

Pendle Core Strategy Examination

Pendle Borough Council

Hearing Statement

Session 6 – Wednesday 15th April 2015

Matter – Housing Needs

1. Is the affordable housing target of 40% appropriate having regard to the evidence base of housing need?

- 1.1 The National Planning Policy Framework (NPPF) [CD/12/01] (paragraph 47) seeks to ‘boost significantly’ the supply of housing. It also seeks to ensure the delivery of a wide choice of quality homes and widen opportunities for home ownership (paragraph 50). Furthermore, the NPPF outlines the evidence required to underpin a local housing target and indicates that LPAs should prepare a Strategic Housing Market Assessment (SHMA) to assess their full housing needs (paragraph 159).
- 1.2 The Burnley and Pendle SHMA [CD/04/01] was undertaken by NLP in 2013 to inform the Council’s policy choices concerning their appropriate affordable housing requirement.
- 1.3 A calculation of affordable housing need, in line with the Practice Guidance and the former CLG SHMA Guidance¹ (which was, at the time CD/04/01 was completed, still extant), was undertaken for Pendle. The SHMA used data from the B-With-Us Housing Register, and more particularly, the results of a detailed Housing Needs Survey carried out in Spring 2013 by NEMS Market Research. This primary evidence was augmented by data on household projections and CORE/HSSA data.
- 1.4 The starting point in calculating the net affordable housing need in the SHMA is the Total Current Housing Need (Gross) established at Step 1.4 of the Guidance (see Table 1). This figure took account of any backlog in provision. By deducting the current available stock of affordable housing (Step 3.5), this resulted in a net backlog of 734 dwellings for Pendle. Annualised over 5-years this equated to a backlog of 147 dwellings.
- 1.5 In defining newly arising need, the future annual supply of affordable housing identified in Step 3.8 (196dpa for Pendle) is removed from the annual future housing need of 722 gross (or 286dpa net) for Pendle. When added to the backlog, this indicated that Pendle Borough had a net annual need of 672dpa over the next five years. Whilst high, this is a reduction on the equivalent 858dpa figure calculated in the previous 2008 SHMA for the Borough.

¹ Strategic Housing Market Assessments: Practice Guidance (August 2007)

Table 1 Annual Affordable Housing Need in Pendle Borough

| | Pendle | |
|--|--------|-----|
| | Gross | Net |
| Current Need (Including Backlog) | | |
| Total Current Need (Step 1.4) | 771 | |
| MINUS Total Available Stock of Affordable Housing (Step 3.5) | 37 | |
| Equates to Net Current Need | 734 | |
| Net Backlog: Annualised (5 years) (A) | 147 | |
| Total Newly Arising Need | | |
| Newly Arising Housing Need (Annual) (Step 2.4) | 722 | 286 |
| MINUS Future Annual Supply of Affordable Housing (Step 3.8) | 196 | |
| Equates to Net Newly Arising Need (net) (B) | 525 | 89 |
| NET ANNUAL NEED = A+B | 672 | 236 |

Source: CD/04/01, Adapted from Table 8.1

- 1.6 The 672dpa figure was based on the responses received from the Housing Survey. A sensitivity test, using the number of applicants on the Housing Register for the area instead indicated a requirement for 681dpa, which aligns closely to the soundness of the Household Survey figure. Pendle's figure is particularly high due to the strong gross household formation (reflecting the Borough's relatively youthful age profile) aligned with a lower rate of social re-lets in recent years. An alternative approach to identifying affordable housing need (the net household formation approach) suggested a lower level of need, at 236dpa over the next five years.
- 1.7 The Practice Guidance states that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments:
- "An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."* [2a-029-20140306]
- 1.8 For Pendle, where net affordable housing need is significant, the SHMA considered that a figure of up to 40% would be appropriate. This could provide over 50% of the total identified affordable housing need (based on the net household formation approach), should the top end of the overall housing requirement be delivered.
- 1.9 It was stressed in the SHMA that the deliverability of the indicative 40% target had not been tested, and it was recognised that such a high level of affordable housing would be very challenging to deliver on most sites in the Borough. The SHMA recommended that further housing viability work to test the extent to which such a high target could be realistically achieved in the current economic climate, or the extent to which it aligns with other policy objectives, should be carried.
- 1.10 Policy LIV1 sets the housing requirement at 298dpa, with Policy LIV4 including an overall aspiration to deliver 40% affordable housing. These policy choices have been made on the

basis of seeking to deliver a realistic and appropriate level of affordable housing, balancing the significant viability challenges across much of the Borough and a desire to avoid the adverse impacts that could arise from seeking a higher, but ultimately undeliverable, target².

- 1.11 A similar matter was recently dealt with by a Planning Inspector at the County Durham Plan EiP. The Durham SHMA identified an overall net shortfall of 674 affordable dwellings across the County per year. The Plan's policies (17 and 31) sought to address this need with the percentage targets in the latter justified by a viability study.

- 1.12 The Inspector concluded that:

"to my mind, this accords with the PPG which sets out that the total affordable housing need should be considered in the context of its likely delivery" (2a-029-20140306)

- 1.13 The 40% affordable housing figure has been included in Policy LIV4 as an aspirational needs target and is tempered by the targets set out in Table LIV4a which recognises the likely levels of delivery, based on viability evidence from the Development Viability Study (DVS) [CD/07/01].

- 2. Is the affordable housing target realistic and deliverable having regard to the doubts over the viability of the % of affordable housing provision that can be delivered and the area based affordable housing targets within Policy LIV4? See in particular C/004 for Council's response.**

- 2.1 The 40% affordable housing target was defined on the basis of the very high OAN for affordable dwellings across the Borough. This has influenced the judgement regarding the extent of the uplift to the demographic starting point. However, although NLP recommended an affordable housing requirement of 40%, viability considerations were required to be taken into consideration on its deliverability. It was recognised that 40% was a very high target, particularly given the weak housing market and reduced viability of many sites in the Borough, but it was seen as necessary to begin to address the Borough's very high need for affordable housing.

- 2.2 The Council is aiming to maximise the amount of affordable housing that can be provided as part of new developments, whilst at the same time ensuring that the viability (and therefore the deliverability) of a scheme is not compromised. This is in line with the NPPF (paragraphs 173-174) which requires plans to be deliverable and ensure any policy requirements do not unduly affect the ability for a development to provide a competitive return.

- 2.3 The Council has undertaken the requisite viability testing [CD/07/01] and this informed Table LIV4a. Specifically, this outlines the affordable housing targets split by sub-area and size threshold which are likely to be deliverable in the current economic circumstances.

²The total affordable housing need should also be reviewed in the context of its likely delivery [PPG Para. 2a-029-20140306] – see, for example, the Durham County Council Inspector's Interim Views on the County Durham Plan §41

- 2.4 The Council has suggested that a modification is made to Policy LIV4 (see C/004) to make clear the requirements for affordable housing provision as part of new residential developments. The modification sets out the maximum amount of affordable housing that would be expected from a scheme subject to viability. The area based affordable housing targets in Table LIV4a provide the likely viable level of affordable housing that could be achieved on different sized sites in different parts of the borough. However, these are set as a starting point for negotiations and the actual amount of affordable housing to be provided will be subject to the viability of the individual site.
- 2.5 The affordable housing figure of 40% stated in Policy LIV4 represents the affordable needs of the borough. Although this target may not be deliverable in the early years of the plan, as the economic recovery takes hold and viability improves, a greater amount of affordable housing will be required through changes to the area base targets. This is a realistic and deliverable approach to meeting the affordable housing needs of the borough.
- 2.6 In addition, meeting the 40% affordable housing needs figure will not be achieved solely from contributions from s.106 agreements. Delivery will also be achieved through developments by social housing providers and schemes funded by the Homes and Communities Agency (HCA). A number of such schemes are currently being developed or being progressed through the planning system. (For example Edgar Street, Nelson (13/14/0528P); Valley Road, Barnoldswick (13/13/0364P). (See response to Question 4 for further detail).
- 3. Are the sized threshold and area based affordable housing targets in Table LIV4a justified and deliverable? Should affordable housing contributions be sought on a greater range of housing developments e.g. green field sites in the M65 corridor?**
- 3.1 The affordable housing targets and thresholds detailed in Table LIV4a are based on evidence provided in the Development Viability Study (DVS) [CD/07/01]. The report sets out the findings (Chapter 5, page 70) from the assessment which tested a range of different sized sites within the three spatial areas of the borough. Through this work it was determined that a distinction could be made between certain parts of the M65 Corridor. This led to the identification the M65 Corridor North sub-area where the viability of sites is slightly better than in the southern part of the corridor.
- 3.2 The targets set in Table LIV4a are based on the outputs of the appraisal work carried out as part of the DVS. They therefore incorporate a number of assumptions relating to the likely costs and values of developing a certain type and size of site in a particular part of the borough. In this respect they are justified, being based on robust evidence and are deliverable as they take account of the broad circumstances of sites likely to be developed in Pendle. However, the policy recognises that each site is different and there will be a specific set of circumstances which will have a bearing of the viability of a site and consequently the amount of affordable housing which can be provided. The policy is written to be flexible by setting out the current (viable/deliverable) targets for affordable

housing in different areas which are considered to be achievable. Negotiations will play a key part in determining the amount of affordable housing to be provided.

- 3.3 Although Table LIV4a indicates that the current affordable housing targets in the M65 Corridor are 0%, this is set as a starting point for negotiations and only represents the likely level based on the model sites tested by the appraisal work. The policy requires all residential planning applications for 10 dwellings or more to be subject to viability testing to determine the most appropriate amount of affordable housing to be provided. Green field sites in the M65 Corridor are likely to form part of the site portfolio which will be developed during the plan period and will be assessed for their viability and potential to provide affordable housing. The policy already seeks affordable housing contributions from such sites but in a flexible way which takes account of the site specific circumstances.

4. How are different mechanisms expected to contribute to the target e.g. obligations on market housing sites, sites developed by social housing providers, exception sites, commuted sums, empty homes back into use, regeneration areas?

- 4.1 Policy LIV4 does not specifically quantify the amount of affordable housing to be provided through different mechanisms. The overarching purpose of the policy is to set out the mechanism for the provision of affordable housing through the development of new market housing sites. This will be the principal mechanism for the provision of affordable housing and will make a significant contribution to the target.
- 4.2 The policy sets a preference for on-site provision in the first instance with alternative site provision and finally the use of commuted sums where circumstances exist that it is not possible to provide the affordable units on-site. Where commuted sums are provided these may be used to refurbish empty homes to bring them back into use as affordable housing.
- 4.3 There will also be a direct contribution to the provision of affordable housing from the social housing providers through the Homes and Communities Agency (HCA) funding programme. The Affordable Homes Programme (2015-18) indicates that a number of the registered providers have made bids to the HCA for funding for social housing schemes in the borough. In addition, planning application records indicate that there have recently been a number of sites where social housing providers are developing schemes that are comprised of entirely affordable units. If this trend continues it is likely that this mechanism for provision will play a role in helping to meet the borough's affordable housing target.
- 4.4 The use of exception sites will be considered on a case-by-case basis. The contribution to the affordable housing target from such sites is unlikely to be significant. Planning application records indicate that no rural exception sites have been developed in the last 10 years.
- 4.5 The policy does not specifically address the provision of affordable housing in regeneration areas. The policy will apply to applications for general market housing in these areas with

the requirement to provide a proportion of affordable housing depending on the viability of the site.

- 4.6 The intention of the policy is to give flexibility to developers in terms of the best way to make a contribution to affordable housing provision in order to ensure developments remain viable and deliverable while maximising the amount of affordable housing that can be provided.

5. Is the requirement to retest viability if development does not start in 2 years within Policy LIV4 justified?

- 5.1 Paragraph 10.118 of the Core Strategy explains the purpose of retesting the viability of a scheme where it has not started within 2 years. The viability of a site at the point at which a planning application is made or when planning permission is granted may be markedly different to when work starts on-site. The scale of the affordable housing need in Pendle is detailed in the Strategic Housing Market Assessment (SHMA) [CD/04/01] and, as already noted, meeting this need will be challenging in the current economic circumstances.
- 5.2 The Council is keen to maximise the amount of affordable housing that is provided as part of new residential development. One way to achieve this is to retest the viability of a development to determine whether there has been a significant change in circumstances which could lead to a larger affordable housing contribution. Conversely it may show that conditions have worsened and the affordable housing contribution may need to be reduced. The Council believes this offers an approach which takes account of the prevailing economic conditions and viability, ensuring that in all cases delivery of new housing is boosted and the total amount of affordable housing that can be delivered at the time developers wish to build is maximised.

6. Is the tenure split proposed by Policy LIV4 justified? Should 'open market discounted housing' be considered as an option?

- 6.1 Policy LIV4 proposes that applications should be guided by the following tenure split of affordable housing:
- Social rented tenure: 30%
 - Affordable rented tenure: 30%
 - Intermediate tenure: 40%
- 6.2 It should be noted that the policy includes the tenure split as a guide for developers to use to determine the tenures that are required in the borough. However, the policy acknowledges that each development is different and allows for an alternative tenure split where necessary.
- 6.3 The percentages are taken from the recommendations set out in the Strategic Housing Market Assessment (SHMA) [CD/04/01 Chapter 9, page 163] and have been calculated through an assessment which examined the interaction between housing costs and

household income. The suggested tenure split analysed the ability of households with insufficient income to access market housing to afford different types of affordable housing. The data indicated that there was virtually no difference between affordable rent (£300 monthly cost) and social rent (£297 monthly cost) and that, unusually, intermediate housing is the most affordable form of tenure in Pendle, reflecting the very low house prices in the area (£208 monthly cost).

- 6.4 Figure 9.5 of CD/04/01 indicates that of those who can afford some form of affordable housing (but meet their needs in the private sector without some form of subsidy), around 36% could afford intermediate accommodation but not social/affordable rent. This influenced the recommended affordable housing split, with the provision of intermediate tenure increased slightly to 40%, and the remainder split equally between social rent and affordable rent.
- 6.5 It was accepted that there has been limited use of intermediate tenure property in the HMA in the past. However, it is potentially the cheapest form of affordable tenure and offers significant benefits to the occupants by providing them with a financial stake in the property. In these circumstances, it was considered that whilst a shift in the delivery and marketing of this form of tenure to demonstrate its benefits to future residents would be required, it has the potential of providing an attractive and more viable form of affordable housing to meet local needs, justifying the 40% target figure.
- 6.6 The percentage of social rented and affordable rented housing to be provided is the same at 30%. The SHMA (paragraphs 9.6 onwards) looked at the impact of the affordable rent model, assessing the difference between social rent and affordable rent (set at the maximum level of 80% of market rents). This work indicated that in Pendle there was little difference in the cost of a social rented or affordable rented property, and in some cases an affordable rented property was actually cheaper to rent than a social rented property. Given the lack of funding for new social rented properties and the fact that affordable rented units are of a similar cost, Policy LIV4 provides a flexible approach to the tenures to be provided – indicating that the social rented element can be substituted by an increased affordable rented element.
- 6.7 The NPPF (Annex 2) provides a clear definition of the tenures of housing that constitute affordable housing for planning purposes. It indicates that homes that do not meet the definition of affordable housing, such as “low cost market” housing may not be considered as affordable housing in planning terms. Although “open market discounted housing” may provide a low cost accommodation option it does not meet the affordable housing definition in the NPPF therefore should not be considered to fulfil the role of affordable housing.

- 7. Is the guide to the property types and sizes within Tables LIV5a and LIV5b justified by the existing supply of small terraced houses, the requirement for lower density in some areas and the objective of higher value/aspirational housing? *See in particular C/004 for Council's response and the indicative guidance in Policy LIV5 that 60% of new dwellings should be either detached or semi-detached.***
- 7.1 As stated in document C/004, the SHMA [CD/04/01, Chapter 10] sets out the likely profile of house types and sizes that are required to meet the housing needs and aspirations of the population. These profiles have been incorporated into Policy LIV5 as Table LIV5a (house types) and Table LIV5b (property size). They are based on the SHMA's recommendations and in-depth analysis.
- 7.2 The evidence base suggests that there is a need to encourage the development of smaller properties to provide choice in terms of both size and price, particularly in the social rented sector. Through the application of various assumptions on housing need by household type, the results suggest that, based on the characteristics of existing and new residents in Pendle in the period up to 2030, there would be a need for the following:
1. An increased need for 1-bed apartments, in the order of 20%;
 2. An increased need for 2-bed apartments/houses/bungalows, in the order of 23%;
 3. A decreased need for 3-bed apartments/houses/bungalows, in the order of -3%;
 4. A substantial increased need for 4-bed semi-detached and detached houses of 23%; and
 5. A substantial increased need for housing with care, in the order of 70%.
- 7.3 However, this level of 'need' did not factor in critical issues such as aspirations and viability. Realistically, although a couple aged 65+ living in the large former family home, may only 'need' a 1 or 2 bed dwelling, they are quite likely to remain and 'under-occupy' their existing, larger house (particularly if they own their own home), or even move to a similarly sized property. Similarly, families will often seek a spare bedroom if affordability permits.
- 7.4 Furthermore, an over-representation of smaller 1/2 bed apartments could be detrimental to the viability of many proposed developments in the Borough and may do little to change perceptions of the urban areas of Pendle, with a need for larger, more aspirational properties. As such, a rational, balanced approach was taken using the modelled approach to guide, rather than dictate, the proposed mix of units.
- 7.5 The aspirations of local residents were obtained following the household survey work used to inform CD/04/01 and suggested a general aspiration of households for larger 3/4+ bed properties rather than smaller 1-bed units. Furthermore, the Registered Providers Survey indicated that social housing providers operating in Pendle were finding it increasingly difficult to let 3-bed properties as a direct result of the newly introduced penalty for under-occupancy, with demand far outstripping supply for social rented 2-bed properties.

- 7.6 In terms of property type, there was a clear aspiration amongst Pendle respondents to move into a semi-detached property and particularly a bungalow. For the latter, the proportion of respondents aspiring towards owning a bungalow is around three times the actual stock levels recorded in the 2011 Census, suggesting a clear mismatch between supply and demand. For terraced stock, the reverse is true.
- 7.7 A detailed justification for the precise breakdown of the split required between housing type and size over the Plan period is provided in the bullets subsequent to paragraph 10.19 of CD/04/01. The following percentage targets were recommended with the intention of rebalancing the stock away from small terraced properties and 3-bed accommodation, towards 2-bed dwellings, larger, more aspirational stock, and good quality accommodation designed specifically for the growing elderly population:
1. Property Sizes: 7.5% 1-bed; 45% 2-bed; 35% 3-bed and 12.5% 4-bed+ dwellings;
 2. Property Type: 35% semi-detached; 25% detached; 10% terraced; 10% flat/maisonette; 20% bungalow/specialist elderly accommodation
- 7.8 One of the aims of the plan is to create a vibrant housing market. A key issue to address, as part of this, is the imbalance between the current stock and the needs and aspirations of the population. The SHMA (paragraph 2.3) indicates that the housing stock in Pendle is dominated by an oversupply of poor quality terraced properties. When compared to regional and national averages the proportion of terraced properties in the borough is significantly higher. This has resulted in a lack of choice of dwelling types in the housing market.
- 7.9 The tables in Policy LIV5 provide an indicative guide to help address this issue and can be applied flexibly depending on the location and particular circumstances of the site. They promote higher proportions of detached and semi-detached properties in an attempt to increase the proportion of these types in the overall stock profile.
- 7.10 This in turn will help to meet the lower density requirements as such dwellings are typically built as part of lower density schemes and this will provide a more diverse and wider variety of housing developments in the borough. These types of properties are also more aspirational and will help to meet the needs and demands for this type of housing.