

TITLE	DERWENTSIDE AFFORDABLE HOUSING POLICY REPORT
TO/ON	EXECUTIVE, 8th JANUARY 2007
BY	EXECUTIVE DIRECTOR
PORTFOLIO	HEALTH
STATUS	REPORT

STRATEGIC FACTOR CHECKLIST

The Council's Corporate Management Team has confirmed that the Strategic Factor Checklist has been applied to the development of this report, and there are no key issues, over and above those set out in the body of the report, that need to be brought to Members' attention.

1.0 PURPOSE OF REPORT

1.1 This report outlines the main findings of the Derwentside Housing Needs Assessment 2006, prepared for the District Council by Fordham Research and focuses on the findings related to affordable housing in Derwentside. It seeks agreement to the process and timetable outlined in this report for the development of an affordable housing policy and asks for Members to be nominated onto an affordable housing internal working group. Appendix 1 sets out issues that will need further analysis by a working group and stakeholders in the development of an affordable housing policy.

2.0 BACKGROUND

2.1 Housing policies, including affordable housing, are currently being considered for inclusion in the emerging Core Strategy of the Local Development Framework (LDF). However it will be sometime before the Core Strategy is adopted, and the robust analysis of Housing Needs Assessment shows that there is a need for affordable housing now. The Council therefore needs to adopt an Interim Affordable Housing Policy in advance of the Core Strategy. Although the Interim Policy would not carry as much weight as a full Core Strategy policy (see paragraph 3.3 for further details) and may be open to challenge, it would signal the Council's intent to secure much needed affordable housing for Derwentside's residents.

2.2 The previous full assessment of Housing Need in Derwentside District was carried out in 2001. Also in 2001 a Migration Survey was carried out and in 2002 a survey of the 'Occupiers of New-Build Properties' was conducted. Over the winter of 2001/2002 a detailed analysis of the Council's waiting list was carried out with the specific aim of assessing need for social housing. These studies formed the basis for the provision of affordable housing to be delivered through the planning

system in accordance with policies set out in the Derwentside District Local Plan.

2.3 The main drivers for commissioning a new Housing Needs Assessment (HNA) in order to update the Council's Policy for Affordable Housing were:

- Research into the Housing Market in the District provided strong indications that increases in house prices had not been met with a matching increase in income, which had led to households on low and average income being unable to afford decent housing in the District. Carrying out an HNA would enable the Council to quantify the need for affordable housing
- The requirement to prepare a Local Development Framework for Derwentside District to replace the Derwentside Local Plan. The LDF must contain requirements for affordable housing based on robust evidence, and how such need is to be met by the Council, thereby reflecting up-to-date Government Policy as well as recent trends.
- To provide up-to-date information and data analysis on housing need and demand in Derwentside District, to inform the Council's Housing Strategy Update of 2006 to ensure that the Strategy is fit for purpose and the Housing Investment Programme submissions.

2.4 The Housing Needs Assessment 2006 provides Derwentside District Council with robust findings. Fordham Research, in their tender brief said, 'Our studies have never been successfully challenged at Local Plan Inquiries which is a reflection on the robustness of the analysis carried out and the conclusions drawn. We have had our surveys accepted as the fundamental evidence to support affordable housing targets of up to 50% in a range of different local authorities across the Country'.

2.5 The Derwentside District Council Housing Needs Assessment 2006 Report includes a chapter setting out the context and methodology for the study, and outlines the data sources that were drawn on, including: a postal survey of 1,742 households in the District; interviews with local estate agents; and a review of secondary data such as the Land Registry and the Census.

2.6 The results of the Survey include information about the number and tenure of households; car ownership; household movement and future expectations about moving. The Survey also found that average property prices in the District have risen by over 121% over the past five years (2001 – 2006).

2.7 The Survey goes into detailed calculations using the Government's recommended methodology for estimating the need for affordable

housing, known as the 'Basic Needs Assessment Model'. The main stages of the model are summarised as:

- Backlog of existing need
- Newly arising need
- Supply of affordable units, and
- Affordable housing requirement.

The result of applying this model is the finding that the District needs an additional 130 affordable homes per year over the next five years.

- 2.8 The Survey indicates that the larger part of the population in need of affordable housing could afford 'intermediate housing', which is housing that is priced between social rents and the cheapest market prices.
- 2.9 The analysis suggests that the most acute shortfall relates to smaller units. The accommodation size in greatest need are one bedroom properties, and a large proportion of all need is within Stanley, followed by Consett and then the Derwent Valley area which covers the wards of Dipton, Ebchester and Medomsley, and Burnopfield.
- 2.10 It is worth noting the distinction between 'need' and 'demand' as set out by the ODPM (now DCLG), in its guidance on Housing Needs Assessment. The ODPM definition of housing need is:

'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance'.

The ODPM definition of housing demand is:

'Housing demand refers to the quantity and type/quality of housing which households wish to buy or rent and are able to afford. In other words, it takes account of both preferences and ability to pay'.

A single person may 'need' a one bedroom property but 'demand' a bigger one. It is likely that most people who need only one bedroom would actually prefer to have at least a two-bedroom property because only 2% of households who could be accommodated in a one-bedroom property expressed a preference for such a property. This figure is not contained in the report but has been calculated from the database supplied with the report. This is borne out by experience in that one bedroom council stock has been the least popular stock.

- 2.11 The Housing Needs Assessment findings show that the demand is for larger properties with the most popular being 3 bedrooms followed by 2 then 4 bedrooms.
- 2.12 A significant proportion of households in the district were found to contain someone with a support need (25%), significantly higher than

the typical range found in such studies (11%-13%). Households with support needs indicated a requirement for a wide range of aids and adaptations and made up around a quarter of the gross need for additional affordable housing.

- 2.13 Although the study found a considerable number of keyworkers living in the district, and an estimated need for nine units of affordable housing per annum for keyworkers, their housing and financial situation was not so acute as to place them in any particular situation with regard to the provision of additional housing.

DEVELOPMENT OF A DERWENTSIDE AFFORDABLE HOUSING POLICY

- 2.14 The following sections provide a brief overview of what is meant by affordable housing, the wider legislative and policy requirements such as PPS3 and the Regional Spatial Strategy, restrictions and opportunities, and the local circumstances that must be taken into account in the development of an affordable housing policy.

WHAT IS AFFORDABLE HOUSING?

- 2.15 It must be stressed that the delivery of housing that people want to live in and can afford and the creation of sustainable communities, has broad economic effects for the district linking with many of the aims of the Derwentside District Council Corporate Plan. An affordable housing policy will help meet these aims and help maintain at least a stable population in the District.

- 2.16 The level of population is one factor taken into account by central Government in its allocation of the Local Government Finance Settlement. The greater the population, the more Formula Grant a local authority is allocated. Policies and actions by the Council need to at least maintain the population level.

- 2.17 Affordable housing is a term to some extent defined by local housing circumstances and can include (where appropriate), social rented and various forms of low cost home ownership such as shared ownership. The requirement of 130 units of affordable housing could be met by any combination of these options. The affordable housing policy must have a strong, agreed, local definition of affordable.

- 2.18 In looking at whether housing is affordable, the issue of affordability (relating costs to income) has to be considered. This is defined by the ODPM as:

‘Affordability is a measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on conditions set by mortgage lenders using standard multipliers (2.9 times joint income or 3.5 times single

income which ever is the higher). Rental affordability is defined as a household is unable to afford private rented housing if renting privately would take up more than 25% of its gross household income (excluding housing benefits)'.

- 2.19 As stated in paragraph 2.8, the Survey indicates that the larger part of the population in need of affordable housing could afford 'intermediate housing', which is housing that is priced between social rents and the cheapest market prices. Examples of 'intermediate housing' are shared equity or shared ownership, where the householder owns a share of the property and pays rent on the remainder. Indications from the survey however suggest that there is little awareness of intermediate housing options in the District.
- 2.20 What is 'affordable' has been described as a point on a scale that fluctuates over time. Certainly things such as income levels and, in the case of owner occupation, interest rates, affect it. Work would need to be undertaken to regularly update any model and figures used to assess affordability in the face of changing circumstances. It is intended to put a value on a Derwentside definition of what is affordable in the New Year to inform the preparation of the interim affordable housing policy.
- 2.21 In order to have a complete picture of the housing situation in the District it is also necessary to have an up to date Housing Market Assessment (HMA). The importance of this document is made clear in Planning Policy Statement 3 (see paragraph 2.31), and the Government will be publishing a methodology for producing HMAs in the New Year. Derwentside District Council is working in partnership with the County Council and the other County Durham Districts on the HMA, and work will commence once the Government guidance is available.

CURRENT HOUSE PRICES AND INCOMES

- 2.22 Any assessment of affordability has to look at house prices and incomes. The latest figures from the Land Registry which relate to the July to September 2006 quarter show that the overall average house price in Derwentside is £124,360. The average for the different types of property is as follows:
- | | |
|-----------------|----------|
| Detached | £214,767 |
| Semi-Detached | £121,939 |
| Terraced | £93,256 |
| Flat/Maisonette | £110,433 |
- 2.23 Information from the Advertiser and local estate agents would suggest that the lowest priced properties are around £60,000 and are predominately in South Moor and Craghead.
- 2.24 The ASHE (Annual Survey of Hours and Earnings) survey results for 2005 for all employees says the median gross annual wage for

someone living in Derwentside is £16,911. Using the 3.5 times income multiplier set out above, this would enable a single person going into the housing market, to afford a mortgage of £59,188. There is very limited housing stock available at around this price. If the median wage is doubled for a joint income household to £33,822 then with a 2.9 times income multiplier this gives a mortgage of £98,083 which would be insufficient to buy an average priced house in Derwentside. Two bedroom properties in Derwentside (especially new build properties), often cost over £100,000. This is an indicative picture as joint income households often have one income less than the other. It is also possible to obtain mortgages with higher income multipliers (for example 5 times income), but these bring their own issues of affordability and sustainability. The Council has recently purchased ward level average household income data, and this will be evaluated in the New Year to produce the most reliable assessment of affordability that we can.

- 2.25 Government Office for the North East analysed the 2005 house price to income ratios for working households aged 20 to 39 years. The highest ratios of 5 plus, were Berwick, Alnwick and Tynedale; the lowest in the range 2 to 2.99 was Wansbeck. Derwentside fell in the range 3 to 3.99.
- 2.26 A recent report for the National Housing Federation commissioned from Oxford Economic Forecasting, 'The North East's Housing Timebomb – Affordability and Supply 2006-2011' (November 2006), examined housing markets in the North East at district level and paints an even bleaker picture. It suggests the current house price affordability ratios range from 9.3 in Alnwick to 4.6 in Hartlepool. County Durham as a whole was 5.4, with the districts ranging from 6.9 (Durham City) to 5.1 (Sedgefield). Derwentside was 6.0.
- 2.27 Another way of looking at the issue of affordability is to look at mortgage costs to income ratios. This is a more complicated measure to assess but felt to be more accurate, especially when taking into account the current period of low interest rates. Professor Steve Wilcox from the University of York, who has recently analysed the figures, states that mortgage costs to income ratios are as high now as in the 1990s at the peak of the last boom. The situation may actually be worse now than then, because people's incomes are rising more slowly now. The analysis by Professor Wilcox suggests that a substantial fall in house prices is unlikely continuing the affordability problem.

HOMEBUY

- 2.28 There are an increasing number of ways being tried to get people into the housing market. The Government has introduced a scheme, branded as HomeBuy, to help people get a foot on the property ladder. This includes the new expanded Open Market HomeBuy, launched by the Government on the 2nd October 2006.

- 2.29 There are three parts to the HomeBuy scheme:
- New Build HomeBuy, where the buyer shares ownership of the home with a housing association
 - Open Market HomeBuy, where the purchaser part buys a property and a loan is obtained from the Government for the rest
 - Social HomeBuy, where housing association and local authority tenants are helped to buy their current home.
- 2.30 The HomeBuy scheme is seen as a good way to get on the ladder but it is not appropriate for everyone. Various commentators sound a note of caution and suggest that people will need more advice than is currently available to help them decide between the various HomeBuy options, buying a cheaper property outright or renting. Costs of a mortgage payment on an outright purchase need to be compared with a mortgage plus rent payment on a HomeBuy property. If Derwentside District Council wishes to promote HomeBuy it will need to make sure partner RSLs and other agencies are providing sufficient advice.

PLANNING POLICY STATEMENT 3 (PPS3)

- 2.31 Planning Policy Statements (PPS) set out the Government's national policies on aspects of planning in England. PPS3 sets out the national planning policy framework for delivering the Government's housing objectives. The key policy goal of the recently published PPS3 is to 'ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live'.
- 2.32 PPS3 requires local authorities to set an overall target for the amount of affordable housing to be provided, which will meet the needs of both current and future occupiers. Within that target there should be separate targets for the provision of social rented and intermediate affordable housing.
- 2.33 Authorities should specify the size and type of affordable housing that is likely to be needed in particular locations. This will include considering the findings of the Strategic Housing Market Assessment (HMA).
- 2.34 The authority should also set out the trigger points for new development sites at which affordable housing will be required. The national indicative minimum size of site is 15 dwellings. Authorities will need to undertake an informed assessment of the economic viability of any thresholds.
- 2.35 Local authorities should also set out the approach for seeking developer contributions. The presumption is that the affordable housing will be provided on site although, in exceptional circumstances, off-site provision or a financial contribution may be accepted as long as the approach contributes to the creation of mixed communities. (See paragraphs 2.48 and 2.49 for more detail.)

- 2.36 PPS3's definition of affordable housing is:
'Affordable housing includes social rented and intermediate housing, provided specified eligible households whose needs are not met by the market. Affordable housing should:
- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
 - Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision'.
- 2.37 Social housing is defined as 'rented housing owned and managed by local authorities and registered social landlords' and intermediate housing as 'housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (for example HomeBuy), other low cost homes for sale and intermediate rent'. Low cost market housing may not be considered, for planning purposes, as affordable housing.

REGIONAL SPATIAL STRATEGY

- 2.38 The Regional Spatial Strategy replaces Regional Planning Guidance. Policy 32 of the Submission Draft Regional Spatial Strategy (RSS) states that local authorities should address the problems of local affordability in both urban and rural areas. In determining planning proposals should consider the level of need for affordable housing. The Panel Report following the Examination in Public recommended no change to the approach to the provision of affordable housing in RSS.
- 2.39 The Regional Spatial Strategy is proposing limits on the amount of house building in Derwentside and other parts of County Durham and the North East. Its aim – at least in the Tyne and Wear City Region - is to encourage settlement in the Bridging Newcastle Gateshead (BNG) Pathfinder area. In Derwentside however, with sites under construction and those with planning permission, there is almost a fourteen year supply of housing, based on the annual requirement in the RSS Submission Draft. If the Council use the allocation suggested by the RSS Panel then there would be over an eighteen year supply. If the strategy in the RSS is strictly imposed then this will eventually have a significant impact on the amount of housing being built.
- 2.40 The supply of housing itself is not likely to be the issue; the problem is the supply of affordable housing. Virtually all of the sites under construction or with planning permission include no provision for affordable housing. Furthermore some existing new build estates in Derwentside have vacant properties on them or properties that the builders haven't finished internally and have 'mothballed'. This is despite rising numbers of homeless cases and a rising waiting list for council properties.

- 2.41 The possible longer-term consequences of the RSS are uncertain. If it restricts housing numbers in Derwentside it has been suggested that there could be a migration of population to the Tyne and Wear area resulting in a population drop in the District. Other views are that the population will remain stable, as an increase in choice of accommodation in the BNG area will mean people staying in that area, rather than moving out to or from Derwentside and other areas. These issues will be reviewed and considered in other reports. Loss of population will mean a loss in income for the Council (see paragraph 2.16).

ALTERNATIVE SOURCES OF AFFORDABLE HOUSING

- 2.42 Whilst clear planning policies are crucial, equally important is a broader approach to the provision of affordable housing. If land prices and land availability restrict the provision of new build affordable housing, further work should be undertaken to maximise the use of existing housing. The Empty Property Officer is already working to bring empty properties back into residential use. The new Empty Homes Strategy should help move this work forward. However the Empty Homes Officer has access to few grants, an insufficient budget and limited tools to make a sufficient impact on the empty home problem in Derwentside. It can also be a long process to bring properties back into use. Work could be also done to explore the potential use of the existing empty new build stock mentioned above mentioned in paragraph 2.40.
- 2.43 In the long-term, work on alternative sources of affordable housing that is outside the planning process and Section 106 agreements etc., is likely to be crucial to the provision of housing. The restrictions on sites and planning permission are likely to have a major impact on the Council's ability to encourage and enable the provision of affordable housing solely through planning control.
- 2.44 The Council will need to ensure that resources and capital are aligned to new housing service plans, the affordable housing policy, the Housing Strategy and the targets for bringing empty homes back into use.

LAND VALUES

- 2.45 Land values over the last few years have been increasing both nationally and locally. Prices are still rising in Derwentside and so, as a consequence, are house prices. A few years ago land price was around 16% of house price, and it is now around 25%. Affordable housing means, for a developer, less return on outlay, and a possible reluctance to build anything other than open market priced properties.
- 2.46 Landowners will generally only sell at a time when they think they are getting a good price for their land. If prices are low, either for market reasons or because of restrictions that have been placed on the land,

they may decide to hang onto the land until the market changes or in the hope that any restrictions may be lifted. For example, with a high demand for affordable housing, the land owner may wait for a change of Government direction reducing the availability of land for housing and for affordable housing in particular.

- 2.47 Due to the Housing Corporation's funding regime Registered Social Landlords (RSLs) are not able to pay as much for land as private developers. If Derwentside District Council wish to increase the amount of affordable housing provided by RSLs then there will have to be an acceptance that this may mean a reduction in capital receipts from land sales. This will obviously have a knock-on effect on the Councils capital programme.
- 2.48 Attractive affordable housing brings people to an area or keeps people in the area and brings its own economic benefit. The Council will need to decide if it wishes to give the provision of affordable housing sufficient priority.

HOW MUCH AFFORDABLE HOUSING?

- 2.49 According to Fordham Research the findings of the Survey suggest that any target of affordable housing up to 50% would be perfectly justified in terms of need. The Survey also suggests that sites of 15 properties or more could be considered for affordable housing, which the new PPS3 now identifies as the national standard.
- 2.50 Some flexibility may need to be built in to allow for development of a particular site with no affordable housing on it depending on type of housing or location of site. This has been achieved in other local authority areas by 'off-site' provision. That is by granting permission for non-affordable housing on one site with a requirement for the developer to build affordable housing on another site. This has often been used by London Boroughs. This assumes that there are two sites to develop and that both sites do not have existing planning permission on them.
- 2.51 Flexibility is also sometimes built in to cover the economic situation. This is where the developer alleges that it is not financially viable to provide affordable housing at the level required by the Council and requests that the target (50%) is reduced. This is normally done by the submission of a development appraisal which is then evaluated by a valuer and/or a surveyor.
- 2.52 Harrogate Borough Council's Affordable Housing Policy allows a developer to use commuted sums to purchase properties instead of building affordable properties. In one case a developer was asked to buy an ex-council house on the open market which was done for £188,500. It was sold on to an RSL for £76,750 and was able to be used as affordable housing.

- 2.53 The Derwentside Housing Needs Assessment looks at the broader housing market and future changes. This confirms the likely shortage of small affordable dwellings, but also some need for four bedroom properties for larger households on lower incomes.

WHO IS AFFORDABLE HOUSING FOR?

- 2.54 An affordable housing policy must provide information on who an affordable housing policy is for. There is a debate as to who is eligible for affordable housing. Some areas of the country are very specific in that it is for local people. Some commentators argue that this is artificially restrictive and doesn't allow for the economic benefit of allowing anyone with a need for affordable housing to access it. The Derwentside Housing Needs Assessment has, of course, simply looked within Derwentside for its assessment of need and therefore demonstrates a need amongst local people.
- 2.55 As an example, Harrogate Borough Council has a three-part definition defining eligibility for affordable housing. These are 'eligible occupier', 'local connection' and 'the search area'.
- 2.56 Eligible occupier, in Harrogate, means, "a person or household in housing need for a property of the type and size in question, and who is unable to afford to rent or purchase dwellings of a similar kind generally available on the open market within the administrative area of the Council, provided that a person within the household has a local connection in the first instance with the search area, but in the event that no such person or household seeks to occupy the property and is acceptable to the housing association, then a person or household satisfying the other criteria and with a local connection with the district of the Council."
- 2.57 Local connection is defined as, "an eligible occupier has a local connection with an area if:
- That person or a person within the that household currently lives in the area or has lived there for at least six months; or
 - Has close family ordinarily resident in the area (for a minimum period of six months previously); or
 - Has previously lived in the area (for a continuous period of at least ten years); or
 - Is in permanent employment in that area.
- 2.58 Search area is defined by dividing Harrogate Borough into sub-areas and over a matter of weeks increasing the area to be considered by adding sub areas until the whole of Harrogate is included.
- 2.59 A version of this three part qualifying criteria may be felt appropriate for Derwentside.

AFFORDABLE HOUSING IN PERPETUITY

- 2.60 Securing affordable homes 'in perpetuity' means that they will remain affordable for the foreseeable future, as long as there is a demonstrable need. Work in other areas suggests the use of robust Section 106 agreements, combined with the involvement of an RSL partner, has proved to be the best route through which to do this.
- 2.61 Whilst Section 106 agreements vary from authority to authority, and from scheme to scheme, there are generally two approaches. Some authorities such as Tynedale, where Social Housing Grant (SHG) is used, oblige developers simply to transfer land for affordable housing to an RSL. In other authorities, where homes are to be delivered without SHG, agreements are more complicated and lengthy. Local authorities have to be mindful to ensure timely delivery, affordable prices and rents, good quality, and partnership working between RSLs and private developers.
- 2.62 The variety of options available for retaining properties within the affordable housing market can cause concern for mortgage lenders who may become reluctant to lend on affordable housing properties with restrictions. Consequently potential purchasers may encounter difficulties in obtaining the additional finance that they need. Potential difficulties need to be resolved as early as possible through discussion with lenders.
- 2.63 Wording for Section 106 agreements needs to be constantly reviewed in order to address areas for improvement and to take account of the changing policy of lenders. In the report 'The Golden Triangle Affordable Housing Project: Affordable Housing Good Practice Manual: Delivering Affordable Housing through Section 106 agreements', (November 2005, David Cumberland Housing Regeneration Ltd), the following areas were identified as issues to be fully explored:
- Marketing, (that is who should undertake it, when, for how long and costs).
 - Potential loopholes surrounding the perpetuity of discount sale properties that are freehold or leasehold.
 - Failing to fix initial sales prices and relying solely on percentage discounts which, due to a buoyant housing market, has resulted in some homes being unaffordable by the time they have been built.
 - Fixing initial prices but failing to include a formula to reaffirm the percentage discount that the initial purchaser must then sell on at.
 - Ensuring that RSLs and officers are up to speed with lender requirements.
- 2.64 Since most affordable homes are generally transferred to RSLs, the Golden Triangle Report suggests that it is essential that these stakeholders are also consulted on the draft Section 106 wording to ensure that it satisfies the needs of their lenders.

- 2.65 Section 106 agreements can be challenged after five years. In order to argue for continued provision of affordable housing, the Housing Needs Assessment will have to be updated and information gathered on the housing market and house prices. This will ensure that the evidence base is there to support affordable housing or to demonstrate there is, for example, no need for it at some particular time. This is likely to involve the use of resources both in financial and staff time.

3.0 CORE STRATEGY POLICY OPTIONS

- 3.1 The existing Derwentside Local Plan policy on affordable housing (HO8) identified a number of specific sites where a proportion of affordable housing was required. Three of these sites have now been developed and the remaining two are greenfield sites that would not now be approved for housing development. It is not an option to adopt a similar approach in the future because of the current housing supply situation with sites under construction and out standing planning permission on others (see paragraph 2.39 above).
- 3.2 Therefore a new policy on affordable housing is required in the Core Strategy of the Local Development Framework (LDF). The Core Strategy is the over-arching document at the heart of the Local Development Framework, which sets out the vision and policies to direct the future development of the District. The LDF and related documents will be the subject of separate reports and timetables.
- 3.3 The Issues and Options stage is the first step in the preparation of the Core Strategy and is due to take place in January 2007. At this stage a number of realistic alternative options for addressing the issue of affordable housing need to be put forward for consideration both. Following public consultation and sustainability appraisal one of these options will then be selected as a 'preferred option'. The chosen option will then be worked up into a detailed policy for further consultation.
- 3.4 Below are three possible policy options, which will be included in the Core Strategy Issues and Options:

Option 1 Apply a District wide policy, which requires 50% of dwellings on new housing sites of 15 dwellings or more or of sites of 0.5 hectares or larger to be affordable. This may affect the delivery of new housing due to the negative impact on the profit to be made from a site that providing 50% affordable housing would cause. However, as there is a large supply of sites with planning permission then this may not be seen as a significant disadvantage.

Option 2 Apply a District wide policy, which requires a lower figure such as 35% of dwellings on new housing sites of 15 dwellings or more or sites of 0.5 hectares or larger to be affordable. This would have less impact on the financial viability of some sites and would be more in line with the figures used by other authorities.

Option 3 Allocate sites for 100% affordable housing. If new housing sites are restricted because of the RSS this may be the only way to deliver the affordable housing the District needs. It may be possible to justify this approach because of the large number of housing sites currently with planning permission that do not include any provision for affordable housing. It may be difficult to use this approach in conjunction with a policy based on a percentage of a site being developed for affordable housing because developers would argue that the Council had other means to secure the required affordable housing.

It could be argued that this option does not promote the idea of mixed communities, but realistically, for the reasons outlined above, it may be the only way of providing any additional affordable housing. As this approach uses site allocations it could not be used until at least 2008 when the Major Allocations Development Plan Document of the Local Development Framework reaches the Preferred Options stage.

4.0 TIMETABLE AND PROCESS

4.1 Appendix 1 sets out some of the issues that would need to be addressed by the working group and through consultation with stakeholders.

4.2 Below is a timetable for the preparation of the interim affordable housing policy:

- January 2007 to Mid March 2007 – Consider the evidence base and the requirements for further information
- January 2007 – Executive approve the process
- Last week in January 2007 – Stakeholder event
- First week in February 2007 – Stakeholder event write up and consideration of findings
- Second week in February 2007 – An internal; working group consisting of Members and officers from Planning, Housing, Economic Development, Land and Property and Environmental health, meet to consider policy decisions and the preferred options
- By the end of February 2007 – Draft document is ready
- First week in March 2007 – Follow up meeting of the working group
- Mid-March 2007 – CMT consider document and any amendments are tabled
- April 2007 – Executive approve draft policy
- Mid-April 2007 to the end of May 2007 – Six week consultation period and amendments made
- Mid-June – Full Council for formal adoption of the Interim Affordable Housing Policy.

5.0 CONCLUSIONS

5.1 The evidence in the Housing Needs Assessment makes it clear that Derwentside now has a significant shortage of affordable housing. . The report has outlined a range of policy options and issues that need further consideration in order to develop a local interim affordable

housing policy. Three alternative policy approaches to addressing the affordability issue have been identified and will be tested through the preparation of the Local Development Framework. However, the shortage of affordable housing is so acute that the Council should not just wait for the outcome of this process, but should adopt an interim policy in the meantime and continue with preparation of associated documents such as Section 106 agreements.

6.0 RECOMMENDATIONS

- 6.1 Members are recommended to:
- 6.2 Acknowledge the robustness and approve the findings of the Derwentside District Council 2006 Housing Needs Assessment.
- 6.3 Nominate Members to attend an internal working group to develop a draft interim affordable housing policy and take the policy through the consultation period.
- 6.4 Agree to a stakeholder event being held in the New Year to inform the interim affordable housing policy.

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Background Papers: Derwentside District Council Housing Needs Assessment – Housing Study (August 2006) by Fordham Research

Appendix 1

Issues that need further analysis

Affordable housing

A definition of affordable housing needs to be identified.

Questions

- Is it housing for rent or ownership?
- If 'ownership', is it outright ownership or shared ownership which may bring with it a rental element?
- Is affordability defined simply by looking at house prices and income ratios or is there consideration of mortgage rates and therefore the amount of mortgage payable?
- 'Affordability' fluctuates over time and alters with incomes, interest rates etc. How is any policy to be monitored and adapted over time?

Location

The Housing Needs Assessment (HNA) split the district into four areas which were Consett, Stanley, Derwent Valley and Lanchester Rural. The Assessment said that there was a requirement for affordable housing in Consett, Stanley and Derwent Valley, with a small surplus in Lanchester Rural

Consett: Consett North, Consett South, Consett East, Blackhill, Benfieldside, Castleside, Leadgate, Delves Lane
Stanley: Stanley Hall, Havannah, Tanfield, Craghead and south Stanley, Annfield Plain, South Moor, Catchgate
Lanchester Rural: Lanchester, Esh, Burnhope, Cornsay
Derwent Valley: Dipton, Ebchester & Medomsley, Burnopfield

Questions

- Where is affordable housing to be provided?
- Is it to be all over the District wherever possible?
- Does the Council agree that the assessment of 'surplus' in Lanchester Rural is correct bearing in mind all the wards it contains?
- Should Lanchester village be looked at separately with, perhaps a separate village survey?
- Are there any other areas which might benefit from individual either village or parish surveys?

Percentage of affordable housing

The HNA says that given the analysis any target of affordable housing up to 50% per site would be justifiable.

Questions

- Does 50% seem to be based on evidence or is it on the high side in comparison with other local districts?

- If a lower percentage was felt to be more appropriate could it be justified? Developers may ask where any other figures came from and the 50% can be evidenced from the HNA.
- Would a get out clause be needed if a developer could justify on financial grounds that a lower percentage on a particular site would be better? How would this be assessed and evaluated?
- If there is a threshold of 15 houses per ha, how would the Council stop developers getting round an affordable housing policy by submitting plans for sites of 10 to 14 houses? This is an issue in London with Developers deliberately building fewer homes than they could to circumvent planning rules. (Inside Housing, 8th December 2006)

Who is affordable housing for?

The HNA assessed the need for affordable housing by a survey solely within Derwentside of Derwentside residents, and assessed the need for 130 units.

Questions

- Should any affordable housing that may be provided be marketed initially only to residents of Derwentside?
- What consideration should be given to those people who don't currently live in the District but do work in Derwentside?
- Is there any validity to the argument that says that not restricting it allows for a mix of people perhaps with different skills to live in the District?
- If the HNA is accepted as valid to the four sub-areas, should marketing be initially targeted at those people living within the same sub-area as the actual housing, and then go wider within the District if that fails and then outside Derwentside? (This is the Harrogate approach but they divide the borough into 25 parishes first.)

How much affordable housing?

The 130 units per annum (650 over the five year period) can be justified by the HNA, but realistically is unlikely to be achieved in any one year

Questions

- Is there a lower target that would be acceptable or more realistic?

Affordable housing in perpetuity

Securing affordable homes 'in perpetuity' means that they will remain affordable for the foreseeable future, as long as there is a demonstrable need. Work in other areas suggests the use of robust Section 106 agreements, combined with the involvement of an RSL partner, has proved to be the best route through which to do this.

Properties in Harrogate are sold to RSLs by developers or whoever at fixed prices related to type, number of bedrooms and floor space, taking into account what the Housing Corporation grant system will pay. For example at April 2005, the price for a 3-bed house of 90sq ms, was £76,750. Houses are kept in perpetuity if sold on, by the price being restricted to a percentage of the open market value.

Questions

- What is the best way to secure housing in perpetuity? There are numbers of ways that various authorities have discussed but most, if not all, mean the involvement of RSLs.
- Should Derwentside District Council use s106 agreements and what should they say?
- Are there are RSLs who would be likely to want to become partners?
- RSLs will really have to be involved but would getting their agreement mean a delay to the adoption of an affordable housing policy?
- Would Derwentside need to set its own prices and how would this be done?
- How would the price be set for selling on? What percentage would be used?

Intermediate Housing

This is housing priced halfway between social rents and minimum market levels and, according to the HNA, could theoretically meet much of identified need. Indications from the survey however suggest that there is little awareness of intermediate housing options, such as shared ownership, amongst households in the District. The preference that households displayed for social rented accommodation means that there is clear evidence that both tenures will be required to meet outstanding need.

Questions

- What definition of intermediate housing would Derwentside use?
- What exactly is the demand for intermediate housing?
- How much intermediate housing?
- How would the option be publicised?
- There are various forms of shared ownership under the umbrella of 'HomeBuy' – is anyone preferable for Derwentside?
- Research suggests that shared ownership is not for everyone but this may not be immediately apparent and good advice services are needed – do they exist in Derwentside or locally? If not, does the Council have the resources to provide the advice?

Type of new build and where built?

The Housing Corporation grant is not given for such things as garages so there is an issue as to what affordable housing looks like, particularly if an attempt is made to create mixed communities and to 'pepper pot' affordable housing in an area.

Questions

- If new houses are built and used for affordable housing what do they look like?
- How can affordable houses be built to match the neighbouring open market houses with garages etc? (Research suggests that difference in appearance of houses can be an issue of division amongst the residents of an estate and garages or no garages being of particular concern with

some people having to park on the street and this being seen as making the place 'look untidy'.)

- Is pepper-potting houses the best way to distribute affordable housing?
- How does pepper potting fit with the option of 100% affordable housing?
- What happens if demand suggests that an estate of, for example, high status detached executive homes would be a good thing for Derwentside – where would affordable housing fit in such a development?
- Could commuted sums or agreements to build elsewhere be used to off set sites where a lesser percentage or no affordable housing was built?
- How would the impression be overcome that affordable housing would 'let in the riff-raff and bring down house prices'?

Capital Receipts

As RSLs are restricted in the price they can pay for land by virtue of the Housing Corporation restrictions in grant level, they are not usually able to buy land on the open market and land is sold to them by the Council at reduced rates or transferred at nil cost. Assuming there are new sites available in the future that are in the control of the council and can be used for housing, there is an issue as to whether the need for housing outweighs the consequential loss of capital receipt and knock-on effect on other projects.

Questions

- How is this dilemma to be resolved?
- Is there a need for any new Council Policy?

Alternatives to Affordable Housing through the planning process

Restrictions on the availability of land, possible restrictions by the RSS and the likely inability to reach a new build target of 130 homes mean that other options will have to be explored such as the Empty Property Strategy, working with private landlords etc. etc.

Questions

- Can more empty homes be brought back into use?
- Is enough money being put by the Council into dealing with empty homes?
- Are there issues such as equity release that need to be explored?
- Grants to help people move to smaller houses to free up their existing homes?
- There is still the problem of land availability but should alternative, cheaper methods of construction be explored such as flat-pack homes (Ikea in Gateshead is an example of this), or container homes? Should the Council deliberately set out to create an estate or a block homes constructed in this way?

The process of developing an affordable housing policy

At the moment this has been done within Derwentside District Council mainly by officers but if an affordable housing policy is to be pursued a wider group will need to look at the issue.

Questions

- Should a small officer and Member group be formed to take the policy forward?
- Should RSLs and other stakeholders such as house builders, be involved now or only at the proposed consultation stage – or both?

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