

SUBJECT: Affordable Housing delivery update paper
MEETING: Special Economy & Development Select Committee
DATE: Tuesday 14th February 2017
DIVISIONS/WARDS AFFECTED: All

1 PURPOSE

- 1.1 To provide Members with an update on the delivery of affordable housing since LDP adoption, including:
- The number of affordable homes granted planning permission and the number constructed;
 - Progress on the LDP's strategic, urban and rural housing sites;
 - Progress on the LDP's 60/40 sites;
 - The implementation of the Affordable Housing SPG since it took effect on 1st April 2016; and
 - An overview of forthcoming Welsh Government grant funding.

2 RECOMMENDATIONS

- 2.1 To note the progress update and to support the policy framework and ongoing hard work by officers to maximise affordable housing delivery, which is a Council priority.
- 2.2 To consider a follow up review in twelve months on the impact of, and contributions secured via, the Affordable Housing SPG to ensure the policy is resulting in the desired outcomes.

3 BACKGROUND

- 3.1 The delivery of affordable housing is a key Council priority and links directly to the Council's corporate priority that 'no-one is left behind'.
- 3.2 A significant issue for Monmouthshire is the fact that house prices are high in relation to earnings so that there is a need for additional affordable housing in the County in both urban and rural areas, particularly for those who live and work in our communities. The average house price in Monmouthshire is £277,500 compared to a Wales average of £179,300. The house price to earnings ratio is 7.8:1 in Monmouthshire, compared with 6:1 in Wales¹. The lower quartile house price to income ratio in Monmouthshire is 9:1². These figures illustrate how difficult it is for local people to purchase their first home or move into larger homes in the County when their family circumstances change.
- 3.3 In addition, there are currently 3,073 households on Monmouthshire's Common Housing Register. A more detailed breakdown on housing need can be found in **Appendix 1**. The County is divided into three housing market areas.
- 3.4 The planning system is seen as an increasingly important means of improving the supply of affordable housing for local people. Monmouthshire County Council recognises this and is keen to ensure that developers and local people have clear

¹ Source: Hometrack, 2 February 2017

² Source: Hometrack, 2 February 2017

guidance on how its development plan policies and decisions on planning applications will operate.

3.5 Policy S4 (Affordable Housing Provision) of the Adopted Monmouthshire LDP is the primary means of securing affordable housing to help meet the identified affordable housing need in Monmouthshire³. Policy S4 sets out the development size thresholds at which affordable housing has to be provided and the percentage of affordable housing that will be sought in each case, depending on the location of the development site.

3.6 The Policy is supported by Affordable Housing Supplementary Planning Guidance (SPG) which was adopted in April 2016. The SPG is intended to provide clear guidance on how planning policy on affordable housing will be delivered in practice. The SPG provides background information on affordable housing issues, including national planning policy, the need for affordable housing in Monmouthshire, the planning application and negotiation process and LDP monitoring and targets. The main part of the guidance provides clarification in relation to the seven types of situation that could arise in providing affordable housing under Policy S4:

- Where the affordable housing threshold of 5 or more additional dwellings (net) is applicable, i.e. in Main Towns, Rural Secondary Settlements and Severnside Settlements.
- Where the affordable housing threshold above is not met and financial contributions are required.
- Sites allocated in Main Villages under LDP Policy SAH11 with the specific purpose of providing 60% affordable housing (60/40 sites).
- Other sites in Main Villages.
- Minor Villages.
- Conversions and sub-divisions in the open countryside.
- Departure applications in the open countryside.

3.7 The SPG also provides further explanation of the Affordable Housing Rural Exceptions policy (Policy H7), together with guidance on the mechanisms that will be used to deliver affordable housing.

4 KEY ISSUES

On-site Affordable Homes Secured via Planning Permissions

4.1 305 affordable housing units have been secured through planning permissions since the Plan's adoption in 2014. LDP allocated sites accounted for the majority of affordable units permitted (181). 100% affordable housing schemes and windfall sites accounted for a further 78 units and 44 units respectively. Two affordable units were secured on a small site.

4.2 The spatial distribution of affordable units secured via planning permissions is as follows:

Main towns:

- Total of 166 affordable units permitted.

³ The LDP Local Housing Market Assessment (LHMA) Update identified an annual requirement for affordable housing of 96 dwellings per year /ten year requirement of 960 dwellings. This is the affordable housing need for 2011-21 that has to be addressed through the LDP.

- Allocated LDP sites accounted for the majority of these units: 102 units at Wonastow Road, Monmouth (30%) and 18 units at Coed Glas, Abergavenny (35%).
- 100% affordable housing schemes accounted for 27 of the affordable units permitted (Abergavenny 20 and Chepstow 7).
- The remaining permissions related to windfall sites in Abergavenny (15) and Chepstow (4).

Severnside Settlements:

- Total of 72 affordable units permitted.
- 100% affordable housing schemes accounted for a significant proportion of affordable unit permissions (41 – Caldicot 22, Rogiet 19).
- The allocated strategic LDP site at Sudbrook Paper Mill accounted for a further 20 affordable units (9.4%).
- The remaining permissions related to a windfall site in Sudbrook (9 units) and a small site in Caldicot (2 units).

Rural Secondary Settlements:

- Total of 49 affordable units permitted.
- Allocated LDP site at Penperlleni accounted for almost half (23) of these (35%).
- 16 units were secured on a windfall site at Llanfoist.
- A 100% affordable housing scheme in Raglan accounted for a further 10 units.

Main Villages:

- Total of 18 affordable units secured on allocated Main Village sites identified in Policy SAH11 for 60% affordable units - Trellech 9, Shirenewton 3 and Penallt 6.

4.3 An additional affordable unit was permitted through the 'build your own affordable home' scheme (rural exception).

4.4 The above indicates that a significant number of on-site affordable units have been secured via planning permissions since the LDP's adoption and that the policy framework is operating effectively in this regard. The policy is clear that the targets of 35% or 25% are subject to viability testing, and the Council is currently using the District Valuation Service to provide a robust, independent assessment of viability evidence provided by developers on an open book basis. The development of 100% affordable sites (typically by RSLs using Welsh Government funding) has added a significant 78 affordable units secured, outside of the provisions of Policy S4.

Affordable Housing Dwelling Completions

4.5 127 affordable housing units have been completed since the Plan's adoption in 2014. The majority of these completions were on 100% affordable housing sites (68 units). Windfall sites accounted for 34 affordable dwelling completions, with small sites and a residual UDP site accounting for a further 12 and 4 completions respectively. There were also 9 affordable housing completions on an allocated LDP site. As discussed in the LDP Annual Monitoring Report, the LDPs strategic housing sites are coming forward more slowly than anticipated however approvals are in place and development has commenced on LDP sites now, and their contribution will increase significantly over the next two years.

4.6 The spatial distribution of affordable dwelling completions is as follows:

Main Towns:

- 46 completions (16 in Abergavenny, 26 in Chepstow, 4 in Monmouth).
- 24 of these completions were on 100% affordable housing schemes (8 in Abergavenny, 16 in Chepstow).
- Small sites accounted for 12 completions (8 in Abergavenny, 4 in Chepstow).
- Windfall sites in Chepstow and Monmouth accounted for a further 6 and 4 completions respectively.

Severnside:

- 46 completions in Severnside Settlements (27 in Caldicot and 19 in Rogiet).
- 100% affordable housing sites accounted for the majority of completions recorded (23 in Caldicot and 19 in Rogiet).
- 4 completions on a residual UDP site in Caldicot.

Rural Secondary Settlements:

- 23 completions on a windfall site in Llanfoist.

Main Villages:

- 12 completions – 1 on a windfall site in Little Mill, 2 on a 100% affordable housing site in Mynyddbach and 9 on a LDP 60/40 Main Village site in Trellech.

- 4.7 This demonstrates that while there have been 127 affordable dwelling completions recorded since the LDP's adoption, this is lower than the identified LDP target of 96 completions per annum. One of the main reasons for this is the slow progress on the implementation of LDP allocated sites which has result in limited delivery of affordable housing under Policy S4. However, as allocated LDP sites achieve planning permission, affordable housing completions would be expected to increase in line with the identified target. The recent permissions achieved on LDP sites (as set out above paragraph 4.1-4.2) will undoubtedly increase the level of affordable housing delivered.
- 4.8 There is no specific evidence to date that demonstrates that Policy S4 itself is not operating effectively, albeit that there have been delays in determining some planning applications, including for example Deri Farm, because of negotiations over viability issues arising from the requirements of Policy S4. These viability issues themselves directly impact on levels of affordable housing secured, however, robust assessments are being undertaken to ensure the maximum potential contribution is secured.
- 4.9 The affordable housing policy analysis from the latest LDP Annual Monitoring Report (AMR) covering the period 1 April 2015 to 31 March 2016 is included in **Appendix 2** to this report.

Progress with Allocated LDP Housing Sites

Strategic Sites

- 4.10 As indicated above, there has been slower than anticipated progress with the delivery of allocated strategic housing sites since the Plan's adoption, however, the pace is increasing. Consequently the amount of affordable housing secured from these sites to date has also been limited, with only the following sites having gained planning permission:
- Wonastow Road, Monmouth: 102 (30%) affordable units secured (total of 340 units)
 - Sudbrook Paper Mill: 20 (9.4%) affordable units secured (total of 212 units). There were significant site viability issues associated with this site due to considerable site remediation costs.

4.11 Despite this, progress is being made on planning applications relating to many of these strategic sites:

- Crick Road, Portskewett: Council owned site allocated for 285 residential units and 1 ha of serviced land for business and industrial development. A master planning consultation exercise to consider various options for the site has been undertaken and an outline planning application is due to be submitted imminently.
- Deri Farm, Abergavenny: Persimmon Homes submitted a full application for 250 residential units in November 2014. The application is yet to be determined given outstanding issues relating to site viability (affordable housing provision) and undergrounding of overhead power lines. These issues have recently been independently assessed by the District Valuation Service with the applicant's indicating that they accept the findings. The application is being progressed with a report to Planning Committee expected in next couple of months.
- Fairfield Mabey, Chepstow: The landowner submitted an outline application in October 2014 for up to 600 residential units (350 to be delivered within the Plan period), commercial space including offices and workshops and small scale retail/food and drink floorspace and multi-functional green and blue open space. The application has not progressed as intended due to a longstanding Welsh Government Highways holding objection. Progress is being made on addressing other outstanding matters and it is anticipated that the application will be reported to Planning Committee in the next couple of months, following independent assessment by the District Valuation Service.
- Rockfield Farm, Undy: Council owned site allocated for 270 residential units and 2 ha of serviced land for business and industrial use. A master planning consultation exercise to consider various options for the site has been undertaken and a planning application subsequently submitted and progressed. It is expected that the application will be reported to Planning Committee in the next couple of months.
- Vinegar Hill, Undy: Site for 225 residential units, linked to the adjacent Rockfield Farm site. There has been limited progress on the delivery of this site to date.

4.12 As indicated above, there is no evidence to suggest that the LDP strategic sites are not deliverable or that their allocation needs to be reviewed. The delays in them coming forward do, however, have obvious implications for affordable housing delivery. As stated in the latest AMR, the slow delivery rate does seem to suggest that there may be a need for additional site allocations through a LDP revision and/or through a pragmatic approach to the determination of departure applications. Such measures are intended to increase housing supply, which will also benefit the delivery of affordable housing.

Urban and Rural Secondary Settlement Sites:

4.13 A number of other allocated LDP sites have gained planning permission and will contribute to affordable housing delivery:

- Land to south of School Lane, Penperlleni: 23 (35%) affordable units secured (total 65 units).
- Coed Glas, Abergavenny: 18 (35%) affordable units secured (total 51 units).

Progress with LDP 60/40 sites (Policy SAH11 Sites)

4.14 Monmouthshire County Council sought to tackle the problem of securing affordable housing to sustain our smaller villages in a pragmatic and innovative way. This policy has clearly been a success. The site at Trellech (9 affordable and 6 market units) has

been completed and one of the 60/40 sites in Shirenewton (3 affordable and 2 market units) is currently under construction. The site at Penallt has planning permission for 10 units (6 affordable and 4 market units) and the site at Llanishen for 8 units (5 affordable and 3 market units) is currently subject to a S106 agreement. Applications are also being worked up on several other sites. A detailed report on all of the LDP 60/40 sites can be found in **Appendix 3**.

Affordable Housing SPG and commuted sums

- 4.15 Policy S4 introduced a requirement for developments below the thresholds at which affordable housing has to be provided on site to make a financial contribution towards the provision of affordable housing in the Local Planning Authority area. The SPG sets out how this aspect of Policy S4 will be implemented. Self-builders are exempt from making the contribution but have to enter into an initial S106 agreement, being able to claim the exemption after occupying a dwelling for three years. The table attached as **Appendix 4** lists those applications registered as valid since the adoption of the SPG that were potentially liable to an affordable housing contribution.
- 4.16 To date (at 02/02/2017), nine Section 106 agreements have been signed, giving a total potential contribution of £480,735. Two of these agreements (The Hill, Abergavenny and Green Farm, Rogiet - for £289,473 in total) required contributions to compensate for not providing affordable housing on site, rather than to comply with the policy requiring contributions from developments falling below the affordable housing threshold, but are listed in the table to indicate the total potential funding available to the Council. These two agreements for commuted sums were due to the exceptional circumstances of the sites in question, which related to the conversion of a Listed Building or barns, which do not lend themselves easily to DQR standards. At the current time there are thirteen applications with Legal Services awaiting S106 agreements. Three of these applications awaiting agreements are specifically identified as being subject to concerns over viability.
- 4.17 Where it is claimed that the affordable housing contribution is making development unviable and preventing it coming forward, a full viability assessment is undertaken. The table lists three cases in which it has been accepted that viability issues prevent a financial contribution being made. Of ten undetermined applications that are still with the planning officer and not passed to legal, five are specifically identified as cases where the applicant has raised concerns about viability and these matters will be fully appraised before proceeding.
- 4.18 Should all the contributions identified in the table come forward (those with S106 agreements, those awaiting S106 agreement and those with planning officers that could still be approved) then the total potential affordable housing fund to date is £1,221,773. It is important to consider this figure in the context that self-build projects are exempt from paying (this accords with the CIL Regulations). To benefit from this exemption, the developer must evidence that they built and then lived in the property for a continuous period of three years. However, even assuming that 50% of the approvals are self-build projects, the new policy has clearly secured a significant sum of money to contribute towards the delivery of affordable housing, as a viable and proportionate contribution from the significant uplift in land value created by granting planning permission.
- 4.19 At the time of adopting this SPG, Economy and Development Select Committee requested that the policy implementation be reviewed to ensure it is not deterring development from taking place, given the important contribution that small housing schemes make to our LDP housing need. The table below sets out data for 'minor

residential' applications (fewer than 10 dwellings) determined in 2015-16 (prior to SPG adoption) and for the first three quarters of 2016/17. The SPG took effect for applications registered as valid after 1st April 2017.

- 4.20 The table shows that, to date, there is no significant discernible change to the number of applications determined, the proportion approved, or the average time taken to determine the application. It should be noted that this data includes all minor residential developments, including conversions, change of use and replans. The data does not relate solely to additional small plots subject to the new SPG. Again it should be noted that 13 applications await the signing of the S106 agreement so do not yet appear in the data which relates to determined applications. As such there is limited data available, but on the basis of the data before us, there is no evidence to date that the policy is deterring developers from proceeding. As stated above, the policy allows for viability to be assessed and S106 commuted sums to be reduced or waived if evidenced. Moreover, a significant proportion of such applications are for self-build projects which are exempt from the contribution in any case.

Quarter / Year	Number of Applications determined	Number approved	% approved	Average time in days from valid to determined (decision issued)
2015/16	125	110	88	109
Q1 – Q3 2016/17	74	68	92	108

- 4.21 It is acknowledged that a number of applications remains undetermined, pending signing of a S106 agreement. This legal process is time consuming and, despite our attempts to simplify it by providing a template legal agreement, some issues have arisen with different solicitors requiring different amendments. It is recommended that this matter be reviewed again in 12 months' time.
- 4.22 Similarly, there is always a natural time lag between planning permission being granted and development commencing on site. It is therefore too soon, at this time, to review whether or not the permissions granted post-SPG adoption are proceeding on site (or if developers decide not to proceed due to reduced profit or other economic or personal reasons).

Forthcoming WG funding

- 4.23 All Local Authorities have had their Social Housing Grant (SHG) Allocation doubled for the next three years. Monmouthshire's Allocation has gone from £1,144,759 to £2,289,519. To help meet the Welsh Government's target of delivering 20,000 affordable homes over the next 5 years, the Housing Division at WG will be making further funding available over the next few years. Monmouthshire is in a position to be able to draw down an additional £3.8m should such funding become available.

5 CONCLUSION AND RECOMMENDATIONS

- 5.1 We are successfully negotiating affordable housing through both large strategic sites and individual plots, taking into account viability constraints as required by national and

local planning policy. To date, 305 affordable homes have been granted planning permission and 127 constructed since the LDP's adoption.

- 5.2 The recently adopted Affordable Housing SPG has allowed us to secure commuted sums to deliver off-site affordable housing provision. Implementation of this policy takes full account of self-build projects and viability. The legal process of signing a S106 agreement has arguably slowed down decision-making process however there is no evidence to date to suggest that development is being deterred.
- 5.3 The Welsh Government has recently published a study that looks at site viability and why some sites throughout Wales are not coming forward quickly, as well as tools for seeking to change that. Considering use of these tools will be essential to deliver our existing, known housing needs plus the ambitious challenge to deliver 20,000 affordable homes over the next 5 years throughout Wales. This will feed into both our on-going work and via Future Monmouthshire and LDP review as we consider how we meet the needs of our communities to enable our county and people to thrive.

6 FUTURE GENERATIONS AND EQUALITIES ASSESSMENT

The provision of affordable housing clearly contributes to providing for the needs and wellbeing of our communities in the long term. A detailed assessment has not been provided for this report, because the report is simply an update of policy implementation of existing policies, not a proposed change to a policy. There are, however, considered to be no detrimental impacts on groups with protected characteristics, vulnerable people or safeguarding concerns.

7 AUTHOR & CONTACT DETAILS

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- Appendix 1 Affordable housing need
- Appendix 2 AMR AH policy analysis (2015-16)
- Appendix 3 Update on 60/40 sites
- Appendix 4 Applications Liable to AH Contributions since AH SPG Adoption
- Appendix 5 Example commuted sum calculation