

**15<sup>TH</sup> MARCH 2024**

<b>Cabinet Member:</b> Cllr. Linda Evans	<b>Portfolio:</b> Homes & Deputy Leader
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**SUBJECT:**  
**SECTION 106 TOWN AND COUNTRY PLANNING ACT 1990 - AFFORDABLE HOUSING PRICE CALCULATION**

**Purpose:**

The purpose of this report is to update the affordable housing calculation used in Section 106 agreements to set the affordable price. This will ensure that the affordable price continues to follow the parameters of affordability set in the Local Housing Market Assessment.

**Recommendations / key decisions required:**

1. To confirm that a multiplier of 4.17 times median income levels is used to calculate the affordable price in each community connection area, in line with the evidence provided in the local housing market assessment and the recommendations of UK Finance (formally the Council of mortgage lenders);
2. To confirm that increasing the multiplier to 4.17 times median income levels will reduce the risk of private developments being unable to deliver affordable homes through the planning system due to scheme financial viability issues;
3. It is agreed that the formula used in Section 106 agreements is amended to reflect the increased median income levels multiplier and applies to all property types; and
4. It is agreed that the affordable housing price calculation is reviewed and updated when required in line with the parameters of affordability set in the local housing market assessment and the recommendations of UK Finance.

**Reasons:**

1. To ensure that the affordable price set by the Town and Country Planning Act 1990, Section 106 agreements are affordable and follow the Welsh Government, Local Market Assessment Guidance for 2023/24;
2. To ensure the provision of affordable housing via the planning system on residential developments continues to be viable; and
3. To ensure that the vital supply of affordable housing through developer contributions and the planning system is maintained.

<p>Directorate <b>Communities</b></p> <p>Name of Head of Service: <b>Jonathan Morgan</b></p> <p>Report Author: <b>Rachel Davies</b></p> <p><b>Steven Murphy</b></p>	<p>Designation</p> <p>Head of Housing &amp; Public Protection</p> <p>Investment and Development Service Manager</p> <p>Senior Solicitor</p>	<p>E Mail Address/Tel. No. :</p> <p><a href="mailto:JMorgan@carmarthenshire.gov.uk">JMorgan@carmarthenshire.gov.uk</a> <b>01267 228960</b></p> <p><a href="mailto:RaMDavies@carmarthenshire.gov.uk">RaMDavies@carmarthenshire.gov.uk</a> <b>07884 235714</b></p> <p><a href="mailto:SPMurphy@carmarthenshire.gov.uk">SPMurphy@carmarthenshire.gov.uk</a> <b>01267 224693</b></p>
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**Declaration of Personal Interest (if any):**

**None**

**Dispensation Granted to Make Decision (if any):**

**N/A**

**(If the answer is yes exact details are to be provided below:)**

**DECISION MADE:**

Signed: \_\_\_\_\_ DATE: \_\_\_\_\_

CABINET MEMBER

**The following section will be completed by the Democratic Services Officer in attendance at the meeting**

Recommendation of Officer adopted	YES / NO
Recommendation of the Officer was adopted <b>subject to the amendment(s) and reason(s) specified:</b>	
Reason(s) why the Officer's recommendation was <b>not adopted:</b>	

**EXECUTIVE SUMMARY**  
**CABINET MEMBER DECISION MEETING FOR HOMES &  
DEPUTY LEADER**

**15<sup>TH</sup> MARCH, 2024**

**SECTION 106 TOWN AND COUNTRY PLANNING ACT 1990 - AFFORDABLE  
HOUSING PRICE CALCULATION**

**Purpose**

The purpose of this report is to update the affordable housing calculation used in Section 106 agreements to set the affordable price. To ensure that it continues to follow the parameters of affordability set in the Local Housing Market Assessment.

**Context**

Increasing the supply of affordable homes in the county is a key strategic priority for the Council. To date, over 2,000 additional homes have been delivered using a range of solutions. This includes securing affordable homes on private sites through developer contributions, set by the planning system and controlled via Section 106 agreements.

The affordable homes delivered through Section 106 agreements provide a vital supply of homes for low-cost home ownership for local people. Over 320 homes have been secured through this mechanism. These homes allow individuals and families to exit the rental market and access home ownership. People who would otherwise be unable to do so at market values without this subsidy, keeping the affordable price in line with the median income levels within the county.

Local planning authorities must ensure that planning policies including the affordable price set within Section 106 agreements are based on evidence contained within the Local Housing Market Assessment (LHMA). The calculation used to set the affordable price in Section 106 agreements no longer reflects the evidence within the new 2024 LHMA (which will supersede the last LHMA done in 2019 later this year).

## Calculating and Setting the Affordable Price

The Section 106 affordable price is set in accordance with the recommendations of the WG Planning Policy Wales Technical Advice Note (2006) for affordable housing. It is based on an assessment of the ratio of household income to open market property prices defined geographically by the six community connection areas in the Local Development Plan, namely Towy, Teifi, Taf Myrddin, Amman, Gwendraeth and Llanelli.

Each Section106 agreement contains specific clauses which set the price at which affordable housing is sold in each development. Each home must then continue to be sold at this affordable price in perpetuity.

Since the scheme was first introduced in 2008, we have used a multiplier of three which is then applied to the median household income for each of the Community Connection areas to calculate the affordable home sale price. This calculates the sale price for 1,2,3 and 4 bedroom homes. The multiplier of three reflected the ratio of income to mortgage levels which was typical of the market at the time.

Based on the multiplier of three the current affordable housing prices for 2024 are as follows:

Community Connection Area	Median Household Income	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Aman	£32,317	£68,036	£85,045	£102,054	£119,063
Gwendraeth	£34,063	£71,712	£89,639	£107,567	£125,495
Llanelli	£30,374	£63,945	£79,932	£95,918	£111,904
Taf Myrddin	£33,907	£71,383	£89,229	£107,075	£124,921
Teifi	£31,823	£66,996	£83,745	£100,494	£117,243
Tywi	£34,852	£73,373	£91,716	£110,059	£128,402

The affordable price is calculated as a percentage of the open market value of the property at the point of first sale. This percentage is then used to set the affordable price for all future sales. The homeowner owns the home outright, but the affordable price is set in perpetuity by placing a charge on the property.

When the calculation was first introduced the affordable price equated to 60 – 70% of the open market value. In today's market, using the multiplier of three now equates to 35 – 45% of open market value, making the provision of affordable homes unviable on many private developments. This results in fewer homes being delivered and consequently adversely affecting the number of affordable homes being delivered through developer contributions and the planning system.

Buying homes at less the 50% of the open market value also restricts the number of mortgage lenders who are prepared to lend in this market. Increasing the affordable price to over 50% would increase competition between mortgage lenders and potentially enable affordable home buyers to get lower mortgage rates.

## Way forward and recommendations

Providing more affordable homes through the planning system is a vital source of homes in the county for low-cost home ownership. To ensure that the provision of affordable homes continue to be viable on private developments it is proposed that the multiplier of three times median income levels is increased to 4.17 which reflects the evidence from UK Finance (formerly the Council of Mortgage Lenders) on current multiples of income lent to home buyers in Wales and evidenced in the WG LHMA guidance for 2023/24.

Applying this increased multiplier will increase the affordable price in each of the community connection areas. This will ensure that the affordable price is approximately 60% of open market value, making the provision of affordable homes through Section 106 agreements more viable on development sites.

Based on a multiplier of 4.17 times median income levels, the affordable prices for 2024 would be as follows:

Community Connection Area	Median household income	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Aman	£32,317	£82,408	£112,786	£134,762	£159,969
Gwendraeth	£34,063	£86,861	£118,880	£142,043	£168,612
Llanelli	£30,374	£77,454	£106,005	£126,660	£150,351
Taf Myrddin	£33,907	£86,463	£118,335	£141,392	£167,840
Teifi	£31,823	£81,149	£111,062	£132,702	£157,524
Tywi	£34,852	£88,873	£121,633	£145,333	£172,517

### Recommendation 1

To confirm that a multiplier of 4.17 times median income levels is used to calculate the affordable price in each community connection area, in line with the evidence provided in the new 2024 local housing market assessment and the recommendations of UK Finance (formally the Council of mortgage lenders).

### Recommendation 2

To confirm that increasing the multiplier to 4.17 times median income levels will reduce the risk of private developments being unable to deliver affordable homes through the planning system due to scheme financial viability issues;

Median household income levels are calculated annually using CACI Paycheck data. The multiplier of 4.17 of median income levels applies directly to three-bedroom properties as they account for more than half of all house sales in the county. The three-bedroom property type is used as the benchmark for the affordable price calculation. The affordable prices for other property sizes are calculated based on typical internal floor areas compared with three-bedroom homes. The internal floor area for each property type is listed below and reflects the size of homes that are delivered for low cost home ownership.

Property Type	Size
1 Bedroom	49m <sup>2</sup>
2 Bedroom	67m <sup>2</sup>
3 Bedroom	80m <sup>2</sup>
4 Bedroom	95m <sup>2</sup>

To ensure that the affordable price can be applied to all house types, a formula is required that calculates the affordable price in accordance with property size. It is recommended that the formula used in Section 106 agreements to calculate the affordable price is amended to the following:

Affordable Housing Formula			
One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
$i \times 2.55$	$i \times 3.49$	$i \times 4.17$	$i \times 4.95$
i = median household income for the area			

### Recommendation 3

It is agreed that the formula used in Section 106 agreements is amended to reflect the increased median income levels multiplier and applies to all property types.

### Recommendation 4

It is agreed that the affordable housing price calculation is reviewed and updated when required in line with the parameters of affordability set in the local housing market assessment and the recommendations of UK Finance.

DETAILED REPORT ATTACHED?

NO

# IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Jonathan Morgan

Head of Housing & Public Protection

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets	Bio-diversity & Climate Change
NONE	YES	NONE	NONE	NONE	NONE	NONE	NONE

## 2. Legal

Any change to the median income levels multiplier used to calculate the affordable housing price will require an amendment to the current template used for Section 106 agreements to reflect the new calculation. The changes cannot be applied retrospectively to previous agreements unless a deed of variation is agreed and the necessary evidence in support is deemed sufficient by the Council.



## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Jonathan Morgan

Head of Housing & Public Protection

1. Scrutiny Committee – N/A

2. Local Member(s) - N/A

3. Community / Town Council – N/A

4. Relevant Partners - N/A

5. Staff Side Representatives and other Organisations - N/A

Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:

**THERE ARE NONE**

Title of Document	File Ref No.	Locations that the papers are available for public inspection