

**SITE SPECIFIC PROPOSALS  
LOCAL DEVELOPMENT DOCUMENT**

**BACKGROUND PAPER: AFFORDABLE HOUSING  
THRESHOLDS, TENURE AND HOUSING MIX**



February 2012

**Kettering**  
*Borough Council*



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## **1. Introduction**

The purpose of this paper is to identify options for setting affordable housing thresholds and tenure and housing mix in Kettering Borough through the Site Specific Proposals Local Development Document. The report provides a summary of the existing policy position, summarises the findings of background evidence and the Issues Paper consultation and uses this evidence to identify options to be assessed and consulted upon during the preparation of the Site Specific Proposals LDD.

## **2. Policy**

### **2.1 National Policy**

PPS 3 requires local authorities to set out in Local Development Documents the likely overall requirements for market or affordable housing, the likely profile of household types requiring market housing and the size and type of affordable housing required based on the findings of a Strategic Housing Market Assessment.

Paragraph 29 of PPS3 states that in LDD's local planning authorities should:

- Set an overall target for the amount of affordable housing to be provided
- Set separate targets for social rented and intermediate affordable housing where appropriate
- Specify the size and type of affordable housing that is likely to be needed in particular locations and specific sites
- Set out the range of circumstances in which affordable housing will be required. National minimum threshold is 15 dwellings. Needs to be informed by viability testing.
- Set out the approach to seeking developer contributions to facilitate the provision of affordable housing

### **2.2 Core Spatial Strategy (CSS)**

Policy 15 of the CSS sets a requirement for 30% of housing to be affordable and requires DPD's to set out more detailed affordable housing requirements, based on the findings of the North Northamptonshire Strategic Housing Market Assessment (SHMA), including the mix of type and tenure of housing required to meet local need and the site threshold above which affordable housing should be provided to meet targets set out in the plan.

### **2.3 Saved Local Plan Policies**

The Site Specific Proposals LDD will replace saved Local Plan policies. Saved Local Plan policies relating to affordable housing include:

## **39. HOUSING:AFFORDABLE HOUSING**

**The Local Planning Authority, in conjunction with the Local Housing Authority, will seek the provision of 828 affordable residential dwellings throughout the Borough and during the period of the Plan, by:**

- i making Borough Council owned land available to housing associations for development (Policies K13 and R6);**
- ii negotiating for the provision of an element of affordable housing as part of significant new private sector housing development (Policies B5, D5, K14 and RA6); and**
- iii the implementation of an "exception sites" policy in the rural area (Policy RA7).**

**In considering proposals, the Local Planning Authority will need to be satisfied that secure arrangements are in place to ensure that the housing provided remains affordable for future occupants.**

**The Local Planning Authority will also encourage ways, other than through new build to provide affordable housing units, such as the conversion of non-residential property to small dwellings and the reuse of space above shops.**

#### **B5. BURTON LATIMER: AFFORDABLE HOUSING**

**Taking into account market and site conditions, planning permission will only be granted for residential development of 20 or more dwellings that provides 20% of total dwellings in the form of affordable housing, or where other arrangements are made to the satisfaction of the Local Planning Authority.**

#### **D5. DESBOROUGH: AFFORDABLE HOUSING**

**Taking into account market and site conditions, planning permission will normally only be granted for residential development of 20 or more dwellings that provides 15% of total dwellings in the form of affordable housing, or where other arrangements are made to the satisfaction of the Local Planning Authority.**

#### **R6. ROTHWELL: AFFORDABLE HOUSING**

**Planning permission will be granted for an affordable housing scheme on Borough Council owned land at Town Farm, Rothwell.**

#### **RA6. RURAL AREA: AFFORDABLE HOUSING**

**Provision will be made for affordable housing in the rural area of Kettering Borough through:**

- i the inclusion of 112 affordable dwellings within the proposed new village at Cransley Lodge (Policy RA2);**
- ii the inclusion within any scheme involving 10 or more dwellings on sites within the defined village limits, of 20% affordable housing, or other arrangement to the satisfaction of the Local Planning authority in accordance with Policy 39;**
- iii the implementation of schemes for affordable housing for local people under Policy RA7;**
- iv endeavouring to retain a wide range of dwelling types and sizes within the rural area; and**
- v encouraging, enabling and assisting in the establishment of suitable schemes on appropriate sites within defined village limits.**

### **3. Background Evidence**

#### **3.1 Strategic Housing Market Assessment** (Fordham Research, August 2007)

The Strategic Housing Market Assessment (SHMA) was completed for the North Northamptonshire Area in August 2007. The SHMA is an all tenure assessment of the housing market.

The SHMA identifies 1,783 net additional households per annum taking into account in-migration, newly forming households and dissolutions.

When looking at house purchases there is a net inflow of younger households with children.

Balanced Housing Markets (BHM) model analysis suggests that an extra 2882 dwellings per annum would be required to improve the market balance in North Northamptonshire and to meet demand/need. Of these about 20% would be affordable housing.

CLG Needs Model assesses current need, available stock, newly arising need and future supply of affordable units to identify the net shortfall (or surplus) of affordable units. At face value this identifies a remaining need of 649 new affordable households per annum in the Housing Market Area. If planned new build is not included in the calculation this rises to 1344 units per annum.

The assessment identifies that there is not a serious need for specified 'key worker' accommodation in North Northamptonshire.

In terms of mix the main need is for 2 and 4 bed dwellings with some 1 beds. There is little need for 3 beds, but mix considerations may require a full range of sizes to be provided.

In terms of size and type of affordable housing required it recommends 85% social rented and the remainder intermediate. Intermediate housing is required for 2-3 bed households and social rented mainly for 2 beds, but with some 4 bed need.

Draft affordable housing targets proposed for Kettering Borough were 30% social rented and 0% intermediate. However these targets relied on the fact that in reality 30% social rented would be unviable and that an element of intermediate housing would be provided.

There has been a demand for shared ownership schemes in the housing market area which are priced above market entry level and are therefore 'low cost market housing' rather than affordable housing. A target of 10% low cost housing is proposed to meet this need.

When housing need is split into urban and rural areas, less than 5% of the net need is rural.

PPS 3 suggests the inclusion of low-cost market housing, however the SHMA identifies that there was no obvious shortage of housing in this range at the time of the assessment.

### 3.2 Kettering Housing Needs Assessment (Fordham Research, October 2007)

The Kettering Housing Needs Assessment (HNA) related closely to the SHMA and addresses the housing needs of Kettering.

The annual cycle model estimated a total increase of 547 households per annum.

Using the BHM model analysis in which only 29% of the BHM figure is for sale housing and allowing 40% as the maximum for affordable housing implies an annual total feasible target of about 407 new dwellings

The assessment of housing needs model assesses current need, available stock, newly arising need, future supply of affordable units and net shortfall (or surplus) of affordable units. This analysis suggests a shortfall of 148 units per annum over the five years from the assessment.

The model finds there is no net need for intermediate housing, this is driven by the growth area assumptions that a lot of intermediate housing will be built, when these assumptions are removed there is a net need rather than a surplus.

BHM model suggests a need for intermediate as well as social housing but the more inclusive model which includes a technical assessment of backlog shows that need in Kettering is almost entirely for social rented housing. The report suggests a 30% target for affordable housing with no target for intermediate housing. In practice, and on sites which cannot afford to provide social rented housing, some of it will in fact be intermediate.

The standard site threshold is 15 but if analysis of urban capacity figures shows a lot more affordable housing could be achieved from lowering the target to ten, this could be justifiable.

The survey indicates that over one in ten key worker households cannot afford entry-level market costs in Kettering.

Based on likely future demand for housing derived from measuring newly forming households, existing households and in-migrant households and corresponding figures for supply of homes the assessment identified the following broad tenure and size requirements.

<b>Table 11.3: BHM Results Kettering</b>					
	1	2	3	4+	TOTAL
Owner	49	142	-48	149	291

Occupied					
Private Rented	131	284	96	-1	509
Intermediate	-7	18	32	-6	36
Social Rented	-27	206	-16	-6	155
TOTAL	145	649	63	135	991

Source: Fordham Research North Northants Sub-region HMA 2006 (Negative signs indicate there is likely to be an overprovision)

Following the completion of the SHMA and Kettering HNA a number of area specific Housing Market Assessments were commissioned for urban areas in the Borough. The findings of these more detailed assessments are summarised below.

### **3.3 Rothwell Housing Market Assessment** (Housing Vision, April 2010)

This report provides a Housing Market Assessment in relation to the settlement of Rothwell.

The report highlights increases in the need for smaller and more manageable housing for the retired population and in the requirement of housing with care for the oldest elderly whose numbers are projected to double.

The study estimates a need for 400 smaller 2 bed flats for people of retirement age and/ or replacement family housing and 350 smaller properties for the older elderly.

Rothwell's housing supply profile is slightly skewed towards larger and detached housing with a low supply of smaller properties, a low supply of private rented properties and a low proportion of higher value homes.

There are currently 438 social rented properties in Rothwell which, at the most recent KBC turn over of 6.3% implies 28 properties becoming available each year.

Following analysis of ability to afford home ownership, the study estimates that 65% of single households are able to get into the housing market in Rothwell, and that 29% are able to move on in the housing market. By implication, 35% of single income and 71% of joint income households would require other forms of affordable housing. The provision of New Build HomeBuy options would improve access to both 2 and 3 bed properties.

Analysis of tenure split of affordable housing in Rothwell identifies a need for a tenure split of 56:44 social rented housing: intermediate.

The assessment recommends increasing the supply of 2 and three bed homes in all sectors and the encouragement of good quality homes for older people in the market sector, mainly 2 bed properties. Provision should also be considered for mixed tenure retirement community providing a full range of

housing and care options. In the social sector, the development of attractive options for older people has the additional advantage of increasing the supply of currently under-occupied family houses.

### **3.4 Burton Latimer Housing Market Assessment** (Housing Vision, October 2008)

This report provides a Housing Market Assessment in relation to Burton Latimer and Barton Seagrave.

Based on demographic trends the assessment identifies large increases in the requirement for smaller and more manageable housing for the retired population, and in the requirement of housing with care from the oldest elderly whose numbers are projected to double. The assessment estimates a need for in the region of 300 smaller 2 bed flats and houses for people of retirement age and 200 smaller properties suitable for the older elderly<sup>1</sup>.

Analysis of tenure split of affordable housing in Burton Latimer identifies a need for a tenure split of 60:40 social rented housing: intermediate.

There are currently 312 social rented properties in Burton Latimer which, applying the KBC turnover rate for 2006-07 of 5.7%, implies a turnover of 18 properties a year.

On the basis of the waiting list and stock data, the strongest demand in Burton Latimer is for in the region of 250 x smaller 1 and 2 bed properties; 150 x 3 bed properties; 70 x 1 or 2 bed bungalows 10 x 3 bed bungalows and 20 x 4 bed houses.

Local property agents identified a greater demand for more affordable and mid priced 2 and 3 bed properties, including for shared ownership and evidence of an oversupply of larger 4 bed detached houses.

The analysis of affordability estimates that 57% of single households are able to get into the housing market in Burton Latimer and that 36% are able to move on in the housing market. By implication, 43% of single income and 64% of joint income households would require other forms of affordable housing. The provision of New Build HomeBuy options would improve access to 2 bed properties but would not improve access to 3 bed properties.

### **3.5 Kettering East Housing Market Assessment** (Housing Vision, August 2008)

This report provides an assessment of the Kettering Housing Market.

The assessment projects a growth in the younger and working age populations but very large increases in the need and demand for housing with

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<sup>1</sup> Oldest elderly refers to people aged 85+, Older elderly refers to people aged 75 to 84.

care from older people and especially from the oldest elderly whose numbers will almost double.

The report highlights the impact “right to buy” has had on loss of social rented dwellings and the impact this has on the need for additional affordable housing. The report indicated there is a strong demand for smaller one and two bedroom properties and that there is a stronger demand for bungalows than flats.

In terms of private renting, there is a low supply of smaller homes and local property agents identified a strong rental market for two and three bedroom properties.

The property market has been affected by the general slow down and there is a greater demand for smaller more affordable properties for first time buyers, including shared ownership. There is an oversupply of flats and larger properties

The analysis of affordability estimates that 66% of single households are able to access the housing market in Kettering and 36% are able to move on in the housing market. By implication 34% of single income and 64% of joint income households would require other forms of affordable housing. The provision of New Build HomeBuy options would improve access to two bed properties but would not improve access to three bed properties.

Estimates of future housing requirements highlight a strong need for an increase in the provision of two bedroom properties to meet the needs of all age groups, including provision for the elderly population. Provision for the increasingly elderly population will free up family homes which people are currently staying in.

Analysis of tenure split of affordable housing in Kettering identifies a split of 33:67 intermediate: social rented.

### **3.6 Desborough Housing Market Assessment** (Housing Vision, November 2010)

This report provides a Housing Market Assessment in relation to the settlement of Desborough

The report estimates a requirement by 2021 for in the region of 500 smaller 2+ bed flats and houses for people of pensionable age and older or for replacement family housing for those remaining in their existing homes.

Desborough’s housing supply profile is skewed towards home ownership, larger and detached housing with a low supply of smaller and of private rented properties.

There are currently 468 social rented properties in Desborough with an implied 30 properties becoming available per year through re-lets.

On the basis of the waiting list and stock data, the strongest demand among an estimated 470 Desborough applicants is for in the region of 300 smaller 1 and 2 bed properties; 130 x 3 bed properties; 80 x 1 or 2 bed bungalows; 5 x 3 bed bungalows and 25 x 4 bed houses.

Local property agents identified a revived sales market and a buoyant rental market. Demand is especially strong for smaller and more affordable properties for first time buyers. In terms of demand for new homes, the emphasis was placed on 2-4 bed houses, but not flats. Most demand is generated locally, with a secondary demand from people moving into the area, for example, from the London area.

Following analysis of affordability in the Desborough market the study estimates that 68% of single households are able to get into the housing market in Desborough, and that 45% are able to move on in the housing market, and by implication, 32% of single income and 55% of joint income households would require other forms of affordable housing.

On the basis of modelling, the report estimates an affordable housing requirement of 24% of all projected housing supply is sought\*. This CSS target of 30% remains appropriate as the 24% requirement is based on total supply of housing whereas the CSS target is based on a more realistic assumption that not all sites would achieve this target.

In terms of affordable housing tenure, modelling identifies a tenure split of 58:42 social rented: intermediate housing is required in Desborough.

The report recommends increasing the supply of affordable and aspirational 2 bed homes in all sectors. There is evidence of an oversupply of 4 bed properties and larger and the report discourages further provision of such homes to meet local housing requirements,

The Priorities for intervention in terms of improving choice for local people should be to increase the supply of affordable and financially accessible housing across the tenures, from low cost 'starter homes'; through affordable market options to intermediate market and social rental properties.

*\*This is on the assumption that a number of affordable homes would be delivered through the planned Sustainable Urban Extension*

#### **4. Issues Paper Consultation Responses**

<b>Responses</b>	<b>KBC Response</b>
The threshold of 15 is too high. The threshold should be 3 dwellings or more throughout the borough. (1)	Further analysis will be completed to assess whether thresholds can be lowered.
Threshold should be 3 in rural areas. (1)	Further analysis will be completed to assess whether thresholds can be lowered.
A policy lowering the threshold will need strong justification and a robust evidence base. (1)	Noted. Thresholds will only be lowered if there is adequate evidence to do so.
Viability should be considered before thresholds are lowered. (1)	Viability will be considered as part of options development.

Thresholds should not be lowered (2)	Noted
Threshold should not be different in towns and villages (1)	Noted
Threshold should not be lowered but there should be some policy statement that prevents bit by bit development of a site with the number of houses being kept just below the threshold	Noted. Inclusion of this kind of statement will be considered
Threshold in villages should be established by local need. It may be that a levy should be applied to all buildings in villages to assist in funding to meet local need	Noted. Local housing needs assessments will be important in determining need for affordable housing in villages
Intermediate housing should be provided as well as social rented to make developments viable. (1)	Options will include provision for intermediate housing.
Provision for intermediate housing should include starter homes (1)	Options will include provision for intermediate housing.
Provision should be made for intermediate housing for key workers (1)	Options will include provision for intermediate housing.
Threshold should be 15 as set out in PPS 3 as there appears to be no evidence to lower it. (1)	Thresholds will only be lowered if there is adequate evidence to do so.
A mix of housing is important but the different types should not be segregated because segregation reinforces the separation of groups and prevents cohesion of society. (1)	Noted. Policies in the plan will not segregate different types of housing.
Housing mix policies should take into account the current market conditions. (1)	Current market conditions will be considered when preparing housing mix policies.
In rural areas the housing mix should result from the needs survey. Usually flats will not be appropriate given the location and the high car ownership but it cannot be assumed that all affordable or social housing should be small. There are cases of families with a strong local connection needing quite large accommodation.	Noted. Local housing needs assessments will be important in determining need for affordable housing in villages

## 5. Identification of Options

### 5.1 Affordable Housing Thresholds

PPS3 sets a national minimum threshold of 15 dwellings. The SHMA suggests that if it can be shown that by lowering affordable housing

thresholds that much more affordable housing could be achieved this may be justified. The SHMA suggests lower thresholds of 10 dwellings or in rural areas 3 dwellings The following analysis of monitoring data assesses housing development in the period March 2001 to March 2010 to assess how many affordable homes would have been developed had the threshold for affordable housing been 10 dwellings across the Borough and 3 dwellings in rural areas. Local Plan policy RA6 set a threshold for affordable housing units of 10 in rural areas and some of the developments included in the table below may have included a proportion of affordable housing, however they have been included in the table to show a direct comparison of the number of affordable housing units that would have been achieved using the thresholds of 10 and 3.

### Monitoring Data - March 2001 to March 2010

	Number of developments 10 to 14 dwellings	Number of affordable homes provided based on 30% requirement	Number of developments 3 to 9 dwellings	Number of affordable homes provided based on 30% requirement
Urban Area	224	67		
Rural Area	23	7	155	46*
Total	247	74	155	46

*\*In reality it is unlikely this would be achieved due to variety of site sizes making up the total, a more detailed site by site analysis suggests in the region of 32-42 affordable homes could have been achieved on these sites.*

This analysis shows that a significant number of additional homes would have been achieved had the thresholds been lower. In the rural area the threshold of 10 dwellings has a minimal impact on the number of affordable homes achieved as the majority of development falls below this threshold, however lowering the threshold to 3 has a significant impact on the number of affordable homes achieved and reflects the small scale nature of development in rural area.

Based on the findings of the SHMA and the analysis of monitoring information the following four options have been identified. These five options will be assessed as part of the Sustainability Appraisal and will be subject to a viability assessment to ensure that the option identified as the preferred option is viable.

#### Options identified:

**Option 1:** To set thresholds of 15 dwellings in urban areas and 3 dwellings in rural areas.

**Option 2:** To set thresholds of 15 dwellings in urban and rural areas

**Option 3:** To set thresholds of 10 dwellings in urban and rural areas

**Option 4:** To set thresholds of 15 dwellings in urban areas and 10 dwellings in rural areas

**Option 5:** To set thresholds of 10 dwellings in urban areas and 3 dwellings in rural areas

## **5.2 Affordable Housing Tenures**

The Government has introduced the Affordable Rent Framework which will see a significant change to the way affordable housing is funded and delivered. Affordable Rent (rents set at up to 80% of local market rents) will be the main type of new affordable housing supply. It is therefore not appropriate for a plan which will cover the period to 2031 to set targets only for social rented and intermediate housing. It is therefore proposed to include policies in the Site Specific Proposals LDD which set tenure splits for rented affordable housing which would include social rented and affordable rent and for intermediate housing. Where possible and viable on s106 sites the Council will seek to deliver social rented housing to meet local housing needs. The Council will be preparing a Tenancy Strategy by spring 2012 which will look in more detail at tenure. This will be used to inform development of policies on affordable housing tenure.

### **Options identified**

**Option 1:** To set out requirements for affordable housing tenure to be based on the findings of the relevant Housing Market Assessments or any subsequent Strategic Housing Market or Housing Needs Assessment updates or changes to Government Policy.

Tenure splits identified in the Housing Market Assessments:

Rothwell: 56% rent affordable housing/ 44% intermediate

Burton Latimer: 60% rented affordable housing/ 40% intermediate housing

Kettering: 67% rented affordable housing/ 33% intermediate housing

Desborough: 58% rented affordable housing/ 42% intermediate housing

Rural parts of the Borough: 100% rented affordable housing/ 0% intermediate housing or based on local Parish Housing Needs Surveys.

**Option 2:** To not include a policy setting out requirements for affordable housing tenure.

## **5.3 Housing Mix**

The Strategic Housing Market Assessment and Housing Needs Assessments identify clear needs for particular types and sizes of dwellings which may not necessarily be delivered if housing mix is left for the market to decide. The

following two options in relation to housing mix have been identified when considering housing mix through the Site Specific Proposals LDD.

**Options identified:**

**Option 1:** To set out requirements for housing mix to be based on the findings of the relevant Housing Market Assessment or any subsequent Strategic Housing Market/ Housing Needs Assessment updates.

**Option 2:** To allow housing mix to be determined by the market