

Local Development Plan – Affordability Index Monitoring (1st April 2014 – 31st March 2015)

Pembrokeshire County Council

1) Background and Purpose

1. The Pembrokeshire County Council Local Development Plan (LDP) requires that all new market development contributes to the provision of local needs affordable housing. This policy approach was developed in recognition of the acute need for affordable housing in Pembrokeshire.
2. Indicative affordable housing requirements are set out for allocated sites in a table in Policy GN.27 Residential Allocations and range from 'up to 5%' to '25%'. Policy GN.28 Local Needs Affordable Housing sets the requirement for unallocated sites – this is 10% in Towns, Service Centres and Service Villages.¹
3. Policy GN.28 states that where a sustained positive change in the financial viability of development can be demonstrated through monitoring, the local authority will seek a higher percentage contribution towards affordable housing. It also states that in Towns, Service Centres and Service Villages a provision of affordable housing below the target figure may be appropriate where this is supported by economic viability evidence.
4. The Monitoring Framework section of the LDP and Affordable Housing Supplementary Planning Guidance (SPG) together set out how the local authority will monitor whether there have been changes to local housing market conditions. If such conditions are considered significant enough in nature to change the financial viability of development, the Authority will re-assess the viability evidence which influenced the LDP targets for Affordable Housing. The LDP lifespan is from its adoption (2013) until 2021 and this monitoring is essential to ensure that it is sufficiently flexible and resilient to economic changes and that the targets used to negotiate affordable housing remain robust.
5. The purpose of this document is to set out the monitoring work that the Authority has undertaken since adoption of the LDP.
6. The analysis of housing market indicators has concluded that overall, broader economic changes have not been sufficient to affect the financial viability of development, therefore at present no re-assessment of the development viability evidence which influenced the targets of the LDP is justified.

2) Monitoring Framework and SPG

¹ In Large Local Villages 50% of dwellings proposed should be affordable and in Small Local Villages all new dwellings must be affordable. The Plan explains that in Local Villages the objective of residential development is to meet the need for more affordable homes in rural areas and therefore concerns over the viability of development do not justify any relaxation of the policy.

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1. The Monitoring Framework of the LDP states:

“Should average house prices increase by 5% above the base price of 2012 levels sustained over 2 quarters then the Authority will consider other triggers identified in the Affordable Housing SPG and may conduct additional viability testing and modify the targets established in GN.27 and GN.28.”

2. The Affordable Housing SPG states:

“Calculating the financial viability of affordable housing provision is complex and involves multiple variable inputs, where any changes may have an effect on the overall outcome (residual land value). The main influence on viability is changing house prices, but an increase does not necessarily lead to an improvement in viability. Within its LDP monitoring framework the Council has committed to monitoring local house prices and when there is an increase of 5%, sustained over two successive quarters, the Council will look for changes in other local housing market indicators to assess whether it would be appropriate to reassess development viability evidence that has influenced the LDP indicative targets. Data from the Land Registry will be used to monitor the median dwelling price of properties sold in Pembrokeshire against a baseline of September-December 2012 as an indicative quarter. The other indicators will include:

- Average build costs (source: Royal Institute of Chartered Surveyors Building Cost Information Service);*
- Number of new dwellings completed (source: PCC Annual Monitoring Report); and*
- Number of sales of dwellings (source: Land Registry data).*

Should these indicators suggest that the housing market has improved the Council will undertake further viability testing of a selection of housing allocations using the 3 Dragons Toolkit. If subsequently the viability work indicates that higher affordable housing contributions could be provided, the Council will publish on its website updated affordable housing targets for allocated sites (GN.27) and windfall sites (GN.28). These updates will also be communicated directly to stakeholders such as county councillors, town and community councillors, registered social landlords and planning agents. New targets would replace those published in the Local Development Plan.”

3) Housing Market Indicators

1. Appendix 1 sets out the Housing Market Indicators monitored by the Authority. The baseline house price for September - December 2012 was £155,000. A 5% increase on this baseline would be an increase of £7750. Since then the house prices have been below this level and in the last quarter of 2014 were £160,000. As no increase above the base level has taken place, there is no

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need to consider further indicators; however these are also presented in the table for information.

4) Conclusions

1. Based on the information gathered, there has not been a sufficient change in Housing Market Indicators to require a re-assessment of the development viability evidence which influenced the LDP targets for Affordable Housing.

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		Affordability Indicators							
		Primary Indicators		Secondary Indicators				Local Indicators	
		(two major indicators that affect viability)		(do not affect viability but give a better picture)				(give an indication of local characteristics specific to Pembrokeshire)	
		Local house prices (£k) ²	Average build costs (£/m2 gross internal floor area) ³	UK Mortgage interest rates (%) ⁴	Household Income levels (£k) ⁵ Annual Mean	House Price to income Ratio ⁶	Mortgage Lending to income Ratio ⁷	Number of new dwellings completed ⁸	Number of sales of dwellings ⁹
	2010	165,000	777	4.06	27,885	165,000 / 27,885 = 5.9	-	311	1230
		163,000		3.95		163,000 / 27,885 = 5.8	-		
		170,000		3.93		170,000 / 27,885 = 6.1	-		
		160,000		3.91		160,000 / 27,885 = 5.7	-		
	2011	145,500	814	4.06	28,465	145,500 / 28,465 = 5.1	-	347	1166
		149,750		4.02		149,750 / 28,465 = 5.3	-		
		159,000		4.11		159,000 / 28,465 = 5.6	-		

² Source – Land Registry data (median dwelling price of properties sold in Pembrokeshire)

³ Source – Royal Institute of Chartered Surveyors Building Cost Information Service for West Wales which fluctuates. Rate per m2 gross internal floor area for building cost including prelims for New Builds (general estate housing) mixed. Q1 Figure for each year.

⁴ Source – Bank of England, Monthly interest rate of UK monetary financial institutions (excl. Central Bank) sterling standard variable rate mortgage to households (in percent) not seasonally adjusted

⁵ Source – CACI PayCheck benchmarks (Mean Household Income)

⁶ Median dwelling price / annual mean household income

⁷ Indicative ratio of mortgage lending to income – sample mortgage lenders (Halifax and Barclays)

⁸ Source – Pembrokeshire County Council Annual Monitoring Report (yearly figure only) taken from PCC housing survey

⁹ Source – Land Registry data (volume of dwellings sold in Pembrokeshire per year)

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Monitoring (Annual and Quarterly)		155,500		4.13		155,500 / 28,465 = 5.5	-		
	2012 (Baseline figure Sep-Dec = 155,000)	148,000	799	4.14	30,023	148,000 / 30,023 = 4.9	-	203	1181
		167,500		4.16		167,500 / 30,023 = 5.6	-		
		158,500		4.27		158,500 / 30,023 = 5.3	-		
		150,000		4.33		150,000 / 30,023 = 5.0	-		
	2013	150,000	881	4.37	29,845	150,000 / 29,845 = 5.0	-	397	1604
		151,750		4.37		150,000 / 29,845 =5.0	-		
		155,000		4.36		150,000 / 29,845 =5.0	-		
		150,000		4.39		150,000/ 29,845 = 5.0	-		
	2014	140,000	872	4.40	28,900	140,000/ 28,900 = 4.8	5.2	459	1548
		153,500		4.47		153,500/ 28,900 = 5.3	-		
		155,000		4.50		155,000/ 28,900 = 5.4	-		
		160,000		4.53		160,000/ 28,900 = 5.5	-		