



**Powys Local Development Plan
Affordable Housing Topic Paper**

Update

September 2016

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EXECUTIVE SUMMARY

This paper provides an update to the Council's approach towards the delivery of affordable housing by the Powys Local Development Plan, and involves review of the policy approach towards affordable housing provision and the proposed LDP affordable housing target. This follows the updating and review of the viability evidence previously submitted for examination as part of the evidence base for the Local Development Plan.

The residential element of the *Local Development Plan and Community Infrastructure Levy Viability Assessment (2014)* (EB13) has been reviewed and subsequently updated by the District Valuer Service (DVS) in the *Viability Assessment Update (August 2016)* (EB13) the results of which have been used to inform the Council's case in relation to its case in relation to the viability of development expected to be delivered by the Plan and also its case in respect of the delivery of affordable housing by the Plan.

The South West sub-market area has been amended slightly to include only the area to the south of the National Park – the communities of Ystradgynlais and Tawe-Uchaf. Parts to the north of the National Park previously within the South West have been incorporated into the Central sub-market area. The sub-market area names taken forward are 'Central', 'Severn Valley', 'North' and 'South West' and are illustrated on a map in Appendix 5.

The update has involved a review of the scale, location, existing uses, mix, and density of site typologies modelled for use in the development appraisals in order to ensure that they are reflective of the development planned by the LDP and informed by past delivery.

Changes made to the assumptions relating specifically to the affordable housing testing are explained and reasoned within Appendix 1 of this paper. The updated viability results and results of the affordable housing testing are reflective of changes in house price values, construction costs, land values and other values, at the time of the update in August 2016, and also of other changes made to assumptions to reflect the characteristics of development expected in Powys.

The assumed open market and affordable housing mixes applied to the site typologies reflects the need identified in the *Local Housing Market Assessment Update (2014)* (EB08) as it accounts for a proportion of 1 and 2 bed dwellings. The assumed affordable housing tenure split of 75% social rented housing and 25% intermediate rented housing is in line with the need identified within the Local Housing Market Assessment which identified a greater need in Powys for social rented housing within the affordable housing mix.

In terms of the general outcomes of the updated Viability Assessment (2016) for viability, the results indicate that the proposed affordable housing contributions in Central (30%), Severn Valley (20%) and North (10%) sub-market areas can be supported on the basis of the findings of the review of the Viability Assessment. However, the main concern is in the South West sub-market area where it does not appear to be viable to require affordable housing contributions, and it is advised that any affordable housing target in this area would be aspirational.

The Council has therefore reviewed its case for seeking an affordable housing contribution in the South West and has considered potential options including 1) retaining the target as

proposed in the *Composite LDP (January 2016)* (LDP34) at 10% as an aspirational target; 2) setting an aspirational site specific target of 5%, 3) combining the lower target of 5% with a higher threshold of 10 or 20 units above which contributions would be required, and 4) setting a 0% target.

Evidence of affordable housing recently delivered on the ground in this area comprises solely of Housing Associations schemes, and although a percentage of affordable housing has been secured on private developments through planning permissions subject to section 106 agreements, these schemes have not yet been delivered.

If a target of 10% was maintained in the South West, this would potentially capture 46.6 affordable housing units on allocated sites, and at a target of 5%, this would be reduced to 23.3 units. By not requiring a contribution to be made in the South West, this would result in a loss of 8% of potential affordable housing units on allocated sites. These numbers would indicate that it may not be worthwhile to seek affordable housing contributions in this area.

Based on the viability evidence, development viability in the South West is likely to be particularly sensitive to the additional costs or impact on values as a result of policy requirements, such as affordable housing, and priority should be given to essential infrastructure to ensure that development can come forward.

In terms of the potential to capture affordable housing within pockets of viability in this less viable area, this opportunity is likely to be limited and higher expectations associated with such pockets are unlikely to generally feature on proposed allocations or development expected in this area.

Due to current uncertainties in the market, it would not be appropriate to set an aspirational target at this stage to seek to reflect the potential future affordable housing, however future changes in the market will be monitored and the requirements of the affordable housing contributions reviewed if any significant changes are identified.

The viability evidence, together with the results of the testing of notional contributions that could be sought by applying lower thresholds, indicates that it is appropriate to retain the site capacity threshold for requiring affordable housing contributions at 5 units or more.

In view of the above, and taking into account the discount applied to the housing commitments and overprovision allowance, the Affordable Housing Target for the Plan has been reduced from 1257 units (83 units per annum) to 949 units (63 units per annum). This continues to be below the need identified in the LHMA of 153 per annum, however other forms of affordable housing delivery and financial support, will help to maximise opportunities for delivery of affordable housing in Powys.

The amount of affordable housing secured and delivered through planning permissions will be monitored through the Annual Monitoring Report, as will applications submitted to negotiate/re negotiate affordable housing obligations. Type, mix and tenure of affordable housing, along with affordability and need identified through the *Local Housing Market Assessment Update (2014)* (EB08) process, will also be monitored in order to inform any future review.

1. INTRODUCTION

1.1 The aim of this topic paper is to clarify and review the Council's proposed policy approach towards the delivery of affordable housing by the Powys Local Development Plan, in light of the findings and conclusions of the *Viability Assessment Update (2016)* (EB13). The updated Viability Assessment was carried out in response to the Inspector's concerns about the deliverability of the housing proposed by the Local Development Plan and also in response to concerns regarding the deliverability of affordable housing in the North and South West sub-market areas.

1.2 This paper provides an update to the *Affordable Housing Topic Paper Update (January 2016)* (EB21), and focuses on updating the Council's position on the viability of delivering affordable housing through the planning system, the approach towards affordable housing provision, and the proposed LDP affordable housing target.

Background

1.3 In 2014, a *Local Development Plan and Community Infrastructure Levy Viability Assessment* was carried out by HDH Planning and Development Ltd (EB13), the results of which informed the policy approach towards affordable housing adopted in the submitted *Powys Local Development Plan – Composite version (LDP34)*. This *Viability Assessment (2014)* (EB13) concluded that development within the Central and Severn Valley sub-market areas could meet a 20% affordable housing target, and development in the North and South West could meet a 10% affordable housing target. With the exception of the affordable housing target in Central, which was subsequently increased to 30%, these targets were taken forward into the submitted Plan. The results of the *Viability Assessment (2014)* (EB13) indicated that development in the Central sub-market area could support a 30% affordable housing target, however the Council had initially decided to take a cautious approach by setting the target in this area at 20%.

1.4 Following submission of the Powys Local Development Plan for examination in February 2016, and subsequent letter from the LDP Inspector dated 5th of April 2016, the decision was made to update the residential element of the *Viability Assessment (2014)* (EB13). This was intended to reflect changes in construction costs and house prices in Powys since the original study (which was based on data from March 2014), but more importantly to address the questions raised by the Inspector about the deliverability of the quantum of housing development envisaged in the LDP. The Inspector had also raised concerns that the evidence did not support the proposed 10% affordable housing contribution in the South West and North, and also about the implications of unviability in these areas for the delivery of the affordable housing target.

1.5 Further discussions took place at the subsequent Exploratory Meeting held by the Inspector on the 10th of May 2016, where the Council explained that the findings of the updated viability evidence would be considered and the percentage requirements may be adjusted. The Council also explained that there was existing evidence that housing delivery is happening on the ground in these areas.

1.6 The Council commissioned an update to the *HDH Viability Assessment (2014)* (EB13) and the Council also arranged for the District Valuer Service (DVS) to review the updated

Viability Assessment carried out by HDH. This involved the review of the values and costs used by HDH and also other key viability assumptions. This review has led to the production of a further Viability Assessment with a different set of viability results, including further testing of the affordable housing contributions. The work carried out by the DVS is considered to improve the robustness of the evidence-base for the Plan. The Council has decided to take the results and conclusions of the Council has decided to take the results and conclusions of the DVS forward to act as the *Viability Assessment Update (August 2016) (EB13)* to inform the Authority's case in relation to the viability of the Plan, and also its case in respect of the delivery of affordable housing by the Plan.

Content of this paper

1.7 This paper, firstly, summarises and analyses the main changes to the viability evidence. It then goes on to discuss the main findings of the *Viability Assessment Update (2016) (EB13)* in relating to the impact on the delivery of affordable housing through the Local Development Plan. This involves a review of the proposed approach towards seeking affordable housing contributions, including the review of site specific targets and site capacity threshold, in light of the updated viability results. The affordable housing target for the Plan has also been reviewed in light of the proposed policy changes. Any proposed changes to the affordable housing policies and consequential changes to the affordable housing target are identified in Appendix 4 and included in the *Schedule of Further Focussed Changes to the LDP (LDP41)*.

1.8 The paper concludes by considering the implications of the proposed policy changes for the delivery of affordable housing through the Plan and also for the overall strategy of the Plan. The implications of the viability assessment for the overall housing delivery of the Plan are discussed in the separate *Viability Topic Paper (September 2016) (EB43)*.

2. EXPLANATION OF CHANGES TO THE AFFORDABLE HOUSING VIABILITY EVIDENCE BASE

Housing sub-market areas

2.1 The *HDH Viability Assessment (2014) (EB13)* identified four county price zones (otherwise known as sub-market areas) within Powys – 'Central Powys', 'Severn Valley', 'Rural North' and 'Southwest Powys'. Varying residential market values based on house price values per square metre were applied to the appraisals of sites within these areas. These areas were illustrated on a map in figure 4.6 of the *Viability Assessment (2014) (EB13)*.

2.2 It is important to note that a slight amendment has been made to these areas in the updated viability work. The area to the north of the Brecon Beacons National Park which was previously included within the Southwest Powys sub-market area, has now been included in the Central sub-market area. It should be noted that no allocations are proposed by the Plan within the area affected by this change, which includes parts of the communities of Trallong, Maescar and Llywel that lie outside the Brecon Beacons National Park. The

South West sub-market area now only includes the communities of Ystradgynlais and Tawe-Uchaf to the south of the Brecon Beacons National Park.

2.3 The Housing sub-market areas, as amended, are as illustrated on the map in Appendix 5.

2.4 It is also noted that some of the names by which the sub-market areas are referred have been amended between the 2014 and 2016 Viability Assessments (EB13). The name for 'Severn Valley' remains the same, 'Central Powys' becomes 'Central', the 'Rural North' is now named 'North', and 'Southwest Powys' is now referred to as 'South West'. For clarity, therefore, the names of the sub-market areas going forward are 'Central', 'Severn Valley', 'North' and 'South West'.

Review of typologies

2.5 As part of the update, the site typologies tested in the original study were reviewed in order to ensure that they continued to be reflective of the development planned, particularly as the allocations that had been subject to changes, with new sites added, sites removed and sites amended, since the first version of the Deposit Plan in 2014 at the time that the original study was conducted. General changes to typologies are detailed within the *Viability Topic Paper (September 2016) (EB43)*.

2.6 The assumed open market and affordable housing mixes applied to the site typologies have been reviewed against past evidence of mix of house types being delivered on the ground, also taking into account the needs identified in the *Local Housing Market Assessment Update (2014) (EB08)*. The affordable housing mix applied to the site typologies as part of the affordable housing testing, reflects the need identified in the updated Local Housing Market Assessment as it accounts for a proportion of 1 and 2 bed dwellings.

2.7 The assumed densities applied to the site typologies have also been reviewed to reflect evidence of densities being achieved on the ground on recent developments. The density guidelines set out in policy H3 and the capacity of allocations in terms of the number of units and affordable units indicated in Appendix 1 have been amended accordingly.

Review of affordable housing assumptions

2.8 In updating the Viability Assessment to take into account changes in the house prices values and costs since the original study in March 2014, this also provided an opportunity to review the viability assumptions used in the *HDH Viability Assessment (2014) (EB13)* to test their accuracy and relevance to the particular characteristics, location and scale of development in Powys. This also involved reviewing the assumptions made in respect of the values, tenure and mix of affordable housing within the modelled sites.

2.9 The review of viability assumptions by the DVS has led, in some instances, to the use of different assumptions, which are a result of changes in values, use of different sources, and also changes in the approach used to identify these values. The local experience of the DVS in site specific viability assessments in Powys and Wales has informed this review. Changes to the key general viability assumptions are discussed in the *Viability Topic Paper*

(September 2016) (EB43). Changes to the key assumptions relating to the affordable housing testing are summarised in Appendix 1, which also provides commentary on the reasons for the changes.

2.10 Consideration has been given to the likely impact of the changes made to the assumptions on the results of the affordable housing testing.

2.11 In terms of any changes made to reflect the timing of the studies, whilst it is difficult to compare the price values used in both studies, due to the different methods used, the values used by DVS are based on current market evidence as of August 2016 and therefore they will reflect any increases in house price values that have occurred since March 2014. The DVS has assumed higher affordable housing values for social rented and intermediate rented, and given that intermediate housing for sale is based on 80% open market value, this will have increased in line with general house prices, which should improve the viability of affordable housing.

2.12 The higher house price values applied in the North sub-market area, as noted in the *Viability Topic Paper (September 2016)* (EB43) (para. 2.17), should improve the case for seeking affordable housing contributions in this sub-market area.

2.13 With regards to changes to the costs associated with affordable housing, build costs are treated on parity with open market build costs, and therefore these costs will also have generally increased, albeit that other costs, including the allowance made for external costs for larger developments and single plots, have been reduced.

2.14 By accounting for mainly social rented housing in the affordable housing tenure split assumed in the *Viability Assessment Update (2016)* (EB13), which is the lowest price type of affordable housing tenure, this is likely to have a negative impact on viability compared to the results with the tenure mix applied previously in 2014. However, the tenure mix applied by the DVS is in line with the need identified within the *Local Housing Market Assessment Update (2014)* (EB08) which identified a greater need in Powys for social rented housing within the affordable housing mix.

2.15 By reducing the assumed developer profit that a developer is expecting from affordable housing compared to open market dwellings, this should also improve viability as the allowance made for this element of the cost to the developer is reduced.

2.16 The increase in the viability threshold, as explained in the *Viability Topic Paper (September 2016)* (EB43) (para. 2.21) places a higher expectation on residual values in order for sites to become viable, which could impact on the scope for securing affordable housing contributions.

2.17 In conclusion, therefore, some of the changes made to the affordable housing assumptions, along with changes to the general viability assumptions, should have a positive impact on the results of the affordable housing testing. However, any apparent scope for further affordable housing contributions created by these changes is likely to be tempered to some degree by other changes in terms of build costs, tenure mix and to the viability threshold.

3. THE UPDATED VIABILITY RESULTS

3.1 This section summarises and analyses the results of the *Viability Assessment Update (August 2016)* carried out by the DVS (EB13) in terms of their relevance to the viability of affordable housing.

3.2 To clarify, the Council is basing the following comparison on the results presented in tables 9-12 of the DVS study and the results of the affordable housing testing in table of the *Viability Assessment Update (2016)* and table 12.1 of the *Viability Assessment (2014)* (EB13). In terms of presentation of the results, the previous study presented the results on a £ per ha basis, whereas the DVS results are shown on a £ per hectare and a £ per site basis in the DVS work. Whilst the previous presentation of the results was useful in terms of drawing comparisons between different typologies, by presenting results on a £ per site basis, this reflects the residual value according to the site area of the particular site typology. For this reason, the results discussed in this paper are those presented on a £ per site basis.

3.3 It is difficult to directly compare the results gained by the DVS in 2016 and HDH in 2014 as not only are the results based on different data sources obtained at different times, but also some of the viability and development assumptions applied are different, and the development appraisals undertaken have been produced using different models – the DVS has used the ‘Argus’ model, whereas HDH has used a bespoke model developed by HDH. However, the following comparisons can be made in terms of general outcomes for the viability of affordable housing in Powys:

- Both HDH (2014) and DVS (2016) found that different sub-market areas could support different levels of affordable housing contribution.
- Both HDH (2014) and DVS (2016) found that, in general, development in the Central sub-market area could support an affordable housing contribution of 30%, and that development in the Severn Valley sub-market area could support a contribution of 20%.
- HDH (2014) recognised that development viability was challenging in the North and South West sub-market areas, however it was considered to be appropriate to set an affordable housing target of 10% in these areas. It was noted that there was a need for affordable housing in these areas and that it was being delivered on the ground.
- The DVS (2016) considers that the proposed affordable housing contributions in Central, Severn Valley and North sub-market areas can be supported on the basis of the findings of the review of the Viability Assessment.
- The DVS (2016) considers the South West to be the main area of concern in terms of viability and advises that any affordable housing target in this area would be

aspirational. It is advised that some schemes may be able to provide some units as costs decrease or values increase, however such would be on a case by case basis.

- The results of both studies indicate that it would not be realistic to seek affordable housing contributions on sites of less than 3 units or less as these small sites are either not found to be viable or are marginally viable at 0% affordable housing contribution.

3.3 In view of the general outcomes of the *Viability Assessment Update (2016)* (EB13) for the viability of affordable housing, it is clear that the ability of developments to support affordable housing contributions continues to vary between sub-market areas, with the most viable areas able to support the highest percentage of affordable housing, and the least viable area unable to support any percentage.

3.4 Importantly, the results of the affordable housing testing carried out in the *Viability Assessment Update (2016)* (EB13) show that development in the sub-market area of the North is capable of supporting a contribution towards affordable housing, albeit at a lower level than can be sought in Central and Severn Valley. Therefore, whilst the previous viability results in 2014 did not support the proposed 10% affordable housing target in the North, this level of affordable housing is considered to be realistic based on the viability evidence provided by the DVS.

3.5 The meaning of the results of the *Viability Assessment Update (2016)* (EB13) in terms of the site specific affordable housing targets and sites capacity thresholds to be applied in the different sub-market areas is discussed further in the following sections.

4. SITE SPECIFIC AFFORDABLE HOUSING TARGETS

4.1 The appropriateness of the proposed site specific affordable housing targets for each sub-market area has been reviewed in light of the updated viability evidence summarised above. The results of the *Viability Assessment Update (2016)* (EB13) suggest that developments of 5 or more in the Central, Severn Valley and North can support the site specific targets of 30%, 20% and 10% respectively. However, the results continue to suggest that development in the South West sub-market area would not be capable of supporting a contribution towards affordable housing.

4.2 Due to the results in respect of the viability of development in the South West sub-market area, the Council has reviewed its case for seeking an affordable housing contribution in this area. In reviewing its case, the Council has considered several potential options as to the way forward in terms of its approach towards affordable housing delivery in the South West, as follows:

1. Setting an aspirational affordable housing target of 10%, as proposed by the submitted Plan – Composite version (LDP34).
2. Setting an aspirational affordable housing target of 5%.

3. Setting an aspirational affordable housing target of 5%, but combined with a higher site capacity threshold of 10 or 20 units above which affordable housing contributions would be sought.

4. Setting the affordable housing target at 0%, in accordance with the viability evidence of the DVS.

The Council has taken into account various factors in deciding on the way forward, as discussed in detail below.

Evidence of affordable housing delivery in the South West

4.3 A review has been carried out of the evidence of affordable housing being delivered in the South West, as evidence of past delivery provides an indication as to whether affordable housing can be delivered in this area.

4.4 In terms of evidence of affordable housing schemes that either have been delivered or are being delivered in this area, the following schemes for 100% affordable housing are noted:

- A scheme for 6 affordable dwellings in Abercrave had been completed in 2013 as an affordable housing scheme by a housing association (P/2011/0266).
- A scheme for 45 affordable units by a Housing Association is currently under construction at Gurnos School, Lower Cwm Twrch.
- A 7 flat scheme proposed by a Housing Association had been granted planning permission in 2011 on land adjacent to the Gurnos Youth and Community Centre and is currently under construction.

4.5 According to the Council's Section 106 register, 4 schemes are recorded in the South West where affordable housing has been secured on private developments through section 106 agreements:

- Brynygroes, Ystradgynlais for 138 dwellings, where 31 affordable units have been secured, equating to a contribution of 23%. The contribution secured was less than the current UDP policy requirement for 30%-35%, however this development was subject to a site specific viability assessment which determined that a contribution of 23% could be achieved with the development remaining viable. This site is allocated in the proposed Plan and the owner is actively pursuing the development of the site.
- Land to rear of Jeffrey's Arms, Brecon Road, Ystradgynlais for 18 dwellings, including 6 affordable dwellings. A technical start has been made on this development, however works have not commenced on the approved dwellings. This site has been included as a commitment in the proposed Plan.
- A scheme of 8 units at Lower Cwmtwrch, 3 of which are to be affordable, which was granted outline planning permission earlier this year, and has not started.

- A scheme for 15 houses, including 5 affordable housing, at Ystradgynlais with extant planning permission, but has not started.

4.6 The total number of units granted permission on the above 4 number of sites is 179 and a total of 45 affordable housing units have been secured. Therefore, an average affordable housing contribution of 25% has been secured on these sites. However, these schemes have not yet been delivered on the ground and section 106 agreements may be renegotiated.

4.7 The above indicates that there is limited evidence of affordable housing being delivered on the ground, apart from development by Registered Social Landlords. Although a percentage of affordable housing has been secured on private developments through planning permissions subject to section 106 agreements, these schemes have not yet been delivered. Whilst the viability of affordable housing at the Brynygroes scheme had been tested and it was found to be viable to secure affordable housing at a reduced level, this testing was carried out at a site specific level and therefore would be reflective of the site specific circumstances of this particular case that may not be replicated in other schemes.

Potential contributions from development in the South West

4.8 Consideration has been given to the merit of seeking affordable housing in terms of the notional affordable housing contribution that could potentially be captured if a contribution was sought in the South West, and likewise to the notional contribution that could potentially be lost if no contribution was sought. The potential contribution by combining a lower target with a higher site capacity threshold has also been tested. The results of this testing are set out within Appendix 2.

4.9 In summary, this testing shows the impact on the notional number of affordable housing units that could be secured if contributions were to be sought in the South-West. This testing demonstrates that if a 10% affordable housing contribution was sought at a 5 units and above threshold, as was proposed in the submitted *LDP – Composite version (January 2016)* (LDP34), the equivalent of approximately 46.6 affordable housing units could be secured in the South West (45.8 of these units could be secured on-site and 0.8 units as a commuted sum). If a lower affordable housing contribution of 5% was sought, again at a 5 unit threshold, the equivalent of 23.3 units could be secured (21.7 units on-site and 1.6 units as commuted sums). This would equate to between two to four affordable housing units on average each year for the remainder of the Plan period.

4.10 In the context of the overall number of affordable housing units proposed by the Plan, the notional contribution of affordable housing that could be secured on proposed allocations in the South West compared to other sub-market areas (based on the proposed targets as per the submitted *Composite Plan - LDP34*) would be as follows in figure 1:

Figure 1 Proportion and number of affordable housing units allocations for each sub-market area as per the affordable housing targets set out in the submitted Plan

Sub-market area	Affordable Housing %	Affordable housing units	% of total affordable housing numbers
<i>Central</i>	30%	289.2	51%
<i>Severn Valley</i>	20%	151	27%
<i>North</i>	10%	80.2	14%
<i>South West</i>	10%	46.6	8%
	Total	567	100%

4.11 If no affordable housing target was applied in the South West, the number of affordable housing units that could be secured on allocations within the whole of the Plan area would fall from 567 units to 520.4 units. This would result in a loss of 8% of potential affordable housing units on allocated sites. However, it is also noted that the total number of allocated units in the South West are only expected to account for 16% of the total allocated units of the Plan, which is markedly lower than the proportion of units allocated in other sub-market areas, ranging between 25% and 32%. This is largely a reflection of the comparatively small size of the South West area and limited number of settlements found in this area, with proposed allocations focused mainly within the town of Ystradgynlais.

4.12 Consideration has also been given to the notional contribution that could be secured on large windfall sites, on sites of 5 or more, based on evidence of past completions and planning permissions on this type of site in the South West. This testing, which is also detailed in Appendix 2, indicates that the equivalent of 4.6 affordable housing units could have been secured on windfall sites with planning permission, based on a 10% target at a 5 unit threshold. At a 5% target above the 5 unit threshold, 2.4 units could have been secured, which would be reduced to 1.65 units if a 10 unit threshold was applied.

4.13 Whilst the Council is mindful of the need to maximise the affordable housing delivery, the relatively minor affordable housing contribution that notionally could be captured in the South West over the remainder of the Plan period, would indicate that it may not be worthwhile in terms of the numbers that could be gained to seek affordable housing contributions in this area.

The impact of affordable housing requirements on overall housing delivery in the South West

4.14 In considering whether it is worthwhile to require relatively minimal affordable housing contributions from private developments in the South West by applying an aspirational target, the potential benefits need to be balanced against potential consequences, and in particular the risk that affordable housing could have a negative impact on overall housing delivery in this area. The generally negative residual values found by both the DVS and the HDH Viability Assessments (EB13) in the South West indicate that development viability in this area is likely to be particularly sensitive to the additional costs or impact on values as a result of policy requirements, such as affordable housing. The Council also seeks to prioritise the provision of essential infrastructure, before other policy requirements, in order to ensure that development can be brought forward.

4.15 The Council is confident that its allocations in this area can be delivered, as is demonstrated through site specific evidence provided within the *Housing Provision Allocations Paper (September 2016)*. However, based on the viability evidence, it is doubtful whether these sites could also sustain a proportion of affordable housing whilst maintaining their viability.

Potential pockets of viability

4.16 Consideration has been given to the scope for applying an aspirational affordable housing target in order to capture affordable housing within any pockets of viability that may be found within the area. The DVS has identified some of the features that may characterise pockets of viability, including high quality developments in terms of their style, edge of settlement locations, attractive views and good transport links. Whilst some of these characteristics may be found on or within individual sites in the South West, it would not be appropriate to generally assume that the majority of sites planned for or anticipated within this area would meet these higher expectations. The general expectations of the area will already be largely reflected in the house price values experienced in this area, which have already been accounted for within the *Viability Assessment Update (2016)* (EB13).

4.17 It is difficult to capture potential pockets within a high level viability study, as is highlighted by the DVS. The DVS has advised that affordable housing may be found to be viable on certain schemes in the South-West, however this would be based on a case by case assessment. It would not be reasonable or practicable to set a policy requiring site specific viability assessments to be carried out in connection with planning applications for housing in this area in order to seek to capture any instances where affordable housing may be viable, which based on the viability evidence, are also likely to be limited instances.

Potential improvement in viability

4.18 The viability assessments carried out are largely based on the evidence at the time that the study was carried out, in this instance August 2016, whereas the Plan proposes housing for the remainder of the Plan period, in this case, up until 2026. By taking a longer term perspective, and assuming that the housing market improves, an aspirational target could be justified. However, due to current uncertainties in the market, which makes it difficult to predict how values and costs will react to changes in the market, it is unclear as to when development may become sufficiently viable in order to support an affordable housing contribution in the South West.

4.19 The DVS has explained that as costs decrease and values increase, some schemes may be able to provide some affordable units, however this would be on a case by case assessment. As explained above, it would be unrealistic to require a site specific viability assessment to be carried out in respect of each planning application for housing in the South West in order to test the scope for affordable housing contributions.

4.20 In view of the above, it would not be appropriate to set an aspirational target, and instead, future changes in the market should be monitored and the affordable housing targets set should be reviewed if any significant changes are identified. Monitoring in connection with affordable housing is considered under section 7 below.

The need for affordable housing in the South West

4.21 The *Local Housing Market Assessment Update (2014)* (EB08) identifies that there is a need for affordable housing in the South West, and that the need identified in the Ystradgynlais area (LHMA area 8) is mainly for intermediate rented housing, which is a higher value form of affordable housing, than social rented housing. Whilst it would potentially be more viable for a private developer to provide intermediate forms of housing, this would not necessarily mean that development would become viable according to the high level testing. The lack of evidence of delivery of private developments where a proportion of affordable housing has been secured is also noted.

4.22 Unlike most other areas in Powys, and generally across Powys, where the need identified by the LHMA is mainly for social rented housing, the LHMA acknowledges that there is currently an over-supply of social rented housing in the South West. Between 2012 and 2014, 47 committed social rented units were to be delivered through Social Housing Grant. In terms of future schemes that are programmed to receive Social Housing Grant in this area, phases 1 and 2 of the Gwalia Housing Association scheme at land at the Gurnos Youth Centre, School Playing Fields are proposed to receive Social Housing Grant assistance.

Conclusions on the evidence to support an affordable housing contribution in the South West

4.23 In view of the above considerations, it is considered that there is insufficient evidence to support the target currently proposed in the submitted LDP Composite Plan (LDP34), or in fact, for any affordable housing contribution to be sought in the South West. Whilst there is an identified need affordable housing in this area, this need must be balanced against the viability evidence which suggests that it would not be realistic to deliver affordable housing through planning permissions for private housing developments in this area. The lack of evidence of past delivery of affordable housing on private developments, together with questions over the merit of seeking relatively minor affordable housing contributions against the potential risks to overall housing delivery, are also important factors to consider in deciding on the most appropriate approach towards affordable housing delivery in this area.

4.24 In terms of the potential options set out under 4.2 above, therefore, the aspirational targets within options 1-3 would not be informed by the viability evidence or any other available evidence. By following option 4, and therefore deciding not to require affordable housing contributions in the South West at the present time, this decision would be informed by the evidence.

Additional contributions in other sub-market areas

4.25 The scope for seeking additional contributions in the more viable sub-market areas has been considered, in order to seek to maximise affordable housing delivered through the Plan.

4.26 It was noted that the results of the testing in the Central area at a 30% target appeared to provide additional headroom above the viability threshold compared to the headroom available in the Severn Valley and the North sub-market areas, and therefore the scope for seeking a higher affordable housing target of 35% in connection with larger (100 unit), large

(50 unit) and medium (25 unit) greenfield and brownfield developments was tested in this area. However, as explained by the DVS, residual values at a 35% target are brought closer to the margins of viability. Whilst applying a higher target in Central could potentially provide an additional 48.2 additional affordable housing units on sites allocated by the Plan, based on the advice of the DVS, it would not be desirable to plan at the margins of viability.

Exemptions from the requirement for affordable housing contributions

4.27 Consideration has been given to the case for requiring affordable housing from all types of housing development, and in particular to whether there would be any reasons to exempt certain types of development from this requirement.

4.28 Developments involving barn and flat conversions have not been specifically tested within the *Viability Assessment Update (2016)* (EB13). Such schemes are noted to involve higher house prices but also higher costs and these values can be highly variable between schemes, hence the difficulty in testing their viability at a high level. The DVS has therefore suggested that they should be considered on a case by case basis, and possibly exempted from the policy requirement for affordable housing contributions. The Council recognises that the economics of conversion schemes differ from new build housing. However, given the scope within the proposed policy for site specific negotiations to take place, and also in the knowledge that a proportion of affordable housing has been secured within conversion schemes in the past, it is considered that conversions should not be exempt from the affordable housing requirements.

4.29 Rural enterprise dwellings have not been tested for their viability by the DVS. Planning applications for rural enterprise dwellings are assessed based on the functional needs of the enterprise, and it must be demonstrated that the enterprise can support the construction of the dwelling as part of the financial test set out in Technical Advice Note 6. The viability of such schemes will therefore depend on the individual circumstances of the enterprise in question and will not be driven by market demand. Rural enterprise dwelling proposals should therefore be exempt from the affordable housing policy requirements.

4.31 Rural exception sites for affordable housing and schemes for 100% affordable housing, will by their very nature, already contribute towards affordable housing, and therefore will not be subject to the proposed affordable housing policy requirements.

4.32 The HDH *Viability Assessment (2014)* (EB13) indicated that development on brownfield sites was not viable at 0% affordable housing, however the DVS *Viability Assessment Update (2016)* (EB13) shows that these types of sites are viable at the level of affordable housing contributions proposed in each area, except for the South West. Direct costs and costs associated with brownfield sites will be site specific and will be reflective of the risks involved in that particular site, and therefore have not been accounted for within the *Viability Assessment Update (2016)* (EB13). Where abnormal costs are involved, the level of affordable housing can be negotiated on a site by site basis. Therefore, development on brownfield sites should not be excluded from the requirement for affordable housing.

5. SITE CAPACITY THRESHOLD FOR REQUIRING AFFORDABLE HOUSING

5.1 The viability results have also been considered in terms of their testing of the appropriateness of the proposed threshold of 5 units, above which the contributions set out above would be sought.

5.2 The previous HDH *Viability Assessment (2014)* (EB13) tested affordable housing contributions at a threshold of 5 units or more, and therefore did not specifically test the viability of differing thresholds. However, the results for the smaller sites indicated that the modelled schemes of 3 units or less would be unviable and would not be able to support any affordable housing contributions.

5.3 The results of the *Viability Assessment Update (2016)* (EB13) indicate that the modelled schemes for single units or for 3 units or less are either marginally viable or unviable at 0% in the Central, Severn Valley and North sub-market areas, leaving no scope within their residual values for contributions towards affordable housing. The results show that the modelled schemes of 5 units or more in these areas would be capable of supporting the proposed affordable housing contributions.

5.4 Taking into account the proportion of small sites anticipated by the Plan, the monitoring carried out through JHLAS indicates that 357 units have been completed on small sites of less than 5 since the start of the Plan period in 2011. Small sites are expected to contribute 883 units towards the overall housing provision figure for the Plan of 5985 units, approximately 15%. A lower unit threshold could be justified if the majority of completions were expected on small sites, in order to capture affordable housing, however this is not expected to be the case in Powys, as the majority of units are expected to come forward on large allocated sites.

5.5 The results of the testing of notional affordable housing contributions that could be achieved by requiring contributions from small sites of less than 5 units are set out in Appendix 2. This testing reveals that 176 additional affordable housing units could theoretically be secured on small sites if a threshold of 1 unit was to be adopted, however the viability evidence does not support this approach. The evidence also does not support any requirement for affordable housing contributions in the South West, and therefore this figure could be closer to 150 additional affordable housing units. Furthermore, in most instances, it would not be practicable for these units to be provided on-site on small sites, apart from on sites of 3 or more in Central, and instead contributions would be sought through commuted sums which would equate to part units.

5.6 Consideration has been given to the scope for applying a lower threshold of 4 units or more. Although the viability of schemes for 4 units have not been specifically modelled or tested for the viability of affordable housing contributions, taking into account the headroom in the affordable housing testing for 5 unit schemes, and in comparison with the residual values for 3 units, it may be that a 4 unit scheme would be able to support affordable housing contributions.

5.7 In terms of the potential additional affordable housing contributions that could be captured if a 4 unit threshold was applied, this has been tested as set out in Appendix 4. This testing identifies that a maximum of 37.5 additional affordable units is likely to be

captured at a threshold of 4 units, however this would be likely to be less given the limited proportion of sites expected to come forward for 4 dwellings (the majority of small site completions have been on single dwelling sites). Furthermore, most of these would be unlikely to be provided on-site as it would not be practicable, except in Central where the contribution would allow for on-site provision.

5.8 The viability evidence, together with the results of the testing of notional contributions, indicates that it is appropriate to retain the site capacity threshold for requiring affordable housing contributions at 5 units or more.

6. AFFORDABLE HOUSING TARGET

6.1 Due to the proposed policy changes set out above, it has been necessary to review the proposed Authority wide affordable housing target and the LDP's housing provision to ensure that it remains realistic. The affordable housing target previously identified in the *Affordable Housing Topic Paper Update (January 2016)* (EB21) was set at 1257 affordable housing units. This target took into account affordable housing units expected on allocations, commitments and future windfall sites, and also units already delivered during the Plan period on commitments and windfall completions.

6.2 Table 1 included in Appendix shows how the number of units expected from each source of affordable housing as a result of the review compares to the figures provided in the January 2016 update.

6.3 The difference in the figures for allocations will be mainly as a result of the loss of affordable housing numbers in the South West sub-market area, where the target is proposed to be reduced from 10% to 0%. This would have resulted in 46.6 fewer affordable housing units on allocations, however changes to the indicative housing numbers as a result of increases to the density assumptions applied within the *Viability Assessment Update (2016)* (EB13) will have captured some additional affordable housing numbers. In order to take into account the over provision allowance of 24% above the housing dwelling requirement, the same reduction has been applied to the affordable housing expected on allocations.

6.4 With regards to changes to the affordable housing figures on commitments, this reflects the affordable housing secured on additional commitments as part of the proposed Further Focussed Changes to the Plan. Additional housing land bank sites have also been identified and therefore the affordable housing numbers secured on these sites are also accounted for. A discount of 40% has been applied to the committed and housing land bank affordable housing units that have not started to reflect the discount applied to the overall housing provision number on these sites.

6.5 Windfall projections have been informed by the rate of past affordable housing completions on windfall sites since the beginning of the Plan period. The windfall completion figure has increased to 41 units in line with the findings of Appendix 2 of the *Housing Provision 3 - Windfall Allowance (September 2016)* (EB42). Using this figure to project forward therefore, the projected windfall figure would be increased to 112 units. By not

requiring contributions towards affordable housing in the South West, the projected number of units expected as windfall may be impacted upon. However, based on the limited number of large windfall completions in the past and also the limited number of settlements where windfall could happen in this area, this is unlikely to have a significant impact on the number of affordable housing units that could be secured on windfall sites over the Plan area. Taking into account the amount of affordable housing that could have been sought on 4 large windfall completions that were granted planning permission in the South West (Appendix 2), which at 10% target would have amounted to 4.8 units, a windfall projection of 107 units would be appropriate.

6.6 The reduction in the affordable housing target to 949 units or 63 units per annum continues to be below the need identified in the LHMA of 153 per annum. However, the proposed target is considered to be realistic and other measures including the rural exceptions policy and the likely contribution of exception schemes for 100% affordable housing and supported by Social Housing Grant assistance (as is detailed in the *Affordable Housing Topic Paper Update (January 2016)* – EB21), will help to maximise opportunities for delivery of affordable housing.

7. MONITORING AND REVIEW

7.1 For the purposes of monitoring viability on an annual basis and throughout the remainder of the Plan period, it will be important for key viability assumptions to be monitored. The monitoring of general viability and development assumptions is discussed under section 7 of the *Viability Topic Paper (September 2016)* (EB43). The following monitoring is proposed in order to keep affordable housing delivery and requirements under review.

7.2 The amount of affordable housing secured and delivered through planning permissions and within the different sub-market areas is proposed to be monitored through the Annual Monitoring Report. This will also involve monitoring the amount of dwellings secured and delivered on affordable housing exception sites. It is also proposed to monitor applications submitted where an applicant is seeking to negotiate/re-negotiate a lower contribution of affordable housing than the target (either as part of planning application being processed, or by an application under section 106A for discharge/modification or by deed of variation). A high number of successful applications whereby reduced affordable housing contributions are negotiated or re-negotiated, may trigger the need to review the affordable housing targets. The need for a review would depend on whether fundamental issues are raised that may be relevant to other sites and to the key types of development proposals in Powys.

7.3 The proposed form of affordable housing, in terms of the proportion of contributions secured and delivered on-site and commuted sums, will also be monitored. It will also be necessary to monitor the type, mix and tenure of affordable housing being approved and delivered on the ground in order to inform any future review. Monitoring will also be carried out in conjunction with the Local Housing Market Assessment process in order to identify any changes in affordability and need that may be relevant to the affordable housing policy requirements and target.

8. CONCLUSION

8.1 The review undertaken of the proposed policy requirements, as informed by the *Viability Assessment Update (2016)* (EB13) has concluded that it would not be viable, realistic or worthwhile to seek affordable housing contributions in the South West. The change in the Council's approach towards affordable housing requirements in the South West, by applying a site specific target of 0% for affordable housing in this area, will impact on affordable housing delivery in this sub-market area. However, this impact will be relatively localised and is not expected to have a significant impact on the overall delivery of affordable housing through the Plan or on the overall strategy of the Plan.

8.2 The Council considers that by placing higher expectations on large developments that are expected to be delivered in the most viable areas of the Plan area - in the Central, Severn Valley and North sub-market areas – this will maximise affordable housing delivery in those areas, whilst recognising that the delivery of affordable housing does not appear to be realistic in the less viable sub-market area of the South West. Where commuted sums are gained for part units on schemes in more viable areas, these can be used to support the delivery of affordable housing schemes in the County.

8.3 The viability evidence supports the Council's case for continuing to set the site capacity threshold at 5 units or more, as it would not be generally viable to seek contributions on sites below this threshold. Whilst it may be viable to seek affordable housing on sites of 4 units or more, the potential number of additional affordable units likely to be captured would not be worthwhile, particularly due to the limited proportion of sites expected to come forward for 4 dwellings.

8.4 The proposed changes to the policy requirements in respect of affordable housing on proposed allocations and windfalls, along with the application of a non-delivery allowance to committed sites, results in a reduced affordable housing target of 949 units and 63 units per annum. This equates to 21% of the LDP dwelling requirement of 4,500 dwellings and 17% of the total housing provision number of 5,596. This target continues to fall below the need identified in the *Local Housing Market Assessment Update (2014)* (EB08) of 153 per annum, however the Council acknowledges the need to ensure that the affordable housing target is realistic and deliverable. Other likely sources of affordable housing provision not accounted for within the target will also help to meet affordable housing needs in Powys.

8.5 The conclusions of this assessment are reflected in the affordable housing target, affordable housing contributions and proposed annual monitoring framework specified in the *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP42) and the relevant changes are detailed in Appendix 4.

9. APPENDICES

- Appendix 1 Table comparing key assumptions relating to affordable housing testing
- Appendix 2 Results of notional affordable housing testing
- Appendix 3 Tables showing components and calculation of Affordable Housing Target
- Appendix 4 Revised affordable housing policies for the *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP42)
- Appendix 5 Map of proposed sub-market areas

APPENDIX 1 Table comparing key assumptions relating to affordable housing testing

The following table set out the changes to the affordable housing viability assumptions applied in the *Viability Assessment Update (August 2016)* (EB13) compared to the original *HDH Viability Assessment (October 2014)* (EB13), along with reasons for changes in approaches and values applied.

ASSUMPTION	OCTOBER 2014 REPORT (HDH)	AUGUST 2016 REPORT (DVS)	REASONS
Affordable Housing values	Social rented - £770 per square metre Based on StatsWales figures for average weekly rents in self-contained stock at social rent by accommodation type, number of bedrooms and provider type in March 2014	Social rented - £800 per square metre Based on StatsWales figures less assumed voids and management costs, and capitalised at a 5.5% yield and averaged out against unit size in August 2016.	It is considered appropriate to apply the updated value assumptions of the DVS.
	Intermediate rented: £875 per sqm Based on 80% of open market rental values and current Local Housing Allowance caps	Intermediate rented: £905 psm in the North and Severn Valley £975 psm in Central £935 psm in the South West Set at a level considered	

		affordable by the Council	
	Intermediate affordable housing for sale: 70% of open market value	Intermediate affordable housing for sale: 70% of open market value	Both studies apply a lower market value to intermediate affordable housing for sale to reflect the reduction in value expected for this type of affordable housing. This level of reduction is generally reflective of the discount the Council expects on the open market value of a dwelling for it to be considered as intermediate affordable housing for sale.
Affordable Housing build costs	Parity with the costs of open market build costs, as set out in Appendix 1 of the <i>Viability Topic Paper (September 2016)</i> and copied below: Ranging from £849 per square metre to £1,225 per sqm varied by size and whether greenfield/brownfield £900 per sqm for a larger 100 unit scheme £1,225 for a single unit site Based on BCIS costs re-based to Powys (March 2014).	Parity with costs of open market build costs, as set out in Appendix 1 of the <i>Viability Topic Paper (September 2016)</i> and copied below: £969 per square metre for houses £1,128 per square metre for flats On sites of 3 and fewer units: £1,616 per square metres for detached dwellings £1,150 per square metre for semi-detached and terraced housing Based on BCIS median estate housing general costs	Both studies have treated the build costs of affordable housing on a par with the build costs of open market dwellings. The reasons given for this are similar in that this is due to the increasing requirements and standards required by RSL's and Welsh Government, such as those relating to Development Quality Schemes and Lifetime Homes. This means that the costs associated with building affordable housing are expected to be similar to the costs of open market build costs. It is understood that construction costs have generally increased and therefore it is considered appropriate to apply costs in line with updated data. It is also considered appropriate to apply a higher cost assumption to flats and small sites of 3 and fewer units in line with the BCIS cost data.

		and costs for 3 and fewer units re-based to Powys as at 23 rd of July 2016.	
Affordable Housing Tenure split	75% Intermediate Rent 25% shared ownership housing	75% Social Rented 25% Intermediate Rented Based on the identified need for affordable housing in the <i>Powys Local Housing Market Assessment Update (2014)</i> (EB08).	The Council considers that the tenure mix adopted by the DVS is appropriate as it reflects the need identified for affordable housing tenures in the Local Housing Market Assessment.
Developer profit for affordable housing	20% of Gross Development Costs.	6% developer profit	HDH applied the same level of profit expected from open market housing to affordable housing. DVS has assumed the developer will construct the affordable housing for the RSL and charge 6% 'project management fee' for doing so. Therefore, the reduced profit expected of affordable housing is a reflection of the reduced risk as the affordable housing units are effectively pre-sold.

APPENDIX 2 Results of the testing of notional contributions

Contributions in the South-West

Turning, firstly, to the impact on the number of affordable housing units that notionally could be secured or lost on proposed allocations in the South West, the following table sets out the difference in the number of affordable housing that could be secured on proposed allocations in the South West at different site capacity thresholds and at 5% and 10% affordable housing contributions:

Figure 2

Threshold	5%	10%
5+	23.3	46.6
10+	22.9	45.8
20+	21.7	43.4

On this basis, the proposed allocations in the South West could contribute a total of 46.6 affordable units if a contribution of 10% was sought on developments of over 5 units, as is proposed in the Composite Plan. If a lower target of 5% was applied in the South West, proposed allocations could potentially contribute 23.3 affordable units. At 5%, the difference in number of units captured between the highest and lowest threshold would be 1.6 units, and at 10% the difference would be 3.2 units.

This illustrates that by purely applying a higher threshold in the South West, this would only have a marginal impact on the number of affordable housing that could be captured at 5% and 10% contributions on allocations. Changing the level of affordable housing contributions expected has a more noticeable impact on the number of affordable housing that could notionally be secured.

Commuted sums in the South-West

The above notional number of potential affordable housing units in the South West would not necessarily result in this number of units being provided on site, as this would equate to less than a single unit on sites of less than 20 units at 5% affordable housing contribution, and on sites of less than 10 units at 10% affordable housing contribution. In terms of allocations in the South West, three allocated sites have an indicative capacity of below 20 units, one of which has an indicative capacity of below 10 units. At 5%, the contribution on these sites would not be on site and would instead involve commuted sums. At 10%, the site of less than 10 units, would involve a commuted sum. The following table sets out the number of affordable housing units that could be captured at differing site capacity thresholds and differing affordable housing targets on proposed allocations in the South West:

Figure 3

Thresholds for on-site provision	No. of total units	Total affordable housing no. at 5%	Total affordable housing no. at 10%	No. of on-site affordable units at 5%	No. of on-site affordable units at 10%	Commuted sums at 5%	Commuted sums at 10%
20+ units	434	23.3	46.6	23.3	46.6	None	None
10+ units	458	23.3	46.6	22.9	46.6	1.2	None
5+ units	466	23.3	46.6	21.7	45.8	1.6	0.8

Therefore, the majority of contributions on allocations could still be secured in the form of on-site units in the South West at differing thresholds and affordable housing contributions.

Contribution from anticipated windfall sites in the South West

In terms of the notional contribution that could be secured on anticipated windfall sites in the South West, reference has been made to the evidence of development that has either been delivered or is being delivered on windfall sites (since the beginning of the Plan period). 1 scheme for 5 units has been delivered on a large windfall site, the other developments of 5 or more that have been completed or partially completed developments are all on allocated sites. A notional contribution of the equivalent of 0.5 units could have been secured.

Given the limited evidence of large windfall completions in the South West, reference has also been made to planning permissions granted for private developments on large windfall sites in the South West (since March 2010), in order to test the notional contribution that could be gained or lost. Based on these planning permissions, an analysis has been undertaken of the notional contribution from large windfall sites of 5 or more units at varying thresholds and targets:

Figure 4

Threshold	No. of sites	No. of units	at 5%	at 10%
5+	4	48	2.4	4.8
10+	3	33	1.65	3.3
20+	1	0	0	0

Windfall completions on sites of less than 5 units would fall below the threshold of 5 units and above, and therefore affordable housing would not be captured on windfall sites of this size.

Notional contributions by lowering the site capacity threshold

In terms of any notional contributions that could potentially be secured if affordable housing was to be secured on all sites of under 5 units, at an average target of 20% affordable

housing across the County, and based on the projected number of units on small windfall sites over the 11 remaining years of the Plan of 883, this could theoretically contribute 176 additional affordable units. This figure would be reduced if it is to be accepted that no contributions towards affordable housing could be sought in the South West, which would reduce the figure by up to 44 units, if a quarter of small sites were expected in the South-West, however given that proportionally less development is expected in the South West than in other areas, the theoretical contribution is likely to be in the region of 150 units. Furthermore, most of these would be unlikely to be provided on-site as it would not be practicable on such small sites. On-site provision on sites of less than 5 units would only be practicable on sites of 3 or more in Central, and in other sub-market areas, contributions on sites of less than 5 would be in the form of commuted sums relating to part units.

Notional contribution by applying a threshold of 4 units or more

By setting the threshold at 4 units or more, instead of 5 units or more, this would only capture additional affordable dwellings on windfall sites as allocations have only been made for sites of 5 or more units or site areas of 0.25 hectares or more.

The total number of windfalls projected on small sites for the remainder of the Plan is 883 units. Taking the estimated figure of 150 affordable dwellings that could be gained on sites of less than 5 to gauge the likely contribution from sites of 4, if it was assumed that a quarter of these units would be delivered on sites of 4, this would amount to 37.5 units. This would be the maximum as the majority of houses delivered on small sites have generally been on single dwelling sites. Furthermore, the majority of units gained would not be practical to be provided on-site, as the contribution would not equate to a single unit, unless in Central where on-site units could be achieved on sites of 3 or more.

APPENDIX 3 Tables showing components and calculation of Affordable Housing Target

Table 1 Components and figures for overall housing provision and affordable housing provision

	Components of Housing Provision	Totals	Totals of Affordable Housing Provision	Components of Affordable Housing Provision Reference to sources in table 2
A	Total Completions 01/04/2011 – 31/03/2015 – Small and Large Sites	622	186	(L) Commitments completed 01/04/2011 to 31/03/2015 (P) Housing Land Bank sites completed (T) Windfall completions
B	Housing Commitment Large Sites - Units Under Construction	162	64	(M) Commitments under construction in JHLAS 2015 (Q) Housing Land Banks under construction
C	Housing Commitment Large Sites – Units Not Started	1,017	282	(N) Commitments not started (R) Housing Land Bank Sites not started
D	Housing Commitment Large Sites – Units Not Started assessed against risk of non- delivery	610	175.2	Row C minus non-delivery allowance of 40% and same as (S) $C * 0.6 = D$
E	New Housing Allocations	2,992	419.6	(J) Allocations with discount to account for overprovision allowance of 24%
F	Projected units on Large Windfall Sites (11 years remaining)	327	107	(U) Windfall projections
G	Projected units on Small Windfall Sites (11 years remaining)	883	-	Inc. in Row F as windfall completions for affordable housing (L) includes large and small site windfalls, and therefore small and large windfall projected together
H	Total Housing Provision	5,596	949.1	Rows A, B D, E, F
	% Distribution of Total	100%	100%	100%

Table 2 Breakdown of sources and figures for affordable housing provision

Changes between the affordable housing numbers accounted for within the Affordable Housing *Topic Paper Update (January 2016)* and those accounted for within the *Affordable Housing Topic Paper Update (August 2016)* (EB21)

	Source of affordable housing	Affordable Housing Units (January 2016)	Affordable Housing Units (August 2016)
I	Allocations	535.2	520.4
J	Allocations with discount to account for overprovision allowance of 24%	Not previously applied	419.6
K	Total commitments	435.8	457
L	Commitments completed 01/04/2011 to 31/03/2015	133	136
M	Commitments under construction in JHLAS 2015	302.8 Noted: Previously joint figure given for commitments under construction and not completed.	64
N	Commitments not started	Previously included within figure of 302.8 in M above	257
O	Total Housing Land Bank sites	Not previously included	44
P	Housing Land Bank sites completed	Not previously included	9
Q	Housing land Bank sites under construction	Not previously included	0
R	Housing Land Bank sites not started	Not previous included	35
S	40% discount applied to Commitments and Housing Land Bank sites not started	Not previously applied	175.2 $(N + R) * 0.6 = S$
T	Windfall completions	36	41
U	Windfall projections	99	107
V	Total affordable housing provision	1257	949.1
X	Per annum	83.3	63.2

APPENDIX 4 Revised affordable housing policies for *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP42)

Affordable Housing Needs

- **LDP Affordable Housing target = 949 affordable dwellings** [® 34.15](#)

3.3.17 An affordable housing target of 949 dwellings is set for the LDP¹. This is 21% of the LDP dwelling requirement and has had regard to the findings of the Local Housing Market Assessment². The updated and reviewed Viability Assessment of the LDP (August 2016) took into consideration the prevailing economic climate, land values and house prices in Powys, a range of development costs, and all requirements of local and national planning policies. The conclusions of this assessment are reflected in the affordable housing contributions policy H4 and the affordable housing target. Economic factors affecting construction and development viability have also been taken into account in setting the target, but will continue to affect the delivery of housing. The target will therefore be monitored.

3.3.18 It is estimated that this target will be met in the following ways:

1. 186 affordable homes completed from 1/4/2011 to 31/3/2015;
2. 656 affordable homes from allocated sites as set out in Appendix 1 and other sites in accordance with policy H4;
3. 107 affordable homes on windfall sites (non-allocated sites), based on an assessment of completions over the period 1/4/2011 to 31/3/2015 and projecting forward for the remainder of the Plan period.

Strategic Policy SP3 – Affordable Housing Target

Over the Plan period 2011-2026, the LDP will seek to provide 949 affordable dwellings.

Affordable dwellings will be required in accordance with policy H4 or permitted in accordance with policies H5 and H7.

Affordable dwellings will be controlled to ensure that they remain affordable in perpetuity.

Policy H4 - Affordable Housing Contributions [® 34.52](#)

Housing development proposals will be required to make contributions towards affordable housing in accordance with the following criteria:

1. **A contribution will be required from open market housing development proposals of 5 or more dwelling units or on sites of 0.25 ha and above.**
2. **The target contributions required for each sub-market area are as follows:**
 - i. **Central – 30% contribution.**
 - ii. **Severn Valley – 20% contribution.**
 - iii. **North - 10% contribution.**
 - iv. **South West Powys – 0% contribution.**

¹ Further information is provided in the LDP Affordable Housing Topic Paper

² An update to the LHMA was undertaken in 2014 and published in 2015.

The above target contributions will be kept under review in order to reflect changes in viability. Any amendments made to the target contributions as a result of this review will be confirmed through the Affordable Housing Supplementary Planning Guidance.

- 3. Contributions shall be made in the form of on-site affordable housing provision. Alternative forms of contributions, including off-site provision or financial contributions in lieu of on-site provision, shall only be considered in circumstances where it is clear that on-site provision would not be practical.**
- 4. Where contributions would equate to less than 1 unit, commuted sums of the equivalent amount to the part contribution will be required.**
- 5. The affordable housing provided must reflect the need identified locally in terms of its size, type and tenure.**

Where the proposer submits detailed site specific evidence demonstrating that the required contributions set out above would make the development unviable, the Council will consider reduction or, if necessary, removal of the requirement for affordable housing contributions.

4.6.13 Contributions towards, and the provision of affordable housing is key to the delivery of the LDP strategy and meeting the plan's affordable housing target Policy H4 responds to the requirement for the delivery of a contribution towards affordable housing through the planning system. Criterion 2 of Policy H4 sets out the target contributions for four sub-market areas which are based on distinct areas of similar house prices as defined in the LDP's Viability Assessment, as updated and reviewed in August 2016 and illustrated on the map (Appendix 4A). The percentage contributions set out in criterion 2 will be reviewed periodically to reflect changes in land values, house prices, policy requirements and development costs. Where the evidence identifies changes in viability that would have a positive or negative impact on the level of contribution that could be sought, the target contributions will be amended through the Affordable Housing SPG.

4.6.14 'Affordable Housing' and 'Local Need' for affordable housing are defined in-Policy H8 below³. The term 'contribution' is defined as either on-site provision, off-site provision or a financial contribution ('commuted sum'). The presumption will be that the contribution will be made on-site, as this form of affordable housing ensures that the housing is provided in the location where it is needed. Consideration will only be given to alternative forms of contribution where on-site provision would not be practical, commuted sums being particularly appropriate where contributions would amount to less than a whole unit. The range of unit types and sizes must reflect local housing needs. The Council will generally expect the tenure mix to incorporate mainly social rented housing, 75% and 25% intermediate housing (rent or sale) as this reflects the tenure mix identified in the LHMA for Powys, unless local evidence suggests the need for alternative tenure mixes. Detailed evidence of local housing needs is provided in the Local Housing Market Assessment.

4.6.15 Policy H4 applies to all housing development above the threshold of 5 or more dwelling units or 0.25 ha of land. The policy thresholds and target contributions are informed by the findings of the updated Viability Assessment and review carried out by the District Valuer Service (August 2016), and taking into account evidence of development being

³ Following adoption of the LDP, Supplementary Planning Guidance on Affordable Housing will be prepared.

delivered on the ground. The thresholds and percentage target contributions vary according to each sub-market area as identified by the above-mentioned updated viability work. The success rate and achievability in practice of the percentage target contributions will be monitored and reviewed periodically.

4.6.16 Where affordable housing provision is made on-site, and the tenure need is for social rented, the developer must partner with a Registered Social Landlord (RSL), or an equivalent organisation or the Strategic Housing Authority (SHA) to ensure that the delivery of the housing will remain affordable in perpetuity. Policy H4 supports financial contributions in lieu of on-site affordable housing where there is a lack of commitment from RSLs to partner with a developer. Dependent on the need identified locally – if the need identifies intermediate housing, private developers can provide this form of accommodation.

4.6.17 Developers seeking to negotiate a reduction in affordable housing provision or the removal of the affordable housing requirement on viability grounds will need to submit a detailed viability appraisal demonstrating that the required contribution would make the development unviable. The evidence should test the impact of varying levels of affordable housing contributions on development viability and should identify the level at which affordable housing can be provided whilst maintaining development viability. Further detail on the Council's approach towards negotiating and securing on-site provision and financial contributions will be provided in the Affordable Housing SPG.

Appendix 5 A map of the sub-market areas, as amended (September 2016)

