

**Cyngnor Bwrdeistref Sirol Merthyr Tudful
Cynllun Datblygu Lleol Amnewid (2016 - 2031)
Merthyr Tydfil County Borough Council
Replacement Local Development Plan (2016 - 2031)**

**Supplementary Planning Guidance (SPG)
Note 1: Affordable Housing**

October 2020



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

Miss J Jones

**Prif Swyddog Cynllunio a Gwasanaethau Cymdogaeth |
Chief Officer Planning and Neighbourhood Services**

Cyngor Bwrdeistref Sirol Merthyr Tudful |
Merthyr Tydfil County Borough Council

Uned 5 | Unit 5

Parc Busnes Triongl | Triangle Business Park

Pentrebach

Merthyr Tudful | Merthyr Tydfil

CF48 4TQ

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1. **Introduction**

- 1.1 Merthyr Tydfil County Borough Council recognises that providing a range of housing, including affordable and special needs units will be vital in supporting the needs of local communities, attracting new inhabitants; creating mixed and socially inclusive communities; and delivering the strategy of the Replacement Local Development Plan (LDP) 2016 - 2031. The issue of affordable housing is a common theme in the Replacement LDP and national policy.
- 1.2 The requirement to meet need for affordable housing is a material planning consideration and will be taken into account in the determination of planning applications.
- 1.3 This guidance has been prepared to give further guidance on how the policies and proposals contained within the LDP that aim to increase the supply of affordable housing will be put into practice.

2. **Policy Context and Key Issues**

- 2.1 The delivery of affordable housing through the planning system will be facilitated by two policies contained within the Replacement LDP. *Policy SW9: Planning Obligations* and *Policy SW5: Affordable Housing Exception Sites*.

Policy SW9: Planning Obligations

Where appropriate and having regard to development viability, planning obligations will be sought for:

1. ***On site provision of affordable housing on sites of 10 homes or more at a level of:***
 - ***10% in the Primary Growth Area.***
 - ***5% in the Other Growth Area.***
2. ***A financial contribution towards the provision of affordable housing:***
 - ***On sites of between 5 and 9 homes or;***
 - ***On sites of 10 or more homes, where on-site provision is not appropriate.***
3. ***The provision of open space on sites of 10 homes or more, where there is an identified need.***

Other relevant obligations not included within the Council's Community Infrastructure Levy (CIL) Regulation 123 List of Infrastructure.

Policy SW5: Affordable Housing Exception Sites

Small-scale affordable housing developments will be permitted adjoining settlement boundaries and where it is demonstrated that:

- ***The proposal meets an identified local need which cannot be satisfied within identified settlement boundaries;***
- ***The site does not exceed 10 dwellings;***
- ***The proposed dwelling(s) will be of a size, tenure and design which is commensurate with the identified affordable housing need;***
- ***In cases where the dwelling is to be provided by either a private landlord or the intended occupier, secure mechanisms are in place to ensure the property shall remain affordable in perpetuity; and***
- ***The development has reasonable access to the availability and proximity of local community services and facilities.***

2.2 The targets and threshold contained in Policy SW9 have been derived from the Viability Study¹ that was prepared as part of the Replacement LDP evidence base. The approach followed in the study was agreed with representatives of the development industry and demonstrated that the levels of affordable housing identified in Policy SW9 are economically viable.

2.3 The policy approach in the Replacement LDP differs from the previous plan² with regard to financial contributions towards affordable housing. While preparing the Replacement LDP policy, and looking to set a threshold for affordable housing contributions, the evidence showed that no financial contributions had been secured on individual dwellings, and only a small number of contributions had been secured on developments of less than 5 dwellings. These findings resulted in the threshold for financial contributions increasing from one dwelling to five.

2.4 Policy SW5 deals with exception sites for affordable housing in the countryside, formulated to maximise affordable housing provision across the County

¹ Viability Assessment: Local Development Plan, Prepared for Merthyr Tydfil County Borough Council, GVA, March 2018.

² Merthyr Tydfil Local Development Plan (LDP) 2006 – 2021.

Borough, given that the targets included in Policy SW9 would not meet the level of need identified in the Local Housing Market Assessment (LHMA). It is the intention of the policy to facilitate small, 100% affordable housing sites adjoining defined settlement boundaries.

3 Definition of affordable housing

3.1 Technical Advice Note (TAN) 2: Planning and Affordable Housing, defines Affordable Housing as “*housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers*”.

3.2 TAN 2 identifies the two main types of affordable housing as:

- Social rented housing – housing provided by local authorities and registered social landlords (RSLs), where rent levels are set having regard to government guideline rents and benchmark rents;
- Intermediate housing – housing where prices or rents are above those of social rent but below market housing prices or rents. This can include low-cost home ownership models, such as shared equity schemes, but does not include low-cost market housing which the Welsh Government (WG) does not define as affordable housing for the purpose of the land use planning system.

3.3 Affordable housing should also meet the needs of eligible households at a cost that is affordable taking into consideration local incomes and local house prices. *An affordable home should be an affordable home in perpetuity*. If a unit ceases to be affordable or staircasing to full ownership occurs, any subsidy should be recycled to provide replacement affordable homes.

4 The need for affordable housing in Merthyr Tydfil

4.1 The most recent Local Housing Market Assessment (LHMA)³ was published in 2015. The LHMA is a key piece of evidence that informs the Local Development Plan (LDP) and its affordable housing policies.

³ Merthyr Tydfil Local Housing Market Assessment 2014 – 2019.

- 4.2 The Council's most recent LHMA identifies an annual need of 367 affordable dwellings, with the vast majority of need (338 dwellings or 92%) being for social rented units.
- 4.3 The strategy of the Replacement LDP includes an overall housing provision of 2,825 dwellings over the Plan period, compared to an indicative affordable housing need of 5,505 dwellings based on the latest need evidence (LHMA 367 annual need figure x 15 years). A scenario such as this, where the affordable housing need is more than the total housing provision in a Council area, is a common situation. The total level of housing provision in an LDP has to be set at a deliverable level and then the Plan must do as much as practically possible to assist affordable housing provision.
- 4.4 Development proposals should deliver up to 253 affordable dwellings across the County Borough by 2031, in accordance with Policy SW2 of the Replacement LDP. The affordable housing target figure in Policy SW2 is indicative and relates only to those affordable homes secured through the planning system. The figure includes contributions from committed sites, additional housing from new allocations, and windfall sites as identified in *Policy SW3: Sustainably Distributing New Homes*.

5 Development Viability in Merthyr Tydfil

- 5.1 The targets set out in Policy SW9 derive from the economic viability of development across Merthyr Tydfil County Borough at a delivery rate of 10% in the Primary Growth Area, and 5% in the Other Growth Areas. However, in exceptional circumstances, for example where there are significant abnormal costs associated with developing a site, the levels of affordable housing sought in policy may result in a development becoming unviable.
- 5.2 The growth areas are attached at *Appendix 1: LDP Key Diagram* with the Primary Growth Area (10%) shown in pink, and the Other Growth Area (5%) shown in purple.
- 5.3 Where the viability of providing affordable housing is an issue, developers will be required to provide the Council with details on the following:
- The acquisition price of the site
 - Projected construction costs
 - Any abnormal costs

- Proposed sales values per unit
- Developers profit requirement
- Unit types
- Finance costs
- Any other relevant information

Where there is a dispute over any of the information submitted, independent verification should take place.

- 5.3 The Planning Department will use Development Viability software to examine the economics of a particular development and determine what level of affordable housing is appropriate on a given site. Where the developer can demonstrate, using robust evidence, that the provision of affordable housing at the levels identified in policy would not be viable, then a lower level may be negotiated.
- 5.4 When entering into land negotiations, developers will be expected to have taken into account the costs associated with affordable housing; as well as other planning obligations; and Community Infrastructure Levy (CIL) and the effect of this on land values.
- 5.5 Developers should refer to the LDP, planning obligations SPG and the MTCBC CIL Charging Schedule published by the Council for details of further requirements. Securing affordable housing through planning obligations is seen as a priority by the Council, however this will not negate the need to contribute towards other obligations/levies.
- 5.6 In order to ensure that developers are fully aware of the Council's expectations in regard to affordable housing, it is recommended that they engage in the Council's pre-application process. Contact details for the Planning Department can be found at Section 10 of this document.
- 5.7 The Viability Study that informed the Replacement LDP was prepared during 2018 and 2019. The assumptions used in the study reflect the market conditions at that time and the Council considers these assumptions to still be valid at the present time. If it can be demonstrated that there have been considerable changes in market conditions since the study was undertaken, it may be appropriate to reconsider the affordable housing requirements based on a site specific assessment of viability. This may result in lower or higher levels of affordable housing being required.

6 Triggers for affordable housing contributions

- 6.1 An element of affordable housing will be required on all outline, full, or change of use planning applications for residential development, or a mix of uses incorporating residential which can accommodate 10 or more units. This will also include the conversion of larger buildings into separate residential units where this exceeds the identified thresholds.
- 6.2 The Council will seek a financial contribution on sites of between five and nine dwellings. Where the affordable housing requirement would equate to less than one whole dwelling (e.g. a 15 unit site in Treharris where the requirement is 5% would result in a contribution of 0.75 dwellings) it would also be more practical to make a financial contribution, as discussed further in Section 8.
- 6.3 Where the outline planning stage has secured affordable housing, the Section 106 agreement will stipulate that any change in dwelling numbers as a part of subsequent applications may result in an increase or decrease in the level of affordable housing required.
- 6.4 It may be appropriate for an element of affordable housing to be sought on applications for the renewal of residential planning consent on sites over the stipulated threshold, or a financial contribution on sites that fall below the threshold. This may include sites where there was previously no contribution towards affordable housing.
- 6.5 Where subdivision of a site results in the number of units on each part of the site falling below the threshold for affordable housing, developers will be required to consider the requirement for the site as a whole. Where there is phasing of development on larger sites, the affordable housing should also be phased appropriately to ensure that it contributes the delivery of mixed communities. Timescales for the completion of affordable units in relation to the market units on a development will be clearly set out in the Section 106 agreement.

7 Securing on-site affordable housing

- 7.1 Prior to a planning application being submitted, developers are strongly encouraged to contact the Planning and Housing Strategy departments of the Council (contact details are attached in Section 10) to determine site-specific requirements.

- 7.2 It is the Council's preference for a Registered Social Landlord (RSL) to be involved in the development and management of affordable housing where possible to ensure control over subsequent changes of ownership and occupation.
- 7.3 The preferred method for the delivery of affordable housing is for the units to be provided on-site by a developer and then to be transferred to an RSL approved by WG to operate in the Local Authority area.
- 7.4 Affordable housing units for social rent should comply with the Welsh Government's Development Quality Requirements (DQR). The developer's contribution should be equivalent to the Social Housing Grant required to deliver a new-build scheme on site (currently at a rate of 58% of Acceptable Cost Guidance (ACG)). In practice, the nominated RSL should pay the developer not more than 42% of the ACG per unit less the RSL's on-costs (the Council will specify the unit transfer price). The Council will also not normally seek to supplement developer contributions with Social Housing Grant. Appendix 2 gives further information regarding ACG.
- 7.5 Developers should transfer Intermediate units for sale (e.g. low-cost home ownership schemes) to the RSL with a minimum discount of 30% of open market value.
- 7.6 Alternatively, the developer could transfer serviced land to the RSL at no cost. The location of the land will be determined by the Council and the developer will provide a commuted sum towards build costs. The commuted sum should be equivalent to the subsidy a developer would provide if they were to build the dwellings, and the land transferred should be of sufficient size to accommodate the required proportion of affordable housing based on a 30 unit per hectare average density, or as an appropriate proportion of the identified site capacity, whichever is greater.
- 7.7 The mix of tenure of the affordable housing on site will be determined on a case by case basis, although in the majority of cases, social rented units are expected to make up a significant proportion of the affordable housing provided, in order to meet the need identified in the LHMA. As well as social rent and intermediate products, tenure-neutral units may also be included, where under RSL control, units can transfer between social rent and intermediate products in response to local circumstances. These units will be transferred at the same values as social rented units.

- 7.8 In order to ensure the delivery of affordable housing, the Council will normally look to secure the completion of the affordable housing before the occupation of a specified number of the completed market units.
- 7.9 Off-site provision will be only considered in exceptional circumstances and not on the grounds of development viability. These circumstances may include situations where:
- It is not possible to secure effective on-site management of affordable units;
 - The provision of affordable housing in a different location within the vicinity would have a greater contribution towards mixed communities;
 - The on-site units could not physically be delivered by virtue of their size or type; and
 - There are other circumstances considered appropriate by the local authority.
- 7.10 Where off-site provision is considered acceptable by the Council, the units provided should be of an equivalent nature to the type of units that would be required on site. With regard to the location of the off-site units, the provision should be made within the same community, or if this is not possible, then provision should be made within the same growth area. If both these options are unfeasible then provision may be acceptable elsewhere in the County Borough, subject to evidence of need.

8 Commuted Sums

- 8.1 In cases where on site provision is not considered appropriate and units cannot be delivered off-site, the Council will consider whether or not a commuted sum is appropriate.
- 8.2 The commuted sum should be of the equivalent value to the developer contribution if the affordable units were being provided on site. This will be calculated using the following formula:

$$\text{Commuted sum} = \text{RV } 100\% - \text{RV AH}\%$$

RV 100% = Residual Value of the development at 100% market housing

RV AH% = Residual Value of the development when area specific target of affordable housing is applied.

- 8.3 Commuted sums should be used to provide affordable housing within the same community as the application site. If this is not possible, then the money should be used within the same growth area. If neither of these options are available within an appropriate timeframe, the Council will require that the money be spent elsewhere in the County Borough.
- 8.4 Any financial contributions collected by the Council may also be used for the following:
- Purchase and refurbishment of long-term empty properties, which an RSL will manage as affordable housing.
 - Supplementing on-site provision on other developments in the area.
 - Development of supported/adapted housing.
 - Any other measures that can be categorised as affordable housing.
- 8.5 In order to ensure that commuted sums reflect economic conditions at the time they are payable, the Section 106 agreement will include an indexation formula to calculate any increases/decreases to be paid as part of the commuted sum.

9 Affordable Housing Exception Sites

- 9.1 Whilst it is expected that exception sites will not contribute a significant amount of affordable housing, the units delivered through this mechanism will nevertheless provide an important contribution given the high level of affordable housing need across the County Borough.
- 9.2 As such developments are built in the countryside, they will be subject to close scrutiny in order to ensure that they satisfy all relevant criteria in both national and local planning policy. As these developments are required to be for 100% affordable housing, it is envisaged that such sites will be provided by RSLs.

10 Contacts

Merthyr Tydfil County Borough Council

For general affordable housing queries contact:

Planning Policy and Implementation

Planning Policy and Implementation, Planning and Countryside, Unit 5, Triangle Business Park, Pentrebach. Merthyr Tydfil. CF48 4TQ.

Tel: 01685 726277

Email: devplanning@merthyr.gov.uk

Housing Strategy

Housing Strategy Officer, Civic Centre, Merthyr Tydfil. CF47 8AN

Tel: 01685 725475

Email: Housing@merthyr.gov.uk

For pre-application enquiries, please contact:

Development Control

Development Control, Planning and Countryside, Unit 5, Triangle Business Park, Pentrebach. Merthyr Tydfil. CF48 4TQ.

Tel: 01685 726280

Email: planning@merthyr.gov.uk

Registered Social Landlords (RSLs):

Merthyr Valley Homes

22 Lansbury Road, Gellideg, Merthyr Tydfil. CF48 1HA.

Tel: 01685 727772

www.mvhomes.org.uk

Merthyr Tydfil Housing Association

11/12 Lower High Street, Merthyr Tydfil. CF47 8EB.

Tel: 01685 352800

www.mtha.org.uk

Wales & West Housing Association

3 Alexandra Gate, Fford Pengam, Tremorfa, Cardiff. CF24 2UD.

Tel: 0800 052 2526

www.wwha.net

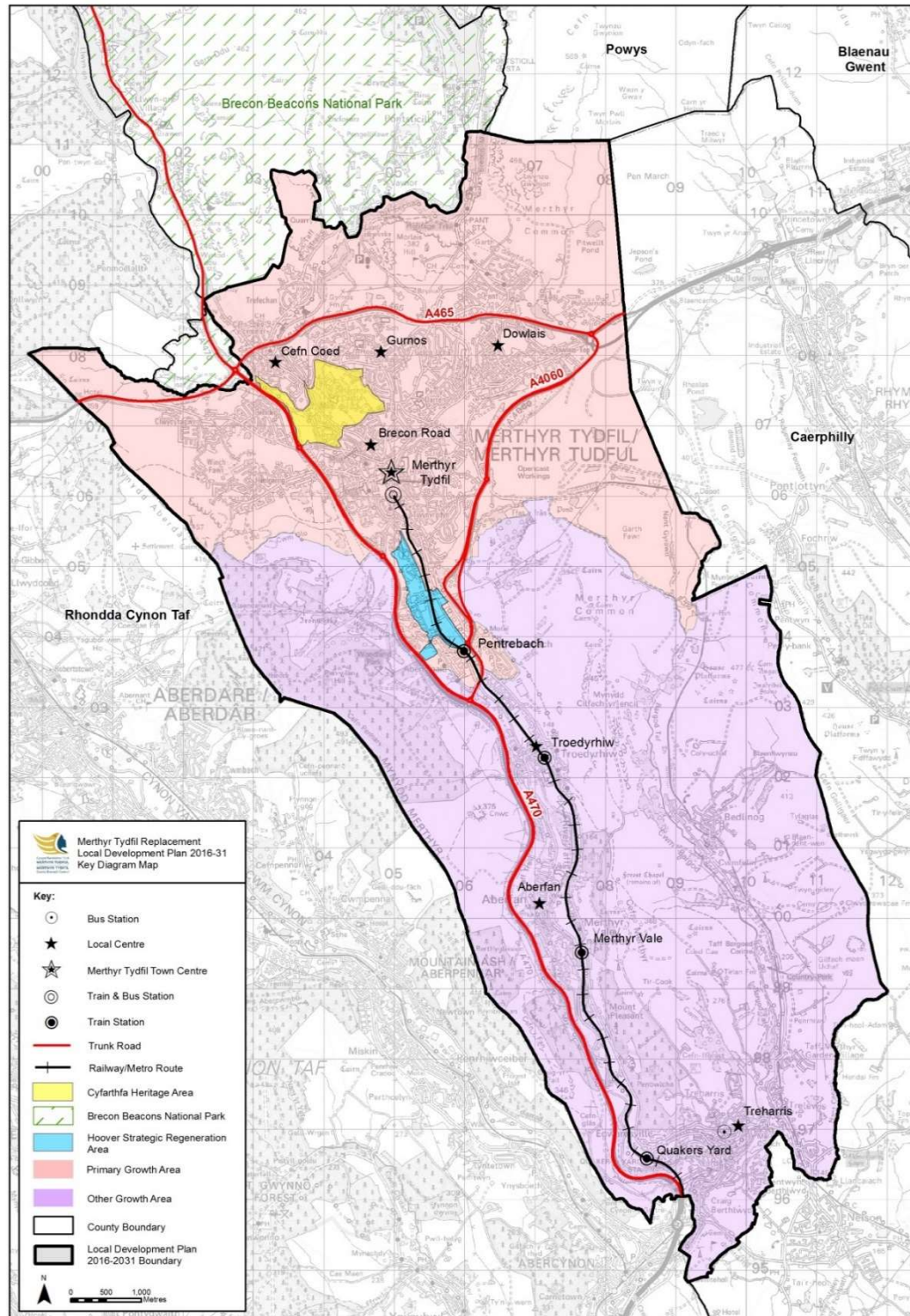
Hafod Housing Association

First Floor, St Hilary Court, Copthorne Way, Cardiff. CF5 6ES.

Tel: 02920 675800

www.hafod.org.uk

Appendix 1 – LDP Key Diagram



Appendix 2 – Acceptable Cost Guidance Information

ACCEPTABLE COST GUIDANCE

Self-Contained Units – General Needs & Elderly

Home	Band 1	Band 2	Band 3	Band 4	Band 5
7P4B H	£198,400	£213,400	£228,400	£248,400	£268,400
6P4B H	£187,800	£200,500	£213,200	£230,100	£247,100
5P3B H	£160,700	£171,700	£182,700	£197,400	£212,100
4P3B H	£150,500	£160,300	£171,100	£184,800	£198,600
4P2B H	£143,400	£153,200	£164,000	£177,700	£191,500
3P2B H	£128,900	£141,600	£154,300	£171,200	£188,100
3P2B F	£124,400	£129,500	£134,700	£141,500	£148,400
2P1B F	£98,300	£102,900	£107,500	£113,600	£119,700

ACG Bands in Merthyr Tydfil

Band 1	Merthyr Vale, Bedlinog, Gurnos
Band 2	Troedyrhiw
Band 3	All except listed as 1,2 or 4
Band 4	Cyfarthfa, Merthyr Town, Pant

Appendix 3 – Glossary of Terms

Acceptable Cost Guidance (ACG) – Figures published by the Welsh Government that provide guidance on the likely acceptability of scheme costs for grant purposes. To take account of variations of costs across Wales, six cost groups have been determined. The most recent ACG figures were published in 2007.

Affordable Housing Viability Study – A study reporting the findings of high level notional sites to determine how much affordable housing would be viable in the different market areas in the County Borough. The study is a key consideration in determining what targets and thresholds should be included in LDP policies.

Benchmark Rents – this system is set out by the Welsh Government and requires RSLs to charge rents for key property types which, when averaged, are no greater than the benchmark rent.

Commuted Sum – a sum of money paid by a developer to the Council to provide a service or facility, rather than the developer providing it directly.

Development Quality Requirement (DQR) – a requirement set out by the Welsh Government which requires social rented units to meet set standards for areas such as space, accessibility, energy efficiency and security.

Housing Need – a household is considered to be in housing need when their own housing, or the housing they are living in, is considered to be inadequate or unsuitable for their needs and the household will be unlikely to meet their needs without some financial assistance.

Local Housing Market Assessment (LHMA) - an assessment of the nature and level of housing need and demand in local housing markets prepared on behalf of the local planning authority. This assessment is a key part of the evidence base for housing policies within local authorities and it informs key strategic documents such as the Local Development Plan and Local Housing Strategy.

Mortgage Rescue – a scheme aimed at owner-occupiers in mortgage difficulties who are in danger of repossession. Housing Associations provide an equity loan so that mortgage outgoings can be reduced or, if this is not suitable, the housing association can buy the property and the occupant remains living there as a tenant.

Open Market Value – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where each of the parties had acted knowledgeably, prudently and without compulsion.

Registered Social Landlords (RSLs) – the technical name for social landlords that own or manage social housing and are registered with, and regulated by, the Welsh Government. Most RSLs are housing associations (independent, not for profit organisations that are able to bid for Social Housing Grant funding).

Section 106 Agreements (Planning Obligations) – Legal arrangements to overcome issues that may otherwise prevent planning permission from being granted. They may be used to offset negative consequences of development, to help meet local needs or to secure benefits that make a development more sustainable.

Site Threshold – the numbers of houses on a residential development site or site area above which an element of affordable housing can be secured.

Social Housing Grant (SHG) – grant provided by the Welsh Government to local authorities to fund RSLs to fully or partially invest in social housing. SHG is a limited resource and is therefore not available for all social housing developments.

Staircasing – when the tenant/owner chooses to make voluntary part-repayments or a full repayment at any time, following the purchase of a property.

Tenure Neutral – affordable housing where the tenure of housing is not predetermined but can vary according to the needs, means and preferences of households.