007.
- 3.4.7 The LDP also identifies a small number of sites that have been allocated for the provision of 100% affordable housing. The sites included are those that were considered likely to come forward for affordable housing developments within the plan period taking into account land ownership, planning history and the availability of Social Housing Grant. However, it should be recognised that other sites allocated for residential development in the LDP, as well as other windfall sites, may also come forward for 100% affordable housing schemes where they meet all other planning considerations.

### **3.5 Supplementary Planning Guidance**

- 3.5.1 Supplementary Planning Guidance (SPG) on Affordable Housing has been prepared within the context of the Deposit LDP to give greater guidance on how policies and proposals within the LDP aimed at increasing the supply of affordable housing will be implemented. It is intended that the document will be implemented as SPG after adoption of the LDP in late 2010.
- 3.5.2 The SPG supplements Policy CW14 by providing guidance on how affordable housing will be delivered on allocated housing sites and windfall sites through the planning process. The SPG also provides guidance on the negotiation procedure for affordable housing and sets out the preferences for the delivery of affordable housing.
- 3.5.3 In the interests of ensuring communities are balanced and mixed, it is the preference for affordable housing need to be addressed on site. The SPG sets out the two methods of on-site provision which is either the transfer of completed units to RSL or the transfer of land to an RSL and a contribution towards construction costs. In exceptional circumstances where it is considered that on site provision could not be achieved, the SPG indicates

how off site provision including commuted sums and bringing empty homes back into beneficial use will be determined.

### **3.6 Housing Tenure and Type**

3.6.1 It is important that all new affordable housing developments contribute to the achievement of mixed communities. Evidence from the LHMA as well as Council and RSL waiting lists indicates that there is considerable demand for affordable housing of different types and tenures to meet a diverse range of needs. The type and tenure of new affordable housing provided should therefore reflect the local needs as identified within the most up to date evidence base.

3.6.2 The Council will ensure that affordable housing units will be indistinguishable from and fully integrated with non-affordable housing units built on the same site and are of high quality. Units should be built to the WAG's latest Development Quality Requirements, which includes space and Lifetime Home standards. The appropriate standards should also be met in relation to the Code for Sustainable Homes. For small sites the visual integration of existing and new development is of particular importance.

## **4 Securing Affordable Housing**

### **4.1 The Use of Section 106 Agreements**

4.1.1 In deciding whether to use conditions or planning obligations to provide and maintain sufficient levels of affordable housing, the Council will take account of the need for secure arrangements to cover all eventualities and for flexibility to enable or encourage a scheme to proceed. However, in the majority of cases planning obligations through the signing of a Section 106 agreement is considered the most appropriate mechanism to ensure housing remains affordable.

4.1.2 The Section 106 agreement will set out the timescales for the delivery of the affordable units, the mix of affordable housing to be delivered and the methods for delivering affordable housing. It is the Council's preference for an RSL to be involved in the development and management of affordable housing where possible to ensure units remain affordable. The preferred options for delivery are:

- The on-site provision of units by the developer, which will be transferred to an RSL nominated by the Council for management. It cannot be assumed that Social Housing Grant (SHG) will be available for use in Section 106 agreements. However, where SHG is available to RSLs (currently at a rate of 58% of the Acceptable Cost Guidance (ACG) as identified Welsh Assembly Government regulations), the units should be transferred from the developer to the RSL at the full rate of ACG less on-costs. If SHG is not available, the units should be transferred at 50% of ACG less on-costs; or
- The provision of serviced land to be transferred at no cost to an RSL nominated by the local authority, the location of which will need to be determined by the local authority. The land transferred should be of a sufficient size built to WAG specifications to accommodate the required proportion of affordable housing as negotiated based on a 35 units/hectare average density or as an appropriate proportion of the identified site capacity, whichever is greater

4.1.3 The preferred method for delivery will be considered on a site-by-site basis and will be set out within the Section 106 agreement.

4.1.4 There are existing agreements with the Registered Social Landlords that if a Low Cost Home Ownership property is sold on, the receipt from the sale is re-invested in affordable housing in Caerphilly.

4.1.5 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 on-site. 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. In these exceptional circumstances, this provision should be in close proximity to the application site and should be of an equivalent nature to the type of units that would be required on site.

4.1.6 In exceptional circumstances where on-site provision is not considered appropriate and off-site units cannot be delivered as an alternative site is not

available, the Council will consider whether a commuted payment in lieu of on-site affordable housing provision would be appropriate. The sum should be equivalent to the SHG required to develop an RSL scheme and will be set out within the Section 106 agreement.

- 4.1.7 Developers are encouraged to engage in early dialogue with the Council's planning department to discuss site-specific requirements in order to speed up the negotiation process, which can often be lengthy. The minimisation of unnecessary delays will help ensure the timely delivery of affordable units to respond to local needs.

## **4.2 Three Dragons Appraisal Toolkit**

- 4.2.1 Where the viability of providing affordable housing is considered to be an issue, a development appraisal toolkit such as the Three Dragons Toolkit will be used by the Council where appropriate to examine the economics of a particular development and determine the viability of affordable housing provision. As part of this, developers will be required to provide the local authority with the following information:
- the acquisition price of the site;
  - projected construction costs;
  - additional costs;
  - proposed final sales values per unit;
  - the applicant's profit requirement;
  - unit types.
- 4.2.2 It is recognised that in exceptional circumstances due to abnormal costs or other planning objectives the provision of affordable housing at the levels identified may result in the development of a site becoming unviable. However, as stated in the AHDS guidance, there is a need to guard against reducing affordable housing contributions due to current market conditions as planning consents may not be implemented until a future time when market conditions may improve.
- 4.2.3 Developers will be expected to have taken into account the costs associated with affordable housing, in addition to other obligation requirements, before purchasing the land. The requirement to contribute towards other planning obligations, such as strategic highways infrastructure improvements, schools or leisure does not negate the need for developers to contribute towards affordable housing.
- 4.2.4 Where a developer can acceptably demonstrate on the basis of robust evidence that, having regard to all other planning obligations and/or other abnormal costs, the development of the site would not be viable, the priorities for that site will need to be determined by the Council having regard for local considerations. This will need to be considered on a site specific basis and may, in some cases, result in a lower proportion of affordable housing being negotiated than the proportion identified in Section 3. However, where there is a dispute over site viability, the local authority will commission an independent consultant and the developer will be required to pay for a third party appraisal.

### 4.3 Social Housing Grant

4.3.1 Social Housing Grant (SHG) is a capital grant provided by the Welsh Assembly Government to RSLs to fund the development of new affordable housing. The grant process responds directly to the local needs and priorities determined by the local authority. The table below shows the level of Social Housing Grant allocation in the county borough since 1999:

**Table 3: Funding awarded through Social Housing Grant**

Year	Total
1999/2000	£5,031,000
2000/2001	£2,460,000
2001/2002	£2,300,000
2002/2003	£2,720,000
2003/2004	£2,720,000
2004/2005	£2,690,000
2005/2006	£2,814,000
2006/2007	£3,229,000
2007/2008	£2,889,000
2008/2009	£6,807,690
2009/2010	£7,785,310

4.3.2 The council works in partnership with RSLs to deliver affordable housing via the SHG programme. Both Fairlake Properties and United Welsh Housing Association are zoned to develop new homes within the County Borough, providing a range of special and general needs accommodation. Quarterly and project specific meetings are held with RSLs to forward plan and progress the development of schemes.

4.3.3 In recognition of the potential efficiency gains the SHG programme recently changed to a 3-year programme. This change has enabled the Council to more effectively plan the provision of new affordable housing. The Council will continue to work closely with the partnership RSLs to maximise the number of affordable units to be delivered through SHG.

4.3.4 The Council, in consultation with RSLs has secured funding for identified schemes in each of the three years remaining in the One Wales period for both general needs housing and Vulnerable Households/Extra Care schemes. The majority of units to be delivered through Social Housing Grant are those that are part of the RSL's own build programme, although sites secured through Section 106 agreements also make an important contribution to this total.

4.3.5 The forecasted completions of units per annum reflect forecast completions of units as set out in the 2008 Joint Housing Land Availability Study and/or RSL projected build programmes.

### 4.4 Strategic Capital Investment Fund (SCIF)

4.4.1 Additional funding for the provision of affordable housing was made available to local authorities in late 2008. This Strategic Capital Investment Fund

(SCIF) will be utilised to take advantage of new properties and land that are available where they can help to address an identified need. This SCIF funding will be used in Caerphilly to fund the purchase of either:

- Off the shelf units that are currently under construction or have recently been completed where private developers are unable to sell the units as a result of the credit crunch; or
- Private land where this is available to RSLs as part of a package deal.

4.4.2 A SCIF bid to purchase a total of 32 off the shelf units has been approved by WAG, comprising a total of 18 completed units and 14 that were under construction at the time of the bid. Whilst SCIF funding can be used over a three-year period, it is anticipated that all 32 units will be delivered within the first two years of the programme.

#### **4.5 Disposal of public sector land for affordable housing**

4.5.1 In order to increase the provision of affordable housing the Local Authority may dispose of its land, either at best price or at less than the best consideration. Such disposal is governed by the Local Government Act 1972 and the General Disposal Consent (Wales) 2003.

4.5.2 To increase the provision of affordable housing and contribute to the regeneration of its communities, the Local Authority recently disposed of 5 parcels of land to RSLs, at prices that enabled the schemes to be financially viable. This disposal will result in the provision of 42 additional units of accommodation for families and older people.

4.5.3 The housing department is currently seeking approval to introduce a process for the disposal of suitable surplus council land to RSLs to promote the development of affordable housing. In light of the rapid slowdown in private sector development, opportunities to secure affordable housing through planning obligations are limited and it is therefore recognised that the release of appropriate council land will play an important role in the delivery of affordable housing.

4.5.4 The Local Authority is also in discussions with WAG with regards to the disposal of WAG owned land for affordable housing and it is anticipated that this will deliver a significant number of units. Discussions are also underway with the Welsh Health Estates regarding the potential to dispose of surplus land currently used for healthcare purposes for affordable housing. This land will not, however, be available for redevelopment until after the opening of the new hospital in Ystrad Mynach, which is anticipated in 2011. These sites will not, therefore, contribute to the number of affordable units delivered in the One Wales period but will offer significant opportunity in the longer term to deliver affordable housing in response to shortfalls identified in the LHMA.

#### **4.6 Welsh Assembly Government Homebuy Scheme**

4.6.1 Since 1995 over 270 applicants have succeeded in purchasing a home under the Homebuy scheme administered by United Welsh Housing Association and Fairlake Properties, funded by WAG Social Housing Grant. The scheme was suspended by WAG from April 2008 onwards but it is expected to be reintroduced in a revised format. It is envisaged that Homebuy, in its revised

format, will continue to play a role in meeting affordable housing needs and it is estimated that a contribution of 18 additional affordable units will be achieved within the County Borough within the One Wales period.

#### **4.7 Welsh Assembly Government Mortgage Rescue Scheme**

4.7.1 During 2008 WAG launched a Mortgage Rescue Scheme. Under the scheme an RSL will provide person(s) eligible for assistance with an equity loan so that mortgage outgoings will be reduced or, where this is not suitable, the RSL can buy the home to allow the person(s) to continue to live there as a tenant. Caerphilly has successfully promoted this scheme and a number of mortgage rescue cases have been approved by WAG. It is anticipated that the mortgage rescue scheme will deliver a total of 48 units across the remaining 3 years of the One Wales plan period.

#### **4.8 Empty Homes**

4.8.1 There are approximately 1,296 empty properties within Caerphilly County Borough. Some of the housing need identified within Caerphilly will be met by empty properties being brought back into use. This will be achieved by facilitating the return of long-term empty properties and the conversion of other appropriate empty buildings back into permanent residential use in order to meet local needs. A total of 20 properties were returned to beneficial use in 2007/2008, with a further 75 properties projected for the remaining three-year period, funded through the private housing grant funding. These have been included within the non-Social Housing Grant section of Table 4. It is not anticipated that any homes will be brought forward using Social Housing Grant funding within the One Wales period.

#### **4.9 Role of Regional Housing Enabler**

4.9.1 The Regional Housing Enabler (RHE) project was created in 2008 in response to the lack of strategic capacity within the Heads of the Valleys (HoV) Local Authorities. The Regional Housing Enabler will work in partnership with the administrative authorities of Merthyr, Torfaen, Blaenau Gwent and Caerphilly.

4.9.2 A steering group has been tasked with coordinating and monitoring the work plan of the regional housing enabler initiative. This will enable all partners in the Heads of the Valleys area including WAG, statutory housing authorities, RSLs, community organisations to increase the strategic capacity and increase the delivery of affordable housing within the HOV area.

4.9.3 The Integrate consortia, in partnership with Morgan Cole, in 2007, devised the initial standard clauses for Section 106 agreements. The Regional Enabler has been tasked with drawing together the best practice examples with a view to creating a model to be used across the local authority project areas.

4.9.4 The Regional Housing Enabler will identify opportunities and progress initiatives to deliver additional affordable housing and inward investment into the HoV area.

#### **4.10 Community Land Trusts**

- 4.10.1 It is acknowledged that Community Land Trusts (CLT) can play a part in providing affordable homes in their communities. However, there are currently no Trusts operating in the County Borough and therefore it is not expected that CLTs will deliver any affordable units within the One Wales period.
- 4.10.2 Whilst the future creation of CLTs in the local authority will be welcomed, it is important from a strategic housing perspective that CLTs do not dilute the impact and role of RSLs. Any CLT activities should therefore be focused on new provision in locations where RSLs are currently not operating through the inability to access suitable sites or lack the funding.

## 5 Target Number of Affordable Houses

- 5.1 As part of the One Wales agreement, a national target of achieving 6,500 affordable dwellings in the period 2007-2011 has been set. This target has not been disaggregated to individual local authorities, so it is not possible for authorities to assess whether or not they are making an appropriate contribution towards meeting this target. In view of the importance attached to the achievement of the target, it would seem to be a matter of some importance that this issue should be addressed as soon as possible.
- 5.2 On the basis of the Office of National Statistics (ONS) mid-2007 population estimates, Caerphilly's population was identified as 171,800, compared with a Wales population of 2,980,000. This would imply that Caerphilly's proportional allocation of the One Wales target of 6,500 would be 370 units, or 93 units per annum. In setting a target delivery figure for affordable housing, it is considered that 370 units over the 4 year One Wales period is appropriate.
- 5.3 However, in examining what can realistically be achieved through the policy approaches identified within this document as well as completions in the first year of the period, it is considered that a total of **917 units** is achievable, equating to 545 units more than the target delivery figure, far exceeding Caerphilly's proportional requirements. In the first year of the period, 120 units have been achieved, 27 units more than proportionally required, with a further 797 units projected for the remaining 3 years. It is anticipated that, as a result of market conditions and funding programmes, the majority of units will be delivered at the end of the One Wales period.
- 5.4 A summary of total number of units projected to be delivered through each of the measures is set out within Table 4.

**Table 4: Summary Statement**

Action	2007/8 Completed	2008/9 Projected	2009/10 Projected	2010/11 Projected	4 year total
<b>SHG (subject to WAG allocation)</b>					
Section 106 sites	86	10	13	66	<b>175</b>
Non S106 General Needs inc Homebuy	14	75	98	213	<b>400</b>
Non S106 Vulnerable Households and Extra Care	0	0	36	75	<b>111</b>
Mortgage Rescue (not included above)	0	8	20	20	<b>48</b>
Rural Exceptions Sites (not included above)	0	0	0	0	<b>0</b>
Empty Homes (not included above)	0	0	0	0	<b>0</b>
Strategic Capital Investment Fund (SCIF)	0	18	14	0	<b>32</b>
<b>Non-SHG funded</b>					
Section 106 New build units (committed)	0	0	0	36	<b>36</b>
Section 106 New build units (windfall)	0	0	0	20	<b>20</b>
Rural exceptions policy including CLTs	0	0	0	0	<b>0</b>
Empty Homes Initiatives	20	20	25	30	<b>95</b>
Other Measures (Homebuy)	0	0	0	0	<b>0</b>
<b>Total</b>	<b>120</b>	<b>131</b>	<b>206</b>	<b>460</b>	<b>917</b>
<b>Target Delivery Figure</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>372</b>
<b>Variance</b>	<b>+27</b>	<b>+38</b>	<b>+113</b>	<b>+367</b>	<b>+545</b>

## **6 Monitoring the delivery of Affordable Housing**

### **6.1 How the delivery of affordable housing will be monitored**

- 6.1.1 The number of affordable units completed and granted planning consent per annum (in the period 1<sup>st</sup> April to 31<sup>st</sup> March) can be monitored through data collected as part of the annual Joint Housing Land Availability Study (JHLAS), which identifies the number of affordable and market units built each year and provides agreed forecasts on when sites are likely to come forward for development having regard to plan allocations and planning consents.
- 6.1.2 Using this information as a basis, the Council will provide an annual statement on how many affordable units have been completed compared to the target identified within the AHDS. The threshold for the inclusion of market sector sites in the JHLAS is identified as 10 dwellings. However, as part of the JHLAS process the Council also records completions on small sites (those under 10 dwellings), with the total number of completions on small sites being published in the annual JHLAS report. The record of completions of small affordable housing developments will also be included within the figures for total completions.
- 6.1.3 The JHLAS has been used to determine the numbers of affordable units delivered within the first year of the One Wales period April 2007 to April 2008. This indicated that 120 units were completed. The majority of the units within this year were secured through the use of Section 106 agreements, although a number of additional units were secured through RSL house-building programmes utilising SHG. There was also a small contribution from other measures during this period, in particular the re-letting of empty properties.
- 6.1.4 It should be noted that in situations where affordable housing is secured through other measures, for example, initiatives where RSLs purchase new market sector homes to be managed as affordable housing, planning permission might not be required. As such, these sites may not feature within the JHLAS. In order to determine annual increases in affordable housing supply through this mechanism, the local authority will liaise with the RSLs operating with the County Borough to determine an annual figure.
- 6.1.5 The monitoring of affordable housing completions will also link into the target outcomes as set out in the Local Housing Strategy. The Operational Plan, which supports the Local Housing Strategy, will be monitored on a biannual basis and reviewed on an annual basis. The results of this review, particularly in response to Aim 5 of the Local Housing Strategy which aims “*to meet housing requirements through the provision of a range of good quality, affordable provision*” will link to future monitoring of the AHDS.
- 6.1.6 It is recognised that WAG has introduced a new monitoring system of affordable units and the annual returns for this can also be used to identify Caerphilly’s progress in delivering affordable housing.
- 6.1.7 Upon adoption of the LDP, which, in accordance with the WAG agreed Delivery Agreement, is scheduled for winter 2010, an annual monitoring report will be prepared, which will be an important monitoring tool for affordable housing delivery after the One Wales period has ended.

## **6.2 Risks to delivery**

6.2.1 There are a number of risks that may impact on the amount of affordable housing to be delivered within Caerphilly County Borough. The key risks are considered to be:

- The delivery of SHG and SCIF schemes is dependant on the availability of WAG funding.
- In light of the current economic downturn, private landowners may be unwilling to sell sites for less than hope value, causing delays in sites coming forward.
- The number of units to be delivered through the planning system i.e. through Section 106 agreements is dependent upon the private sector house-building industry to bring forward sites and developing the units for which they have planning consent. This is largely defined by macro economic factors that local authorities have no control over, e.g. market forces, consumer demand, Bank of England monetary policy, the state of the financial sector and central government taxation policy.
- The use of Section 106 agreements in securing affordable housing is often a lengthy process, particularly where developers are unwilling to provide the required proportion of affordable units. This may also result in delays in sites coming forward within the One Wales period.
- The reluctance of public bodies to release land for less than the market value.
- The challenge to the 40% and 25% affordable housing proportions from developers.

## Appendix 1      Glossary

**Affordability** - The ability of households or potential households to purchase or rent property that satisfies the needs of the household without subsidy. This could be based on an assessment of the ratio of household income or earnings to the price of property to buy or rent and available in the open market in the required local housing market area.

**Affordable Housing** – Housing provided to those whose needs are not met by the open market. Affordable housing should:

- meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for replacement affordable housing provision.

**Code for Sustainable Homes** - The code is the national standard for assessing the sustainability of housing construction.

**Community Land Trusts** – Locally based non-profit organisations which acquire and hold land for the benefit of the community. They provide secure and affordable access to land and potential housing for community residents through a trust which is democratically controlled by the community.

**Development Appraisal Toolkit** - The Development Appraisal Toolkit provides the user, in most cases the local-authority, with an assessment of the economics of residential development for specific schemes. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing that a developer should provide.

**Homebuy** - A low-cost ownership scheme operated by registered social landlords under which social housing tenants and those on housing waiting lists can purchase a home with an interest-free equity loan.

**Housing Demand** - The quantity and type / quality of housing which households wish to buy or rent and are able to afford. It takes account of both preferences and ability to pay.

**Housing Need** - Households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.

**Housing Requirements** - The total amount and type of housing necessary to accommodate a given (or projected) population at appropriate minimum standards. Includes both housing needs and housing likely to be demanded in the market.

**Intermediate Housing** - This is a type of Affordable Housing where prices or rents are above those of social rented housing but below market housing, include equity sharing schemes such as Homebuy. Intermediate housing differs from low cost market housing; which the Assembly Government does not consider to be affordable housing for the purpose of the land use planning system.

**Joint Housing Land Availability Study** - A Study undertaken to ensure that sufficient land is genuinely available to provide a 5 year supply of land for housing, judged against the strategy contained in the adopted development plan. The purpose of these studies is to:

- monitor the provision of market housing and affordable housing;
- provide an agreed statement of residential land availability for development planning and control purposes; and
- identify the need for action in situations where an insufficient supply is identified.

**Land Disposal** - The sale of the Council's land to another body. Can include the sale of land to developers for housing, including for an element of, or 100%, affordable housing.

**Lifetime Homes** - Lifetime Homes is a concept developed by the Joseph Rowntree Foundation whereby homes are designed to incorporate sufficient flexibility and adaptability to cater for the changing circumstances of households, in particular in relation to accessibility. The standards for Lifetime Homes include 16 design features.

**Local Housing Market Assessment** - The Local Housing Market Assessment analyses the number of additional houses, including affordable homes, needed in a local authority area. Local Housing Market Assessments form an important part of the evidence base for policies on housing within local authorities, informing key strategic documents such as the Local Housing Strategy and Local Development Plan. The Local Housing Market Assessment for Caerphilly was published in 2007 and an update for 2008 has been produced.

**Market Housing** - Private housing for rent or sale where the price is set in the open market.

**Mortgage Rescue** - Process designed to prevent vulnerable families from losing their homes and facing the trauma of repossession.

**Off-Site Provision** - Agreement made between a housing developer and local authority to fund the provision of affordable housing off-site as is it not practical or viable to locate affordable housing on the site of the initial development.

**One Wales** - The One Wales document was published in June 2007 as a coalition agreement between the Labour and Plaid Cymru Groups in order to deliver a four-year programme of government for the people of Wales. A key aim of this programme is to ensure that everyone in Wales can afford a decent home, requiring local authorities to prepare a delivery plan for affordable housing which is consistent with their housing strategy.

**Registered Social Landlords** - Social landlords that own or manage social housing and are registered with, and regulated by, the Welsh Assembly Government. RSLs are Housing Associations that are independent, not-for-profit organisations.

**Section 106 Agreements (Planning Obligations)** - Arrangements to overcome obstacles which may otherwise prevent planning permission from being granted. May

be used to offset negative consequences of development, to help meet local needs or to secure benefits which would make a development more sustainable. Often used in permissions for residential development to secure an element of affordable housing either on or off site.

**Site Thresholds** - The numbers of houses on a residential development site above and over which an element of affordable housing can be secured through Section 106 Agreements.

**Social Housing Grant (SHG) Programme** - Capital grant bid for by Local Authorities and provided by the Assembly Government to fund Registered Social Landlords to fully or partially invest in social housing.

**Social Rented Housing** – Rented housing of a high standard owned and managed by registered social landlords in Caerphilly at below market costs for households in housing need, for which guideline target rents are determined through the WAG rent regime.

**Strategic Capital Investment Fund (SCIF)** - Welsh Assembly Government Funding of £400 million to support the delivery of sustainable public projects across Wales from the period 2008 up until 2011, including investments in affordable housing.

## **Appendix 2      Affordable Housing Requirement by Ward**

### **List of Wards in North Sub-Market – 25% Affordable Housing Requirement**

Aberbargoed  
Argoed<sup>i</sup>  
Bargoed  
Darran Valley  
Gilfach  
Moriah  
New Tredegar  
Pontlloftyn  
Twyn Carno

### **List of Wards in South and Middle Sub-Markets – 40% Affordable Housing Requirement**

Aber Valley  
Abercarn  
Bedwas, Trethomas & Machen  
Blackwood  
Cefn Fforest  
Crosskeys  
Crumlin  
Hengoed  
Llanbradach  
Maesycwmmmer  
Morgan Jones  
Nelson  
Newbridge  
Pengam  
Penmaen  
Penyrheol  
Pontllanfraith  
Risca East  
Risca West  
St Cattwg  
St James  
St Martins  
Ynysddu  
Ystrad Mynach

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<sup>i</sup> Argoed is identified within the Middle sub-market in the LHMA, but due to its location within the Community Regeneration strategy area as set out in the UDP and the inclusion of the ward within the Heads of the Valleys programme area, for policy reasons it is considered more appropriate to include Argoed within the North sub-market area for affordable housing negotiation.