

**BACKGROUND PAPER 6  
PAPUR CEFNDIR 6**



# **POPULATION AND HOUSING**

**DEPOSIT LOCAL DEVELOPMENT PLAN  
UP TO 2021**

**SUPPLEMENTARY PAPER 5:  
AFFORDABLE HOUSING TARGET**

**September 2009**

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## 1 Introduction

- 1.1 This supplementary paper aims to provide further evidence on the topic of affordable housing to support the policies in the Deposit Local Development Plan (LDP).
- 1.2 It should be read in conjunction with the LDP Background Paper 6 – Population and Housing (October 2008), Supplementary Paper 4 on the Affordable Housing Viability Assessment (October 2009) and the Affordable Housing Delivery Statement (June 2009).
- 1.3 This supplementary note provides an explanation of the calculation of two targets for affordable housing proposed for inclusion in the LDP as follows:
- (1) the amount of affordable housing to be provided through the planning system by means of planning obligations; and
  - (2) the total amount of affordable housing to be provided in the County Borough through all mechanisms, including those units provided by Registered Social Landlords (RSLs) using Social Housing Grant.
- 1.4 The first target is a revision of the target included in the Deposit LDP, which has been amended to take into account the viability of the threshold and area-specific targets. This target reflects the amount of affordable housing that can realistically be delivered through the planning system i.e. through Section 106 agreements.
- 1.5 The second target is a new target that is proposed for inclusion in the Plan, in order to identify the affordable housing contribution that can be achieved through not only the planning system but through all mechanisms for delivering affordable housing. This target is necessary to provide further evidence that the policy approaches within the LDP and through other mechanisms are delivering a significant level of affordable housing in Caerphilly County Borough, therefore conforming to the Welsh Assembly Government's policy goal for increased affordable housing provision.

## 2 Calculation of the Target for the Amount of Affordable Housing to be Provided through the Planning System

- 2.1 In the Deposit LDP the requirement for developers to provide affordable housing is contained in Policy CW14 Affordable Housing Planning Obligation:

*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.*

2.2 As part of the Population and Housing Background Paper, the provision of affordable housing expected to be provided through this policy was estimated by applying the appropriate area-specific target percentage to the new (rather than committed) housing sites required to meet a housing requirement of 8,625 units in additional to the affordable units already secured through planning obligations. Furthermore, affordable units that were already completed or that were under construction during the first year of the plan period were also factored in.

2.3 The result of this calculation was embedded in Policy SP17 Affordable Housing Target:

*The Council will seek to negotiate through planning obligations for the provision of approximately 1,360 affordable dwellings between 2006 and 2021 in order to contribute to mixed communities.*

2.4 This target represents the maximum that could be achieved through the planning system. As part of the Deposit LDP consultation, representations were made that it was unrealistic since there had been no consideration of the viability of the allocated housing sites.

2.5 In the light of advice from WAG, the local authorities in South East Wales agreed to undertake viability assessments of the housing sites allocated in their LDPs. To this end, the planning consultants Three Dragons were appointed to set out a methodology for undertaking this work on behalf of the South East Wales Strategic Planning Group (SEWSPG), in order to establish a common methodology for viability assessments at a local authority level. This study was co-ordinated by a Steering Group comprising representatives of local authorities (including Caerphilly), the Home Builders Federation and house builders, Registered Social Landlords, and WAG.

2.6 Using the resulting methodology, Caerphilly has undertaken its own viability assessment to determine whether the site-specific targets and thresholds, which inform the target set out in Policy SP17 Affordable Housing Target, are appropriate. The detailed findings of this assessment and recommendations are explained within Supplementary Paper 5 on the Affordable Housing Viability Assessment. This document tested a range of densities and affordable housing requirements across the various house sub-market areas in the County Borough, whilst also taking into account the raft of other planning obligations that will be secured at planning application stage.

2.7 The findings of this study were used to propose amendments to the site-specific targets in Policy CW14 Affordable Housing Planning Obligations, as follows:

- **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)**

- 2.8 The revised target for the provision of affordable housing through this policy can then be estimated using the same methodology as used to calculate the original target. As the sub-market areas (for which there are different targets) differ from the LDP Strategy areas used to calculate the Deposit version target, the first step required to calculate a revised affordable housing target based on what is viable is to consider the distribution of units across the sub-market areas. This is illustrated in Figure 1 below.

**Table 1 - Distribution of housing sites across sub-market areas**

	<b>Number of units</b>	<b>Distribution by sub-market area%</b>
Caerphilly Basin	2,510	36.9
NCC (excluding Newbridge)	1,413	20.8
Rest of Caerphilly	1,236	18.2
HOVRA	1,648	24.2
<b>Total</b>	<b>6,807</b>	<b>100</b>

- 2.9 The next stage of the calculation involves examining the number of units upon which affordable housing could potentially be sought through the planning system. This is taken from Table 6.9 of the Population and Housing Background Paper, which identifies that it would only be realistic to seek affordable housing on windfall sites and new housing sites required to meet the housing requirement, as shown in Table 2.

**Table 2 - Number of units upon which affordable housing could be sought**

	<b>Number of units</b>
Windfall	800
New housing sites required to meet housing requirement	2,277
<b>TOTAL</b>	<b>3,077</b>

- 2.10 In order to calculate the target, it is then necessary to apply the distribution of housing allocations by sub-market area in Table 1 to the number of units upon which affordable housing could potentially be sought, which provide an indicative distribution of both the new and windfall sites.

**Table 3 - Distribution of New Units Across County Borough**

	<b>Distribution by sub-market area%</b>	<b>Number of units</b>
Caerphilly Basin	36.9	1,134
NCC (excluding Newbridge)	20.8	638
Rest of Caerphilly	18.2	560
HOVRA	24.2	745
<b>Total</b>	<b>100</b>	<b>3,077</b>

- 2.11 Using this information, the proportion of affordable housing that can reasonably be required from the total number of new units and windfalls can be calculated on the basis of the sub-market area requirements identified within the Viability Assessment.

**Table 4 - Number of affordable units by sub-market area**

	<b>Distribution of units</b>	<b>Affordable housing requirement %</b>	<b>Sub-market targets</b>
Caerphilly Basin	1134	40	454
NCC (excluding Newbridge)	638	25	160
Rest of Caerphilly	560	10	56
HOVRA	745	0	0
<b>Total</b>	<b>3077</b>		<b>669</b>

- 2.12 In addition to this, the existing number of committed sites for affordable housing needs to be taken into account. It is appropriate to use the same figures as previously used in the Background Paper 6 Population and Housing. This has been calculated on the basis of completions and units under construction within the first year of the plan period (1<sup>st</sup> April 2006 to 1<sup>st</sup> April 2007), in addition to those that have been negotiated as part of Section 106 Agreements as of the base date of 1<sup>st</sup> April 2007. This equates to **244 affordable units**.

**Table 5 - Affordable Housing Target**

	<b>Number of units</b>
Realistic proportion from windfall and new allocations	669
Committed Sites	244
<b>Affordable Housing Target</b>	<b>913</b>
<b>Annual target</b>	<b>61</b>

- 2.1.13 As shown in Table 5 above, the affordable housing target to be delivered through the planning system equates to 913 dwellings.
- 2.1.14 It is considered that this revised lower target is based on robust evidence of what it is viable to achieve, and therefore that it is more realistic to assume that the target will be achieved in its entirety. In fact, unless there are exceptional abnormal costs, there will be an expectation that the maximum level of affordable housing will be delivered, because the viability study has shown that this is achievable.

### **3 Calculation of the Target for the Total Amount of Affordable Housing to be Provided Through All Mechanisms**

- 3.1 For many purposes the main interest is not in the amount of affordable housing that can be provided through the planning system, but rather the total amount of affordable housing provided through all mechanisms.
- 3.2 It is proposed to set the target for the total amount of affordable housing to be provided through all mechanisms by estimating the relationship between this and the amount provided through the planning system.
- 3.3 It is accepted that this relationship is difficult to establish, and may well vary through time. It is particularly likely to vary in the near future because of the current recession, which has already radically affected the attitudes of developers towards the provision of affordable housing: previously regarded as a burden, they are now seen as the source of a dependable income stream.
- 3.4 In addition, the time period for which information is available is very short, and projections about future levels of provision are inevitably subject to uncertainty.
- 3.5 Notwithstanding these difficulties, it is considered that this currently represents the best way of estimating the total amount of affordable housing that is likely to be provided in the County Borough, and hence of providing information which is of high interest to decision-makers, not least those in the Welsh Assembly Government.
- 3.6 The best source of the information required for making this estimate is considered to be the Affordable Housing Delivery Statement (AHDS), the

overall aim of which is to provide a clear statement of how the 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 the Council will seek to implement in order 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. The AHDS was ratified by the Council in June 2009.

- 3.7 The planned provision of affordable housing in Caerphilly in the four years between 2007/08 and 2010/11 by all mechanisms is shown in the AHDS Summary Statement, which is reproduced below.

**Table 6 - Summary Statement of Affordable Units delivered by all mechanisms**

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>

**Source: Affordable Housing Delivery Statement**



- 3.8 It can be seen that over the four-year period the total provision of affordable housing in Caerphilly is expected to be 917 units, of which 231 units (or 25%) will be provided through the planning system by means of Planning Obligations (Section 106 Agreements).
- 3.9 It can be seen from the table that the main source of affordable housing is anticipated from the RSL's own build programmes for both general needs housing and vulnerable households/extra care accommodation. The delivery of these units is through the use of Social Housing Grant. Whilst it is acknowledged that Social Housing Grant is a limited resource, it is considered that whilst affordable housing remains a priority at the national level due to the significant affordable housing need across Wales, funding at some level will continue to be provided throughout the plan period.
- 3.10 Furthermore, in line with Government guidance, there will be a move away from Social Housing Grant being used to finance new Section 106 sites as it can be demonstrated that in most areas it would be viable to deliver affordable housing without grant. This will consequently mean that future Social Housing Grant can be directed towards RSL's own sites rather than sites delivered through the planning system.
- 3.11 A small number of units have been delivered through the Strategic Capital Investment Fund (SCIF), which provided funding in addition to Social Housing Grant to RSLs to take advantage of new properties and land that has become available as a result of current economic conditions. It is recognised that this funding is exceptional and unlikely to be available throughout the whole plan period. However, this SCIF funding is only anticipated to provide a very small number of units when compared to all other measures (3%) and consequently will have little impact on the anticipated future targets.
- 3.12 Another mechanism to deliver affordable housing is through the Council's empty homes initiative. It is anticipated that this will continue to deliver affordable units through the remainder of the plan period as there is likely to continue to be empty homes within the County Borough that could be brought back into beneficial use throughout the lifetime of the LDP.
- 3.13 Having regard for these factors, it is reasonable to assume that the relationship between the number of units delivered through the planning system and the total amount of affordable housing to be provided in the County Borough will continue to remain the same over the duration of the plan period i.e. units delivered through the planning system will equate to a quarter of all units delivered. Section 2 sets out that the target to be delivered through the planning system will be 913 units. It can then be assumed that the overall target would be 4 times what would be delivered through the planning system:
- 913 x 4 = 3,652 units**
- 3.14 It is therefore considered that this target of **approximately 3,650 dwellings** be included with Policy SP17 on the Affordable Housing Target.
- 3.15 Because of the inevitable uncertainties involved in this calculation, it will be particularly important to report on progress in the provision of affordable housing in the Annual Monitoring Report and at the first review of the LDP, which will provide an opportunity for reconsideration of the target in the light of prevailing circumstances.