



Revised Approach to Affordable Housing Transfer Values

1. Introduction

- 1.1 The purpose of this paper is to set out Monmouthshire County Council's (MCC) revised approach to determining the transfer values for nil-grant social rented housing secured through S106 residential developments in the County (excluding the area with the Bannau Brycheiniog National Park). It is proposed that this approach will be utilised for sites currently being progressed through the Replacement Local Development Plan (RLDP) process and will be taken forward in updated Affordable Housing Supplementary Planning Guidance (SPG) following adoption of the RLDP.

Background

- 1.2 Transfer Values for nil-grant social rented housing secured through the planning system have historically been linked to Welsh Government's Acceptable Cost Guidance (ACG) which is the approach currently used by MCC. The developer's contribution has conventionally matched the 58% of ACG grant intervention rate that would otherwise be utilised for Social Housing Grant (SHG) funded schemes. This means that the Registered Social Landlord (RSL) or the Council purchase each social rented dwelling from the developer for 42% of the full ACG.
- 1.3 Until recently, ACGs included both a land value component and a works component, varying by dwelling size, type and geographical band. ACGs have been used as a common reference point for S106 transfer values as they were considered to represent the typical costs for building social rented dwellings within Wales. However, a change in the model for determining grant funding has meant that Welsh Government are no longer publishing ACGs based on the cost of 'land and works'. Rather, ACG's published since 2021 do not include a 'land value component' and do not, therefore, provide a suitable basis to set nil-grant affordable housing transfer values for S106 schemes. The last 'land and works' figures were published by Welsh Government in August 2021 and are becoming increasingly out of date. Accordingly, a new methodology for calculating transfer values is required.
- 1.4 Welsh Government's Housing Team confirmed that ACGs were never meant to be used to base S106 transfer values on, even though they have widely been used in this manner for many years by most Local Authorities. They have also confirmed that they are unwilling to reverse their decision not to include the land component. This has created an issue for the majority of local authorities, whose policy has been to base the transfer values on the ACG rates.

2. Monmouthshire's Current Policy – Affordable Housing Transfer Values

- 2.1 Monmouthshire's current policy for calculating affordable housing transfer values is based on the ACG rates published by Welsh Government in 2021. This policy approach is set out in the Affordable Housing Supplementary Planning Guidance for the Adopted LDP and states that RSLs will pay 42% of the current ACG rates for the affordable homes (social rented properties).
- 2.2 Areas are categorised into bands, based on land value information obtained from the District Valuation Service, with Band 1 being the least expensive and Band 5 being the most expensive. Monmouthshire predominately includes ACG Bands 4 and 5.
- 2.3 In view of the issues with ACGs noted above, and in order to ensure the figures being paid for new social rented units reflect inflation, it is necessary to apply a new methodology to determine appropriate transfer values in Monmouthshire.

3. Regional Viability Working Group

- 3.1 To assist with this issue, a regional Viability Working Group was set up as part of the South East Wales Planning Group (representing the ten local planning authorities within South East Wales, including Monmouthshire), where a number of alternative options for calculating transfer values were explored with the intention of developing a consistent methodology for the region. A number of options were considered including capitalised RSL rents, new land and works based transfer values, capitalised incomes and different percentages of market value, all of which were discounted for various reasons.
- 3.2 The Group's preferred and most pragmatic option was to apply inflationary uplifts to the 2021 ACGs on the basis that this method allows for indexation linked to annual social rental increases, provides a regular mechanism to update these values in a transparent way and promotes regional consistency. Of note, this approach is being used by other local authorities in South East Wales, including Bridgend County Council and the Vale of Glamorgan Council.

4. Recommended Approach - Transfer Value based on Inflationary Uplift to 2021 ACGs

- 4.1 In view of the above, the recommended approach to calculating transfer values for social rented dwellings for sites progressing through the RLDP process is to use the 2021 'land and works' ACG values as a baseline and apply an annual uplift in line with WG's maximum published social rent inflation. Of note, while this methodology is being implemented by other local authorities, the derived transfer values proposed in this paper are specific to Monmouthshire County Council.
- 4.2 Applying a suitable uplift to the 2021 'land and works' values is considered a pragmatic way forward, especially if that uplift was related to the additional annual rental yield an RSL could receive. The land component of the 2021 ACG's was informed by a comprehensive Wales-wide sample of land values (previously provided to WG by the DVS) that allowed broader community

Council level bands to be demarcated accordingly. Equally, the works component of the 2021 ACGs took account of the Approved Part L to the Building Regulations 2010 (which came into force on 23rd November 2022) and the impact of the launch of WDQR on SHG funded schemes of the same year.

- 4.3 It is important that the transfer values are at a level that RSLs can afford to pay, but at the same time are not so low that they affect the viability of a scheme or the number of affordable homes that can be developed. This is of particular importance given the Council's approach set out in the RLDP for all allocated sites to provide 50% affordable homes. The requirement will remain that RSLs will be expected to pay no more than 42% of the uplifted transfer values for social rented dwellings.
- 4.4 The maximum social rent uplifts published by WG since 2021 are as follows:
- April 2022 – 3.1%
 - April 2023 – 6.5%
 - April 2024 – 6.7%
 - April 2025 – 2.7%
- 4.5 The updated ACG figures and resultant transfer values for Monmouthshire which incorporate uplifts for 2022, 2023, 2024 and 2025, are set out in Appendix 1. Tables are provided for developments of 10 homes and under and 11 or more homes, by ACG Band 4 and Band 5. It is not considered necessary to include figures for Band 3 as this only relates to one area in the Bannau Brycheniog National Park which is outside the MCC planning administrative area. The transfer values will be updated annually or as necessary.
- 4.6 Of note, transfer values for nil-grant intermediate housing on sites progressing through the RLDP, including low cost home ownership (LCHO) and intermediate rent, will be 60% of open market value. This reflects the approach taken in the viability modelling in the RLDP.

5. Affordable housing tenure

- 5.1 The Council's current policy is for the affordable homes to be delivered as neutral tenure as this allows flexibility to change the tenure according to need. This may need reviewing in line with the RLDP policy requirement of 50% affordable housing provision on site to ensure that developments remain viable.
- 5.2 For the viability modelling for the RLDP developers were asked to assume that 70% of the homes would be provided as social rent with the remaining 30% as intermediate.

6. Next Steps

- 6.1 It is proposed that the revised approach to affordable housing transfer values will be utilised for sites being progressed through the RLDP process and will be taken forward in an updated Affordable Housing SPG following adoption of the RLDP. The next step, therefore, will be for MCC to liaise with our RSL partners

to review the revised approach set about above and seek feedback on the transfer values provided in Appendix 1. As this approach is proposed for use in the medium-long term it will be subject to regular review. Ongoing engagement with WG will also be maintained to encourage development of a national set of transfer values in the future.

Appendix 1

Transfer Values for Developments of 11 Homes and Over

ACG Band	Dwelling Size	Dwelling Type	2021 ACG Values	Uplifted ACG from 1 st April 2025	Transfer Values from 1 st April 2025 (42% of Uplifted ACG)
Band 4 Settlements	7 Person, 4 Bed	House	£276,400	£332,568.55	£139,648.79
	6 Person, 4 Bed	House	£257,200	£309,466.83	£129,976.07
	5 Person, 3 Bed	House	£220,600	£265,429.17	£111,480.25
	4 Person, 3 Bed	House	£206,600	£248,584.16	£104,405.35
	4 Person, 2 Bed	House	£198,000	£238,236.51	£100,059.34
	3 Person, 2 Bed	House	£191,400	£230,295.30	£96,724.02
	2 Person, 1 Bed	House	£158,600	£190,829.85	£80,148.54
	3 Person, 2 Bed	Bungalow	£188,300	£226,565.33	£95,157.44
	3 Person, 2 Bed	Flat	£160,200	£192,755.00	£80,957.10
	2 Person, 1 Bed	Flat	£132,800	£159,786.91	£67,110.50

ACG Band	Dwelling Size	Dwelling Type	2021 ACG Values	Uplifted ACG from 1 st April 2025	Transfer Values from 1 st April 2025 (42% of Uplifted ACG)
Band 5 Settlements	7 Person, 4 Bed	House	£296,400	£356,632.84	£149,785.79
	6 Person, 4 Bed	House	£274,200	£329,921.48	£138,567.02
	5 Person, 3 Bed	House	£235,300	£283,116.42	£118,908.90
	4 Person, 3 Bed	House	£220,400	£265,188.52	£111,379.18
	4 Person, 2 Bed	House	£211,800	£254,840.88	£107,033.17
	3 Person, 2 Bed	House	£205,200	£246,899.66	£103,697.86
	2 Person, 1 Bed	House	£172,300	£207,313.90	£87,071.84
	3 Person, 2 Bed	Bungalow	£205,200	£246,899.66	£103,697.86
	3 Person, 2 Bed	Flat	£167,100	£201,057.18	£84,444.02
	2 Person, 1 Bed	Flat	£138,900	£167,126.52	£70,193.14

Transfer Values for Developments of 10 Homes and Under

ACG Band	Dwelling Size	Dwelling Type	2021 ACG Values	Uplifted ACG from 1 st April 2025	Transfer Values from 1 st April 2025 (42% of Uplifted ACG)
Band 4 Settlements	7 Person, 4 Bed	House	£296,000	£356,151.56	£149,583.65
	6 Person, 4 Bed	House	£276,200	£332,327.91	£139,577.72
	5 Person, 3 Bed	House	£236,800	£284,921.25	£119,666.92
	4 Person, 3 Bed	House	£221,800	£266,873.02	£112,086.67
	4 Person, 2 Bed	House	£212,300	£255,442.48	£107,285.84
	3 Person, 2 Bed	House	£205,300	£247,019.98	£103,748.39
	2 Person, 1 Bed	House	£169,500	£203,944.89	£85,656.86
	3 Person, 2 Bed	Bungalow	£200,400	£241,124.23	£101,272.18
	3 Person, 2 Bed	Flat	£173,500	£208,757.75	£87,678.26
	2 Person, 1 Bed	Flat	£143,600	£172,781.63	£72,568.29

ACG Band	Dwelling Size	Dwelling Type	2021 ACG Values	Uplifted ACG from 1 st April 2025	Transfer Values from 1 st April 2025 (42% of Uplifted ACG)
Band 5 Settlements	7 Person, 4 Bed	House	£316,000	£380,215.85	£159,690.66
	6 Person, 4 Bed	House	£293,200	£352,782.56	£148,168.67
	5 Person, 3 Bed	House	£251,500	£302,608.50	£127,095.57
	4 Person, 3 Bed	House	£235,600	£283,477.39	£119,060.50
	4 Person, 2 Bed	House	£226,100	£272,046.85	£114,259.68
	3 Person, 2 Bed	House	£219,100	£263,624.34	£110,722.22
	2 Person, 1 Bed	House	£183,200	£220,428.94	£92,580.15
	3 Person, 2 Bed	Bungalow	£217,300	£261,458.56	£109,812.59
	3 Person, 2 Bed	Flat	£180,400	£217,059.94	£91,165.17
	2 Person, 1 Bed	Flat	£149,700	£180,121.24	£75,650.92