



AFFORDABLE HOUSING OBLIGATIONS (REVISION)

UPDATED
NOVEMBER 2020

Man gwyrddach
A greener place



Mae'r ddogfen hon ar gael yn Gymraeg, ac mewn ieithoedd a fformatau eraill ar gais.
This document is available in Welsh, and in other languages and formats on request.

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1 Introduction

- 1.1 Caerphilly County Borough Council aims to ensure that everyone in the County Borough has access to a good quality home that meets their housing requirements. Communities should be mixed, balanced and sustainable, and a choice of housing that is affordable to the local population is vital in 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 provide housing through other mechanisms. The planning system, through the use of planning obligations and conditions, is one such method of securing 'affordable housing'.
- 1.2 The requirement to meet the need for affordable housing is a material planning consideration and will be taken into account in the determination of planning applications.

2 Role of the Supplementary Planning Guidance

- 2.1 This Supplementary Planning Guidance (SPG) has been prepared within the context of the Caerphilly County Borough Local Development Plan up to 2021 (LDP) to give greater guidance on how policies and proposals within the LDP aimed at increasing the supply of affordable housing will be implemented.
- 2.2 Policy SP15 of the LDP and its supporting text identifies an **affordable housing target of at least 964 units** to be delivered through the planning system through the use of planning obligations (Section 106 agreements) on qualifying sites and through affordable housing exceptions proposals over the lifetime of the LDP. The delivery of affordable housing through the planning system will make a contribution towards meeting the housing need identified in Section 4.
- 2.3 The delivery of affordable housing through the planning system will be through the implementation of Policy CW11 which states:

Legal agreements will be required to ensure that there is provision of an element of affordable housing, in accordance with an assessment of local need, for all allocated and windfall housing sites that:

- A Accommodate 5 or more dwellings; or**
- B Exceed 0.15 ha in gross site area, or**
- C Where the combined product of adjacent housing site proposals would exceed the thresholds set in A or B above**

Where there is evidence of need, the Council will seek to negotiate the following affordable housing targets of:

- 40% of the total number of dwellings proposed on sites within the Caerphilly Basin (excluding Aber Valley);**
- 25% in the Northern Connections Corridor (excluding Newbridge); and**
- 10% in the Rest of Caerphilly County Borough (including Aber Valley and Newbridge but excluding the Heads of the Valleys Regeneration Area)**

- 2.4 The SPG supplements Policy CW11 by providing guidance on how affordable housing will be delivered on allocated housing sites and windfall sites through the planning process.

3 What Is Affordable Housing?

- 3.1 The term affordable housing for the purpose of the land use planning system is defined in *Technical Advice Note 2: Planning and 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” (TAN 2, 2006, paragraph 5.1).

- 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 Welsh Government’s guideline rents and benchmark rents; and
- **intermediate housing** - where prices or rents are above those of social rented housing but below market housing prices or rents. This includes low cost home ownership models such as assisted purchase and shared equity schemes. 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.

- 3.3 Annex B of the TAN also indicates that affordable housing should:

- meet the needs of eligible households, including availability at low enough cost for them to afford, determined with regard to local incomes and local house prices; and
- include provision for the home to remain affordable for future eligible households, or if a home ceases to be affordable or staircasing to full ownership takes place, any subsidy should generally be recycled to provide replacement affordable housing.

- 3.3 All other housing is classified as ‘market’ housing, which includes private rent or sale in the open market, where no occupancy restrictions are in place.

4 Need for Affordable Housing – LHMA findings

- 4.1 The latest Local Housing Market Assessment (LHMA) was completed in April 2018. The LHMA enables a better understanding of the local housing market, the key drivers of local housing demand and supply and the level of affordable housing need within the County Borough. It forms a key part of the robust evidence base to inform the development of housing and planning policies and has been prepared in accordance with the Welsh Government Local Housing Market Assessment Guide (2006) and Getting Started With Your Local Housing Market Assessment: A Step by Step Guide (2012).

- 4.2 Taking into account current need, newly arising need, available housing stock and the future supply of affordable units, the LHMA identifies that there is an affordable housing need equating to **282 units per annum**. The Local Authority (LA) is committed to undertaking regular reviews of the LHMA to

ensure that the information is up to date and developers are advised to give consideration to the latest study in respect of housing need¹.

- 4.3 The LHMA identifies that there is a need in each of the four defined housing market areas for low cost home ownership and intermediate rented products. In the Caerphilly Basin and Northern Connections Corridor there is a significant need for social rented properties across a range of property sizes. In Lower Islwyn and the Heads of the Valleys there is a small net surplus of affordable housing, although there is identified need in all wards in these areas for 1 bed general needs properties.
- 4.4 It should be recognised that it is unrealistic for the planning system to deliver all of the 282 affordable units per annum as this would assume that a significant proportion of all new house-building in the County Borough would need to be affordable. This would have a significant effect on the operation of the housing market. However, the LHMA forms part of the evidence base for the LDP, which seeks to maximise affordable housing contributions, whilst still ensuring that development is viable. The target of at least 964 dwellings to be delivered through the planning system provides a realistic assessment of what can be achieved.

5 Amount of Affordable Housing to be provided

- 5.1 In accordance with Policy CW11, the LA will normally seek the following proportions of affordable housing on sites that accommodate 5 or more units or that exceed 0.15 Ha in gross site area:
- 40% of the total number of dwellings proposed on sites within the Caerphilly Basin (excluding Aber Valley);
 - 25% in the Northern Connections Corridor (excluding Newbridge); and
 - 10% in the Rest of Caerphilly County Borough (including Aber Valley and Newbridge but excluding the Heads of the Valleys Regeneration Area)
- 5.2 These area-specific targets and thresholds have been derived from evidence from the Affordable Housing Viability Assessment (AHVA) prepared as part of the evidence base for the LDP. The AHVA was completed in line with an agreed regional methodology prepared by Three Dragons on behalf of the South East Wales Strategic Planning Group (SEWSPG). The assessment demonstrated that the levels of affordable housing as identified in the policy would be viable.
- 5.3 **It is expected that the area-specific targets for affordable housing as set out in Policy CW11 will be provided.** However, in exceptional circumstances, for example, where there are significant abnormal costs required to bring sites forward for development, the provision of affordable housing at the levels identified may result in the development of a site becoming unviable.

¹ The latest LHMA update will be available on the Housing Strategy pages of the CCBC website. www.caerphilly.gov.uk

- 5.4 Where applicants consider it would not be viable to provide policy compliant affordable housing as part of a development, the applicants will be required to submit a viability appraisal to demonstrate this. The LA has worked in partnership with other authorities across Wales, alongside Town Planning and Development consultants Burrows-Hutchinson Ltd, to establish a Development Viability Model (DVM) assessment tool. The DVM has been created as a comprehensive, user-friendly model that can be used by site promoters and decision makers for the purpose of assessing the financial viability of a development proposal. The LA will make the DVM available to applicants for the purpose of undertaking a financial viability appraisal of a proposed development. The model will be released subject to the LA receiving payment of a standard fee, which is based on the size of the scheme. Applicants should contact the LA to determine the fee that would apply (see Section 13 for contact details).
- 5.5 The DVM will require applicants to provide evidence of:
- the acquisition price of the site
 - projected development costs
 - any significant abnormal costs
 - proposed final sales values per unit
 - the applicant's profit requirement
 - unit types
 - finance costs
 - professional fees
 - any other relevant information
- 5.6 Applicants may wish to appoint a RICS accredited valuer if they consider that there are exceptional abnormal costs associated with their scheme but do not have the necessary expertise to challenge the viability of a scheme themselves.
- 5.7 Where there is a dispute over site viability that cannot be resolved, the LA will commission an independent consultant and the developer will be required to pay for the third-party appraisal. Where the developer can demonstrate on the basis of robust evidence that the provision of affordable housing at the proportions identified above would not be viable, a lower level may be negotiated.
- 5.8 When entering into land negotiations, developers will be expected to have taken into account the costs associated with affordable housing, in addition to other planning obligations and the effect of this on land values. The requirement to contribute towards other planning obligations or the Community Infrastructure Levy (CIL) does not negate the need for developers to contribute towards affordable housing. Developers should refer to the latest CIL charging schedule for the rates that have been set for the three different charging zones and a map of the areas that are located within each zone². Developers should also refer to the LDP and other planning obligations SPG published by the LA for details of other requirements.

² http://www.caerphilly.gov.uk/CaerphillyDocs/Planning/Charging_Schedule.aspx

- 5.9 If it can be demonstrated that there have been significant changes in market conditions, it may be appropriate to reconsider the affordable housing requirements based on an assessment of viability on a site-specific basis. This may result in **lower or higher** levels of affordable housing being required.
- 5.10 The figures in Policy CW11 are based on the assumption that no Social Housing Grant (SHG) or other Welsh Government funding source will be available for sites delivered through the planning system as it is recognised that public subsidy is a limited resource. If grant funding is available for a scheme, a higher level of affordable housing may be sought. This will be based on an assessment of viability at the time that a planning application is submitted.
- 5.11 In areas where the affordable housing requirement would equate to less than one whole dwelling (for example a 5 dwelling site in a 10% target area, would result in a contribution of 0.5 dwellings), it would not be practical for on-site provision to be achieved. In these situations it would be appropriate for a financial contribution to be made in lieu of off-site provision. This is discussed further in Section 9.3. Where on-site provision is made, this should be rounded up or down to the nearest whole number.
- 5.12 Whilst no indicative targets have been provided for the Heads of the Valleys Regeneration Area on the grounds that the viability assessment demonstrated that it would be unviable to do so based on the findings of the high level testing, it is recognised that there may be some areas within this part of the County Borough where the provision of affordable housing would be viable and there is evidence of need. The local authority will therefore give consideration to the viability of provision on sites within the HOVRA on a site-by-site basis.

6 Types of Planning Application

- 6.1 An element of affordable housing will be required on all outline, full, or change of use planning applications for housing, or for a mix of uses incorporating housing, which either can accommodate 5 or more dwellings or exceed 0.15 Ha of gross site area³. This will also include the conversion of larger buildings into separate residential units where this exceeds the identified thresholds.
- 6.2 Applications for self-build dwellings will be liable for an affordable housing contribution where the plot or plots form part of a larger site that exceeds the CW11 thresholds. This is explained further in Section 9.
- 6.3 In the case of applications for mixed-use developments, the affordable housing requirement will be calculated on the basis of the housing area(s) proposed, rather than on the total site area.
- 6.4 Where affordable housing has been secured at outline application stage, the Section 106 agreement will set out that any change in dwelling numbers as part of a subsequent reserved matters application may result in an increase or decrease in the level of affordable housing required.

³ The threshold of 0.15 Ha equates to 5 dwellings based on an average density of 35 dwellings per hectare.

- 6.5 As a result of changes in the policy context for affordable housing, it will be appropriate for an element of affordable housing to be sought on applications for the renewal of planning consent for housing on sites over the prescribed threshold, including on sites where there was no previous affordable housing obligation.

7 Subdivision and phasing

- 7.1 Where the 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 affordable housing requirement for the site as a whole.
- 7.2 With regards to the phasing of development on larger sites, affordable housing should also be phased appropriately in order to ensure that it contributes to the mix of housing types and tenures and to the delivery of balanced communities in a phased manner. The timescales for the completion of affordable units in relation to market units will be set out in the Section 106 Agreement.

8 Negotiating Affordable Housing

- 8.1 Prior to an application being submitted, developers are encouraged to contact the Planning Division and Housing Division (contact details in Section 13) as appropriate to determine site-specific requirements.

9 Preferences for the Delivery of Affordable Housing

9.1 On site provision

- 9.1.1 The preferred method for the delivery of affordable housing is for the units to be provided on-site by a developer and then be transferred either to the Local Authority or to a Registered Social Landlord (RSL) approved by WG to operate in the Local Authority area. The involvement of the LA or an RSL in the development and management of affordable housing will ensure control over subsequent changes of ownership and occupation. Where the units are to be transferred to an RSL, the LA will identify a preferred RSL to work in partnership with the developer.
- 9.1.2 It is expected that affordable housing units for social rent will be delivered without the use of SHG. Affordable housing units should be transferred from the developer to either the LA or RSL at the fixed discounted values as set out in Appendix 3.
- 9.1.3 Intermediate units should be transferred at a value no greater than the intermediate values set out in Appendix 3.
- 9.1.4 The social rented and intermediate discounted values will be updated on a regular basis to reflect changes in economic circumstances and the findings of the latest LHMA's. Developers/landowners are advised to contact the local authority to obtain the latest values.

- 9.1.5 If it is not possible for the developer to build the units (for example where there are multiple developers as part of a self-build scheme), an alternative method of on-site provision would be for the provision of serviced land to be transferred at no cost to the RSL or LA, the location of which will need to be determined by the local authority with the developer providing a commuted sum towards build costs. The level of contribution will be equivalent to the subsidy a developer would provide if they were to build the dwellings using the local authority's affordable housing contribution calculator. In the case of a self-build development, this commuted sum will need to be paid by the applicant of each self-build plot on a pro rata basis, as set out within a Section 106 agreement with the timing of such payments agreed at planning application stage. The land transferred should be of a sufficient size to accommodate the required proportion of affordable housing as negotiated based on a 35 units/hectare average density or as an appropriate proportion of the identified site capacity, whichever is greater. Where there is a requirement for a large area of land to be transferred (to accommodate 10 or more affordable dwellings), it will be appropriate to deliver the requirement across separate parcels of land in clusters that will deliver a maximum of 6 dwellings. The phasing of this will be set out within the Section 106 agreement.
- 9.1.6 The mix between social rented and intermediate units will be determined on a site-by-site basis. This may also include 'tenure neutral' units where, under RSL or LA control, units can be transferred between social rented and intermediate housing in response to the circumstances of residents. Tenure neutral properties will be transferred at the social rented values set out in Appendix 3.
- 9.1.7 It is important that the affordable housing is delivered in a timely manner. The LA will therefore seek to secure, through a Section 106 agreement, the completion of the affordable housing within a specified timescale. This will normally mean the completion of the affordable housing units, prior to the occupation of a specified percentage of the completed market units.

9.2 Off-site provision

- 9.2.1 In the interests of ensuring communities are balanced and mixed, it is the LA's preference for the need for affordable housing to be addressed on-site. Off-site provision will only be considered in exceptional circumstances where it would be unfeasible for on-site provision to be made, or where the LA's strategic housing aims would not be achieved. This may include circumstances where:
- The on-site management of affordable units cannot be secured effectively.
 - The provision of affordable housing in another location within the vicinity would better contribute to mixed communities by widening the choice of housing.
 - The provision of the affordable units could not physically be provided on site by virtue of their size, type and level of contribution.
 - The development is for a self-build scheme where the overall number of plots is less than 10.

- There are other exceptional circumstances as considered appropriate by the local authority.
- 9.2.2 Off-site provision may be in the form of delivery of the affordable housing on another site, off-site land provision with a commuted payment or a stand-alone commuted payment.
- 9.2.3 Where off-site provision is provided on an alternative site, the units should be of an equivalent nature to the type of units that would be required on site based on need. Where this is the case, it will be necessary for a site to be identified and planning permission either granted or applied for in tandem. Arrangements should be in place to ensure the units are delivered to coincide with the timescale for the delivery of the 'on-site' market housing.
- 9.2.4 A sequential approach to the location of off-site provision will be appropriate with the preference being for the provision of affordable housing within the same settlement. If this is not achievable then provision should be made within the same sub-market.
- 9.2.5 Off-site provision should either be secured through a developer building the units and transferring them to an RSL or the LA at the values specified in Appendix 3 or by the transfer of land at nil value and a contribution towards build costs, as specified by the local authority using the local authority's affordable housing contribution calculator, as set out in Appendix 4.

9.3 Commuted Sum

- 9.3.1 In exceptional circumstances where on-site provision is not considered appropriate and off-site units cannot be delivered as an alternative site is not available, the LA will consider whether a commuted payment in lieu of on-site affordable housing provision would be appropriate.
- 9.3.2 The commuted sum should be of equivalent value to the developer contribution if the affordable housing was provided on site. This should be calculated using ACG as this represents the notional cost of developing affordable housing, including the cost of land acquisition. Given the significant level of need in the County Borough for 1 bedroom properties, as demonstrated in the LHMA, the LA will normally ask for a contribution based on the ACG of a 1 bedroom flat. However, this contribution could be used to fund the items identified in Paragraph 9.3.6.
- 9.3.3 The commuted sum will be calculated as follows:

$$\text{ACG } \pounds \text{ per unit} \times \% \text{ SHG} \times \text{N} = \pounds \text{ financial contribution}$$

Where:

ACG= Acceptable Cost Guidance per dwelling, related to dwelling type and occupancy (e.g. 2 person 1 bed flat) for different cost bands in Wales, being the current ACG published by the Welsh Government.

% SHG= Social Housing Grant rate. This is normally expressed as the total proportion of actual scheme costs (currently 58%) that will be funded by WG. The remaining amount (currently 42%) will be funded by an RSL or the LA.

N= Number of affordable housing units (rounded to the nearest whole number).

- 9.3.4 Where a commuted sum is required for an application that forms part of a larger site that exceeds the affordable housing threshold (e.g. self-build development), a contribution for the whole site will be calculated and attributed to each plot on a pro-rata basis.
- 9.3.5 The provision of affordable units should be provided in the same settlement as the application site. Should no suitable options for the provision of affordable housing be available within a specific settlement, provision should be made within the same sub-market area. The specific mechanisms for identifying the timing of delivery will be negotiated at planning application stage.
- 9.3.6 Alternatively, the Local Authority may determine on a site-by-site basis that financial contributions collected may be used for the following:
- The purchase and refurbishment of long-term empty properties either by the LA or an RSL, which will be managed as affordable housing.
 - Delivery of the Mortgage Rescue scheme.
 - The provision of Homebuy Loans.
 - Supplementing on-site affordable housing provision on other developments in the local area.
 - The development of supported or adapted housing.
 - The purchase and refurbishment of properties to meet special needs housing requirements.
 - Any other measures that can be categorised as affordable housing.
- 9.3.7 Commuted sum payments will be calculated at the time of application and will be set out within the Section 106 agreement. The commuted sum will need to be paid prior to the occupation of a specified percentage of the completed market units on the application site.
- 9.3.8 Section 106 agreements will usually include a clause requiring the LA to pay back to the developer any unspent commuted sums. This will normally be 10 years from the date of receipt due to the complexities of delivering affordable housing.

10 Design

- 10.1 Affordable housing should be fully integrated within a development in order to ensure that the units contribute towards the aim of achieving balanced, mixed communities and should be 'pepper potted' throughout the site. In order to ensure that there is an appropriate mix of tenures, on sites of more than 20 dwellings, no more than 6 affordable dwellings should normally be clustered together.
- 10.2 All housing layouts, regardless of tenure, are expected to adhere to design guidance set out in Planning Policy Wales (Edition 10) and *Technical Advice*

Note (TAN) 12: Design (2016), in addition to relevant local design guides including *LDP6: Building Better Places to Live (2017)*

- 10.3 Where a private developer and an RSL are working in partnership in the development of a scheme, developers are encouraged to discuss their housing layouts with the planning authority and the partner RSL at the earliest opportunity.
- 10.4 Social rented and intermediate rented units will be expected to meet DQR space standards. It is, however, also important that other units delivered without grant, such as LCHO, meet minimum WHQS standards to ensure that they meet the requirements of those in need for the product and the affordable housing provider (RSL/LA) can find prospective purchasers. Where possible, affordable housing units should be indistinguishable from market housing in terms of their external appearance. Any proposed differences in the external appearance of the market housing and the affordable housing must be agreed with the RSL/LA prior to a detailed planning application being submitted.

11 Special Needs Housing

- 11.1 There are a number of people living in the County Borough that have specific housing requirements as a result of learning/physical disabilities and/or medical conditions. In certain circumstances, particular housing needs cannot be addressed within the existing housing stock and therefore new purpose-built special needs units may be required. This may include bungalows or other specially adapted housing types. Where there is evidence of need and it is considered appropriate, special needs housing may be provided as part of the affordable housing contribution through the transfer of units to the LA or an RSL to ensure these units remain affordable.
- 11.2 It is recognised that the development costs of providing specific needs housing may be higher than general needs affordable housing and therefore it may be acceptable for a lower proportion of affordable units to be provided, subject to an assessment of viability.
- 11.3 In the case of proposed developments for market sector special needs housing, such as retirement apartments or sheltered housing, it is expected that a proportion of this housing should be affordable, subject to the need for special needs housing. The proportion will be determined on a site-by-site basis, taking into account economic viability and need.

12 Partnerships with Registered Social Landlords

- 12.1 There are four Registered Social Landlords zoned to operate within Caerphilly County Borough Council under the Welsh Government zoning arrangements. These are:
- Pobl Group
 - United Welsh Housing Association
 - Linc Cymru
 - Wales and West Housing Association
- 12.2 The contact details for the Registered Social Landlords are listed in Section 13.

13 Contacts

Caerphilly County Borough Council

For general enquiries on affordable housing planning policy please contact:

Strategic Planning

Strategic Planning, Planning Division, Tredomen House, Tredomen Park,
Ystrad Mynach CF82 7WF

Tel: 01443 866768

Email: ldp@caerphilly.gov.uk

Housing Strategy

Strategy and Development and Public Sector Housing, Tredomen Innovation
& Technology Centre, Tredomen Park, Ystrad Mynach CF82 7FQ

Tel: 01443 811380

Email: housing@caerphilly.gov.uk

For pre-application enquiries, potential developers should contact:

Development Management

Development Management, Planning Division, Tredomen House, Tredomen
Park, Ystrad Mynach CF82 7WF

Tel: 01443 866416

Email: planning@caerphilly.gov.uk

Registered Social Landlords

United Welsh Housing Association

Y Borth, 13 Beddau Way, Caerphilly, CF83 2AX

Tel: 029 2085 8100

<http://www.uwha.co.uk>

Pobl Group

Exchange House, The Old Post Office, High Street, Newport, NP20 1AA

Tel: 01633 679911

<http://www.poblgroup.co.uk>

Linc Cymru

387 Newport Road, Cardiff, CF24 1GG

Tel: 029 2047 3767

<http://www.linc-cymru.co.uk/home.asp>

Wales and West Housing Association

3 Alexandra Gate, Ffordd Pengam, Tremorfa, Cardiff, CF24 2UD

Tel: 029 2041 5300

<http://www.wwha.net/>

14 Glossary

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 in costs within Wales, six cost groups have been determined.

Affordable Housing Viability Assessment (AHVA) – A study reporting the findings of high level testing of notional sites to determine how much affordable housing would be viable in specific market areas within the County Borough and providing conclusions on what thresholds and targets for affordable housing would be appropriate for inclusion in LDP policies.

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

Development Quality Requirement (DQR) – A requirement set 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 - 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.

Intermediate Rent – affordable housing at a **rent** less than the market rate. The **rent** charged is up to 80% of the local housing allowance. The property is normally managed by an RSL. Intermediate rent will be delivered at the intermediate fixed values in Appendix 3.

Local Housing Market Assessment – An assessment of nature and level of housing need and demand in local housing markets prepared on behalf of the local planning authority. Assessments form an important part of the evidence base for policies on housing within local authorities, informing key strategic documents such as the Local Housing Strategy and Local Development Plan. The latest Local Housing Market Assessment for Caerphilly County Borough was published in April 2018.

Low Cost Home Ownership (LCHO) - shared ownership (part-rent, part-buy) or shared equity. It offers those eligible the opportunity to purchase part of their home and begin building their own equity. Under shared ownership, occupants can buy further equity shares, known as staircasing. LCHO will be delivered at the intermediate fixed values in Appendix 3.

Mortgage Rescue - Scheme aimed at owner-occupiers in mortgage difficulties who are in danger of repossession. Housing associations provide an equity loan so that mortgage outgoings will 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 wherein the parties had each acted knowledgeably, prudently and without compulsion.

Pepper Potting – The dispersal of affordable units within a market led scheme so there is a mix of tenures throughout the site in order to provide balanced communities.

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).

Social Rent – housing owned by Local Authorities and RSLs which are rented to eligible households. Social rented units will normally be transferred from a developer to an RSL or the LA at the fixed social rent values in Appendix 3.

Section 106 Agreements (Planning Obligations) - Arrangements to overcome obstacles that may otherwise prevent planning permission from being granted. May be used to offset negative consequences of development, to help meet local needs or to secure benefits that would make a development more sustainable.

Self-Build dwellings - All homes built or commissioned by individuals or groups of individuals for their own use, either by building the home on their own or working with builders.

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

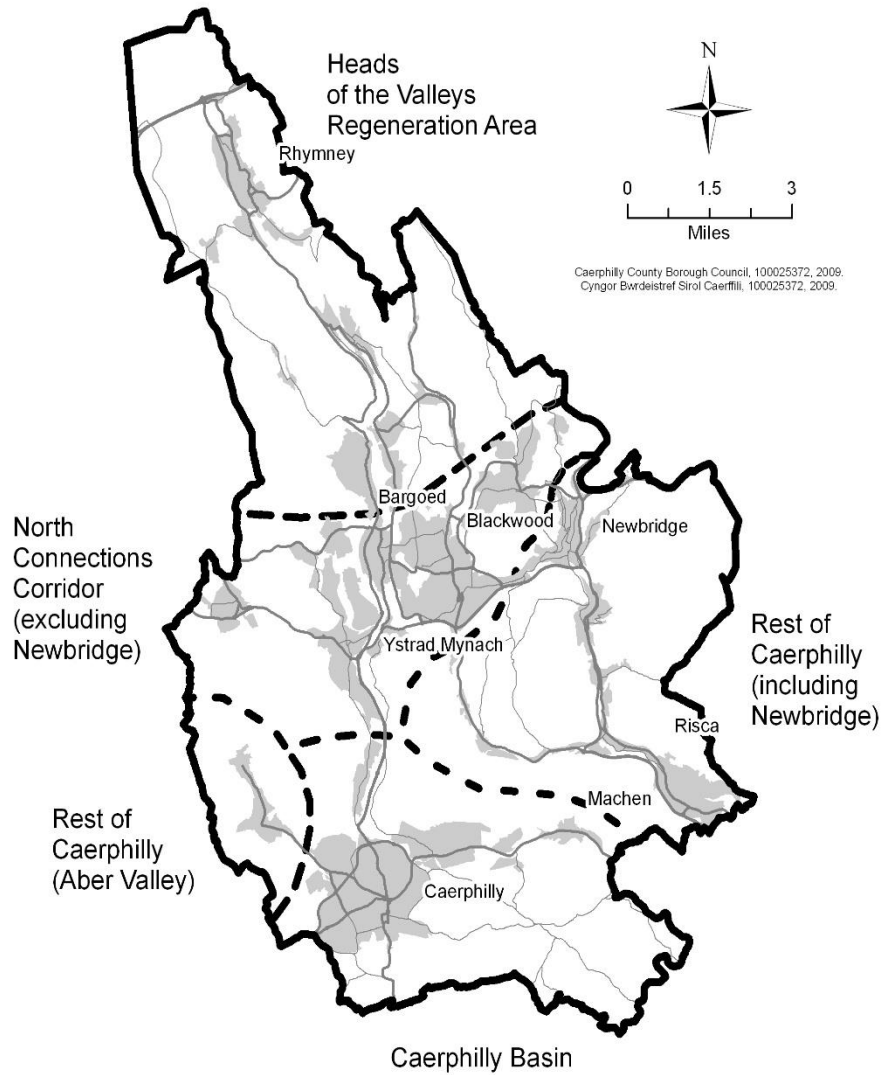
Social Housing Grant (SHG) - Capital grant provided by the Welsh Government to local authorities to fund Registered Social Landlords to fully or partially invest in social housing. Social Housing Grant is a limited resource and is therefore not available for all social housing developments.

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

Welsh Housing Quality Standard (WHQS) - is a set of standards that existing LA and RSL homes in Wales must meet.

APPENDIX 1

Area Specific Affordable Housing Targets



APPENDIX 2

List of Settlements by Viability Area

Heads of the Valleys Regeneration Area

- | | | | |
|---|-------------|---|--------------|
| - | Aberbargoed | - | Hollybush |
| - | Abertyswg | - | Llechryd |
| - | Argoed | - | Markham |
| - | Bargoed | - | New Tredegar |
| - | Brithdir | - | Phillipstown |
| - | Deri | - | Pontlloftyn |
| - | Eliotstown | - | Princetown |
| - | Fochriw | - | Rhymney |
| - | Gilfach | - | Tirphil |

Northern Connections Corridors (excluding Newbridge)

- | | | | |
|---|--------------|---|----------------|
| - | Blackwood | - | Nelson |
| - | Cefn Fforest | - | Pengam |
| - | Cefn Hengoed | - | Penmaen |
| - | Croespenmaen | - | Penpedairheol |
| - | Fleur de Lis | - | Penybryn |
| - | Gelligaer | - | Pontllanfraith |
| - | Gellihaf | - | Tiryberth |
| - | Glanynant | - | Trinant |
| - | Hengoed | - | Ystrad Mynach |
| - | Maesycwmmmer | - | Woodfieldside |
| - | Oakdale | | |

Caerphilly Basin

- | | | | |
|---|----------------|---|-----------|
| - | Bedwas, | - | Machen |
| - | Caerphilly | - | Rudry |
| - | Draethen | - | Trethomas |
| - | Graig Y Rhacca | - | Waterloo |
| - | Llanbradach | | |

Rest of Caerphilly (including Newbridge and Aber Valley)

- | | | | |
|---|--------------|---|------------|
| - | Abercarn | - | Pontywaun |
| - | Abertridwr | - | Risca |
| - | Brynawel | - | Senghenydd |
| - | Crosskeys | - | Treowen |
| - | Crumlin | - | Ty Sign |
| - | Cwmcarn | - | Wyllie |
| - | Cwmfelinfach | - | Ynysddu |
| - | Newbridge | | |
| - | Pantside | | |
| - | Pontymister | | |

APPENDIX 3

Fixed Values for the transfer of units from a developer to the LA or an RSL

Discounted Fixed Values for Social Rented Units (Updated October 2019)

Unit Type	Type	Values
1 Bed *1 Person	Flat	£49,069
1 Bed *2 Person	Flat	£49,069
2 Bed 3 Person	Flat	£58,923
2 Bed *3 Person	House	£71,762
2 Bed *4 Person	House	£71,762
3 Bed *4 Person	House	£75,990
3 Bed *5 Person	House	£75,990
4 Bed *6 Person	House	£89,415
4 Bed *7 Person	House	£89,396
2 Bed *3 Person	Bungalow	£77,436
3 Bed *4 Person	Bungalow	£81,998

The table above identifies the values at which affordable housing should be transferred from a developer to either the LA or an RSL. These figures have been generated by capitalising the rental income i.e. the amount of borrowing that the net rent to the RSL or LA will support.

As these values are derived from the Table and Guideline rents, which apply throughout the County Borough, there is no differentiation in values across the housing market viability areas and therefore these values should be used for all geographical locations.

Maximum Values for Intermediate Housing

The maximum prices that intermediate housing (for either intermediate rent or LCHO) have been derived from the latest Hometrack information (September 2020) on intermediate rents. This reflects Welsh Government's Rent First model which indicates intermediate rent levels were 80% of market rent. The income is calculated by annualising the weekly cost and multiplying it by 4 (using a quarter of gross income as the indicator of what is affordable). The affordable cost of the property is then derived by assuming a mortgage based upon a 3.5 times multiplier. This reflects the guidance in the LHMA Guide (2006).

These values are provided on an area-specific basis, equating to the viability areas defined in Appendix 1.

Sub-market and property size	Weekly cost of intermediate housing	Implied price of intermediate housing
Caerphilly Basin		
1 bed	£85	£61,759
2 bed	£113	£82,264
3 bed	£125	£90,879
4 bed	£165	£119,829
Northern Connections Corridor		
1 bed	£77	£56,056
2 bed	£98	£70,980
3 bed	£109	£79,021
4 bed	£140	£102,066
Lower Islwyn and Aber Valley		
1 bed	£83	£60,060
2 bed	£99	£72,193
3 bed	£109	£79,595
4 bed	£135	£98,220
Heads of the Valleys Regeneration Area		
1 bed	£69	£50,050
2 bed	£84	£61,061
3 bed	£96	£69,969
4 bed	£119	£86,342

APPENDIX 4

AFFORDABLE HOUSING CONTRIBUTION CALCULATOR

Commuted sum calculator (payment in lieu of onsite provision)

The commuted sum should be calculated as follows:

$$\text{ACG } \pounds \text{ per unit} \times \% \text{ SHG} \times \text{N} = \pounds \text{ financial contribution}$$

Example:

A 5 dwelling scheme in 25% viability area (ACG Band 3) - need for 2 person 1 bed social rented flat. When rounded to the nearest dwelling, 1 dwelling would be required. ACG Band rate of £95,800.

Contribution is therefore £95,800 x 58% SHG x 1 = £55,564

The developer will enter into a Section 106 agreement requiring the payment of the commuted sum by a set date as specified in the agreement.

If an application forms part of a larger site that has been sub-divided (for example a site proposed for multiple self-build plots), the affordable housing will be calculated on the basis of the larger site and will be apportioned to individual plots on a pro rata basis. In the example above, the commuted sum of £55,564 would be divided equally across the five plots, resulting in a contribution of £11,113 per dwelling.

Commuted sum calculator (provision of land at nil value plus contribution towards build costs either on or off site)

The commuted sum calculator will be used to calculate the provision if a surrogate site is to be used for affordable housing where land is transferred to the LA or an RSL at nil cost plus a contribution towards build costs.

It will also be used where traditional on-site provision at the values in Appendix 3 is not possible such as where the site has been sub-divided (e.g. for self-build developments). In this case, affordable housing plots will be identified on site and each market unit will contribute towards a commuted sum to build the affordable housing. This calculation follows the approach of the off-site commuted sum calculator but subtracts the land value from the ACG value so that the commuted sum is based on the cost of building the units, assuming the land is transferred for free.

Examples are provided below for the provision of 12 dwelling scheme in a 25% viability area (ACG Band 3) where there is a need for 1 bed social rented flats. Three flats are required to be provided. The calculations for the commuted sum towards build costs for both off site provision (on a surrogate site) and onsite provision where the developer does not build the units themselves but instead transfers land and makes a contribution towards the LA or an RSL constructing the units.

Commuted Sum Calculator (provision of land at nil value plus contribution towards build costs either on or off site)

OFF SITE COMMUTED SUM CALCULATOR						
Social Rent	No	ACG	Total			Notes
1 bed flat	3	£95,800	£287,400			
2 bed flat		£119,700				
2 bed house		£147,800				
3 bed house		£164,700				
4 bed house		£192,000				
2 bed bungalow		£140,700				
Total			£287,400		A	
RSL Finance	42%		£120,708		B	A*0.42
SR Commuted Sum			£166,692		C	A-B

ON SITE COMMUTED SUM CALCULATOR						
Social Rent	No	Area (sq m)	Build Cost	Total		Notes
			£1,400			
1 bed flat	3	48		£201,600		No*Area*Rate
2 bed flat	0	64				
2 bed house	0	77.4				
3 bed house	0	88.5				
4 bed house	0	103.7				
2 bed bungalow	0	58.1				
Total Works				£201,600	D	
Fees	13%			£26,208	E	D*%Fee
Total Cost				£227,808	F	D+E
Residual Land Value (Planning Gain)				£59,592	G	A-F
Total Commuted Sum				£107,100	H	C-G
Number of Affordable	3					
Number of Private	9				I	
Commuted Sum Per Private Plot				£11,900.00	J	H/I