

Powys Local Development Plan

Affordable Housing Topic Paper (Revised)

January 2016



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1.0 Introduction

Aim of this Updated Paper

- 1.1 This is a revised version of the Affordable Housing Topic Paper issued in June 2015 when the Powys County Council Local Development Plan was placed on deposit. The aim of this updated topic paper is to set out the background and evidence for Affordable Housing and Rural Exception policies in the Local Development. The background to the policies, designation and issues relating to a Gypsy and traveller site identified in Machynlleth can be found in a separate topic paper.

Overview of how this Paper fits into the Plan Preparation

- 1.2 This paper will provide information for Officers and Members of the Authority, stakeholders, members of the public and the Inspector to help explain the approach taken to the delivery of affordable housing.

Context

- 1.3 The issue of affordable housing is an increasingly important issue as more and more people find that they cannot afford to buy houses on the open market. Powys County Council aims to ensure that everyone in the area has access to a good quality home that meets their housing requirements.
- 1.4 Communities should be mixed, balanced and sustainable and a choice of housing that is affordable is key to achieving this. The cost of buying and renting a house at market value is greater than many on low incomes can afford and consequently intervention is needed to offer housing through other mechanisms. The Planning system, through the use of planning obligations and conditions, is one method of securing 'affordable' housing. The use of Rural Exception sites policies is another way of ensuring that Powys maximises its affordable housing contribution and meets the needs of its communities.
- 1.5 This Topic Paper examines:

The Policy Context

- National
- Local

Affordable Housing

- Affordability and Affordable Housing Need in Powys
- Viability of Delivering Affordable Housing through the Planning System
- Setting a Threshold for Requiring Affordable Housing
- Affordable Housing Percentage
- Housing Market Areas
- Affordable Housing Provision
- Deposit Plan Affordable Housing Policies

Rural Exception Sites

- Deposit Plan Rural Exception Site Policies

2.0 Policy Context

National Policy

2.1 In developing housing policy, the Council is guided by national policy and guidance.

Planning Policy Wales (2016)

2.2 Planning Policy Wales (PPW) sets out the land use planning policies of the Welsh Government. It is supported by a series of Technical Advice Notes (TANS).

2.3 The Welsh Government vision for housing is for everyone in Wales to have the opportunity to live in good quality, affordable housing, to be able to choose where they live and decide whether buying or renting is best for them and their families. The objectives are to provide:

- Homes that are in good condition, in safe neighbourhoods and sustainable communities; and
- Greater choice for people over the type of housing and the location and the location they live in recognising the needs of all, including those in need of affordable or special needs housing in both urban and rural areas.

2.4 A community's need for affordable housing is a material planning consideration which must be taken into account in formulating development plan policies. Affordable Housing includes social rented housing owned by local authorities and registered social landlords and intermediate housing where prices or rents are above those of social rent. Local Housing Market Assessments (LHMA) provide the evidence base supporting policies to deliver affordable housing through the land use planning system. It is desirable in planning terms that new housing development in both rural and urban areas incorporate a reasonable mix and balance of house types and sizes to cater for a range of housing needs and contribute to sustainable communities.

2.5 The development plan must include an authority wide target for affordable housing (expressed as numbers of homes) based on the LHMA and identify contributions that the policy approaches identified in the development plan will make to meeting this target. The target should take account of the anticipated levels of finance available for affordable housing, including public subsidy and the level of developer contribution than can be realistically sought.

2.6 In the development plan local planning authorities are expected to include either site thresholds or a combination of thresholds and site specific targets. Local planning authorities may identify sites for up to 100% affordable housing based on criteria reflecting local circumstances which are set out in the development plan and relate to the creation of sustainable communities. Such sites are likely to be small in

number, in relation to the total number of sites available in a local planning authority area and small in scale.

- 2.7 Special provision of affordable housing exception sites must be considered to help ensure the viability of the local community. Affordable housing exception sites are not appropriate for market housing.

Technical Advice Note 2: Planning and Affordable Housing (2006)

- 2.9 Land use planning is one of the mechanisms that can be used to provide affordable housing. The purpose of this Technical Advice Note is to provide practical guidance on the role of the planning system in delivering such housing. The guidance defines affordable housing for the purposes of this TAN and provides advice to local planning authorities on how to determine affordability. The need to work collaboratively is stressed, including the requirement for housing and planning authorities to undertake Local Housing Market Assessment in consultation with key stakeholders to determine the need for affordable housing.
- 2.10 The TAN significantly expands on the role of local planning authorities alongside housing departments, registered social landlords, private developers and other bodies in seeking to define and quantify the need for affordable housing. This information will be used to inform development plan policies, which aim to secure affordable housing that meets the identified need and contributes to sustainable communities.

Delivering Affordable Housing using s106 Agreements (2006)

- 2.11 The aim of this document is to assist local planning authorities to improve the development, negotiation and implementation of s.106 agreements so that more affordable housing is delivered through the planning system. This document looks at how local authorities can use the planning process to facilitate and bring forward development, whilst ensuring that they continue to deliver the maximum possible amount of affordable housing. It draws on emerging good practice from across the UK and provides clear protocols to the review of s.106s and evaluation of scheme financial viability.

Local Policy

One Powys Plan

- 2.12 Through the One Powys Plan and previous over-arching strategic documents Powys CC has as a corporate objective of delivering affordable housing for the needs of the citizens of the County. The affordable housing target for the end of the financial year in April 2016 in the One plan is 200 new affordable homes Powys wide

(including BBNPA area). This is to be achieved through use of Social Housing Grant (SHG), planning gain policy and private sector housing improvements bringing empty homes back into use.

Local Housing Market Assessment (2015)

- 2.13 The Local Housing Market Assessment (LHMA) produced by Powys County Council's Housing Department in 2015 is an update to that published in 2010. The Welsh Government's methodology as set out by the 'Step by Step Guide (2012)' was applied, updating and accounting for changes in population and household projections as identified in the 2011 Census results, changes in house prices and household income, as well as new information arising from housing registers, local needs surveys and anticipated impacts of the Welfare Reforms. Powys County Council as local planning authority is in the process of updating the 2015 LHMA.

3.0 Affordable Housing

3.1 Affordable housing for the purpose of the land use planning system is housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers. However, it is recognised that some schemes may provide for 'staircasing' to full ownership.

3.2 There are two main types of affordable housing as defined by TAN 2.

Social rented housing: provided by local authorities and registered social landlords where rent levels have regard to the Assembly Government's guideline rents and benchmark rents;

Intermediate housing: where prices or rents are above those of social rented housing but below market housing prices or rents. This can include equity sharing schemes (Homebuy). Intermediate housing differs from low cost market housing, which the Welsh Government does not consider to be affordable housing for the purpose of the land use planning system (TAN 2 2006 Annex B).

Affordability and Affordable Housing Need in Powys

3.3 Household affordability critically underpins the housing requirement analysis – determining both the ability to afford market housing (and be an effective housing demand) and the inability to afford market housing (and be a real housing need). Affordability is a complex issue and can be assessed in a number of different ways, but each method depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:

- The cost of appropriate local housing; and
- The amount that the household is able to afford

3.4 The Local Housing Market Assessment provides detailed information on how this is calculated but in summary the amount of affordable for owner occupation is: saving minus debts; plus/minus positive/negative equity; plus the borrowable amount (3.5 multiplied by the income and lending for joint incomes based on 2.9 x multiplier).

3.5 On the basis of these definitions, the number and percentage of households unable to afford market housing if they were to move is identified in the table below.

3.6 The identified **net** annual need of 153 for affordable housing in Powys (2011-16) (excluding BBNPA) is shown in the Table 1 below.

Table 1: Affordable Housing Need Identified in the LHMA

	net social rented need	intermediate rented need	intermediate for sale need	Overall affordable housing need
Powys 2011-16	1068	148	18	1,234
BBNP within Powys 2011-2016	432	33	4	469
Powys ex BBNP 2011-2016	636	115	14	765
Powys per year	214	30	4	247
BBNP within Powys per year	86	7	1	94
Powys ex BBNP per year	127	23	3	153

Source: Powys LHMA 2015

3.7 This means that the identified need for affordable dwellings over the first 5 years of the LDP period, within the Powys LDP area, is 765 dwellings which equates to 153 dwellings per annum.

3.8 The following affordable housing need target is identified in the LHMA affordability assessment.

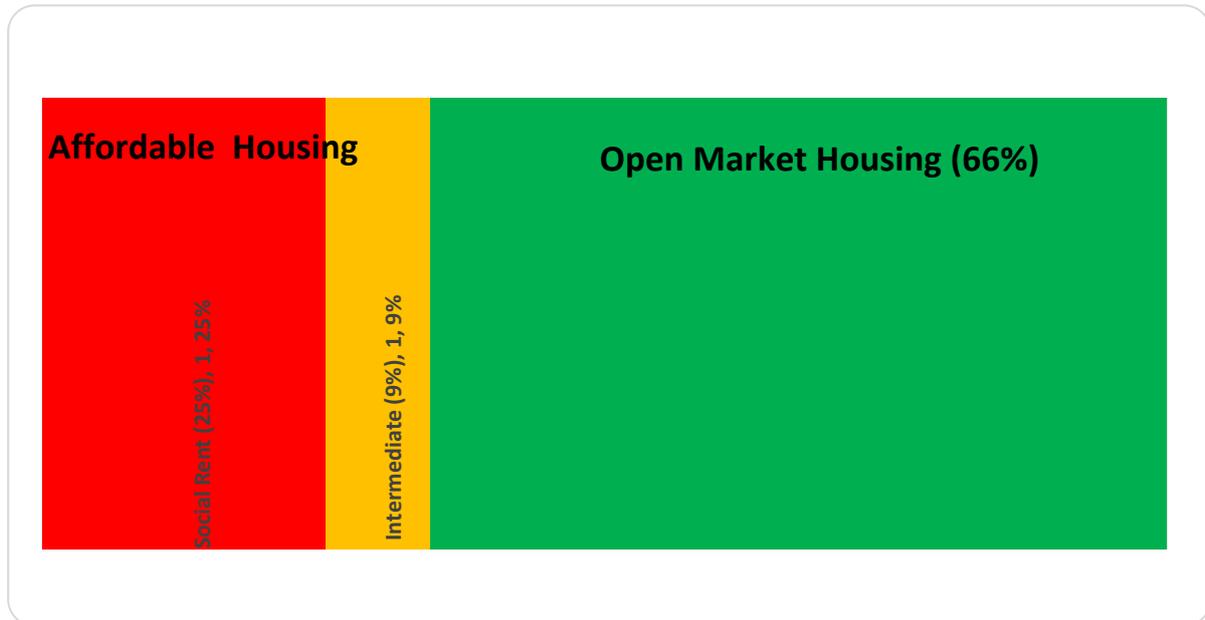
34% Affordable Housing, comprising:

- 25% Social Rented housing,
- 9% Intermediate Housing, with
 - 1% Intermediate / Affordable Housing for Sale
 - 8% Intermediate Rented.

3.9 Figure 1 below shows how housing need is divided between the different categories.

Figure 1: Affordable Housing Need

Source: Powys County Council Affordability Assessment



Viability of delivering affordable housing through the Planning System

- 3.10 Whilst the affordable housing need is established through the Local Housing Market Assessment the planning system is required to ensure that the provision of affordable housing is balanced against site viability. The authority appointed HDH Planning and Development Ltd as consultants to undertake a Viability Assessment to inform policy decisions on where to set targets and thresholds for affordable housing provision.
- 3.11 The study looked at 12 residential development sites (site typologies) within the Authority's area and ran various viability tests on each site. This modelling was based on the emerging LDP and sites classified as deliverable in the JHLAS. The 12 sites that were chosen are representative of those included in the Plan and development likely to come forward on smaller undesignated sites of 5 or fewer units. Four price zones/sub markets were identified within Powys:
- Central Powys;
 - Severn Valley;
 - Rural North; and
 - South-west Powys.

- 3.12 A Consultation Workshop was held to help inform the study in which a range of issues were discussed such as density, land values, test intervals, mix of tenure and the availability of social housing grant. The findings of the study were that development of larger greenfield sites within Central Powys Area could accommodate the relatively modest policy requirements of the Plan and 30% affordable housing target. However, in order to ensure development is forthcoming and enable development to make a contribution to infrastructure costs the Council decided to take a cautious approach at the revised deposit stage, however, following a review after the Deposit stage the Council considered it not to be appropriate to pursue CIL at this stage and as a consequence it is proposed to increase the affordable housing rate in Central Powys to 30 % as proposed in the Focussed Changes.
- 3.13 The Viability Assessment also considered that a 20% affordable housing target would also be viable on large green sites within the Severn Valley Area. Development in these two areas is a significant proportion of the planned residential development representing over 55% of the planned housing. These results follow the Council's experience on achieving delivery of the greater amounts of affordable housing or developer contributions.
- 3.14 The Viability Assessment found that development within the North West Powys and South West of the County to be more challenging but that it was not the Council's policies that are rendering development unviable. In terms of an affordable housing target to be incorporated into the LDP a zero target would not permit the delivery of any affordable housing and the study recommended that a 10% target would be appropriate. The Study also recommended that it would be necessary for the Council to continue to be flexible about the implementation of the policy on viability grounds and continue the current practice of allowing developers to make site specific representations where they believe the affordable cannot be delivered. Annex 1 of the LDP Topic Paper – Phasing & Delivery of New Housing Provision (January 2016) provides an explanation on the application of the findings of the Viability Assessment.
- 3.15 In conclusion having had regards to the Viability Study, the LDP as amended by in the Focussed Changes proposes that the affordable housing targets for each of the price areas/ sub group markets should be as follows:
- Central Powys - 30%
 - Severn Valley - 20%
 - Rural North - 10%
 - South-west Powys - 10%

Setting a threshold for requiring affordable housing

- 3.16 In light of the 153 affordable dwellings annual requirement identified in the LHMA, there is a clear evidence to support the inclusion of a threshold at the lowest possible point. However, it is also important that the site threshold for affordable housing is realistic and will be achievable. The Viability Assessment identifies that a realistic threshold over which affordable housing would be required would be 5 dwellings or sites over 0.25 ha in size.
- 3.17 A threshold of 5 units will mean that the Council can realistically seek to secure a proportion of affordable housing on all allocated sites, as well as windfall sites with the capacity of 5 or more dwellings.
- 3.18 It is suggested that this should be reviewed periodically and that the LDP Policy H4 should allow sites to be considered on an individual scheme by scheme basis where appropriate.

Housing Market Areas

- 3.19 The LHMA (2014) identifies an overall affordable housing need of 34 % comprising 25% social rented housing and 9% intermediate. The LHMA also suggests differing levels of social rented and intermediate housing need for 8 local housing market areas across Powys. The Council will use the LHMA findings for negotiating an element of affordable housing on Policy H4 sites and the type of affordable housing to be delivered on H5 Exception sites.

Affordable Housing Provision

- 3.22 Technical Advice Not: 2 states LDPs must set an authority wide affordable housing target for homes that can be provided through the planning system, based on information included in the Local Housing Market Assessment.
- 3.23 In order to calculate this target, it is important to note that additional affordable housing units can only be sought from sites that are larger than prescribed site size or capacity threshold, or are not already committed (although where planning consent expires on committed sites, the Council will seek to re-negotiate the affordable housing contribution on the basis of current circumstances).
- 3.24 The target figure has been identified from housing allocations, commitments and completions with an allowance for windfall sites. To enable the Plan to consider overall affordable housing provision a calculation has been made of the number of dwellings that are being delivered through the Social Housing Grant system.

Housing Allocations and Commitments

- 3.25 The total number of dwellings from s.106 agreements that have been already agreed is 453.8 on committed housing (HC) sites (see Appendix 1 of the Deposit LDP), 133 of these have been completed from 1/04/2011 to 31/03/2015. The contribution from allocated sites (HA) is 535.2 (see Appendix 1 of the Deposit LDP), making a total of 989 affordable dwellings.
- 3.26 Table 2 below shows the number of affordable dwellings being expected from the allocations and commitments located within the 8 LHMA areas.

Table 2: LDP Potential Affordable Housing Supply from Allocations, 2011-2026

Summary of Housing by LHMA Area	Total No. Units	Affordable Housing Target (No. Units)	LHM Area
Newtown & Llanidloes	1062	326.7	LHM3
Welshpool, Llanfyllin, Llanfair Caereinion & Montgomery	985	173.3	LHM1
Llandrindod & Rhayader	611	178.1	LHM5
Ystradgynlais & Ystradfellte	512	113.6	LHM8
Brecon, Talgarth & Hay	246	70.2	LHM7
Knighton & Presteigne	261	62.5	LHM4
Builth & Llanwrtyd	204	57.8	LHM6
Machynlleth	56	6.8	LHM2
Total	3937	989	

Contribution from Windfall Sites

- 3.28 In addition there is likely to be a further contribution of affordable dwellings from windfall sites forecast over the plan period. This calculation is based on the first 4 years of the LDP (1/4/2011 to 31/03/15) when 36 affordable dwellings were provided. This equates to approximately 9 affordable dwellings likely to be developed per year which if projected over the 15 year period of the Plan is approximately 99 affordable dwellings being provided on windfall sites.

Total Affordable Housing Provision

- 3.30 The total provision of affordable housing is 1257 dwellings is comprised of 989 potential affordable dwellings from allocations, 36 from windfall completions, 99 projected over the remainder of the plan period from windfall sites and 133 dwellings that have been completed from allocated sites. This equates to 83.8 dwellings per annum. Whilst this figure is below the Local Housing Market Assessment (LHMA) figure of 153 per annum the LDP it doesn't take into account the contributions that are likely to result from the two Rural Exception Site policies contained in the LDP; (previously 3 policies but Policy H6 has been proposed to be deleted in the Focussed Changes to LDP); the affordable dwellings that are delivered through the Social Housing Grant and the possible increases in percentage requirements which will increase this figure and bring it closer to the figure of 153 per annum identified in the LHMA. It should be recognised that the provision of affordable dwelling through Social Housing Grant could be significant and its contribution is more fully explained in the following section of this Topic Paper.

Social Housing Grant (SHG)

- 3.31 Social Housing Grant (SHG) is grant is given to Registered Social Landlords by the Welsh Government to provide affordable housing for rent or low cost ownership. The amount of available grant varies every year but it has been in the region of 1.6 million a year for Powys for the last 3-4 years before that in the region £2.5 million. In 2013/2014 it was at £2.9 million.
- 3.32 It is difficult to predict the future provision of affordable dwellings that the SHG programme will deliver but the Powys Housing Department estimates a minimum of 229 affordable homes over the next 18 months (starting from January 2015). Table 3 below shows how many affordable dwellings have been delivered via SHG since 2012.
- 3.33 Completions of new-build affordable houses in the financial year 2012/13 totalled 106 of the 200 target for the period to March 2015 leaving 94 to be achieved over 2 years. As a consequence in 2013/14 the number of completions were low with only 8 SHG supported homes. This significant difference in numbers built over two years was due to the extra funding from WG in 2010/11 which meant the projected completions for 2013/14 were brought forward, demonstrating how the delivery of affordable dwellings via SHG can vary greatly each year and therefore it is difficult to estimate the number of affordable dwellings it will help deliver over the Plan period.

Table 3: Number of Affordable Housing Completions resulting from SHG in Powys (excluding BBNPA area) 2012 -2015

Year	Number of completions
2012/13	106
2013/14	8
2014/15	41
2015/16	59 (another 85 to be started)

- 3.34 The Social Housing Grant (SHG) for the year 2013/14 was £1,596,000 which the Council plan to spread through four schemes providing a total of 36 units over the following two years.
- 3.35 Welsh Government Minister, Carl Sargent announced two new initiatives in 2013, smaller homes funding and the Housing Revenue Fund, a scheme to allow Housing Associations to borrow at a level equivalent to SHG. The Council also had confirmation of Extra Care funding for the Severn side Yard Extra Care scheme in Newtown. This brings the effective level of grant bid for and approved in 2013/14 to over £6.8million, providing around 150 new affordable homes over the coming 18 months in Newtown, Llanidloes, Welshpool and Ystradgynlais.
- 3.36 Looking ahead there are schemes in the programme that total £6.6million in potential grant requirement that would provide at least 110 affordable units and 13 intermediate rental as detailed below in Table 4.

Table 4: Programmed Affordable Housing Schemes Resulting from Social Housing Grant

RSL	Scheme Name	Units	Intermediate Rent
Melin	Heol y Fynnon, Brecon	24	0
Mid Wales	Cefynllys Lane, Welshpool	3	0
Gwalia	Gurnos School Playing field, Ystradgynlais	22	0
Gwalia	Station Rd Llanwrtyd Wells	6	0
Wales & West	Brecon College, Brecon	0	32
Mid Wales	TA/Magistrates Court, Newtown	23	13

3.37 Table 5 below shows that the total committed supply of social housing units expected to come forward from 2012-2015 was **272** units in total across the county, with an average commitment of 91 units per year. These counts were derived from the Social Housing Grant Programme Delivery Plan which provides information on developments to come forward with grant funding over the next three years from the RSLs.

Table 5 – Annual Committed Supply of Social Housing in Powys LHMA areas, 2012-2014

Local Housing Market Area	Commitments 2012 to 2014	Average commitments per year
LHM1 Welshpool Triangle	77	26
LHM2 Machynlleth Border	0	0
LHM3 Newtown & Llanidloes	26	9
LHM4 Knighton & Presteigne Border	48	16
LHM5 Llandrindod Wells & Rhayader	1	0
LHM6 Builth & Llanwrtyd Wells	12	4
LHM7 Brecon, Talgarth & Hay	47	16
LHM8 Ystradgynlais Border	47	16
LHM9 Crickhowell Border	14	5
Grand Total	272	91

Source: Powys Social Housing Grant Programme Delivery Plan

3.38 An estimate of future provision through SHG has not been calculated even though grant is expected to continue due to the amount of grant varying significantly year by year it is a difficult to predict how many affordable dwellings are likely to be delivered over the plan period from this source. However, the numbers of affordable dwellings that can be delivered from SHG as demonstrated above is significant.

4 Conclusion

- 4.1 The affordable housing target of 1257 dwellings is set for the LDP. This is 28% of the LDP dwelling requirement and has had regard to the findings of the Local Housing Market Assessment. The Viability Assessment / Study of the LDP 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.
- 4.2 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.