



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>The West Northamptonshire Strategic Housing Market Assessment and the Council's Approach to Affordable Housing Provision in Northampton</b>
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**AGENDA STATUS:** Public

<b>Cabinet Meeting Date:</b>	9 <sup>th</sup> June 2010
<b>Key Decision:</b>	Yes
<b>Listed on Forward Plan:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	Planning and Regeneration, Housing
<b>Accountable Cabinet Member:</b>	Councillor Richard Church & Councillor Sally Beardsworth
<b>Ward(s)</b>	All

### 1. Purpose

- 1.1 To report on the significant findings of the West Northamptonshire Strategic Housing Market Assessment.
- 1.2 To outline the affordable housing policy implications this has for Northampton
- 1.3 To confirm the Council's approach to affordable housing requirements in terms of percentage of affordable dwellings sought in new development, their tenure and size mix; and to adopt this approach for the purposes of development control.

## **2. Recommendations**

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That Cabinet:

- 2.1 Note the outputs of the West Northamptonshire Strategic Housing Market Assessment May 2010 mentioned in this report
- 2.2 Agree that the West Northamptonshire Strategic Housing Market Assessment May 2010 is a robust piece of evidence that the Council should use to inform its decision making with regards to affordable housing planning policies and the Housing Strategy
- 2.3 Agree an affordable housing target of 35% in the Borough to be provided in new developments, subject to viability considerations, for developments of 15 dwellings or ½ hectare in association with Northampton Local Plan policy H32, in advance of a new policy being adopted within the revised West Northamptonshire Local Development Framework.
- 2.4 Agree an affordable housing tenure mix that is based on a target of 70% social rent and 30% intermediate housing types (e.g. new build home buy, below market rent, fixed equity, or other below market housing price products that may become available) within Northampton Borough.
- 2.5 Agree the approach of seeking a target of no more than 15% of affordable dwellings as 1 bed homes, with the Council placing more emphasis on the provision of 2 bed, 3 bed and 4 bed houses as part of any affordable housing negotiated.
- 2.6 Agree that these targets be adopted for the purposes of development control.

## **3. Issues and Choices**

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### **3.1 Report Background**

- 3.1.1 In June 2009 consultants Opinion Research Services (ORS) and Three Dragons were commissioned by the West Northamptonshire Joint Planning Unit to produce a Strategic Housing Market Assessment. Officers from both the Planning and Regeneration and Housing Directorates together with officers from Daventry and South Northamptonshire Districts were closely involved with the Joint Planning Unit in commissioning and overseeing the work of the consultants. The Assessment was published by the Joint Planning Unit in May 2010. The Assessment relates to the West Northamptonshire housing market area; it covers Northampton Borough and Daventry and South Northamptonshire Districts. The Assessment has been completed in accordance with national best practice guidelines.
- 3.1.2 The Strategic Housing Market Assessment seeks to identify the amount and type of housing required to meet market and affordable housing needs. This work informs both planning policy and housing strategy for the area. For planning purposes, it will help set an overall affordable housing target and

approach to affordable housing within the Local Development Framework replacing the Structure Plan and Local Plan.

- 3.1.3 Planning Policy Statement 3 (Housing) (PPS3) states that affordable housing targets should be set within an approved Local Development Framework, which would have been subject to examination for the test of soundness by the Planning Inspectorate. It also is clear about the need for affordable housing targets to be realistic and take into account financial viability. Three Dragons have completed the viability assessment work. This has fed into the affordable housing targets that ORS have recommended and influenced the targets and approach being recommended.
- 3.1.4 Northampton Borough Council has a 'saved' affordable housing policy H32 within the Northampton Local Plan 1997. This does not set a target for the proportion of affordable housing that will be negotiated as part of proposed housing developments. The current applicable target and threshold at which the target would be applied was set in 'Affordable Housing – Council Planning Policy Statement, which the Council adopted in December 2004.

## **3.2 Issues**

- 3.2.1 An Executive Summary of the Assessment as well as the full version of the published report has been made available for viewing in the Members' Room. The key headlines that emerge in relation to affordable housing needs in particular in relation to Northampton and the Northampton Implementation Area are that:
- there is a well evidenced need for a significant number of affordable homes,
  - viability and need considerations give rise to a range of targets across West Northamptonshire and Northampton,
  - there is now a very limited need for intermediate housing (New Build Home Buy/Shared Equity/reduced market rent) affordable housing, particularly in and around Northampton, and
  - although affordable housing need for one-bed room properties is high, the needs of families should be given high priority.

### **Affordable Housing Targets**

- 3.2.2 The Three Dragons work identified that within Northampton and the Northampton Implementation Area (to include the proposed Sustainable Urban Extensions (SUEs) that will be placed adjacent to Northampton Borough) a range of affordable housing percentages as part of new developments will be viable. They believe that a 40% target is achievable in the Southern Fringe and the SUEs. (See Appendix 1 for the classification areas) However, achieving the 35% affordable housing target in the rest of Northampton is more challenging from a viability perspective.
- 3.2.3 Three Dragons propose a 25% affordable housing target for the Suburban Older Urban Areas and Northampton East, recognising that this will be challenging for the latter two areas. They state that any affordable housing provision in the Older Urban Area and Northampton East should be fully supported with grant (either from the local authority itself or from the HCA). A

general recommendation is that individual schemes will need to be negotiated on viability and any change in house prices. The existing 15 dwelling threshold at which affordable housing requirements start is considered to be most appropriate level within Northampton.

- 3.2.4 Three Dragons have subsequently stated that the use of different targets across different parts of a housing market area is becoming more the norm. However, the use of different targets across a town is unusual. As can be seen from Appendix 1 the areas are not necessarily split from each other by for instance large areas of open space, or being separate settlements. For the areas identified there is likely to be much debate about whether the values in this area reflect those that have been identified, or whether another categorisation is more appropriate.
- 3.2.5 In advance of the potential differential targets being more thoroughly tested and possibly adopted within the emerging West Northamptonshire Local Development Framework, for ease of use there is some merit in using a borough wide target. It is proposed that this target is consistent with the 35% sought in 'Affordable Housing – Council Planning Policy Statement adopted in December 2004. Whilst this may mean lower targets than could possibly be achieved within the SUEs, it is considered that there will need to be further work done. This work will identify the extent to which a higher percentage could be sought, given that overall the affordable housing need within the Northampton Implementation Area is 33.7% of all housing to be delivered. From a sustainable communities' perspective the 35% is a good percentage to achieve. As evidenced by the Three Dragons work there does however need to be recognition that on many sites there will need to be a more detailed study of viability.

### **Affordable Housing Tenures**

- 3.2.6 In relation to Northampton, the Assessment has a number of recommendations on the type of tenure appropriate. When considering the potential housing that will be delivered within Northampton over the period 2008-2026, there is a heavy skew towards the need for social rented property. The Assessment identifies that in order to meet affordable needs, 71.9% of the 8,100 homes that will need to be delivered in the Borough until 2026 will need to be affordable. All this affordable housing should all be social rented accommodation. There is no need for intermediate housing.
- 3.2.7 Clearly this is a very high proportion of social rented affordable housing that would be very difficult to fully deliver as an affordable housing target in association with new developments. It also does not take into account the fact that significant amounts of housing related to the needs of Northampton will be provided outside but adjacent to the Borough in the Northampton Implementation Area. Taking this additional development into account, a social rented target of 33.3% is required to meet need, with a very small proportion (0.4%) intermediate. The Council will need to work with Daventry and South Northamptonshire Councils to ensure that there is the ability for nominations from Northampton to be housed within the Sustainable Urban Extensions on Northampton's borders.

3.2.8 ORS suggest however that small increases in house prices could create the need for much more intermediate housing. In reality significant levels of new housing activity are not likely to occur until there has been a reasonable house price rise. Notwithstanding the current overall needs, the provision of intermediate housing particularly within the SUEs would create more sustainable communities. It will not result in a situation of only market and social rented housing being provided in development. It will create more balanced communities by allowing those who might be able to afford to buy a used home, the opportunity of living in SUEs where prices are likely to be higher than the rest of Northampton. On this basis, in order to ensure that in the longer term there is a range of affordable housing provided in new developments, it is proposed that a 70% target for social rent and a 30% target for intermediate housing are sought within negotiations for proportions of affordable housing. This is the mix that has been assumed within the Three Dragons viability work and is considered the most appropriate for the purposes of negotiating with developers. A significant increase in the proportion of social rent will substantially affect viability and because of likely levels of social housing grant required from the Homes and Communities Agency is likely to reduce the amount of affordable housing attained overall.

#### **Affordable house sizes required**

- 3.2.9 For Northampton, when looking at affordable housing needs, of the 5,800 social rented homes required, in purely needs terms 39% are 1 bed, 31% are 2 bed, 27% are three bed and 2% are 4 bed. For the NIA these are 37% are 1 bed, 30% are 2 bed, 29% are three bed and 4% are 4 bed.
- 3.2.10 It is recognised that from a pure needs perspective the highest numbers will be generated by single people and couples without children, or with one child. When considered against the Government's definition of need, these groups will only require 1 or 2 bedroom properties. However, there are issues with using this need to literally interpret what should be negotiated as the size of accommodation agreed when providing affordable housing in association with new development.
- 3.2.11 Historically, although the Council has had success in negotiating affordable housing targets, there is still a shortfall against requirements. In particular the needs of larger households are more pressing and cause more pressing social issues than those of single people or couples. In addition there are management issues associated with the provision of a lot of one bedroom dwellings. Housing many people with the same characteristics can create problems. The one bedroom properties have a much higher turnover of occupants than other sizes of dwellings. In addition in times of affordable housing shortage they do not provide the flexibility to meet a range of housing needs that 2 bed properties or larger do. The cost of providing extra bedrooms is small against the capital expenditure associated with a one bed property.
- 3.2.12 There is a strong case against seeking to ensure that due to priority need requirements of larger households to not seek so much 1 bed property as the assessment shows and place more emphasis on 2 bed homes. Evidence of the waiting list information and allocation priorities indicate the need to provide

more houses rather than flats to meet more pressing affordable needs. On this basis it is considered appropriate to seek no more than 15% of one bed affordable homes within new developments.

### **Timing of the Local Development Framework Adoption Process**

- 3.2.13 Work is progressing on the West Northamptonshire Joint Core Strategy. A Pre-Submission Draft will be issued for consultation in October. It is likely that the document will set out the amount of affordable housing required in numbers, although it is not yet clear whether it will set a percentage target to be achieved in association with planning obligations, or whether these will be included within the proposed Planning Obligations Development Plan Document, which will also be go to Pre-Submission Stage in October 10. Given that there are planning applications for urban extensions currently awaiting determination there is some merit in the meantime in the Council using the findings of the Assessment to set out its response and applications that are submitted.

### **3.3 Choices (Options)**

#### **Option A**

- 3.3.1 Do nothing; do not take into account the results of the SHMA when negotiating affordable housing in association with new developments. This is not considered appropriate. There is a need to recognise that affordable housing requirements have changed with the housing market and that these should be reflected in the amount and type of affordable housing sought. There also needs to be further clarity on the Council's position with regards to tenure split and bedroom size than is set out in the 'Affordable Housing – Council Planning Policy Statement, which the Council adopted in December 2004.

#### **Option B**

- 3.3.2 Set the affordable housing target as recommended by Three Dragons, and the tenure mix and property sizes at the levels suggested in ORS in the Assessment. With regards to the lower targets than 35% the housing market has the potential to change very quickly, with prices rising particularly fast. In recent history 35% affordable housing has been achieved on sites within areas identified as marginal within the Three Dragons work. Given the high need for affordable housing within the Borough all potential sources should be identified. The Council can through the viability tool kit provided by Three Dragons take into account circumstances at the time to decide on the extent to which departure from higher affordable housing targets might be appropriate. With regards to the 40% target for SUEs suggested by Three Dragons, in the short term this is not considered appropriate to seek this amount, but that this be further tested as part of the advancement of the West Northamptonshire Local Development Framework.
- 3.3.3 With regards to tenure mix, it is considered that whilst need is overwhelmingly for social rented property, that there is merit, particularly in the Sustainable Urban Extensions in having an element of intermediate housing to ensure more balanced communities and opportunities for those that can afford more than social rent, but not market properties to live.

- 3.3.4 In addition, there is merit in targeting the affordable dwellings more towards priority needs and looking to longer term flexibility and stock management issues than more immediate needs. For this reason it is not considered that such an emphasis should be placed on 1 bed properties (which will invariably be in the form of flats).

### **Option C**

- 3.3.5 Seek an affordable housing target of 35% target across the Borough with the opportunity for the developer to show with tangible evidence that site viability would be adversely affected that the percentage would be able to drop. This is the preferred option in advance of the West Northamptonshire Local Development Framework substantially moving forward. The approach of setting a target that is flexible subject to taking into account viability on a site by site basis has been approved by the planning inspectorate when examining Wakefield Council's planning policies that have been adopted post the downturn in the housing market.
- 3.3.6 To seek an affordable housing tenure mix that is based on 70% social rent and 30% intermediate target within Northampton Borough. This is the preferred option as it will give considerable priority to meeting essential needs, but that there is merit, particularly in the Sustainable Urban Extensions in having an element of intermediate housing to ensure more balanced communities and opportunities for those that can afford more than social rent, but not market properties to live.
- 3.3.7 Seek no more than 15% of affordable dwellings as 1 bed homes, with the Council placing more emphasis on the provision of 2 bed, 3 bed and 4 bed houses as part of any affordable housing negotiated. This is the preferred option it targets the affordable dwellings more towards priority needs and provides longer term flexibility particularly for stock management a higher emphasis on 1 bed dwellings would.

### **Option D**

- 3.3.8 As long as it can be shown to be justified that any changes it might want to make would be sound when considering available evidence, Cabinet may decide to amend the percentage, tenure mix and accommodation size mix to a level that it considers more appropriate.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 The affordable housing targets set in 'Affordable Housing – Council Planning Policy Statement, which the Council adopted in December 2004 would be superseded. This will be in advance of the targets being set within forthcoming Development Plan Documents. However, to be exceptionally robust from a planning policy perspective the target and approach will need to be endorsed as 'sound' by a Planning Inspector through being contained within a Development Plan Document.

4.1.2 An approach to negotiating affordable housing, would help to achieve the following priorities of the emerging Housing Strategy 2010-2015:

- Manage supply and growth for the future of Northampton; and
- Deliver well designed, high quality homes, Neighbourhoods and Services

## **4.2 Resources and Risk**

4.2.1 Future funding is likely to be limited for affordable housing, and the Homes and Communities Agency (HCA) will be wanting to work with local authorities on the single conversation approach to investment and priorities. Adopting an approach to affordable housing now, would give the HCA a clear statement of what is required in Northampton in terms of funding requirements.

4.2.2 There is a risk that the approach of the Council will be open to challenge, as the targets have not been validated by an Inspector, and found 'sound' as part of the adoption process of Development Plan Document. However, the targets are based on sound evidence, follow good practice and legal precedent and comply with national and regional policy.

## **4.3 Legal**

4.3.1 The Strategic Housing Market Assessment was complemented by a viability assessment of sites across West Northamptonshire. This means that the authorities, including Northampton have complied with National Planning Policy Statement 3, paragraph 29 on viability of schemes, when using affordable housing policies to secure affordable housing. However, as highlighted in Resources and Risk, there are some issues around potential challenge of the Council's approach which have been minimised by the methodology and approach taken.

## **4.4 Equality**

4.4.1 Decisions on affordable housing policy by the very nature of addressing housing those unable to meet their housing needs on the open market has an impact on equalities groups. In undertaking a screening of the EIA the policy approach set out is likely to have a positive impact on ethnic minorities, the young, the old and those with a disability.

## **4.5 Consultees (Internal and External)**

4.5.1 Head of Planning, Director of Planning & Regeneration, Director of Housing Head of Legal, Director of Finance, Joint Planning Unit.

## **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Priority 2 – Housing Health and Wellbeing  
Priority 4 – Partnerships and Community Engagement

## **4.7 Other Implications**

4.7.1 None



## **5. Background Papers**

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5.1 Strategic Housing Market Assessment March 2010

5.2 'Affordable Housing – Council Planning Policy Statement, Northampton Borough Council - December 2004

**Paul Lewin, Planning Policy & Conservation Manager**

**X8734**

**Gary Parsons, Housing Strategy & Policy Development Manager**

**X7970**