

Bridgend Local Development Plan

2006-2021



Background Paper 8: Affordable Housing

June 2011

Bridgend Local Development Plan 2006 – 2021

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Affordable Housing

June 2011

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Bridgend County Borough Council Local Development Plan 2006-2021

Background Paper November 2010

Affordable Housing Targets and Viability

1. Introduction

- 1.1. This paper has been written to inform the Bridgend Local Development Plan (LDP).
- 1.2. The purpose of this background paper is to explain the evidential basis from which the affordable housing policies contained in the deposit LDP have been developed. In doing so the paper will briefly outline:
 - National Planning Policy;
 - Evolution of emerging LDP policy;
 - Evidence of affordable housing need and viability;
 - The methodology for calculating the amount of affordable housing to be secured through the planning system.
- 1.3. This document should be read in conjunction with the Bridgend Local Housing Market Assessment (2009), Bridgend CBC Affordable Housing Viability Study (2010) and the Deposit LDP.

2. National Planning Policy

- 2.1. National Planning Policy in respect of affordable housing is contained in Planning Policy Wales (4th Ed. February 2011). Additional guidance in relation to affordable housing is contained in Technical Advice Note (TAN) 2.

3. Local Development Plan

- 3.1. The Bridgend LDP provides the emerging framework for securing affordable housing in the County Borough. The most recent phase of the plan-making process proposes significant revision to the affordable housing policies as contained within the existing Bridgend Unitary Development Plan (UDP) and Supplementary Planning Guidance (SPG) 13: Affordable Housing.
- 3.2. The Deposit LDP seeks through Strategic Policy SP12 to secure 1308 units of affordable housing through the planning system over the plan period up to 2021. In order to do so the plan applies percentage targets specific to the six different Housing Market Areas within the County Borough. Policy COM5 requires the provision of 30% affordable housing in Porthcawl and Rural, 20% affordable housing in Bridgend and Pencoed & Hinterland and 15% affordable housing in Western Settlements and the Ogmore, Garw & Upper Llynfi Valleys on sites of 5 or more units or exceeding 0.15 hectares in size.

- 3.3. This provides a greater refinement of the existing Affordable Housing policy within the Bridgend UDP which seeks the provision of 15% affordable housing in the Northern Submarket and 30% in the Southern Submarket on sites of 15 units or more or greater than 0.5 hectares. This two way split is based on the assumption that the County Borough is broadly split in viability terms between the south and the north.

4. Affordable Housing Need and Viability

- 4.1. The development of a meaningful and robust LDP affordable housing policy needs to be founded on an assessment of the affordable housing requirement. To achieve this, it is critical to identify and understand the current level of housing need and balance this against an informed assessment of the viability of developing new housing in the County Borough.

4.2. Existing Need

- 4.2.1. The Local Housing Market Assessment (LHMA) provides an assessment of the annual requirement for affordable housing in the County Borough. This is based on the TAN 2 definition of housing need as...*“households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.”*...The LHMA arrives at an estimate of the annual affordable housing requirement through a number of detailed calculations grouped together into 4 key stages: the level of current need, the amount of available stock to offset current need, the amount of newly arising need and the supply of affordable units per year.
- 4.2.2. The results of the LHMA indicates that the annual current need amounts to 557 dwellings, which is offset by the current annual supply of 275 dwellings, leaving a net current need of 282 affordable dwellings per year. Future newly arising need is calculated at 1793 dwellings annually which is offset by a future supply of 561 dwellings, leaving a net future need of 1232 dwellings per year. This produces an annual requirement of 1,514 affordable units per year throughout the County Borough.
- 4.2.3. In order to deliver against the high level of housing need evidenced by the Welsh Assembly Government’s (WAG) needs assessment model, the LHMA recommends an affordable housing target of 42%, though acknowledges that this needs to be viewed in the context of viability.

4.3. Development Viability

- 4.3.1. The Bridgend Affordable Housing Viability Study (AHVS) looked in detail at the amount of affordable housing that could be delivered from new private market development in the County Borough. The study

provides an analysis of the development economics in the County Borough based on a residual development appraisal model.

4.4. Affordable Housing Targets

4.4.1. The analysis identified six submarkets throughout the County Borough based on an analysis of postcode sectors and broadly comparable housing market values. These are Porthcawl, Rural, Pencoed & Hinterland, Bridgend, Western Settlements and the Ogmore, Garw & Upper Llynfi Valley. These can be grouped into 3 sub areas as illustrated in Diagram 1 below.

4.4.2. The analysis found that market values fluctuate significantly between these areas and that a broad split exists in viability terms between the north and south of the borough. The Porthcawl, Rural, Bridgend and Pencoed sub markets cover mainly areas in the south half of the borough; with the Western Settlements and the Ogmore, Garw and Upper Llynfi Valley located in the north. This in itself, in accordance with TAN 2, is justification for maintaining a split affordable housing target.

4.4.3. In the South, residual values are higher and so therefore is the potential to deliver Section 106 agreements, with the highest values being achieved in Porthcawl. In comparison, residual values in the Western Settlements and the Ogmore, Garw and Upper Llynfi Valley even at 100% market housing are low with insignificant potential to deliver affordable housing and other Section 106 contributions without the availability of grant funding.

4.4.4. In light of the above, the Viability Study concluded that 3 options were available to the Council in identifying a target for the provision of affordable housing on private market sites:

- A split target of 30% in the higher value areas of Porthcawl, Rural, Pencoed & Hinterland and Bridgend, and, 15% in the Western Settlements and the Ogmore, Garw & Upper Llynfi Valley areas;
- A more refined (three way) split target of 30% in Porthcawl and Rural, 20% in Pencoed & Hinterland and Bridgend and 15% in the Western Settlements and the Ogmore, Garw & Upper Llynfi Valley areas; or
- A final option could be the same as above but with a 35% target for Porthcawl alone.

4.4.5. All of the above options advocate a 15% target for the weakest two submarkets, which the analysis suggests will be a significant challenge. This will need to be borne in mind in terms of site specific negotiations both in terms of applying this figure and when requesting other Section 106 contributions. However, the application of this target under the previous Development Plan indicates that there will be 'hot spots'

within these areas where that target may be achievable. Such is the priority and need for affordable housing that to progress without a target for these two submarkets would be inappropriate. Furthermore, viability will be greatly enhanced if available grant is focused on these areas and / or the overall level of planning obligations is reduced.

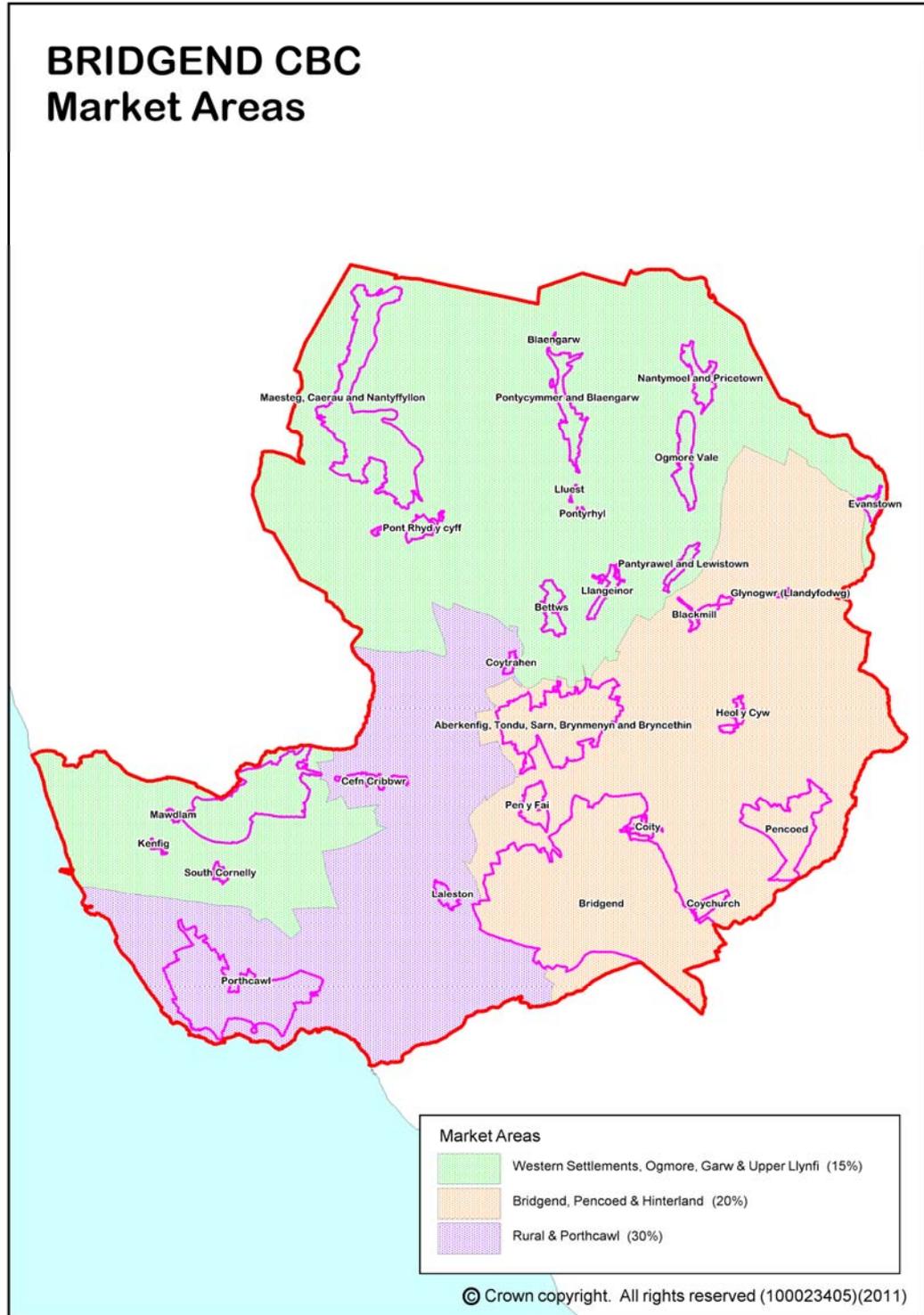


Diagram 1: Bridgend CBC Market Areas

- 4.4.6. The analysis has demonstrated that within the southern part of the Borough, variation in market conditions exist between the Porthcawl and Rural submarkets and the Bridgend and Pencoed submarkets. This is reflected in the analysis which points to a 30% target for affordable housing being routinely achievable in Porthcawl and Rural but possibly too ambitious in the 'mid market' locations of Bridgend and Pencoed. This also needs to be considered against targets for affordable housing provision in adjacent housing market areas in neighbouring local authorities, such as Llantrisant in Rhondda Cynon Taf where 20% is the recommended target. In order to recognise this difference in scheme viability, the second and third option above consider a further refinement of the traditional north / south divide in apportioning affordable housing targets.
- 4.4.7. In order to ensure consistency with the strategy and to reflect the variation in the housing market between the six different sub markets, the LDP has identified a three way split target of 30% in Porthcawl and Rural, 20% in Pencoed & Hinterland and Bridgend and 15% in the Western Settlements and the Ogmore, Garw & Upper Llynfi Valley areas.

4.5. Site Thresholds

- 4.5.1. The AHVS found that small sites are no more problematic in terms of viability than larger sites, and that it is the specific location and nature of development that is likely to have a greater impact on whether a site comes forward for development. A reduction in the site size threshold could lead to the provision of small additional numbers of affordable housing on development sites, or where physical provision of units is not possible, the provision of appropriate financial contributions which could help to fund affordable housing development elsewhere in the Borough. With this in mind, the study found that there is no significant evidence against reducing the threshold below the previous level of 15 or more dwellings on sites of more than 0.5 hectares.
- 4.5.2. In considering how far the site threshold should be reduced, it is important to consider the pattern and profile of sites that currently have planning permission. Information taken from the Joint Housing Land Availability Study is illustrated in Table 1 below:

Table 1 Number of dwellings in different sizes of sites – Bridgend CBC Land Availability Database

Bridgend CBC		
Site Size	No of Dwellings	% of Total
1 to 4	389	8.59
5 to 9	206	4.55
10 to 14	226	4.99
15 to 24	255	5.63
25 to 49	338	7.47
50 to 100	676	14.93
> 100	2437	53.83
TOTAL	4527	100.00

- 4.5.3. The information in the table above demonstrates that the Council will see a high proportion of sites delivered on large sites and this to some extent makes the requirement for a lower threshold less pressing. Furthermore, the amount of additional dwellings captured by a reduction in the threshold will be relatively low. However, the affordable housing needs within the Borough remain high and a significant number of dwellings will be developed on small sites which under the current threshold policy framework will not yield any affordable housing. As such any reduction of the threshold is seen as a positive measure to help to reduce the shortfall.
- 4.5.4. The information from the JHLAS shows that approximately 18% of dwellings currently fall under the 15 dwelling threshold. Reducing the threshold to zero could be justified in viability terms but would greatly increase the workload of the Council in negotiating contributions. Whether this could be justified by the size of contributions provided from schemes of 1 or 2 dwellings is difficult to prove. Reducing the threshold to 5 units would capture an additional 9.5% of dwellings than at present, whilst adopting a threshold of 10 units would capture an additional 5% of dwellings than at present.
- 4.5.5. Justification for the adoption of a threshold of 10 dwellings is provided by the fact that this corresponds to the classification of a large site in the Joint Housing Land Availability Study and the definition of a major site in planning application terms. It also equates to the minimum size of site as allocated in the LDP. Based on the data contained within the JHLAS database a reduction of the threshold to 10 units could have resulted in the provision of a further 34 – 68 affordable units. Reduction of the threshold to 5 units would have resulted in the provision of a further 65 – 130 affordable units or an equivalent financial contribution. These figures do not account for any reduction in planning obligation requirements agreed through proven impact on development viability.
- 4.5.6. Given the scale of the affordable housing need in the Borough, as demonstrated by the findings of the LHMA, and the findings of the

AHVS disproving the notion that site size is a key determinant in development viability, it is felt that by reducing its affordable housing threshold to 5 units or 0.15 hectares, the Council is making a clear commitment to increasing its delivery of affordable housing.

5. Supply of Affordable Housing

5.1. The Council's ability to ensure the effective provision of affordable housing derives primarily from its dual roles as both the Local Planning and Strategic Housing Authority. The two principal methods of securing provision of affordable housing in the County Borough over the lifetime of the LDP will be through the planning system and through the application of Social Housing Grant where this is made available.

5.2. The Planning System

5.2.1. As part of its role as the Local Planning Authority, the Council has a responsibility to ensure sufficient development land can be delivered to meet the needs of the current and future population of the County Borough. The planning system allows for the provision of land for new housing to come from a range of sources including:

- Sites with planning permission
- Allocating sites for housing in the LDP
- Windfall Sites
- Small Sites

Affordable Housing Delivered Through the Planning System – 2006-2009

5.2.2. As the base date of the LDP is 2006 it is appropriate to include the number of affordable housing units delivered through the planning system between 2006 and 2009. From Council records of affordable housing delivery and the Affordable Housing Delivery Statement (AHDS, 2009) 31 affordable homes have been provided through the planning system between 2006 and 2009. As stated in the AHDS, the use of S106 Agreements was beginning to have a real impact upon new provision within the County Borough until the events of the current housing market and the economic downturn which reflected in the number of units provided during this timeframe.

Allocated Sites

5.2.3. The allocated supply of new housing in Bridgend is contained in policies COM1 and COM2 of the deposit LDP. These policies allow for the provision of land for new housing to come from sites with planning consent / approved subject to signing of S106 agreement / pipeline developments subject of pre-application negotiation at April 2009; regeneration development sites; sites with an approved Development Brief / Framework; and new sites that have been identified as suitable

for residential development or for a mix of uses, including housing, as a result of a robust candidate site / development site assessment process.

- 5.2.4. The application of the proposed target and revised threshold figures to the sites allocated in the LDP for residential development provides a projected total supply of approximately 1,318 affordable homes. This equates to approximately 738 affordable units in Bridgend / Pencoed, 467 affordable units in Porthcawl / Rural and 113 affordable units in Valleys / West.

Windfall Sites

- 5.2.5. Windfall sites are sites of 10 or more dwellings that have not been allocated for residential purposes in an extant development plan, that come forward for development over the duration of the plan period. Analysis of previous rates of windfall sites coming forward for development within the Borough reveals that 540 dwellings are likely to be provided over the plan period of 2009-2021, at a rate of 45 dwellings per annum. This is based on patterns of residential development occurring under the policies of previous development plans. Housing completions on windfall sites in the County Borough over the lifetime of the Ogwr Borough Local Plan 1994-2005 and the Bridgend UDP 2005-2009 totalled 650 dwellings over 15 years, hence the rate of approximately 45 units per year. It can reasonably be expected that a similar rate of completions will be realised during the plan period of 2009-2021. The monitoring undertaken as part of the Development Plan process enables a more thorough breakdown of the sites into the market areas identified in Policy COM3. This shows a trend in recent years for 45% of all units coming forward as part of windfall sites to be located in Bridgend / Pencoed, 40% to be located in the Valleys / West and 15% to be located in Porthcawl / Rural.

Table 2 Windfall Site Completions 1994 - 2009

Combined Market Area	Number of Units	%
Porthcawl / Rural	96	15
Bridgend / Pencoed	296	45
Valleys / West	258	40
Total	650	

- 5.2.6. If this trend is applied to the 540 'windfall' figure, it indicates that an estimated 243 units could be secured on windfall sites within Bridgend / Pencoed, 216 units in the Valleys / West and 81 units in Porthcawl / Rural. Applying the affordable housing targets to these figures indicates that an estimated 49 units could be secured in Bridgend / Pencoed, 32 units in the Valleys / West and 24 units in Porthcawl / Rural. The contribution therefore from windfall sites to the supply of affordable housing will be 105 affordable homes.

Small Sites

- 5.2.7. Small sites are defined as sites of less than 10 residential dwellings. Analysis of data recorded as part of the Joint Housing Land Availability Study shows an average number of 65 units developed per annum on small sites over a period of 15 years up to 2009. If this pattern were to continue throughout the LDP period it is not unreasonable to assume that 780 dwellings will come forward during 2009-2021.
- 5.2.8. Analysis of housing completions on small sites over the period 2005 to 2010 reveals that the following number of dwellings has been constructed in the different sub market areas:

Table 3 Small Site Completions – Bridgend JHLAS

	Bridgend & Pencoed	Porthcawl & Rural	W Settlements & Valleys	TOTAL
No of completions 2005-2010	166	60	207	433
% of total	38%	14%	48%	
Forecast for 2009-2021	296.4	109.2	374.4	780

- 5.2.9. Previous patterns of small site development demonstrate that approximately 65% of units will come forward on sites of 1-4 dwellings and 35% on sites containing 5-9 dwellings. If this ratio of development is applied to the LDP plan figure of 780 dwellings, it suggests that 507 dwellings will come forward on sites of 1-4 dwellings. Although this appears to be a significant amount of development, the majority of these sites are likely to consist of 1 or 2 dwellings. The provision of affordable housing on such sites would not, due to their composition, make a meaningful contribution to the supply. The remainder of 273 dwellings will be developed on sites of 5-9 dwellings. Applying this to the geographical pattern of completions highlighted above reveals that 104 units are likely to come forward on sites in Bridgend & Pencoed, 38 units in Porthcawl & Rural and 131 units in Western Settlements & the Valleys. Applying the affordable housing targets to these figures suggests an additional 21 affordable dwellings could be provided in Bridgend and Pencoed, 11 affordable dwellings in Porthcawl and Rural and 20 affordable dwellings in the Western Settlements and the Valleys. This does not take into account instances where a financial contribution may be negotiated in lieu of physical provision of affordable housing, but adopting this approach would result in the provision of approximately an additional 52 affordable dwellings.

5.3. Alternative Means of Delivering Affordable Housing through the Planning System

- 5.3.1. Social Housing Grant (SHG) is a grant given to Registered Social Landlords (housing associations) by WAG. The grants aim to provide new affordable housing for rent or low cost home ownership. SHG is

supplemented by additional capital funding secured by the housing associations from private funding sources such as banks and building societies. Whilst the SHG programme is expected to continue over the plan period, its management and funding arrangements will be determined by WAG and it is therefore not pertinent to make forecasts as to what may be delivered in future years.

6. Analysis

6.1. The findings of the LHMA indicate that 1,514 affordable dwellings are required per annum. This represents a high level of affordable housing need compared to the total amount of housing (9,000 dwellings) which the LDP seeks to deliver up to 2021. In contrast, the findings of the AHVS make clear that seeking to secure more than 15% affordable housing in the Valleys / Western strategy area and 20% in the Bridgend / Pencoed strategy area would significantly impact on the viability of the housing market in the County Borough. In response to this, the Plan includes policies which seek to deliver significantly increased amounts of affordable housing than have been delivered under policies in the UDP.

6.2. The application of the targets and threshold figures contained in Policy COM3 to sites allocated in the LDP is estimated to yield 1318 affordable dwellings. When applied to the windfall and small site assumptions outlined above the requirements are estimated to generate an additional 157 affordable dwellings. Added to this is the 31 affordable housing units delivered through the planning system in 2006-2009.

6.3. Over Provision of Housing Supply

6.3.1. In calculating an appropriate affordable housing target it is important to take account of the proportional over supply of housing provision identified in the LDP. The total Housing Supply identified in the LDP provides a figure that is approximately 13% over and above the total required. As such 13% of the total affordable housing supply is subtracted to provide an ambitious yet achievable target as indicated below:

Table 4 Affordable Housing Target

SUPPLY	TOTAL
Affordable Housing delivered through the planning system 2006-2009	31 Affordable Units
Allocated Sites	1318 Affordable Units
Windfall Sites	105 Affordable Units
Small Sites	52 Affordable Units
Minus 14% over supply in housing provision	-196 Affordable Units
TOTAL	1310 Affordable Homes

6.3.2. Therefore the LDP will seek to deliver 1308 new affordable homes through the planning system over the plan period.