

CONSULTATION RESPONSE



Blaenau Gwent LDP – Affordable Housing Examination Statement

30/5/2012

1. What is the evidence base to justify the Plan’s target of “at least” 10% of all developments that exceed the relevant threshold? Is the term “at least” unclear? If so, what are the implications for developers when seeking planning permission?

We do not believe the evidence with which to support the policy justifies the term ‘at least’ in any way. In fact, within our original comments on the affordable housing viability assessment, we demonstrated that the evidence does not justify the adoption of a 10% target, irrespective of whether the target is a maximum or minimum target. In this respect, if we consider more recent evidence, our comments in this regard can be substantiated further.

Within the affordable housing viability assessment, significant emphasis is given to the changing property market data with respect to sales price, and its impact on the study results. Indeed, paragraph 7.12 of the assessment states that *“once the property market variable is changed, viability becomes much clearer. So if the property market sees a 10% relative reduction (90% Sale Price testing column) then no affordable housing contributions are achievable, but conversely if the market sees a 10% relative price increase (110% Sale Price testing column) then 25% affordable housing contributions become comfortably achievable.”*

In this respect, the evidence clearly states that at 90% sale price data, **no affordable housing contributions are achievable**. With this in mind, if we consider what has happened to house prices since the base date of the study (1st March 2010), it is possible make an informed assumption on the level of affordable housing that is actually viable, according to the evidence.

In terms of house price trajectory, if the data from the Land Registry is studied for Blaenau Gwent, it clearly shows that house prices have fallen since the base date of

the study. In this respect, in March 2010 (the study base date) average house prices in Blaenau Gwent were £79,991. However, at the 1st April 2012 average house prices were recorded as £68,495. This equates to a fall of over 14% (14.37%). Therefore, given that, according to the evidence, a 10% fall would mean that no affordable housing contributions are achievable, the fact that house prices have fallen by more than a 14%, clearly demonstrates that the affordable housing target set within Policy DM8 is not achievable. The table below (Table 6) is taken from the affordable housing viability assessment and shows how a 10% fall in house prices impacts on development viability. The table does not show what happens if house prices fall by more than 10%, but one can draw the inevitable conclusions from this and the subsequent impact on the viability of the policy.

Table 6- Site by site summary of Viability results

		Blaenau Gwent County Borough Council Affordable Housing Viability Study															
		Sale Price															
		90%				100%				110%				120%			
		Affordable Housing Content															
Site Ref:	Total no. of Units	10%	15%	20%	25%	10%	15%	20%	25%	10%	15%	20%	25%	10%	15%	20%	25%
A	203	N	N	N	N	Y	M	M	M	Y	Y	Y	Y	Y	Y	Y	Y
A + 10%	223	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
A + 20%	244	M	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
B	156	N	N	N	N	Y	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
B + 10%	172	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
B + 20%	187	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
C	110	N	N	N	N	Y	M	M	M	Y	Y	Y	Y	Y	Y	Y	Y
C + 10%	121	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
C + 20%	132	M	N	N	N	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y
D	56	N	N	N	N	M	M	N	N	Y	Y	Y	Y	Y	Y	Y	Y
D + 10%	62	N	N	N	N	M	M	N	N	Y	Y	Y	Y	Y	Y	Y	Y
D + 20%	67	N	N	N	N	M	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
E	54	N	N	N	N	M	N	N	N	Y	Y	Y	M	Y	Y	Y	Y
E + 10%	59	N	N	N	N	M	M	N	N	Y	Y	Y	Y	Y	Y	Y	Y
E + 20%	65	N	N	N	N	M	M	N	N	Y	Y	Y	Y	Y	Y	Y	Y
F	51	N	N	N	N	M	M	N	N	Y	Y	Y	Y	Y	Y	Y	Y
F + 10%	56	N	N	N	N	M	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
F + 20%	61	N	N	N	N	Y	M	M	M	Y	Y	Y	Y	Y	Y	Y	Y
G	25	N	N	N	N	N	N	N	N	N	N	N	N	Y	M	M	N
G + 10%	28	N	N	N	N	N	N	N	N	M	N	N	N	Y	Y	M	M
G + 20%	30	N	N	N	N	N	N	N	N	M	M	N	N	Y	Y	Y	M
H	20	N	N	N	N	M	N	N	N	Y	Y	M	M	Y	Y	Y	Y
H + 10%	22	N	N	N	N	M	N	N	N	Y	Y	M	M	Y	Y	Y	Y
H + 20%	24	N	N	N	N	M	N	N	N	Y	Y	M	M	Y	Y	Y	Y
I	11	N	N	N	N	Y	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
I + 10%	12	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
I + 20%	13	M	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
J	10	N	N	N	N	Y	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
J + 10%	11	N	N	N	N	Y	M	M	M	Y	Y	Y	Y	Y	Y	Y	Y
J + 20%	12	N	N	N	N	Y	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y
K	8	N	N	N	N	M	N	N	N	Y	Y	Y	M	Y	Y	Y	Y
K + 10%	9	N	N	N	N	M	M	N	N	Y	Y	Y	M	Y	Y	Y	Y
K + 20%	10	N	N	N	N	Y	M	M	N	Y	Y	Y	Y	Y	Y	Y	Y
L	4	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
L + 10%	4	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
L + 20%	4	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Further to the above, even though it is extremely difficult to predict future house price fluctuations, we would contend that the majority of research released on house price trajectory has assumed a further reduction in house prices in the immediate future.

In order to substantiate this, we would point to the latest piece of research from Savills which suggests there will be a further 2% fall in house prices over the next year to 2013. These figures are related to the Wales average, however, it offers a

good indication of the direction of travel and there is no indication that Blaenau Gwent is an authority that would buck this trend.

In terms of the Savills research, below is a table which sets out their predictions for house prices over the next 5 years.

	Change from peak to date	2012	2013	2014	2015	2016	5 years to 2016
UK	-9.5%	-2.0%	0.5%	1.0%	2.0%	4.5%	6.0%
London	-2.9%	-0.5%	1.0%	5.0%	6.0%	6.5%	19.1%
South East	-7.7%	-1.0%	1.0%	4.0%	5.0%	6.0%	15.7%
South West	-8.0%	-1.5%	0.5%	2.5%	3.5%	5.0%	10.3%
East	-9.1%	-1.0%	1.0%	3.5%	4.5%	5.5%	14.1%
East Midlands	-10.3%	-1.5%	0.5%	2.0%	3.0%	5.0%	9.2%
West Midlands	-10.6%	-2.0%	-1.0%	0.0%	0.0%	3.5%	0.4%
North East	-13.3%	-2.5%	-1.5%	-1.5%	-0.5%	3.0%	-3.1%
North West	-14.0%	-2.0%	-1.0%	-1.0%	0.0%	3.5%	-0.6%
Yorks & Humber	-12.2%	-2.0%	-1.5%	-1.0%	-1.0%	3.0%	-2.6%
Wales	-10.4%	-2.0%	0.5%	0.5%	1.5%	4.5%	5.0%
Scotland	-9.6%	-4.0%	0.0%	0.0%	0.5%	2.0%	-1.6%

Annual house price growth key:
■ Below 0% ■ 0% to 2% ■ 2% to 4% ■ 4% to 6% ■ 6% to 8% ■ 8% and over

Source: Savills Research forecasts based on Nationwide actuals

As you can see from the table above, the research predicts a further 2% fall for Wales up to 2013, and an overall change between 2012 and 2016 of plus 5%. Therefore, given that house prices have decreased by 14.37% since March 2010, a more robust assessment would be that by 2013 house prices in Blaenau Gwent would have fallen by 16.37% and by 2016 prices would have fallen by 9.37% since the base date of the study. This would mean that in 2016, house prices in Blaenau Gwent would still be at roughly 90% of sales prices recorded at the base date of the study, which would effectively mean that in 5 years' time, the authority still could not justify the policy target set out by DM8, according to their own evidence.

Further to the above, if you consider the inevitable rise in development costs as a result of the Welsh Government's proposed policy agenda, which will be introduced at a time when house prices are still falling, this will have a further impact on the overall margins of viability. In addition, if you also consider the plethora of additional issues we have raised with the assessment through the LDP deposit consultation, it

is unequivocally clear that the delivery of the percentage target within Policy DM8 simply cannot be substantiated on any level.

In terms of the implications for developers, it is clear that the policy would obstruct the ability for developers to invest in the authority, which will in turn have implications to the delivery of the LDP strategy overall.

In addition to the above, if the policy were adopted in its current form, it is clear the authority would apply it rigidly and expect developers to spend considerable time and effort to demonstrate that the policy would not be viable on a site by site basis. The fact that the council's own evidence does a particularly effective job of proving their own target is not viable, without any need for third party verification, is testimony to the unfairness involved in adopting the policy in its current form and requiring developers to adhere to it. We also believe this course of action would contravene circular 13/97 and the new CIL regulations on the fair and appropriate use of planning obligations.

In light of the above, we believe the latest evidence on house prices in Blaenau Gwent reaffirms our assertion that that affordable housing percentage target within the policy is not supported by the evidence. As such, the policy contravenes soundness tests CE2, CE3 and CE4. If the policy is adopted in its current form it will have a severe detrimental impact on development viability and the delivery of housing, including affordable housing in the authority. It might also have a detrimental impact on the ability for the Council to achieve their aims and aspirations for growth and investment as set out by the LDP.

2. What is the logic for different sites being required to provide different levels of affordable housing?

We do not believe any affordable housing contributions are justified.

4. Should the Council rely on a greater proportion of off site affordable housing payments to enable it to deliver other projects, for example, a reduction in the number of vacant homes?

This would seem to be a sensible approach, however, considering our evidence above, we believe the scope to require any contributions for affordable housing is not supported by the evidence on viability.

6. Is the affordable housing target deliverable and appropriate given current economic challenges, the proportion of housing allocations on brownfield sites within the county and other items of infrastructure provision sought in the Plan?

We do not believe it is. The evidence on development viability is absolutely clear in our view. Even without considering the wider concerns we have voiced with respect to the affordable housing viability assessment, the evidence as it stands does not demonstrate, in any way, that the 10% affordable housing percentage target is viable or deliverable. The fact that the assessment does not take account of the changing national policy situation, which will undoubtedly increase development costs at a time when house prices will still be falling, is further proof that the policy is unviable and is also extremely inflexible with respect to changing circumstances that lie ahead.

End.

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