

DARLINGTON BOROUGH COUNCIL
LOCAL DEVELOPMENT FRAMEWORK CORE STRATEGY EXAMINATION

Provision of Affordable Housing in Policy CS11: Position Statement
December 8th, 2010

1. Introduction

- 1.1 The affordable housing element of Policy CS11 changed significantly between the Revised Preferred Options version and the Publication Draft. The changes made were primarily to take account of the findings of the Economic Viability of Housing Land in Darlington Borough Study (SD007) and the latest intelligence about the availability of public funding for future affordable housing provision.
- 1.2 The existing Affordable Housing Supplementary Planning Document (SD075) is linked to adopted Local Plan policies. Replacement detailed guidance on the operation of affordable housing policy will be set out in a Planning Obligations SPD, to be completed during 2011, following Core Strategy adoption.

2. Setting the Annual Target

- 2.1 The annual shortfall of affordable housing compared with identified need that is identified in the Tees Valley Strategic Housing Market Assessment (SD015) is undeliverable as it exceeds the annual housing requirement set out in Policy CS10. Paragraph 6.2.4 indicates that, in practice, some of these needs may be met by the private rented sector, a factor that was not taken into account in the SHMA work. However, even taking this into account, there are significant unmet affordable housing needs in Darlington Borough. These needs are expected to have increased rather than decreased since the original survey work (2005) and refresh (2007/08) were undertaken, as it has become increasingly difficult for would-be first time buyers to obtain mortgages to access the housing market; data from the Council of Mortgage Lenders¹ indicates that nationally, with the number of loans made in October 2010 to first time buyers was 19% below the number made in October 2009.
- 2.2 The targets set for affordable housing provision in the Borough are realistic and deliverable rather than aspirational; they are effectively floor targets. This approach echoes emphasis on deliverability throughout the Core Strategy. The targets take into account economic viability information and a growing awareness of a future of much more limited public sector (HCA) funding for affordable housing, affecting both potential registered social landlord and local authority newbuild activity.
- 2.3 The assumptions used for the average annual amount of affordable housing coming forward from each source, and which informed the targets, were as follows:
 - (a) Application of the Core Strategy policy, via Section 106 agreements (35 per annum rising to 55);
 - (b) RSL's own developments (none assumed outside Section 106s);
 - (c) Local Authority Newbuild (4 per annum)
- 2.4 The targets also reflect that a proportion of new housing development would be on sites that fall below the site size thresholds for affordable housing.
- 2.5 The use of realistic rather than aspirational targets helps to align monitoring and performance management of the sustainable community strategy (SD009) with the Core Strategy, the latter being the spatial expression of the former and a key means of achieving

¹ <http://www.cml.org.uk/cml/statistics>, Table 2

it. The performance monitoring for affordable housing (NI154) was expressed through Darlington's Local Area Agreement 2009-2012, agreed with the Government in March 2009 and most recently refreshed in March 2010. However, Local Area Agreements have recently been abolished by the Coalition Government (October 2010), so monitoring is now only through the Local Strategic Partnership.

2.6 Since Policy CS11 was finalised in the submitted Core Strategy, a number of announcements have been made by the Coalition Government that could affect affordable housing delivery:

- (a) no further rounds of the LA Newbuild programme – whilst the Government may not be providing the funding for this, it may be possible for the Council to extend its current programme if the Council is allowed to keep more of the income into the Housing Revenue Account, as proposed;
- (b) there is the potential for the New Homes Bonus (NHB) to support and incentivise net housing growth and help to deliver additional numbers, including affordable housing in line with policy requirements. However, the detail about how the NHB will operate is not due to be released until January / February 2011;
- (c) Localism bill – including planned introduction of neighbourhood development plans, and Community Right to Build;
- (d) a new Regional Growth Fund. This could potentially bridge the viability gap on some housing schemes, such as Central Park, where there are strong links to economic investment, employment and housing growth;
- (e) Clarifications about the operation of the Community Infrastructure Levy (CIL).

2.7 On balance and on the basis of the information currently available, these factors, in combination, may have a slight positive impact on the delivery of affordable housing numbers. However, a far greater factor in securing more affordable housing would be a return to viable housing developments, with provision being secured through Section 106 agreements.

2.8 A final consideration was the need to achieve the right balance between securing more affordable housing and delivering housing numbers and other planning and regeneration objectives; the economic viability of housing land study (SD007) showed, by testing a range of targets across the Borough, that scheme viability and therefore housing delivery would not be maintained if affordable housing targets were set too high.

2.9 Through the sustainable community strategy (SD009) and the Core Strategy, the Council and its partners have made it clear that over the next 10-15 years, it will be making the most of its opportunities to attract business investment, increase employment and wage levels and local opportunities for work (page 7 of SD009 and para 2.23 of the Core Strategy (CD001) refer). Providing additional housing to accommodate population growth and to increase the range and choice of housing in the Borough is seen as essential complementary activity to economic development. In its affordable housing policy, the Council wants enough flexibility to enable it, if it chooses, to make the tough decisions to maintain housing delivery in challenging economic conditions.

2.10 The Council is also committed to maintaining high standards of development in all market conditions. In periods like the current economic downturn, it wants enough flexibility in its policy to ensure that provision of affordable housing is not at the expense of other important planning and regeneration objectives, such as good design, sustainable transport and lifetime homes, in achieving a viable and deliverable scheme overall.

3. Establishing the percentage of affordable housing required as part of new housing developments

3.1 The economic viability of housing land study (SD007) found that there were marked variations in the economic viability of housing land across the Borough. In some areas,

such as the value areas in Eastern Darlington, it found that no affordable housing could be provided viably as part of a private housing development, whereas in the south west sector of the main urban area (value areas six and seven in the study), on general development sites, up to 40% affordable housing was the likely maximum that could be achieved as part of the new housing development.

- 3.2 The Council's Strategic Housing Land Availability Assessment (SD012) indicates very limited possibilities for new housing development in this part of the urban area; the only opportunity currently identified is redevelopment of the Council's Woodburn Nursery, which could only deliver an estimated 15 dwellings. Because of this, the findings for value areas six and seven were not considered that relevant to the setting of a target to be applied across the whole Borough.
- 3.3 An additional consideration was that the sites referred to in the economic viability of housing land study (SD007) are notional sites. Whilst general assumptions were made about the costs of elements of notional schemes, specific schemes may well have higher actual costs. These can be incurred to overcome site specific constraints, such as contamination or flood risk. These type of costly constraints are particularly prevalent on urban previously developed land, which is where the Core Strategy seeks to direct development, as far as possible.
- 3.4 A final consideration was that the SHMA (SD015) identifies a need for a mix of affordable housing units, including 3+ bedroomed properties, and accommodation to meet the needs of families with disabled members. As these types of units are a greater cost on development, the Council wanted to set the target at a level that would enable a range of sizes of affordable housing units to be provided that meets identified needs, rather than securing a higher number of developers' default (smallest – two bedrooms) type of affordable housing provision, which may not be the best match to identified needs.
- 3.5 Taking into account all the above, it was considered that 'up to 30%' was a challenging but realistic target over the lifetime of the Core Strategy, as the viability study (SD007) found it to be potentially deliverable in four out of the eight 'value areas' examined.

4. Targets for Intermediate and Social Rented Housing

- 4.1 A target for the split between intermediate and social rented housing was removed from the Core Strategy between Revised Preferred Options (CD022) and Publication Draft stage to make the policy more flexible, and able to be relevant in changing circumstances. The Revised Preferred Options Policy CS11 80:20 social rented: intermediate affordable housing split was based on LHA 2005 and its 2007/08 refresh.
- 4.2 The Council recognised that much has changed in delivering viable and relevant affordable housing provision since that work was carried out, and that the prospects for securing any social housing grant or funding for Local Authority Newbuild in the foreseeable future are slim. An example of the new types of schemes coming forward is a 106 dwelling scheme just started at Beaumont Hill (North Darlington). This scheme comprises a mix of 32 social rented homes, 42 intermediate market homes and 32 market homes available through the Homebuy Direct. The 42 intermediate market homes will be available for people to part buy until their circumstances improve enough to be able to staircase to full home ownership. The scheme has come to fruition as a result of partnership working between the Council and Fabrick Housing Group, supported with HCA and Housing Growth Point funding. Given the unpredictability of future public sector funding for affordable housing provision, it is expected that housebuilders and registered social landlords will become more creative to maintain the output necessary to sustain their businesses and operations, and that where it owns land, the Council may need to become more proactively involved to help deliver the plan objectives.

- 4.3 It was also becoming apparent that there needed to be flexibility in the policy to allow the Council to secure the most affordable housing as parts of new development, whatever the stage in the economic cycle. During an economic downturn, there is a need for both more social rented and intermediate affordable housing, but as it costs developers more to provide the former types of units, the Council may choose to have the latter provided, to achieve more units overall, and to keep the cost of the affordable housing requirement at a level that still enables the developer to have a viable scheme overall.
- 4.4 Autumn announcements from the Coalition Government also indicate that intermediate housing is expected to have an even greater role in overall affordable housing provision than was envisaged earlier this year, with funding coming from higher social rents and the New Homes Bonus and HCA loans, rather than capital grants from the HCA and Housing Corporation as previously.
- 4.5 For the reasons outlined above, it was considered to be prescriptive to include a fixed ratio of social rented: intermediate provision in Policy CS11. As written, the policy allows the split to be negotiated on a site by site basis, taking account of up to date needs information and economic viability, to achieve the best planning outcome in terms of numbers and type of new affordable housing units.

5. Proposed Changes

- 5.1 To provide some additional justification in the Core Strategy to reflect the above, the following changes to the reasoned justification to Policy CS11 are proposed:
- (a) Add the following two sentences at the beginning of para. 6.2.5: 'Requirements for high levels of affordable housing provision can render many schemes unviable in certain locations and when sluggish or stalled housing market conditions prevail. The Council wants to encourage new housing development wherever possible, and so the viability of schemes is a key consideration.'
 - (b) Add the following sentence to the end of para. 6.2.7: 'These targets are considered realistic and deliverable, rather than aspirational.'