

West  
Northamptonshire  
Joint Core Strategy  
Local Plan

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Strategic Housing  
Market Assessment  
Update 2013 –  
Technical Note

West Northamptonshire Joint Planning Unit  
October 2013

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Joint Planning Unit**

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## **1. Introduction**

- 1.1 This Technical Note explains how the Strategic Housing Market Assessment (SHMA) has been further updated in the light of the additional work that has been undertaken on objectively assessed housing needs following the Joint Core Strategy Examination Hearings held in April / May 2013.
- 1.2 The SHMA was last updated in 2012 in order to inform the Proposed Changes to the Pre-Submission Joint Core Strategy (PSJCS) the methodology and findings of the 2012 Update are set out in a Technical Paper<sup>1</sup> which was published in July 2012. The 2012 update was based on the proposed housing provision in the PSJCS of 50,150 dwellings up to 2026 and the 2008 based household and population projections published by ONS. The additional work undertaken on objectively assessed housing needs provides more up to date household and population projections which the Joint Planning Unit consider more accurately reflect the needs of the West Northamptonshire area. These revised projections underpin the proposed modifications to the housing provision in the JCS considered as part of the additional work requested by the Inspector during the JCS Examination.
- 1.3 The housing requirement considered in this update of the SHMA totals 41,760 dwellings (rounded to 41,800) for an extended plan period covering 2011-2029<sup>2</sup>. This is taken from the '2008-tracking scenario' developed as part of the work prepared by the Cambridge Centre for Housing and Planning Research (CCHPR) which the Joint Planning Unit considers the most representative assessment of objective housing needs for the West Northamptonshire area<sup>3</sup>. The housing provision figures used for the SHMA update have been amended to reflect the expected delivery of an additional 900 dwellings in South Northamptonshire during the plan period which are in excess of the number indicated by the CCHPR '2008-tracking scenario'. This increases the expected provision for South Northamptonshire from 6,300 dwellings to 7,200 and the overall provision for West Northamptonshire from 41,800 to 42,700.
- 1.4 It has therefore been necessary to update the SHMA having regard to the revised projections and extended plan period. In this respect the SHMA 2013 update provides a comparable assessment between the affordable housing requirements resulting from the proposed housing provision in the JCS (as submitted for Examination) and the alternative provision which is now proposed having regard to an objective assessment of housing need over an extended plan period up to 2029. Further information on the objectively assessed housing needs work and how it has informed the Main Modifications to the JCS is set out in Technical Papers<sup>4</sup> which have been published by the JPU. This provides the basis to assess the implications for the housing policies in the JCS, particularly in respect of affordable housing.

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<sup>1</sup> West Northamptonshire Joint Planning Unit (July 2012) – Strategic Housing Market Assessment Update 2012 – Technical Paper

<sup>2</sup> 58,129 (2001-2029) if 16,369 additional dwellings completed between 2001 and 2011 are included in the total

<sup>3</sup> <http://www.westnorthamptonshirejpu.org/connect.ti/website/view?objectId=10698565>

<sup>4</sup> West Northamptonshire Joint Planning Unit ( Dec 2013) – Objectively Assessed Housing Needs V2 and West Northamptonshire Joint Planning Unit ( Dec 2013) – Housing Technical Paper Second Update

## 2. The Updated SHMA model

- 2.1 The 2012 SHMA Update was produced using the ORS Housing Mix Model and household projections based on the Joint Core Strategy housing delivery of 50,150 up to 2026 and the ONS 2008 based household rates. The JPU commissioned Opinion Research Services (ORS) to produce a further update of the model using the new household projections arising from the work on objectively assessed housing needs.
- 2.2 In updating the model the only significant change made by ORS when compared to the 2012 update has been the new household projections, which impact upon the total dwelling requirements for the West Northamptonshire area and also the mix of households projected to be living in the area in the future. All other data and assumptions within the model remain as set out in the 2012 Technical Paper.

## 3. Results and Sensitivity Tests

- 3.1 The Joint Core Strategy (JCS) makes provision for a number of Northampton Related Development Sites in the administrative areas of Daventry District and South Northamptonshire Councils in order to meet Northampton related development needs. These sites are located within the boundary of the Northampton Related Development Area (NRDA) which is defined within the JCS. The policy requirements for affordable housing set out in Policy H2 of the JCS relate to the NRDA, and Daventry and South Northamptonshire Districts, excluding those areas which fall within the NRDA. To ensure that the SHMA is consistent with this strategic policy approach both of the updates have considered the housing requirements on the basis of these geographical areas.
- 3.2 The updated SHMA model has therefore been used to assess the housing requirement and tenure split from 2011 to 2029 by local authority area, but adjusted to reflect the housing provision within the Northampton Related Development Area (NRDA).
- 3.3 The results of the assessment are presented in Table 1 below:

**Table 1: Housing Requirement by Area 2011-2029 (Note: Figures may not sum due to rounding, Source: ORS Housing Market Model)**

Housing Type	Daventry District <sup>5</sup>	Northampton Related Development Area	South Northamptonshire <sup>6</sup>
<b>Housing Requirement 2011-29</b>			
Market housing	5,500	20,900	3,900
Intermediate affordable housing	0	0	1,700
Social rented housing	1,500	7,600	1,600

<sup>5</sup> Excluding the Northampton Related Development Area

<sup>6</sup> Excluding the Northampton Related Development Area

<b>Total Housing Requirement</b>	<b>7,000</b>	<b>28,500</b>	<b>7,200</b>
Market housing	78.6%	73.3%	54.2%
Intermediate affordable housing	0.0%	0.0%	23.6%
Social rented housing	21.4%	26.7%	22.2%

- 3.4 It should be noted that different assumptions have been used for South Northamptonshire, compared to Daventry District and the NRDA. The “social rates kept constant option” was set to ‘TRUE’ for South Northamptonshire and ‘FALSE’ for Daventry and the NRDA. In terms of the ‘% Income for Rent’ a higher figure of 30% has been used for South Northamptonshire compared to the standard 25% for Daventry and the NRDA. The use of these different assumptions is justified by the specific local circumstances within South Northamptonshire which has high market housing prices and historically lower proportions of social rented housing compared to both Northampton Borough and Daventry District.
- 3.5 As with the 2012 update the results set out in Table 1 were used as a base against which a number of sensitivity tests were run to gauge the impact of different assumptions such as future house prices and the future levels of right to buy sales.
- 3.6 The base run of the model did not make any provision for house price increases, and as such two sensitivity tests were undertaken to look at the impact of a potential relative increase in house prices of 5% and 10% over the plan period. The results of these sensitivity tests are set out in Tables 2 and 3 below.

**Table 2: Housing Requirement by Area 2011-2029 – Sensitivity Test - 5% House Price Increase**  
(Note: Figures may not sum due to rounding, Source: ORS Housing Market Model)

<b>Housing Type</b>	<b>Daventry District <sup>7</sup></b>	<b>Northampton Related Development Area</b>	<b>South Northamptonshire <sup>8</sup></b>
<b>Housing Requirement 2011-29</b>			
Market housing	5,500	20,600	3,800
Intermediate affordable housing	0	300	1,800
Social rented housing	1,500	7,600	1,600
<b>Total Housing Requirement</b>	<b>7,000</b>	<b>28,500</b>	<b>7,200</b>
Market housing	78.6%	72.3%	52.8%
Intermediate affordable housing	0.0%	1.5%	25.0%
Social rented housing	21.4%	26.7%	22.2%

<sup>7</sup> Excluding the Northampton Related Development Area

<sup>8</sup> Excluding the Northampton Related Development Area

**Table 3: Housing Requirement by Area 2011-2029 – Sensitivity Test - 10% House Price Increase (Note: Figures may not sum due to rounding, Source: ORS Housing Market Model)**

Housing Type	Daventry District <sup>9</sup>	Northampton Related Development Area	South Northamptonshire <sup>10</sup>
<b>Housing Requirement 2011-29</b>			
Market housing	4,600	19,900	2,400
Intermediate affordable housing	900	1,000	3,200
Social rented housing	1,500	7,600	1,600
<b>Total Housing Requirement</b>	<b>7,000</b>	<b>28,500</b>	<b>7,200</b>
Market housing	65.7%	69.8%	33.3%
Intermediate affordable housing	12.9%	3.5%	44.4%
Social rented housing	21.4%	26.7%	22.2%

- 3.7 A 5% increase in house prices over the plan period does not have any material effect on the results for Daventry. There is however a marginal increase in the requirement for intermediate housing in South Northamptonshire i.e. from 23.6% to 25%, and a consequent decrease in the market housing requirement. In the NRDA a 5% increase in house prices generates a modest requirement for intermediate housing of 1.5%.
- 3.8 A 10% house price increase has a much more significant effect on the results. For Daventry District this generates an overall affordable housing requirement of 34.3% including an intermediate housing requirement of 12.9%. There is also a significant increase in the intermediate housing requirement for South Northamptonshire, i.e. from 23.6% to 44.4%, and a consequent reduction in the requirement for market housing. The impact on the NRDA is much less marked, but does generate an increased requirement for intermediate housing of 3.5%.
- 3.9 The above analysis demonstrates that the requirement for intermediate housing is particularly sensitive to house price increases. Whilst the base results from the model did not identify an intermediate requirement for Daventry and the NRDA, a house price increase of 10% would generate a requirement for intermediate housing in both areas, and substantially increase the requirement in South Northamptonshire.
- 3.10 A further sensitivity test was undertaken to examine the potential impact of losses from the existing stock of affordable housing due to right to buy sales. The standard assumption used within the update was to model right to buy sales back to 2005, i.e. the five years prior to 2011, and project the rate of losses forward to the end of the plan period. Right to buy sales over this period have been relatively low and given the

<sup>9</sup> Excluding the Northampton Related Development Area

<sup>10</sup> Excluding the Northampton Related Development Area

Government's policy to reinvigorate right to buy<sup>11</sup> it is likely to underestimate the level of right to buy sales in the future. Right to buy sales have therefore been modelled back to 2001, which picks up a number of years during which the level of sales was higher than in recent times. The results are presented in Table 4 below.

**Table 4: Housing Requirement by Area 2011-2029 – Sensitivity Test – Higher Right to Buy Sales (Note: Figures may not sum due to rounding, Source: ORS Housing Market Model)**

Housing Type	Daventry District <sup>12</sup>	Northampton Related Development Area	South Northamptonshire <sup>13</sup>
<b>Housing Requirement 2011-29</b>			
Market housing	5,200	18,700	3,700
Intermediate affordable housing	0	0	1,700
Social rented housing	1,800	9,800	1,800
<b>Total Housing Requirement</b>	<b>7,000</b>	<b>28,500</b>	<b>7,200</b>
Market housing	74.3%	65.6%	51.4%
Intermediate affordable housing	0%	0%	23.6%
Social rented housing	25.7%	34.4%	25.0%

3.11 Higher rates of right to buy sales have the effect of increasing the requirement for social rented housing in all three areas. For Daventry District the requirement rises from 21.4% to 25.7%, for the NRDA which increases from 26.7% to 34.4% and in South Northamptonshire the requirement increases from 22.2% to 25.0%.

3.12 A final sensitivity test was undertaken to look at the impact of a combination of higher right to buy sales and a 10% increase in house prices. The results of this test are presented in Table 5, overleaf. Not surprisingly this shows an increase in the requirement for affordable housing, both intermediate and social rented, across all three areas.

<sup>11</sup> See HM Government (Nov 2011) Laying the Foundations : A Housing Strategy for England

<sup>12</sup> Excluding the Northampton Related Development Area

<sup>13</sup> Excluding the Northampton Related Development Area

**Table 5: Housing Requirement by Area 2011-2029 – Sensitivity Test – Higher Right to Buy Sales and 10% House Price Increase (Note: Figures may not sum due to rounding, Source: ORS Housing Market Model)**

Housing Type	Daventry District <sup>14</sup>	Northampton Related Development Area	South Northamptonshire <sup>15</sup>
<b>Housing Requirement 2011-29</b>			
Market housing	4,300	17,700	2,200
Intermediate affordable housing	900	1,000	3,200
Social rented housing	1,800	9,800	1,800
<b>Total Housing Requirement</b>	<b>7,000</b>	<b>28,500</b>	<b>7,200</b>
Market housing	61.4%	62.1%	30.6%
Intermediate affordable housing	12.9%	3.5%	44.4%
Social rented housing	25.7%	34.3%	25.0%

3.13 The above analysis shows that the results generated by the SHMA model can vary significantly depending on the assumptions which are used within it. As with all models the SHMA model provides an indication of the likely housing needs and requirements to inform policy development, but it is not in itself a policy document.

#### **4. Policy Implications**

4.1 The 2012 SHMA Update Technical Paper explains how the results provided by the ORS Housing Mix Model have been used alongside other evidence to inform the proposed thresholds and affordable housing targets in the JCS. Having updated the model to reflect the revised projections and housing provision which is now proposed, it is necessary to consider whether the updated results justify any changes to the affordable housing policy in the JCS.

4.2 Despite the changes which are now proposed to the overall housing requirement and the extended plan period, the evidence relating to the needs for market and affordable housing is similar to that presented in the 2012 Update. A comparison of the percentage requirements generated by the base run of the model from 2012 and 2013 is presented in Table 6 below

<sup>14</sup> Excluding the Northampton Related Development Area

<sup>15</sup> Excluding the Northampton Related Development Area

**Table 6: Comparison of the % Housing Requirement by Area identified in the SHMA Update 2012 and the SHMA Update 2013.**

Housing Type	Daventry District <sup>16</sup>		Northampton Related Development Area		South Northamptonshire <sup>17</sup>	
	2012 Update	2013 Update	2012 Update	2013 Update	2012 Update	2013 Update
Market housing	77.4%	78.6%	72.5%	73.3%	51.8%	54.2%
Intermediate affordable housing	0.0%	0.0%	0.0%	0.0%	25.0%	23.6%
Social rented housing	22.6%	21.4%	27.5%	26.7%	23.2%	22.2%

4.8 For all three areas the percentage market housing requirement is slightly higher than in the 2012 Update and conversely the requirement for social rented housing is marginally lower. There is also a marginal reduction in the requirement for intermediate affordable housing in South Northamptonshire. In all cases however the variation between the two sets of results is less than 3%. The highest variation is in the market housing requirement for South Northamptonshire which has increased by 2.4% from 51.8% to 54.2%. There is also a high degree of similarity between the results derived from the sensitivity tests in both the 2012 and 2013 Update.

## 5. Conclusion

5.1 The comparison of the housing requirements between the 2012 and 2013 updates has demonstrated that there is very little variation in terms of the overall percentage requirements for market, intermediate and social rented housing. This conclusion applies equally across the three geographical areas. In terms of housing need it is considered that the justification presented for the affordable housing policy in the 2012 Update is not materially affected by the new evidence which is now presented in the 2013 Update. On this basis it is concluded that the 2013 Update does not necessitate any further modifications to the JCS Policy H2 – Affordable Housing.

<sup>16</sup> Excluding the Northampton Related Development Area

<sup>17</sup> Excluding the Northampton Related Development Area