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Carmarthenshire Revised Local Development Plan 2018-2033

Draft Supplementary Planning Guidance Affordable Housing



June 2026

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1. Introduction

- 1.1 Carmarthenshire County Council adopted its Revised Local Development Plan (rLDP) (date of adoption to be inserted) and its aim is to make the Development Plan system more relevant, inclusive and engaging to local communities.
- 1.2 The purpose of this Supplementary Planning Guidance (SPG) is to set out the Council's approach to deliver affordable housing through the planning system and identify the planning requirements and mechanisms for securing affordable housing within Carmarthenshire.
- 1.3 This SPG replaces the Council's previous Affordable Housing SPG (June 2018) and should be read in conjunction with the Revised LDP. The rLDP and SPG are material considerations in the determination of planning applications and appeals.
- 1.4 The Council aims to ensure that everyone in the County has access to a good quality home that meets their housing requirements. The Council therefore has an important strategic and enabling role in aiming to provide an increasing supply of affordable homes through different mechanisms.
- 1.5 It should be noted that planning only has a limited role in achieving affordable housing, however the evidence and policy approach used for the rLDP tries to maximise the potential of planning's role in increasing the supply and variety of affordable homes. Reference is also drawn to the Council's Housing Regeneration and Development – Four-year Delivery Plan 2022-2026, and the updated Local Housing Market Assessment (2024).

2. National Policy Guidance

2.1.1 The National Planning Policy context for the provision of affordable housing through the planning system is set out in Future Wales: the National Plan 2040, Planning Policy Wales (PPW Edition 12, 2024) and Technical Advice Note 2 (TAN) Planning for Affordable Housing (June 2006).

2.1.2 Future Wales: The National Plan is the national development framework setting out the direction for development in Wales to 2040. Policy 7 “Delivering Affordable Homes” sets out Welsh Government’s ambition to increase the delivery of affordable housing through the planning system

PPW (Paragraphs 4.2.26 and 4.2.27) sets out a definition of affordable housing: *“Affordable housing for the purposes of the land use planning system is 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. Affordable housing includes social rented housing owned by local authorities and RSLs and intermediate housing where prices or rents are above those of social rent but below market housing prices or rents.*

Affordable housing may also include that owned by community-led housing organisations where this meets the Welsh Government’s definition set out in paragraph 4.2.26. All other types of housing are referred to as ‘market housing’, that is private housing for sale or rent where the price is set in the open market and occupation is not subject to control by the local authority.”

2.1.3 Technical Advice Note (TAN) 2: Planning and Affordable Housing (2006), defines the term 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)

2.1.4 There are various types of affordable housing which are defined for planning purposes

- **Social Rented Housing** – provided by local authorities and Registered Social Landlords where rent levels have regard to the WG’s guideline rents and benchmark rents;
- **Intermediate Housing** – where prices or rents are above those of social rented housing but below market house prices and rents. This includes low cost home ownership models such as shared equity or assisted purchase schemes.
- **Shared Equity Housing** - where the applicant is offered the opportunity to purchase the property at a discounted rate, with the amount of discount treated as an interest free loan secured as a second charge on the property and repayable to the provider on the sale of the property or stair casing to

100% ownership. Shared Equity Housing can be delivered through a Home Buy scheme operated by a RSL or the SHA, or by a developer who has a scheme in place and capacity to operate it.

- **Shared ownership** - where the occupant owns a percentage of the property and the remainder is owned (usually) by a RSL. The occupant pays a rent to the RSL for the proportion of the property they do not own. It can also be provided by the SHA or a developer who has a scheme in place and capacity to operate it.
- **Low Cost Home Ownership** - where the sale price of the housing is restricted and where there are secure mechanisms in place to ensure that the housing is affordable and available to those in local housing need and remains so in perpetuity. This type of housing can be built and sold by developers to persons in local housing need for affordable housing or can be developed and occupied by individuals in local housing need as self-build.

2.5 Annex B of TAN2 also indicates that affordable housing should:

- meet the needs of eligible households, including availability at a 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.

2.6 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.

3. Revised LDP Strategic Policy and Local Housing Market Assessment

3.1 Revised LDP Strategic Policy SP5

3.1.1 The delivery of affordable housing through the planning system will be through the implementation of policies SP5, AHOM1, and AHOM2 of the Revised LDP, and in conjunction with the detail set out in the Local Housing Market Assessment.

3.1.2 Policy SP5 of the Revised LDP states

The Plan will maximise the delivery of affordable homes up to 2033 through the provision of a target of 2,111 affordable homes. This will support the development and enhancement of sustainable, balanced communities.

3.1.3 The target figure within the policy is calculated from the breakdown of the components of housing supply to maximise the delivery of affordable housing. These include:

- Sites included within Policy HOM1 of the Revised LDP.
- Windfall sites- An allowance is being made for affordable housing which could be developed from large windfall sites.
- Local Needs, key worker dwellings, or One Planet Developments.

3.2 Local Housing Market Assessment

3.2.1 The published 2020 LHMA calculated a total housing need of 9,807 dwellings during the plan period 2018-2033, with 77% for open market tenures with the remaining 23% in affordable tenures. This was highlighted within the Deposit LDP and was the most up to date information at the time.

3.2.2 The output figures from the 2024 LHMA are not directly comparable with those in the 2020 LHMA, however it considers the average annual additional housing need for the period 2022 – 2027, and utilises the WG 2018 sub-national projections, in addition to the Revised LDP preferred growth scenario.

Figure 10
Average annual additional housing need
2022 to 2027

	Projections compared			
	Lower	Principal	Higher	CCC
Owner occupier	29	73	107	151
Private rented	27	68	99	134
Low cost ownership	220	230	238	250
Intermediate rented	605	612	618	626
Social rented	379	427	427	513

TOTAL	1260	1411	1528	1674
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3.2.3 Based on the 2024 LHMA the housing need for Carmarthenshire is 1,674 dwellings per year.

3.2.4 The 2024 LHMA indicates the scale of housing need within the county, which the Council will seek to address through a range of market interventions as far as practically possible. The Revised LDP is one of several affordable housing delivery mechanisms and the LHMA housing need figure should not be considered a delivery target or even the sole solution to the affordability issues within Carmarthenshire through the Revised LDP.

4. Planning Requirements for Affordable Housing in Carmarthenshire (sites of more than 10 dwellings)

4.1 Revised LDP policy HOM1

4.1.1 The Council's policy on affordable housing is set out within Policy AHOM1 of the Revised LDP

Policy AHOM1 Affordable Housing

An on-site contribution towards affordable housing will be required on all market housing allocations and windfall sites of 10 or more homes to meet the affordable housing target set out in Policy SP5.

The percentage target level for affordable housing is based on the scale of development:

- a) sites comprising 10 – 19 homes will be required to provide an affordable housing contribution of 10%;**
- b) sites comprising 20 - 50 homes will be required to provide an affordable housing contribution of 12%;**
- c) sites comprising 51 – 100 homes will be required to provide an affordable housing contribution of 20%;**
- d) sites of 101 homes or more will be required to provide an affordable housing contribution of 25%.**

Commuted Sums

A commuted sum towards affordable housing will be required from proposals comprising 1 – 9 dwellings. Commuted sum charges will be based on floor space (cost per sq.m).

Proposals for single dwellings categorised as 3-bed, 4-person dwellings or smaller, and less than 88 square metres will be exempt.

4.1.2 Affordable housing contributions (whether on site or off site) will be required on all outline, full, or change of use planning applications for housing. In situations where affordable housing has been secured at outline planning stage, any change in numbers as a consequence of a subsequent application may result in an increase or decrease in affordable housing provision, subject to the policies and provisions of the Revised LDP.

4.1.3 In line with Policy AHOM1 above, the Council will expect development to deliver affordable housing on all residential development sites where there is a net increase in residential units with the threshold for on-site contributions set at 10 dwellings or more. This affordable housing target and dwelling threshold are considered on a county wide basis. As a minimum, the affordable housing target of 10% on sites of 10-19 dwellings should at least equate to one dwelling being affordable and provided on site.

- 4.1.4 It is the Council's preference that the affordable housing provision is achieved by calculating the affordable housing target based on the cumulative floor space of the whole development. This approach is considered appropriate to meet the actual housing need within the area, particularly when development sites have a number of different house types and sizes.
- 4.1.5 An example of how the calculation is undertaken is available in Appendix 1. For sites that would comprise a requirement to provide a part of an affordable dwelling, then this would entail both an on-site contribution and a commuted sum contribution. For example, a site of 15 dwellings at a 10% target would require one dwelling and a 0.5 dwelling contribution of equal value. The calculation in providing a part contribution is explained within Appendix 1.
- 4.1.6 The reasoned justification within Policy AHOM1 states that the target percentage noted within the policy is a target to be used as a starting point for affordable housing negotiations unless exceptional circumstances are demonstrated otherwise. These include:
- Insurmountable development viability issues caused or exacerbated by the affordable housing requirements. (see Viability section – Chapter 7)
 - Site specific circumstances which would make affordable housing delivery and/or management extremely difficult; or
 - There is a demonstrable local over-supply of affordable housing and/or severe shortage of affordable housing elsewhere in the Local Authority Administrative Area that could be best catered for through off-site contributions to deliver affordable housing in the areas of highest need.
- 4.1.7 It is the Council's preference that the homes be transferred to a Registered Social Landlord approved by WG to operate in the Local Authority area. It is acknowledged however that developers may sell completed homes to private rental companies, or manage themselves, provided that the rent is affordable (benchmark or intermediate rents) and that the tenants or occupants are selected from the Housing Register and assessed as being in need by the Local Housing Authority.
- 4.1.8 On most development sites, the affordable housing provided by a developer may be required to include both types of affordable housing: affordable housing for rent and Low-Cost Homes Ownership. The type of house provided will need to be discussed and agreed on a case-by-case basis with the Local Housing Authority and is subject to the evidence set out within the 2024 Local Housing Market Assessment.
- 4.1.9 Further information with regard to Low-Cost Home Ownership and affordable housing for rent, and the application of design quality and space requirements, should be sought from the Council's Housing department.
- 4.1.10 Where it has been established (see viability section below) that affordable housing cannot (or should not) be secured on site, the second preferred

approach will be for off-site provision; that is where the equivalent amount of affordable housing is delivered by the developer on an alternative suitable site. In such cases, a site should be identified, have secured planning permission and secured by legal agreement, and be delivered within an agreed timescale to coincide with the delivery of the 'parent' market housing site. Developers will be expected to demonstrate that they have made reasonable efforts to identify appropriate alternative sites for the delivery of off-site affordable housing in the area. The Council would expect, as a minimum, for the developer to have contacted the Council's Housing Division to consider the delivery of off-site affordable housing via this arrangement and undertaken an appropriate site search in the locality prior to dismissing this method.

- 4.1.11 Where the delivery of affordable housing cannot readily be delivered either on or offsite, a financial contribution in lieu of on-site provision may be accepted and would need to be secured through a Section 106 Agreement. Establishing the value of the commuted sum payment in lieu of an on-site contribution is set out within Appendix 1.

4.2 Development Proposals considered on sites of more than 10 dwellings

- 4.2.1 Policy AHOM1 shall apply to all self-contained dwellings (i.e. all uses that fall within class C3 the Use Class Order) including C3 residential elements of mixed-use schemes as well as self-contained units for people of pensionable age (e.g. 'retirement' apartments) and supported/sheltered housing or extra care developments where these are not affordable housing in their own right i.e. developed by a Registered Social Landlord (RSL).
- 4.2.2 Development Viability as set out in section 7 below will be considered for any application triggering an affordable housing contribution. If a development viability appraisal satisfactorily demonstrates that a reduced contribution should be sought, then this will be considered as set out in section 7.
- 4.2.3 Where the Council identifies that developers have sub-divided sites in order to avoid contributing towards affordable housing provision, the total residential unit provision of the scheme will be calculated, and the affordable housing policy will be applied accordingly. This approach will also apply where planning applications are staggered over a period of time.

5. Planning Requirements for Affordable Housing in Carmarthenshire (sites of less than 10 dwellings)

5.1 Policy AHOM1

5.1.1 In considering the second element of Policy AHOM1 all residential development comprising of sites of 1-9no dwellings will be required to contribute towards affordable housing in the form of a commuted sum.

5.1.2 The contribution is required where there is a net increase of one dwelling or more. The Affordable Housing webpage on the Council website provides a section on Frequently Asked Questions relating to which type of new housing is required to make the commuted sum payment, and those which are exempt. For ease of reference the following types of development apply:

Contribution Required	Exempt from an Affordable Housing Contribution
Open market dwellings	One Planet Development
Conversion of non-residential space to residential development	Agricultural Dwellings
Removing an occupancy tie	Local Need Dwellings
Retirement Apartments	Affordable Dwellings
	Rural Enterprise Dwelling
	Student Housing
	Single 3 bed 4 person dwellings under 88 sqm
	Abandoned or Derelict dwellings

5.2 Establishing the Value of the Commuted Sum Payment

5.2.1 In determining the value of the commuted sum contribution, the calculation varies between sites of 1-4 dwellings and those consisting of 5-9 dwellings. Evidence presented at the Revised LDP examination demonstrated that this differentiation is considered necessary due to the relative differences in costs between large scale developments and small-scale developments. Using the same approach across all scale of development sites could impact on an individual's aspiration to build their own home.

5.2.2 For the purposes of calculating the commuted sum contribution, the internal habitable floor space includes all areas of floor space within a proposed dwelling. The contribution also includes the floor space of an internal garage. If a garage is attached to the proposed dwelling house but there is no internal door from the house to the garage, then the charge on the floor space still applies. The key consideration for any scheme which falls within this category is whether the garage can readily be incorporated into the dwelling, thus potentially creating additional habitable space. Similarly, any space within the roof of a dwelling which could accommodate habitable space can be added to the commuted sum calculation.

Sites of 5-9 dwellings

5.2.3 Appendix 2 provides an example calculation for the commuted sum on sites of 5-9 dwellings. A site of 8 dwellings at a 10% target would require an equivalent contribution of 0.8 dwellings. This approach is the same as on sites of 10 or more and is calculated on a cumulative floor space basis. Where development viability is questioned or challenged, regard should be had to guidance set out in chapter 7 of this SPG.

Sites of 1-4 dwellings

- 5.2.4 Appendix 3 provides an example calculation for sites of 1-4 dwellings and is based on a £ per sqm basis. The commuted sum payment calculation considers the difference between the average house value within the Affordable Housing Action Area and the transfer value of an affordable dwelling within that area. The calculation also includes the type of dwelling being considered. For example, a new 4no bedroom dwelling would be calculated against the DQR of a 4-bed affordable dwelling, whereas a new 3-bed dwelling would be calculated against the DQR standard for a 3-bed dwelling. Housing developments of 5no beds or more, will be considered against the maximum DQR standards set by Welsh Government as the DQR standards are not provided for dwellings comprising 5no beds or more.
- 5.2.5 An Affordable Housing Sum Calculator for sites below the on-site threshold is available on the Affordable Housing (SPG) webpage on the Council's website. It allows users to calculate the total contribution by inputting the location of the site, and the total floor space of the proposed development. The values to inform the calculator are updated annually to reflect current costs and values.
- 5.2.6 As indicated in Policy AHOM1, proposals for single dwellings categorised as 3-bed, 4-person dwellings under 88sqm or smaller, will not be required to pay an affordable housing contribution.
- 5.2.7 Proposals for single self-build dwellings or the conversion of a property to a single residential dwelling will have the opportunity to split the payment of the affordable housing contribution into two phases. The first 50% of the contribution will be required prior to the commencement of development, and the remaining 50% of the contribution to be paid at the point of first sale or disposition of the dwelling.
- 5.2.8 For sites of 2-9 no dwellings the schedule for the stages of the payment will need to be agreed with the Development Management Officer and drafted and set out within an appropriate legal agreement to coincide with the delivery of the development. The stages of the payment of the contribution will need to be paid at relevant and monitorable stages.

6 Affordable Housing in Rural Areas

6.1 Planning Policy AHOM2

6.1.1 The Council recognises that communities need housing to meet their local housing need requirement and in many of the small villages in Carmarthenshire, it may only be possible to provide housing of an appropriate scale on sites outside the existing development limits of towns and villages (within Tiers 1-3 of the Revised LDP's settlement hierarchy), or within, or near to rural villages (Tier 4).

6.1.2. Consequently, within the smaller rural villages, where it would not normally be appropriate to develop housing because of limited availability of facilities and services, there may be circumstances where the provision of housing to meet a local need outweighs these factors.

6.1.3. Such proposals are commonly described as “exception sites”, where permission is granted solely for affordable dwellings that are built to meet the local housing need is proposed. Before the Council will grant planning permission for affordable housing / local need on an exceptions site, it must therefore be satisfied that there is an evidenced need for affordable housing in the locality. Policy AHOM2 and Policy HOM4 set out criteria against which these proposals will be assessed.

Policy AHOM2

Proposals for 100% affordable housing development on sites adjoining the development limits of defined settlements (Tiers 1-3 in Policy SP3), and in those settlements identified as Rural Villages (Tier 4) will be permitted where it is to meet a genuine identified local need and where:

- a) **The site represents a logical extension to the development limits and is of a scale appropriate, and in keeping with the character of the settlement;**
- b) **The benefits of the initial affordability will be retained for all subsequent occupants;**
- c) **It is of a size, scale and design compatible with an affordable dwelling and available to low or moderate income groups;**
- d) **There are no market housing schemes within the settlement, or projected to be available which include a requirement for affordable housing.**

HOM4 - Homes in Non-Defined Rural Settlements

Proposals for new single homes in settlements, hamlets and groups of dwellings (as defined within the glossary) which are not identified under Strategic Policy SP3 will be permitted where they meet a local need for affordable housing and conform to the following:

- a) **It represents sensitive infill development of a small gap within an otherwise continuous built-up frontage; or, is an appropriate rounding off of the development pattern;**

- b) The development is of a scale that is consistent with the character of the area ;**
- c) The proposal will not result in an intrusive development in the landscape, and will not introduce a fragmented development pattern,**
- d) The size of the property reflects the specific need for an affordable dwelling in terms of the size of the house and the number of bedrooms;**
- e) That the occupancy of the dwelling is restricted both on first occupation and in perpetuity to those who have a need for an affordable dwelling.**

6.1.4 Local Needs is defined within the Glossary of Terms.

6.1.5 In order to ensure the affordability of housing proposed and approved under policies AHOM2 of the Revised LDP, consideration needs to be given to various factors that will affect the future affordability of the housing for initial and subsequent occupiers to purchase and rent.

6.1.6 The size of affordable / local need dwellings should reflect the local housing need that has been used to inform or justify the proposal. An affordable dwelling must be compatible with WG's Development Quality Requirement standards to limit its size, scale and design to ensure that the dwelling falls within a reasonable and acceptable affordable dwelling cost for future occupants.

6.1.7 Any detached buildings proposed as ancillary to the affordable dwelling, such as garages, should reflect the property size, housing needs and should not impact significantly on the overall market value of the property.

6.1.8 It should be noted that permitted development rights for future extensions or alterations to the affordable dwellings (including ancillary buildings) will be withdrawn by way of a separate planning condition attached to the planning permission. This will ensure that properties are not extended or altered in a way as to increase the value beyond an affordable level. Planning applications for future extensions will be assessed on a case by case basis taking into account the local need and effect on affordability.

6.1.9 The plot size is also relevant to future affordability as this will become the residential curtilage of the dwelling and therefore will influence the value of the property. Plot sizes must reflect the scale of an affordable dwelling and development on large plots will not be appropriate.

6.1.10 In order to ensure the availability of the affordable housing, the Council will expect schemes to set out restrictions on both the initial and subsequent occupancy to ensure that it is kept available for persons in local need. This

will ensure that affordable housing is occupied in perpetuity by those in local need.

6.2 Financial / Personal Circumstances

- 6.2.1 In order to be eligible for affordable housing, it must be demonstrated that the proposed occupier(s) is not able to afford market housing. This will involve an assessment of the financial and personal circumstances of the proposed occupier(s) carried out by the Council. The Council will take certain principles into account in assessing whether a household is able to afford market housing in the local area and will take into account relevant evidence submitted in support of the application. In order to be in need of an affordable dwelling, the income of the household will be insufficient to purchase or rent a dwelling on the open market that would be suitable to meet the household's needs.
- 6.2.2 To support a planning application, applicants or prospective occupiers are encouraged to register on the Housing Register as this will involve an assessment of their circumstances and will confirm their eligibility to occupy a particular dwelling/tenure. This will also enable occupiers to search for existing affordable housing in the local area that they may be eligible for.

6.3 Agricultural Workers and Rural Enterprise Dwellings

- 6.3.1 Where proposals for new dwellings in support of an agricultural business or rural enterprises are justified and found to satisfy the assessment tests of Technical Advice Note 6 Planning for Sustainable Rural Communities, it will be necessary to ensure that the dwellings are kept available for this need. Accordingly, the dwelling(s) shall be subject to occupancy conditions restricting occupation to those employed in either agriculture or a rural enterprise; and where it is shown that the dwelling is no longer required for such purposes, the dwelling will be made available to persons eligible for affordable housing under the Council's housing policies.

7 Reviewing Development Viability

- 7.1.1 Planning Obligations and affordable housing will have an impact on land values and landowner expectations, therefore the Council will expect that applicants have considered in full the overall cost of development, including the required planning obligations and any abnormal costs, when negotiating the purchase of land.
- 7.1.2 In setting its planning policies for affordable housing and other planning obligations, the Council has undertaken high-level viability assessments which demonstrate that, in most cases, the Council's policy requirements are achievable and realistic. This will be the starting point for negotiations and therefore, the burden of proof shall lie with the developer to demonstrate why there are extraordinary viability constraints on their development.
- 7.1.3 The WG guidance on Delivering Affordable Housing Using Section 106 Agreements, A Guidance Update (2009) states that Local Planning Authorities should be clear about those situations where the Council will be willing to accept reduced planning obligations or affordable housing contributions and notes that in some cases it may be appropriate for an authority to refuse to agree these. The Council considers that reduced planning obligations or affordable housing contributions will only be justified on the grounds of development viability where there is sufficient planning merit weighing in favour of the development, such as:
- The delivery of a strategically important development site in the context of the Local Development Plan;
 - There are unusual or extraordinary site constraints affecting viability that must be overcome for the site to be developed, and the development would be in the wider public interest (e.g. protection of a listed building, contaminated land, urban renewal project etc.) or;
 - The development itself is being used as a means of delivering / subsidising a mixed use, commercial or community project (in the public interest) which would not be deliverable without financial support. If an applicant considers that the planning requirements associated with a scheme are too onerous and renders the development unviable, then they will have the opportunity to challenge this through presenting a financial viability appraisal. This should be based on properly sourced evidence to indicate at what level the contributions would remain viable.
- 7.1.4 The Council have prepared a user-friendly Development Viability Model (DVM) for this purpose and is available on the Council's website. It is the Council's preference that any viability appraisals are presented using the Council's own model as it ensures that all necessary information is provided to enable a full and speedy appraisal. Further information is available on the Council's website including a Frequently Asked Questions Page on the DVM process.

- 7.1.5 The DVM is a site-specific appraisal tool and is issued for specific sites. Applicants will therefore need to request a DVM specifically for their site from the relevant planning officer. There is a charge for the DVM which varies according to the scale of development, these are outlined on our website. The fee covers the Council's administrative time taken to personalise and issue the model for the specific site as well as the valuer's time required to carry out a review of the submitted financial viability appraisal. Should a developer wish to use their own alternative viability models, this may incur an additional fee. These costs will be in addition to the application fee and the council's legal costs.
- 7.1.6 If, following an appraisal, there is a dispute between the Council and landowner, applicant and/or developer, and where all parties agree, a third party may be appointed to undertake an independent assessment of scheme viability and the ability to achieve the planning obligations that are in dispute. The third-party appointment will be paid for by the applicant/owner/developer.
- 7.1.7 All key stakeholders must endorse the process, play an active role and be willing to submit appropriate information to enable the appraisal to be undertaken. The third party's role would be to validate factual information to assist in the resolution of issues. Both parties should where applicable, accept the third-party decision on the determination of viability. However, the third party would where applicable, not act as an arbitrator. Responsibility remains with the Local Authority and landowner, applicant and/or developer to resolve the dispute.

7.2 Development Viability Appraisal Requirements

- 7.2.1 The Council can only make sound judgments about site specific development viability on the basis of full and robust development appraisals. Therefore, the Council will require applicants to provide the following detailed information. The level of supporting evidence required (i.e. valuations, costs reports etc.) will depend upon how far the viability inputs deviate from acceptable parameters based on industry norms. Any 'assumptions' must be clearly explained and justified.
- 7.2.2 The evidence will be assessed on whether the figures prove that the scheme would be unviable if it were to meet all affordable housing and other planning obligation requirements. In accordance with paragraph 4.2.34 in PPW (Edition 12), the Council and developer will operate in an open and transparent manner with all information provided on an "open book" basis.

General Requirements:

- 7.2.3 The Council's policy requirements should be the starting point for applicants and viability appraisals should work backwards from this. The Council will expect land transactions to reflect policy, rather than the other way around. • Evidence should be provided to show what consideration has been given to alternatives in order to improve viability. Such measures can include altering

development densities, layout, dwelling tenure, and design and build specifications.

Development incomes / Gross Domestic Value

7.2.4 Projected sales values should be evidenced by either a bespoke valuation provided by an independent chartered surveyor (RICS), using the red book valuation approach, or local estate agent market appraisals specific to the unit type and location. Recent sales evidence of comparable development sites should be submitted in support of these assumptions.

7.2.5 Cost estimates should be provided by a Quantity Surveyor or other suitably qualified professional. Build costs should be provided as £ per m² of Gross Internal Area (GIA) and should cover sub and super structure. This will be different for different types of dwelling (e.g. flats compared with housing; conversion compared with new-build).

External works and infrastructure.

7.2.6. Site Preparation/Demolition – site preparation/prelims and a reasonable allowance for demolition is included within BCIS so additional cost should not be included in this section if BCIS data is used. If substantial demolition is required, the costs should be evidenced by quotes. Written evidence will be required to support site infrastructure costs/external works, such as the following:

- Strategic landscaping
- Roads and sewers
- Services (power, water, gas, telecommunications and IT)
- Plot specific external works
- Off-site works
- Public open space
- Site specific sustainability initiatives

Abnormal / exceptional development costs.

7.2.7 Any developer buying a site would be expected to undertake a proportionate amount of due diligence work to ensure that the price paid for the land reflects the prevailing conditions. Whilst the following may be considered as 'abnormal costs' the Council would expect the land transaction price to reflect these costs:

- demolition works - included in external works and infrastructure
- noise bunds
- Remediation works
- knotweed removal
- decontamination
- archaeological and ecological surveys
- land stabilisation

- drainage and flood prevention measures

7.2.8. The above list is not exhaustive, and it is recognised that there may be other genuine unknown abnormal/exceptional development costs. All costs will need to be robustly evidenced.

Professional fees.

7.2.9. These may include fees for planning application(s), land acquisition, architect, planning agent, quantity surveyor, building control and stamp duty.

Finance costs

7.2.10 Details of project finance, related to phasing of construction and sales, should be clearly set out. The proportion of the overall cost to be met by securing bank loans, and the rate of interest applicable to these, should be included in the open book assessment. Developer internal overheads are often included within developers return/profit, however, where these are shown as a separate item they should be reflected in the reasonable projected profit margin.

Fees relating to the marketing and sale of the units.

7.2.11 These may include the reasonable costs of sales (e.g. marketing agent commission) and legal input for the sale or transfer of units. These costs must be benchmarked in line with current industry standards and phased appropriately.

Build contingency.

7.2.12 The Council recognise that an inclusion of a contingency allowance to cater for the unexpected is often necessary. The amount is usually reflected as a percentage of the construction build cost, dependent upon the nature of the development and associated risk. The developer will be required to justify the level of contingency included within their viability appraisal. An allowance of 5% on total construction costs has been included within the DVM.

Land Value Benchmark and /or Land Acquisition Cost (check if this is needed)

7.2.13. The Council will need to agree with the applicant an appropriate Benchmark Land Value (BLV). Normally the BVL will be the Existing Use Value (EUV) of the site, although in some instances an AUV (Alternative Use Value) may be considered appropriate. A reasonable amount of uplift from EUV will be expected to incentivise a landowner to release land for development, and typically this would be expected to be between 10-20% more than existing use values.

7.2.14 Examples of EUV are agricultural value, or industrial value; typically £10,000 per hectare and £200,000 per hectare respectively in South Wales. The Council will consider the uplift and whether returns to land owner are

competitive. Normally a 10 to 20 fold increase in value from agricultural is considered viable (Homes and Communities Agency Area Wide Viability Model).

7.2.15 The Council will be receptive to cases where an applicant has properly evidenced an existing use value. But this must be based on the current use value and not hope value for residential or any other use.

Developer margin / profit

7.2.16 The level of developer profit will reflect the degree of risk to the developer. The required profit margin should be fully justified. For affordable units the level of profit should be significantly less than for open market units, to reflect the lower risk profile. Typically, the level of developer profit on the open market housing will be between 15% and 20% depending on the prevailing market conditions, the site-specific circumstances and the degree of risk involved. Typically, the level of developer profit on the affordable housing would be around 6%.

7.2.17 Where a developer is seeking a reduction in affordable housing or other planning obligations, they should be prepared to be flexible on the amount of developer profit and should not expect to protect a 20% profit margin at the expense of affordable housing or planning obligations. A balanced approach should be taken to have regard to both the commercial interests of the developer and the public interest being secured through planning obligations and affordable housing delivery.

Phasing

7.2.18 In some cases, a phased approach will be recommended. The anticipated build period should be stated, along with an estimate of projected sales values and projected development costs for the period of the build. The applicant should state whether the affordable housing or other planning obligation requirements have been front loaded in their appraisal.

Mechanisms for Dealing with Development Viability Issues

7.2.19 Where the Council is satisfied that the development cannot meet the affordable housing requirement the Council will discuss with the developer the options available to achieve economic viability. Before exploring the potential for either off site provision or a commuted sum payment, the council will also consider the balance between seeking affordable housing and its other planning obligation requirements and wider strategic planning issues. Reference is drawn to the Planning Obligations SPG and the prioritisation of planning obligations.

7.3 Affordable Housing Action Areas

- 7.3.1 In agreeing to provide affordable homes as part of a large development it will be formalised as a section 106 agreement. This will state either the percentage of affordable homes the developer has agreed to provide (outline applications) or identified on the site layout plan within any detailed planning application.
- 7.3.2 The sale prices of these homes will be restricted both at initial sale and at all future sales, based on multiples of the gross median household income in the four Affordable Housing Action Areas. This is currently 4.17 times median household income for a typical 3 bedroom. This applies to low-cost home ownership dwellings only.
- 7.3.3 These figures are updated in November each year and can be found on the Council website.

8 Design Considerations

8.1 Affordable Housing Integration

- 8.1.1 The Council is determined to ensure that affordable housing should not imply substandard accommodation, poor quality design or materials. Affordable housing should blend in with an open market housing scheme in order that they are integrated properly whilst providing quality and choice within the development. Consequently, in order to facilitate greater social mix and enable a greater variety in building form and design, the different types of affordable houses will be dispersed throughout the site, in clusters of no more than 10 dwellings unless the Council agrees that the amount of affordable housing and the nature of development makes this impractical or undesirable.
- 8.1.2 The identification of the affordable housing areas will be secured through a Section 106 agreement and where relevant require the involvement of a RSL at the outset to ensure that the completion and occupation of the affordable housing groups is phased in relation to the market housing.
- 8.1.3 Attention should be given to the other policies contained within the Revised LDP, relevant development briefs or other supplementary planning guidance (e.g. amenity standards and parking standards). This will ensure that the design, layout and development standards that apply to other residential development proposals are maintained within affordable housing schemes, are appropriate to the residential character of the area, and provides a satisfactory standard of accommodation.

8.2 Welsh Development Quality Requirements 2021: Creating Beautiful Homes and Places (WDQR)

- 8.2.1 Welsh Development Quality Requirements 2021” (WDQR 2021) “Creating Beautiful Homes and Places” sets out the minimum functional quality standards for new and rehabilitated general needs affordable homes.
- 8.2.2 WG require all new affordable homes delivered through planning agreements (under section 106 of the Town and Country Planning Act 1990) and planning conditions to meet the “space requirements” prescribed in Appendix A and Appendix B of WDQR 2021, for agreements entered into after 01 October 2021.
- 8.2.3 The Council will require the applicant to demonstrate that proposals for all new and refurbished social rented and intermediate housing built for RSLs for the purposes of affordable housing, including LCHO, meet these standards. The onus will be on the applicant to demonstrate compliance by clearly annotating the plans and confirming in writing that the scheme complies with the requirements.

9. Legal Agreements for on-site provision, off-site provision and commuted sums

Reference is drawn to Chapter 3 of the Planning Obligations SPG which sets out the process of completing S106 agreements.

Appendix 1 – Establishing the commuted sum contribution on sites of 10 or more dwellings

A1.1 Formula for calculating the Affordable Housing contribution using a percentage of the cumulative floor space.

A1.2 In conjunction with paragraph 4.1.4 of the SPG, the following example indicates how the calculation for affordable housing can be achieved.

Example

A1.3 The proposed development is a scheme within Ammanford. The development is for 15 dwellings and therefore would need to meet the 10% affordable housing target set in Policy AHOM1. The site falls within the Ammanford and Amman Valley Affordable Housing Action area. The affordable housing need within the Ammanford and Amman Valley Action area is for 5 -person 3 bed properties.

1. Total cumulative floor space of all the units on the development site x Affordable Housing target
2. Identify the type of affordable unit requested by the Housing Section of the Local Authority.
3. Calculate the DQR of the type of affordable housing required from the development to work out the contribution due.

(a) Total Cumulative Floor Area		1250m ²
(b) @ 10% AH target		125 m ²
(c) DQR of the affordable property	@	93m ²
(d) Contribution due ((b) ÷ (c))		1.34
 Financial Contribution		
(e) Average market value of properties sold within the scheme		£220,000
(f) Less affordable price 3 bed property Ammanford and Amman Valley Action Area		£155,724
		£64,276
	x 1.34 (the contribution due)	
(g) Affordable housing contribution		£21,853

If the unit should be provided on site the contribution would be:-

- 1x Type 3 bed property and
- Financial contribution of 0.34 of a dwelling which equates to £21,853

A1.4 On larger scale development sites, the type of units requested as affordable units on-site should be considered on a case by case basis with the Development Management Officer.

NB: The following values will change on an annual basis

1. Affordable housing Action Area values

Appendix 2 - Establishing the commuted sum contribution on sites of between 5-9 dwellings

Example

A2.1 The proposed development is a scheme within Llanelli and the scheme is for 8 dwellings. The affordable housing need within the Llanelli area is for 5 -person 3 bed properties.

1. Total cumulative floor space of all the units on the development site x Affordable Housing target
2. Identify the type of affordable unit requested by the Housing Section of the Local Authority.
3. Calculate the DQR of the type of affordable housing required from the development to work out the contribution due.

(a) Total Cumulative Floor Area	720m ²
(b) @ 10% AH target	72 m ²
(c) DQR of an affordable property	@ 93m ²
(d) Contribution due ((b) ÷ (c))	0.77

Financial Contribution

(e) Average Open market value of the dwellings within the development	£200,000
(f) Less affordable price 3 bed property within the Llanelli and District Affordable Housing Action area (2026)	£149,920
	£50,080
	x 0.77 (the contribution due)
(g) Total Affordable housing contribution	£38,561.60

(h) £ per sqm contribution £38,561.60 / 720sqm = £53.55 per sqm

NB: The following values will change on an annual basis

2. Average House value for the size of the dwelling proposed within the Affordable Housing Action Area
3. Affordable housing Action Area value

Appendix 3 - Establishing the commuted sum contribution on sites of between 1-4 dwellings

Example

A3.1 The proposed development is a scheme within Carmarthen and the scheme is for 2 no x 4-bed dwellings.

1. Difference between the average house value of a 4-bed within the Carmarthen and West Affordable Housing Action Area and the affordable house value

Benchmark average house value minus Carmarthen and West AHAA value
£320,000 - £191,813 = £128,187

2. Placing a 5% affordable target on the value of (1) = £6,409.35
3. Dividing the 5% Affordable Target Value of a 4-bed dwelling (114sqm) to provide a £ per square metre cost

£6,409.35 / 114sqm = £56.22 per square metre

4. Multiply the £ per square metre by the total habitable floor space proposed within the 2 dwellings.

NB: The following values will change on an annual basis

1. Average House value for the size of the dwelling proposed within the Affordable Housing Action Area.
2. Affordable housing Action Area value.

Appendix 4 – Glossary

<p>Affordable Housing Benchmark Rents Rent levels set by the Welsh Government which are affordable.</p>	<p>The definition of ‘Affordable Housing’ for the purposes of the land use planning system is housing where there are mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers.</p>
<p>Affordable Rent</p>	<p>This is usually called intermediate renting which aims to provide a housing solution to people who are in regular work but are unable to buy a house due to financial circumstances such as no deposit being available to them, their income is not high enough or there may be problems with their credit score and mortgage companies will not accept them for a mortgage.</p> <p>The intermediate rent is normally above the social rents usually charged by the Council or housing associations, but below open market rents. This is at 80% of the market rent, and normally within Local Housing Allowance for the type of property.</p> <p>This scheme could lead to low cost home ownership as the housing association will sell for below open market value in the future as long as the value has increased above the cost of the development.</p>
<p>Benchmark Rents</p>	<p>Rent levels set by the Welsh Government which are affordable</p>
<p>Common Housing Register</p>	<p>The register for people who wish to be considered for affordable</p>

	<p>rented accommodation in Carmarthenshire owned by Carmarthenshire County Council or RSLs. Applicants are assessed and placed in bands on the register.</p>
<p>Design Quality Requirement (DQR)</p>	<p>Minimum space and technical standards required of all affordable homes. These standards are set by the Welsh Government.</p>
<p>Exception sites</p>	<p>These are sites for 100% affordable housing to meet local needs, within or adjoining settlements, on sites where housing would not normally be permitted. Allowing housing on land with little or no development value can enable housing to be built at a low cost and sold or rented at affordable levels.</p>
<p>Low Cost Home Ownership (LCHO)</p>	<p>Affordable Housing that is available to purchase at a price below what is provided on the open market. Low Cost Home Ownership homes in Carmarthenshire are available to purchase by eligible households. Prices vary according to the size of the property.</p> <p>Affordable homes for sale are aimed at people who can get a mortgage, but cannot afford a suitable home at open market prices.</p> <p>These homes are usually delivered through the planning system on new private housing developments; on council owned land; or by Housing Associations. These are usually sold on a shared equity basis, with applicants purchasing a % share and the Council or housing association taking the remaining share up to the market value of the home as a second charge.</p>
	<p>In agreeing the requirements in relation to Low Cost Home</p>

	Ownership / Affordable Homes, applicants should seek to contact the Housing Department of the Authority.
Nominations	Nomination agreements are used to ensure that the affordable housing units of the development are held for local people in affordable housing need. Those nominated for affordable housing should be listed on Common Housing Register which is operated by all social housing providers across the County.
Perpetuity	Affordable homes should remain affordable for the lifetime of the property. This has been described as “in perpetuity” for the purposes of this SPG.
Registered Social Landlord (RSL)	Registered Social Landlord (RSL) is the term for a landlord registered with the Welsh Government. Most are Housing Associations but they may also be trusts or co-operatives. They are run as not-for-profit businesses. Any surpluses are ploughed back into the organisation. They are run by committees or boards of management made up of volunteers. A typical board might include tenants, local authority members, business / professional people and representatives from voluntary organisations.
Section 106 Agreements	A legal agreement made under section 106 of the Town and Country Planning Act 1990, between a Local Planning Authority and the person, organisation or business that owns the land subject of a planning application, specifying, how various planning obligations are to be achieved. Section 106 agreements run with the land and apply to successive owners. The delivery

	of affordable housing will normally be through a section 106 agreement as its future retention is often too complex
Social Housing Grant	The grant paid by the Welsh Government to Local Housing Authorities to aid the building of social housing programmes.
Unilateral Undertaking	Under section 106 of the Town and Country Planning Act 1990 (TCPA 1990), a person with an interest in land can enter into a planning obligation either with the agreement of the Council or through a unilateral undertaking. This standard document is a unilateral undertaking to pay the Council a financial contribution. The Council is not a party to the document
Viability	A development scheme is considered viable if overall revenue is greater than costs, by sufficient margin for the developer to make a reasonable profit and the landowner to be paid an acceptable residual value.
Welsh Housing Quality Standard (WHQS)	A standard set by the Welsh Government to ensure that dwellings are of good quality and suitable for the needs of existing and future residents. It relates to both existing and new dwellings.