

Bridgend Local Development Plan

2006-2021



Bridgend Local Development Plan

Examination

<http://www.bridgend.gov.uk/ldpexamination>

Wednesday 21 November 2012 2.00pm*

(*Start may be postponed if Session 2 has not concluded by 1pm)

Session 3 – Affordable Housing and Provision for Gypsies and Travellers

Inspector's Agenda with Matters and Issues

1. AFFORDABLE HOUSING (COM5)

Qn1a. Has the LHMA update addressed the Welsh Government concerns?

REBUTTAL TO WELSH GOVERNMENT STATEMENT

The Council believes the Welsh Government to have misunderstood the results of the LHMA Update (SD138, 2012). The Local Housing Market Assessment Guide (WD23, March 2006) sets out a method for calculating the need for affordable housing. This is based on a methodology developed in the 1990s and is broadly the same as that used in England and Scotland. The 2012 Housing Needs Figure of 1,762 is the number of affordable homes required per year. It is calculated following a 22-step process that assumes that:

- a) Households spend no more than 25% of their income on housing.
- b) All the existing need (backlog) is met over 5 years.
- c) That all households that are housed in the private rented sector and receive help with their rent through Local Housing Allowance (LHA) (because they cannot afford the full rent) move to affordable housing.

The housing needs figure is not intended to be a requirement for affordable housing over the plan period – it is a number generated by a formula that indicates there is a very large need for affordable housing.

It is fundamental to preparing a LHMA that the assessment is tailored to the locality and is not simply a document generated in isolation by consultants following a formula. It must be prepared through a process of consultation. The reality of the housing market is that there have been considerable changes since the guidance was written in 2006 and since the 2009 LHMA (SD133). Therefore for the purposes of the LHMA Update, two changes have been made to ensure that the workings of the market and the local situation are reflected:

- 1) Most households are spending between 30% and 40% of their income on housing, and the Housing Associations working in the area assume that a household will spend about a third of their

income on housing. The needs calculation was re-run with the assumption that households spend 30% of their income on housing so as to reflect the reality in BCBC in 2012.

- 2) The importance of the private rented sector in the housing market is well recognised. The catalyst for the Montague Review ('Review of the Barriers to Institutional Investment in Private Rented Homes', DCLG, August 2012) reflects the importance of the sector and the need to grow it due to the important part it plays in providing housing. There is no proposal to stop the current system of assisting households through LHA and whilst it may be ideologically preferable to house all those in need in 'affordable housing' the fact is that many households are housed in the private rented sector.

The LHMA Update has taken the modest and sensible assumption that the private rented sector will continue to house as many households in receipt of LHA as it does now. No assumption has been made for growth of households in receipt of LHA in the private rented sector.

The long term need for affordable housing

The needs figure is an important indication of the high level of need for affordable housing but it does not provide information about the requirement for market housing and how this and the need for affordable housing may be met over the plan period. Chapter 8 of the LHMA update provides guidance through the long term market balance model. The model brings together the demographic information from Cambridge Econometrics with the results from the housing needs survey and secondary data to compare the current housing stock against the stock of housing required in the future.

The model is used to identify the new accommodation required to adequately house the future population of the borough. This assumes current 'imperfections' in the market continue (for example older households will continue to under occupy) but those in inadequate housing (such as overcrowding or affordability) are moved to adequate housing. The current housing stock is then dedicated from the future profile indicating the mix and type (by bedroom size, sub-market area and tenure) that needs to be built over the plan period to achieve the appropriate balance.

Two profiles of the mix and type of housing required are copied from the LHMA Update below. Further detail of bedroom size and sub area is provided in the report.

Table 8.4: Tenure of new accommodation required in BCBC over the next 9 years

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2021</i>	<i>Change required</i>	<i>% of change required</i>
Market	51,417	54,637	+3,219	53.4%
Intermediate	182	1,943	+1,761	29.2%
Social rented	8,361	9,411	+1,050	17.4%
Total	59,960	65,990	+6,030	100.0%

Source: BCBC LHMA Update, 2012

Table 8.8: Tenure of new accommodation required in BCBC over the next 14 years

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2026</i>	<i>Change required</i>	<i>% of change required</i>
Market	51,417	56,448	+5,031	58.1%
Intermediate	182	2,040	+1,859	21.5%
Social rented	8,361	10,127	+1,766	20.4%
Total	59,960	68,616	+8,656	100.0%

Source: BCBC LHMA Update, 2012

REBUTTAL TO HBF STATEMENT (numbering relates to HBF Statement)

1.1. The LHMA does not address issues relating to the implied principle that because there is a need for affordable housing you should build more houses.

1.2. This is addressed by the rebuttal to the Welsh Government statement above. There is a large need for affordable housing and the ability to meet that need is limited by viability. The HBF argument seems to be that because there is a need and that the affordable housing target is 15-30% (dependent on location) the overall housing target should be set to meet the total need .i.e. the target should be 5870 ($1,762 \div 30\%$) houses per year. This line of argument is not valid.

1.2.1. Some households in housing need are houses in the private rented sector and receive LHA to assist them with their rent. The LHMA Update assumes that this situation will continue as there is no suggestion (anywhere in the UK) that it will not. It is therefore appropriate to reflect this in the assessment of need.

1.2.2. The LHMA is one of a number of sources of evidence that the Council has used to develop and inform the plan making process. The LDP is a good example of positive plan making, drawing on a range of sources of evidence and then bringing that together through a process of consultation and engagement. The Council fully recognise that there is a great need for affordable housing in all areas of the Borough and have developed policies to address that need. Whilst it would be desirable and preferable to set the affordable housing target higher it is accepted that the viability of development is constrained and that a higher target would not be achieved.

Thresholds

Qn1e. Has the further evidence suitably addressed the Welsh Government concerns?

See Rebuttal to Welsh Government statement below.

Qn1f. To increase supply, should the Plan make exceptional provision for commuted payments for off-site provision in circumstances where on-site provision would not be viable?

REBUTTAL TO WELSH GOVERNMENT STATEMENT:

Thresholds

There is a factual error in the Welsh Government (Rep 64) statement. Background Paper 8 (SD42) demonstrates that based on previous patterns of development, an additional 52 units of affordable housing could be delivered on small sites of 5-9 units. The Council's proposed affordable housing threshold of 5 units would capture this additional provision if a similar pattern of small site development comes forward. It is impracticable to quantify the amount of affordable housing that could be delivered on sites of 1-4 dwellings as in the majority of cases the affordable housing target will not generate one whole dwelling.

The Council contends that the evidence suggests additional affordable housing could be supplied by lowering the threshold to 5 units, which is the approach promoted in the Plan.

Commuted Sums

WG state that the Council consider the resource implications of the use of commuted sums to be onerous.

This is not correct, the Council does not comment on the resource implications of solely using commuted sums for affordable housing. In accordance with the guidance in SPG13 Affordable Housing (SD137) the Council has previously negotiated the provision of commuted sums where circumstances have determined this to be more suitable than on site provision. In each case, the commuted sum has contributed to the delivery of affordable housing. It is the Council's belief that this will continue to happen.

However, the Council stands by its assertion in Background Paper 8 (SD42) that the reduction of the affordable housing threshold to zero would have significant resource implications throughout the planning process regardless of whether this is in relation to increased pre-application discussions, Section 106 negotiations, completion of legal agreements or matters related to the use of commuted sums. This will inevitably have an impact on the time taken to determine planning applications.

The Council's position on the use of Commuted Sums is described in the revised Affordable Housing SPG which is in accordance with the advice contained within TAN2 at paragraph 12.5.

Tenure Mix

Qn1g. Is it necessary for the LDP to define the appropriate mix of tenure of affordable housing or is this a matter to be left for negotiation having regard to the supporting evidence?

The LHMA provides a detailed breakdown of the mix and type of affordable housing required both under the TAN2 (LHMA Practice Guidance) methodology and long term affordable housing market balance. To maximise delivery the Council feels it should retain the flexibility to work with developers to ensure that need is met through an appropriate mix of affordable housing.

Viability

Qn1k. Increased housing development costs derived from raised sustainability costs and fire sprinkler installation will apply to all housing developments across Wales. What if any account should be taken of such costs on the viability assessment and associated targets for provision?

REBUTTAL TO WELSH GOVERNMENT STATEMENT:

The Council agree with the WG's statement that viability work should take account of 'current known costs' and that any additional costs associated with fire sprinklers and building regulations are 'indicative and subject to consultation'. Whilst the Council acknowledges that any additional costs will have a negative impact on development viability, it maintains that as the figures quoted in the WG Consultation: Building Regulations Part L Review are, in the WG's own words, 'indicative' they cannot be regarded as current known costs and should therefore not yet be taken into account with regards to viability assessments. The Affordable Housing Viability Study (SD130) at paragraphs 3.27-3.35 considers the impact of increased development costs and whilst this shows that residual values will fall, particularly in the weaker market areas, it also clarifies at 3.32 that increasing the costs of development whilst holding all other variables constant can only be regarded as a sensitivity test.

REBUTTAL TO HOME BUILDERS FEDERATION STATEMENT:

The Council does not consider the HBF's viability analysis an accurate assessment upon which to base the delivery of affordable housing. There are several reasons:

- The analysis confuses the concepts of residual value and land value. Residual value is what the site is worth; land value is what

somebody is prepared to pay. Competition for sites will force land values higher than what the residual value may suggest.

- The analysis fails to account for anything other than increased development costs, which ignores the impact of market forces. The cost of development won't act in isolation as implied by the HBF statement. If the impact of proposed new legislation is to be so catastrophic, then no house building will happen without base build costs falling.
- The Council highlights the prematurity of including costs related to proposed changes to Part L of the Building Regs and Fire Sprinkler Installation above.
- The Council has previously stated that additional costs relating to abnormal conditions and/or remedial work should be appraised on a site by site basis. It would also question the relevance of the HBF's appended information to development conditions in Bridgend, when one of the sources has referenced sites in England.

Current practice in BCBC since the publication of the Affordable Housing Viability Study suggests that the analysis represents an accurate assessment of the viability of delivering affordable housing. The toolkit used in the preparation of the study has been used successfully on several occasions to aid negotiation with developers. In many of these cases, developers have been happy to use the default build costs contained within the toolkit, and where this has not been the case they are required to submit alternative costs with full justification of how they relate to the site in question.