

# **Economy and Enterprise Overview and Scrutiny Committee**

**26 April 2022**

## **Housing Update**



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### **Report of Amy Harhoff, Director of Regeneration, Economy and Growth**

#### **Electoral division(s) affected:**

Countywide

#### **Purpose of the Report**

- 1 This report gives a strategic overview of housing delivery, looking particularly at recent performance, the mix of housing and its location and whether this is right to attract inward investment both currently and in the future.

#### **Executive summary**

- 2 National guidance makes it clear that the purpose of the planning system is to contribute to the achievement of sustainable development in terms of its economic, social and environmental impacts. Therefore, patterns of growth should be managed so that significant development, including new housing is focused on locations which are or can be made sustainable.
- 3 Therefore, in order to reduce the number and length of journeys undertaken by car and increase the opportunity for journeys to be undertaken by walking, cycling and public transport we need to harness the locational benefits offered by our largest towns.
- 4 This approach is therefore the key feature of the adopted County Durham Plan's spatial strategy, although the Plan does also recognise the importance of the county's other communities by identifying appropriate quantities of development in other settlements across the county.
- 5 Housing can have a longer-term impact upon the economy on the perceived competitiveness of specific locations. A well-functioning

housing market is considered to be important for an area to remain competitive and attractive to business and economic activity, which in turn will drive the economic growth the country needs. It is therefore imperative that there is a supply of good quality homes of the right type in the right locations.

- 6 The Council is committed to delivering the new housing the county needs both in terms of the quantity needed to meet identified needs as set out in the Strategic Housing Market Assessment (SHMA) and the type and mix, including specialist products such as affordable housing, specialist housing and housing to meet the needs of older persons.
- 7 The County Durham Plan seeks to deliver a wide choice of quality homes to that meet needs. The Council's SHMA has considered housing needs in County Durham in line with National Planning Policy Framework (NPPF) and has underpinned policies in the County Durham Plan.
- 8 In particular, two policies of the Plan are relevant in the context of the type and mix and design quality of homes delivered. Policy 19 (Type and Mix) considers the housing composition on a site and Policy 29 (Sustainable Design), seeks to ensure development is well-designed, responds to the local context and incorporates appropriate energy standards.
- 9 To support delivery, the Council has developed an Infrastructure Delivery Plan (IDP). The IDP describes County Durham's infrastructure requirements to support the delivery of the County Durham Plan until 2035.
- 10 Furthermore, to deliver additional affordable homes to meet needs, in October 2020 Cabinet agreed to progress with a Council Homes programme with a comprehensive strategy to deliver 500 new council homes between now and 2026. Work has been progressing on the first 8 sites comprising a total of 124 units. Site investigations have now been completed, draft layouts prepared, and a range of house type designs developed.
- 11 In December 2021, Cabinet agreed a further 17 sites for the remainder of the programme and also agreed a plan to deliver a proportion of the programme in the more rural west of the County.
- 12 In respect of partnership working, the Housing Strategy was adopted by the Council in July 2019 and was developed to consider housing issues across County Durham. The Strategy provides a strategic framework to inform the actions and investment of the Council and its partners. The Housing Strategy reflects the role of the County Durham Housing Forum and related partnership subgroups.

- 13 Selective licensing is a key part of the County Durham Housing Strategy. From 01 April 2022, a private landlord renting a property in designated areas within County Durham must obtain a licence in order to legally rent the property. A total of at least 29,000 (42%) of the private rented sector in the county is covered by the scheme, which was approved by government on 30 November 2021.
- 14 Chapter Homes was formed in 2015 by the Council who are committed to increasing the delivery of new homes within County Durham to meet the needs of the community and to support regional growth.
- 15 Chapter Homes has developed sites at Newton Aycliffe, Peterlee and Durham City for a mix of open market sale and affordable homes and reached a significant milestone in March 2019 with the sale of its 100th new home. Chapter Homes will continue to take forward its experience and to focus on continued company growth through a range of housing developments.

### **Recommendation**

- 16 Scrutiny members are invited to note the report.

## **Background**

- 17 National guidance also makes it clear that the purpose of the planning system is to contribute to the achievement of sustainable development in terms of its economic, social and environmental impacts. Therefore, patterns of growth should be managed so that significant development, including new housing is focused on locations which are or can be made sustainable. This limits the need to travel and allows the fullest possible use of public transport, walking and cycling by maximising access to services, facilities and employment.
- 18 The location and type and mix of housing can also help attract high skilled workers and encourage private sector investment.
- 19 In February 2019 the Government set out a standard methodology for calculating housing need. The National Planning Policy Framework makes it clear that local authorities should use this methodology unless there are exceptional circumstances.
- 20 The Council is committed to delivering the new housing the county needs both in terms of the quantity needed to meet identified needs as set out in the SHMA and the type and mix, including specialist products such as affordable housing, specialist housing and housing to meet the needs of older persons. As part of this commitment the Council set up Chapter Homes in 2015 and agreed to embark on an ambitious programme of council house building in 2020.

## **Housing and Private Sector Investment**

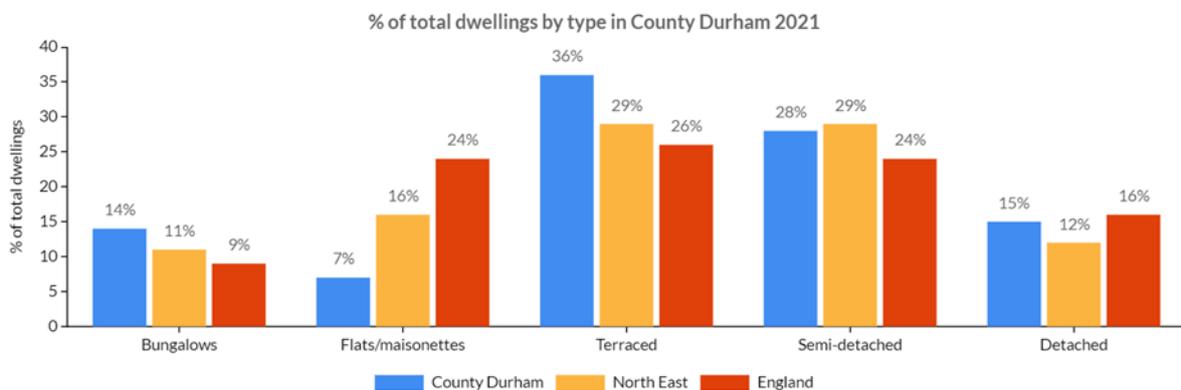
- 21 There are a number of locations across the county that are important centres of employment. Durham City is the county's largest employment centre with 35,582 people (BRES, Lower Super Output Areas, 2014) working in the city, almost three times the number in the next biggest centre and has a county-wide employment draw. Peterlee is the next major employer with 13,749 employees principally based at the North West and South West Industrial Estates. Newton Aycliffe now has the largest industrial estate by area in the north east and this is reflected in the significant number of employees, 12,143, in the town. Significant numbers of employees also work in Consett, Chester-le-Street and Spennymoor. The numbers of jobs then generally reduce as the size of the settlement decreases.
- 22 The existing location of employment opportunities and associated commuting patterns show that in order to maximise access to jobs by sustainable modes of transport, to minimise the increase in commuting and to deliver sustainable patterns of development, the focus for new housing should be the county's larger settlements. In addition, the

settlements in the A1 and A19 corridors are more likely to be a regional and national draw for business investment. Other settlements such as Bishop Auckland and Consett provide opportunities for locally important businesses.

- 23 Therefore, in order to reduce the number and length of journeys undertaken by car and increase the opportunity for journeys to be undertaken by walking, cycling and public transport we need to harness the locational benefits offered by Durham City and our largest towns such as Consett, Chester-le-Street, Stanley, Bishop Auckland, Crook, Newton Aycliffe, Shildon, Spennymoor, Ferryhill, Peterlee, Seaham and Barnard Castle amongst others. This approach will also increase the chances of the houses being delivered and maximise opportunities to attract new investment.
- 24 This approach is therefore the key feature of the adopted County Durham Plan's spatial strategy, although the Plan does also recognise the importance of the county's other communities by identifying appropriate quantities of development in other settlements across the county.
- 25 The economic contribution that house building makes to the UK economy has long been recognised by Government, policy makers and practitioners. However, economic challenges and the ongoing housing crisis has ensured that house building is also increasingly acknowledged as a crucial driver of economic growth; capable of maintaining a prosperous economy as well as providing much needed housing to support sustainable communities.
- 26 Housing can have a longer-term impact upon the economy on the perceived competitiveness of specific locations. A well-functioning housing market is considered to be important for an area to remain competitive and attractive to business and economic activity, which in turn will drive the economic growth the country needs. It is therefore imperative that there is a supply of good quality homes of the right type in the right locations.
- 27 For many years key business partners including the North East England Chamber of Commerce, the County Durham Economic Partnership and Business Durham have emphasised the importance of new housing to the success of an economy. Business, investors and developers require a range of good quality housing in the right areas to attract the calibre of workers they need.

## **Type and Mix of Housing**

- 28 The County Durham Plan seeks to deliver a wide choice of quality homes to that meet needs. The Council’s SHMA has considered housing needs in County Durham in line with National Planning Policy Framework (NPPF) and has underpinned policies in the County Durham Plan.
- 29 In particular, two policies of the Plan are relevant in the context of the type and mix and design quality of homes delivered. Policy 19 (Type and Mix) considers the housing composition on a site and Policy 29 (Sustainable Design), seeks to ensure development is well-designed, responds to the local context and incorporates appropriate energy standards.
- 30 Policy 19 seeks to secure an appropriate mix of dwelling types and sizes. The Policy seeks to take account of existing imbalances in the housing stock, site characteristics, viability and other economic and market considerations amongst other things.
- 31 The Policy recognises that the County Durham economy is improving and in order to support the economic ambitions and expectations of residents, a complementary housing offer is required. Policy 19 reflects that the SHMA can assist in informing an appropriate mix of dwelling sizes, and in addition developers can also provide additional supporting information. It is recognised that an element of flexibility is required in developing a mix of homes based on physical site constraints, market demand and viability issues.
- 32 In County Durham, there is a higher proportion of terraced properties than the national average. This is largely a result of the county’s industrial legacy. There is a significantly lower proportion of flats and maisonettes than the national average. This is likely a characteristic of the form of the settlements across the county.



Source: MHCLG - % of total dwellings by type

- 33 The SHMA sets out that there is a significant need for family sized housing to be provided as part of any market housing mix. There is also

a high need for smaller housing units, which is driven by demographic change which is creating smaller household sizes.

	County Durham 2016-35	County Durham Annual Need
<b>MARKET HOUSING</b>		
1 bedroom	969	51
2 bedrooms	3,354	177
3 bedrooms	4,690	247
4 bedrooms	-67	-4
5+ bedrooms	23	1
<b>Total Market Housing</b>	<b>8,969</b>	<b>472</b>
<b>AFFORDABLE HOUSING</b>		
1 bedroom	4,334	228
2 bedrooms	7,211	380
3 bedrooms	3,653	192
4 bedrooms	555	29
5+ bedrooms	131	7
<b>Total Affordable Housing</b>	<b>15,883</b>	<b>836</b>
<b>TOTAL</b>	<b>24,852</b>	<b>1,308</b>

- 34 The quality of homes is an important component in providing a wide choice of homes in County Durham. Policy 29 (Sustainable Design) sets out that new development will be expected to be of a high design quality that respects and responds to the local context and distinctiveness of the area. In this context new homes are expected to align with best practice guidance to support the development of a high quality built environment.
- 35 The Policy also embeds Building for Life 12 (BfL) which is a government endorsed industry standard for well-designed homes and neighbourhoods. BfL seeks to address the concerns of local communities by setting standards which developers have to meet in order to achieve planning approval. These questions refer to topics such as car parking, design of streets, legibility, local character and access to facilities and public transport amongst others.
- 36 The Council has incorporated the BfL Standards into a design review process which has been operating since 2016. This process has now been formalised within the Council's Building for Life Supplementary Planning Document. In submitting a planning application applicants need to provide evidence of how their development performs against each question to enable a conversation about the design of new schemes between the applicant and the local planning authority.

37 Policy 29 has also introduced the Nationally Described Space Standards (NDSS) in County Durham. Evidence demonstrated that many new homes across the country were being built below the recommended NDSS minimum size standards. These standards, introduced through Policy 29, address internal space within new dwellings across all tenures, including both market and affordable. They also cover minimum floor areas and room widths for bedrooms, minimum floor to ceiling heights and minimum floor areas for storage.

### Past Performance in Housing Delivery

38 The adopted County Durham Plan used the Government’s standard methodology to calculate its local housing need. Taking into account past delivery this resulted in annual need for 1,308 new dwellings per annum or 24,852 new dwellings needed 2016-2035.

39 Delivery over the last six years has been consistently above the target of 1,308 and at times, in 2018/19 and 2019/20, significantly above (see table below). There was however a drop in 2020/21, probably due to the Covid19 Pandemic, but this has now recovered to 1600 in the last year. The shows a good level of housing delivery which helps meet our needs but also means we can more effectively resist housing in inappropriate locations.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Gross housing completions</b>	1,417	1,356	1,513	1,633	1,343	1,608
<b>Net housing completions</b>	1,410	1,339	1,463	1,628	1,328	1,600*

\*figure may be subject to change

40 A key part of housing delivery is the delivery of the affordable housing we need to meet the quantitative need set out in the Strategic Housing Market Assessment (SHMA), which supports the County Durham Plan. Affordable housing is delivered in two main ways, through S106 agreements secured with housing developers as part of planning permissions on new housing sites and through the National Affordable Housing Programme and the Shared Ownership and Affordable Homes Programme managed by Homes England.

41 The SHMA identified a need for 836 additional affordable homes per annum up to 2035. As can be seen in the table below total affordable housing completions have been below the need figure for a number of

years. This is not surprising as if we were to meet our annual figure this would require over 50% of all housing completions.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>NAHP and SOAHP</b>	271	136	170	314	334	431	405	Not yet received
<b>S.106 units</b>	76	126	152	159	198	197	73	137
<b>Total Affordable housing completions</b>	347	262	322	473	532	628	478	

### **Encouraging the Delivery of Housing**

- 42 The Council takes meeting our housing needs seriously and uses a number of approaches to encourage delivery.

#### **Enabling the Private Sector**

- 43 The County Durham Plan provides certainty and consistency to residents, investors and developers. Viability work that accompanied the Plan showed that sites in higher value areas have the highest probability of actually being delivered. Therefore, to ensure that the housing our existing and future residents need is built the Plan identified a good spread of allocations across the county including in the highest and high value areas where delivery is more certain. Housing developments in high value areas are also more likely to deliver a greater amount of affordable housing and other infrastructure such as school places and health facilities because the extra value in the sites means they can meet more of the S106 requirements. To ensure delivery in some lower value areas choices may need to be made in the S106 asks.

#### **Infrastructure Delivery**

- 44 The County Durham Plan is supported by an Infrastructure Delivery Plan (IDP). The IDP describes County Durham's infrastructure requirements to support the delivery of the County Durham Plan until 2035.

- 45 The IDP has been developed in partnership with providers to identify infrastructure needs, delivery costs, and particularly seeks to identify barriers such as shortfalls in finance relating to infrastructure delivery. The IDP assists partners to make efficient decisions about their own investment programmes and has been developed in co-operation with adjoining local authorities to identify cross boundary issues. The IDP highlights the key development aspirations of the County Durham Plan, including where future housing and jobs will be located, and identifies those places where additional infrastructure or capacity is needed in the future.
- 46 The IDP considers physical infrastructure, such as transport, utilities and communications, social infrastructure, including medical care and education provision, and green infrastructure, such as open space and playing pitches.

### **The Housing Strategy and Approach to Partnership Working**

- 47 The Housing Strategy was adopted by the Council in July 2019 and was developed to consider housing issues across County Durham. The Strategy provides a strategic framework to inform the actions and investment of the Council and its partners. In addition, the Housing Strategy contains a series of 'key messages' which serve to articulate the Council and its partners' delivery priorities and approach to addressing housing issues. First and foremost, the Housing Strategy seeks to put people first and to focus on the housing needs of the residents of County Durham. Key messages within the Housing Strategy include:
- raising standards across the private rented sector through seeking greater licencing powers in order to tackle poor landlords, as well as continuous engagement with landlords and the extension of the Accredited Landlord Scheme for responsible landlords;
  - delivering homes to meet the needs of older people within our communities and supporting people to live independently for as long as possible;
  - working with those communities most affected by long term empty properties. This will include working with property owners and landlords with the aim of bringing empty properties back into use wherever possible; and
  - maximising the delivery of affordable homes, both by securing developer contributions as part of new housing development and

through close partnership working with Registered Providers and Homes England.

- 48 The Housing Strategy is delivered in partnership through the Housing Forum and in discussion with the county's residents, the private sector and other agencies as appropriate. In order to support and facilitate partnership working, the Housing Strategy includes a Partnership Framework. The Framework reflects the Housing Forum and the related partnership subgroups, which are attended by the Council and Registered Housing Providers.

### **Selective Licensing**

- 49 From 01 April 2022, a private landlord renting a property in designated areas within County Durham must obtain a licence in order to legally rent the property. A total of at least 29,000 (42%) of the private rented sector in the county is covered by the scheme, which was approved by government on 30 November 2021 following an application by the council, made on 23 December 2020. The scheme covers 103 of the 324 Lower Super Output Areas in County Durham, concentrating mainly on areas with high private rented stock but only where there is also evidence of high levels of anti-social behaviour and deprivation, and low housing demand.
- 50 Selective licensing is a key part of the County Durham Housing Strategy and aims to maintain a high standard of rented properties in County Durham and helps to create long-term, sustainable neighbourhoods by ensuring that any privately rented properties are well managed and in good condition. It will also protect both residents and tenants alike by tackling landlords who do not comply. Rental properties will be inspected by the council and landlords will be required to make repairs and improvements that have been identified as part of inspections and failure to comply will result in enforcement action being taken.

### **Council House Building**

- 51 In October 2020 Cabinet agreed to progress with a Council Homes programme with a comprehensive strategy to deliver 500 new council homes between now and 2026. This was centred around 5 strategic themes covering governance, development, finance, housing management and regulatory standards and is taking advantage of the new financial flexibilities through the removal of the debt cap with regard to the management of the Housing Revenue Account.
- 52 The Council new build programme will help deliver affordable homes and complement and provide additionality to the current new build programme of Registered Providers (RPs).

- 53 Work has been progressing on the first 8 sites comprising a total of 124 units located at Greenwood Ave, Burnhope, Chaytor Rd, Bridgehill, Consett, Clevesfyre House (former building occupying the site), Edison Street, Merrington View, Hamsterley Gardens, Hilltop and Portland Avenue. Site investigations have now been completed, draft layouts prepared, and a range of house type designs developed. A pilot delivering two of the first 8 schemes using Modern Methods of Construction has also been agreed.
- 54 In December 2021, Cabinet agreed a further 17 sites for the remainder of the programme and also agreed a plan to deliver a proportion of the programme in the more rural west of the County.
- 55 There is a clear need to develop a subtly different approach to address the lack of affordable homes within the rural west of the county and this represents a significant challenge for the Council. The Council does not have any available sites within the west of the county, so an alternative strategy is required to directly deliver affordable housing in these localities. This will be the subject of a future Cabinet report.
- 56 The Council is setting out to deliver high quality energy efficient homes with a focus on the provision of around 65% of the homes developed as bungalow accommodation for our aging population. The Homes will be built to the highest standards of energy efficiency and sustainability. We have engaged mechanical and electrical consultants to provide advice and design input into the heating installations within our homes as we are planning to use an alternative to gas heating from day one ahead of the Government's target of 2025. The most likely solution will be the installation of air source heating pumps coupled with improved thermal insulation
- 57 Requests for pre-planning advice for the sites were submitted in December 2021 and observations were received during February and March this year and where necessary adjustments are being made to the proposals. Cost plans have also now been prepared for each of the sites which must now undergo a viability assessment before schemes can be progressed for full planning consent and procurement.
- 58 In conjunction with the construction programme work is progressing on ensuring the Council is compliant with the Regulatory Framework from the Regulator of Social Housing, an ICT system is in place to manage the housing service and preparations are also underway for the re-opening of the Council's Housing Revenue Account.
- 59 Upcoming milestones in the progression of the Council House Building Programme include:
- April 2022 – Viability assessments completed

- April 2022 – Full planning applications submitted on first 8 sites
- May 2022 – First 4 units handed over after acquisition from Chapter Homes
- August 2022 – Main contractor procurement
- October 2022 – Contract award
- October 2022-December 2022 – Mobilisation
- Jan 2023 – Site Commencement

### **Chapter Homes**

- 60 Chapter Homes was formed in 2015 by the Council who are committed to increasing the delivery of new homes within County Durham to meet the needs of the community and to support regional growth.
- 61 A first development of 125 new homes commenced on site in Newton Aycliffe in January 2016 and given its success the development was further extended through the purchase of third-party land. As such a total of 143 new homes were delivered. The housing mix included homes for sale, private rent and affordable housing. The scale of the development demonstrated the commitment of the Council and Chapter Homes to significantly increase the number of new homes being delivered within this important location which has had significant commercial activity within the area.
- 62 Through the success of the first development, a second new housing scheme at Oakerside Drive in Peterlee commenced, with a total of 67 new homes being constructed. A mix of open market sale combined with affordable homes have made this development a success, all homes are now fully constructed and reserved. A total of 9 new homes on this development are affordable, above the planning policy requirement.
- 63 At present work is progressing at the Gilesgate development, located at a former school site in Durham City. The site includes the delivery of 6 affordable bungalows, which the Council will own and manage. A total of 15 of the new homes on this development are affordable, inclusive of the 6 bungalows.
- 64 Chapter Homes also delivers affordable homes through working with Registered Housing Providers and through offering homes for sale at a discounted rate, enabling customers to get onto the property ladder.

- 65 Supporting the local supply chain remains a key aim of the company and a clear commitment of the Council. An order for a total of 750,000 bricks to be used in the construction of the development has been placed with a local brickwork, meaning the development will utilise a well-established local product which demonstrates the commitment of the company, the use of the local supply chain has also extended to other key items such as kitchens.
- 66 Chapter Homes is now positioned to take forward its experience and to focus on continued company growth through a range of housing developments. There is a commitment that affordable and older persons housing is a key driver for the Council, as such the company will act upon these aims and continue to seek to deliver a wide range of products, including affordable and older person housing to meet the needs of its customers.

## **Conclusion**

- 67 The approach of the adopted County Durham Plan's spatial strategy is to seek to reduce the number and length of journeys undertaken by car and increase the opportunity for journeys to be made by walking, cycling and public transport including to access employment.
- 68 A well-functioning housing market is also considered to be important for the county to remain competitive and attractive business and economic activity, which in turn will drive the economic growth the country needs. It is therefore imperative that there is a supply of good quality homes of the right type in the right locations.
- 69 The Council is committed to delivering the new housing the county needs both in terms of the quantity needed to meet identified needs and the type and mix, including specialist products such as affordable housing, specialist housing and housing to meet the needs of older persons.
- 70 The County Durham Housing Strategy provides a framework for partnership working with registered housing providers through the Housing Forum and subgroups.
- 71 Selective licensing is a key part of the County Durham Housing Strategy. From 01 April 2022, a private landlord renting a property in designated areas within County Durham must obtain a licence in order to legally rent the property.
- 72 Chapter Homes was formed in 2015 by the Council who are committed to increasing the delivery of new homes within County Durham to meet the needs of the community and to support regional growth.

## Background papers

- County Durham Plan
- County Durham Housing Strategy

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## **Appendix 1: Implications**

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### **Legal Implications**

The involvement of the Council's legal team has been intrinsic to developing the County Durham Plan and the detail of the setting up of Chapter Homes and the progressing of the Council House Building Programme.

### **Finance**

The financial implications of the different elements of this report have been considered separately in relevant Council reports.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

The Climate Change implications of the different elements of this report have been considered separately in relevant Council reports.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

None.

### **Procurement**

None.