Opinion Research Services

Darlington Borough Council
Strategic Housing Market Assessment

2015

Executive Summary

November 2015

Executive Summary

Summary of Key Findings and Conclusions

Introduction

This is the Executive Summary for a Strategic Housing Market Assessment (SHMA) for Darlington Borough Council that has been prepared in 2 parts.

Part 1 is the Objective Assessment of Need, including affordable housing needs and the size of mix of housing required.

Part 2 provides an assessment of the need for housing of specific types to meet particular needs.

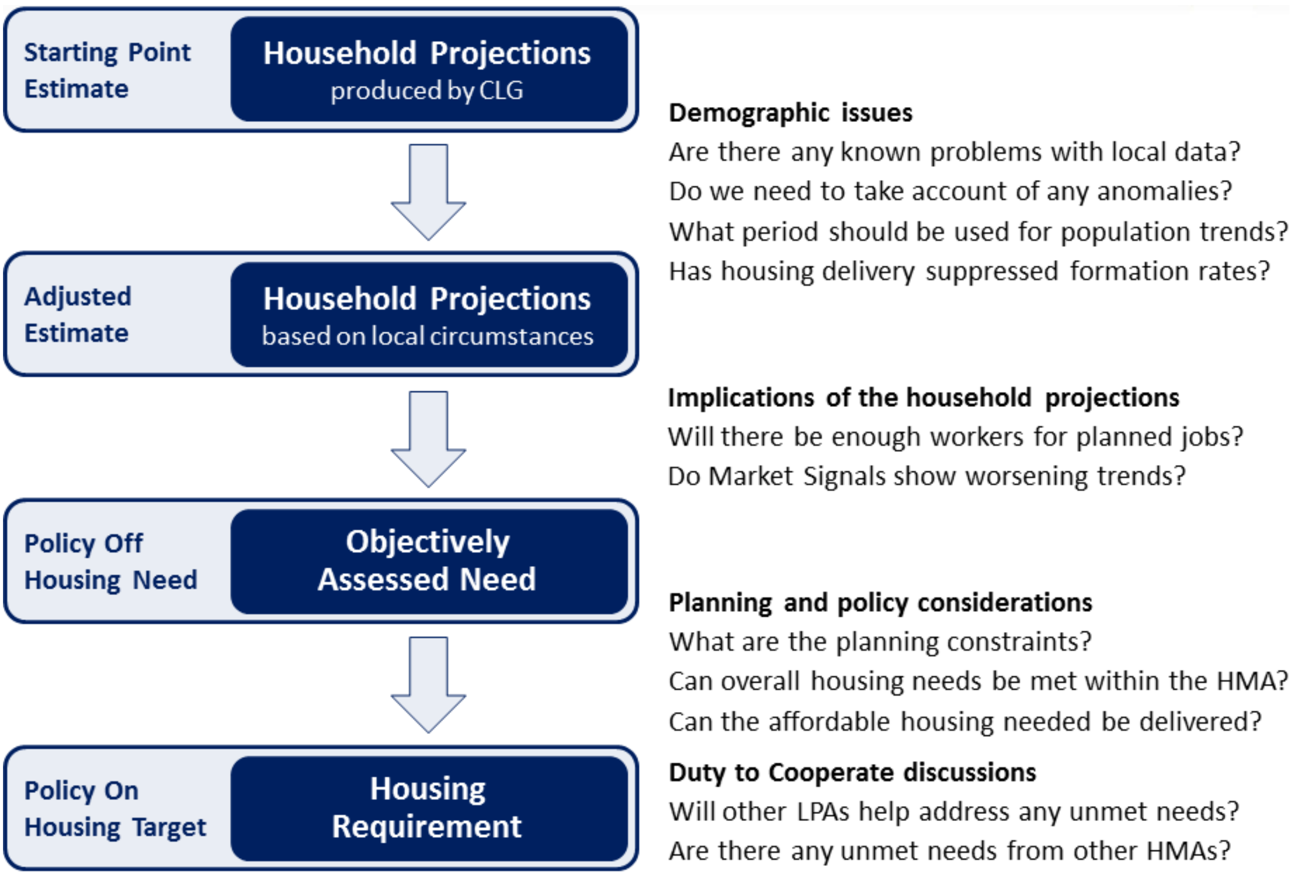
Objectively Assessed Need

1. The National Planning Policy Framework (NPPF)1 requires Local Planning Authorities to "*ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area*" and "*identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change*" (paragraphs 47 and 159).

2. Figure 1 sets out the process for establishing Objectively Assessed Need (OAN). Planning Policy Guidance (PPG)2 identifies that "*household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need*" (paragraph 15) which should be adjusted to take account of local circumstances. External market and macro-economic constraints are then applied ('Market Signals') in order to embed the need in the real world. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the Council before establishing the final Housing Requirement.

[1] https://www.gov.uk/government/publications/national-planning-policy-framework--2
[2] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/

Figure 1: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



3. Opinion Research Services (ORS) was commissioned by Darlington Council to undertake a Strategic Housing Market Assessment 2015 and establish the Objectively Assessed Need (OAN) for housing. This report is fully compliant with both the NPPF and PPG. In addition, the study is mindful of Planning Inspector Decisions and High Court Judgements, as well as emerging good practice including the technical advice note about OAN and Housing Targets published by the Planning Advisory Service (PAS)[3].

Housing Market Area

4. The housing market area covering Darlington is complex with the south and west part of the authority containing the town of Darlington strongly linked to North Yorkshire, while the northern and eastern part of Darlington Borough is closely linked with areas of Stockton on Tees and County Durham. Meanwhile, travel to work areas indicate a close alignment between Darlington and the local authority boundary. Broad rental market areas indicate that there is one housing market area in Darlington, which also extends into relatively low populated areas of County Durham and Richmondshire.

5. Following on from Planning Advisory Service advice note (and the previous CLG advice note), and identifying a "best fit" local planning authority boundary, it does seem sensible for Darlington to be considered as a HMA in itself. This view is consistent with the previous SHMA for Darlington and the inspectors at the Examinations in Public for the County Durham Local Plan and Richmondshire Local Plan did not seek to include Darlington in their HMA.

[3] Objectively Assessed Need and Housing Targets Second Edition (PAS, July 2015)

Household Projections

6. The “starting point” estimate for OAN is the latest household projections published by the Department for Communities and Local Government (CLG). These projections suggest that household numbers across Darlington will increase by 4,500 over the 25-year period 2012-37, an average of 180 per year. However, the CLG household projections are based on short-term migration trends, and these are generally not appropriate for long-term planning as they risk rolling-forward rates that are unduly high or unduly low.

7. It is also the case that a review of ONS data for Darlington indicates a number of serious issues. These can be summarised as:

 » Between 1991 and 2001, the Census shows a growth of 4,100 dwellings, but a loss of 1,100 people.

 » Between 2001 and 2011 the growth in dwellings was 4,500 and population growth was 7,700 people.

 » The growth in dwellings between 2001 and 2011 was higher than Council Tax records which show a rise of 4,013 dwellings in the same time period.

 » There was almost no change in vacant and second homes rates between the Censuses, so little of the changes can be ascribed to changes from the share of dwellings being occupied.

 » Between 2011 and 2014 the mid-year estimates suggest a population fall of 200 people while the NHS patient register shows a rise of 970 people; and

 » The mid-year estimates 2011-2014 suggest a decrease of 20 children aged 5-14, while there has been a 220 increase on the school census.

8. It is evident that the administrative data sources that ONS identified for validating the population estimates suggest that the population is increasing in Darlington while the MYE is suggesting it has fallen between 2011 and 2014. It therefore isn’t appropriate to adopt this data uncritically.

9. This leads to a set of conclusions which make deriving population and household projections for Darlington extremely difficult:

 » 2012 based SNPP and current MYE identify that the population growth which occurred between 2001 and 2011 has now stopped and that the population of Darlington has fallen since 2011. This is very unlikely and implies that any projections based on data produced since 2011 are likely to be under-estimating the projected population growth.

 » The population and household growth figures from 1991 to 2001 and then from 2001 to 2011 are both unlikely to be correct. Instead, the indications are that, along with many other areas such as Luton and Southend on Sea, the 2001 Census under-estimated the number of households and population of Darlington. This would imply that using data trended between the official 2001 and 2011 Census figures would over-estimate the projected growth in population.

10. The most common approach adopted by ORS to producing population projections is to base our migration data on the observable patterns between the 2001 and 2011 Census. However, if there is a problem with the population data in either the 2001 or 2011 Census then this process is more difficult.

In this case, the likely under-estimate in the 2001 Census population would see the population projections use too high a growth rate in migration.

11. On this basis, it is therefore appropriate to increase the housing need estimate from the CLG starting point. Our estimates indicate a more realistic demographic base of 424 households per annum which yields a housing need of 443 dwellings each year (assuming a rate of 4.2 % for vacancies and second homes). Over a 25 year period this yields a household growth number of 10,600 with the equivalent dwelling growth of 11,080.

12. This represents an increase of 140% from the CLG starting point estimate. However, it is consistent with the growth rate of dwellings across Darlington for the last 20 years, which has average around 400 per annum. Therefore, the figure is consistent with past delivery in the area and it is the CLG 2012 based household projections which are dramatically out of line with past evidence for Darlington.

Affordable Housing

13. ORS have estimated the current and future affordable housing needs of Darlington. There were 843 households in need of affordable housing in 2011, but as 286 of these already occupy an affordable home, there is a resulting net need from 557 households (843 less 286 = 557). These currently need affordable housing but do not currently occupy affordable housing in Darlington. This represents the backlog of affordable housing need.

14. It is also identified that the number of households in need of affordable housing will increase by 3,307 households over the period 2011-36, alongside an increase of 7,304 households able to afford market housing.

15. Taken together, there is a need to provide additional affordable housing for 3,864 households over the period 2011-36. This is equivalent to 155 households per year and represents 36.2% of the overall housing need identified.

16. As for the household projections, we have added an additional allowance for vacancies and second homes (once again assuming that 4.2% of dwellings will not have a usually resident household); this identifies a total affordable housing need of 4,033 dwellings (3,864 plus 4.2% = 4,033) in addition to the current stock. This figure can be rounded to 4,000 and provides for an affordable housing need of 160 dwellings per annum.

17. Given the substantial need for affordable housing identified in Darlington, the Council will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Council to consider all of the options available to help deliver more affordable homes in the area, but also that these options are realistic and deliverable.

Market Signals

18. NPPF sets out that "Plans should take account of market signals…" (paragraph 17) and PPG identifies that "the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals".

19. The SHMA has considered the Market Signals for Darlington and compared these to other areas which have similar demographic and economic characteristics. On the basis of this data we can conclude:

» **House Prices:** lower quartile prices are lower than the national average, with a lower quartile price of £81,100 compared to England's £126,250 (based on 2012-13 values). The current price in Darlington is higher than in Pendle and Hartlepool, but lower than Chesterfield;

» **Rents:** for average private sector rents in 2013-14, Darlington is lower than the national average and similar to all comparator areas. Nevertheless, average rents in all areas have increased significantly in the last 5 years – although the increase in Darlington is lower than for any comparator area;

» **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 'better' in Darlington than across England as a whole (5.3x cf. 6.5), and the rate in Darlington is also better than in Chesterfield, although not as 'good' as Pendle and Hartlepool. Furthermore, the national affordability ratios have improved since 2008 at a similar rate to Darlington, but not by as much as in the comparator authorities;

» **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Darlington has been slightly higher than in England (9.8% cf. 8.3%). This rate is higher than all comparator authorities. Of course, these figures will inevitably be influenced by local constraints as well as individual policies;

» **Overcrowding** (in terms of Census occupancy rates) shows that 4.6% of households in Darlington are overcrowded based on an objective measure, which is much lower than England (8.7%). The proportion of overcrowded households has increased by 4% over the last 10 years. Overcrowding fell in Hartlepool and Pendle, but increased sharply in Chesterfield.

20. There is no single formula or methodology that can be used to consolidate the implications of the market signals. Further, Market Signals will have been predominantly influenced by relatively recent housing market trends which, arguably, have had a degree of volatility. Nevertheless, on the basis of the Market Signals evidence, the indicators show that circumstances in Darlington are generally better than across comparator areas. Given this context, we can conclude that there isn't any need to substantially increase housing delivery for Darlington.

21. Nevertheless, the analysis of overcrowding identified that the overall housing need should be increased by 72 households to take account of concealed families and homeless households that would not be captured by the household projections. It is also necessary to add in a vacant and second home figure, which has the effect of increasing the number of dwellings over and above the number of households. **These additional households increase the projected household growth from 10,610 to 10,680 households (11,080 dwellings) over the 25-year period 2011-36; equivalent to an average of 427 households and 446 dwellings per year.**

Employment Trends

22. While demographic trends are key to the assessment of OAN, it is also important to consider current employment trends and how the projected growth of the economically active population fits with the future changes in job numbers. Darlington Council purchased economic projections from Oxford Economics to provide evidence for future employment growth in the area. For the period 2011 to 2031

these forecasted jobs growth in Darlington of 2,400 jobs over the 20 years period, or 120 jobs per annum. This represents a growth of around 0.22% per annum which is in line with the average for the North East (0.2%) but below the annual growth rate for the UK as a whole (0.7% per annum). The annual rate of growth of 0.22% per annum is below the long term average for Darlington which varies from 0.3% to 1.0% depending upon the time period chosen for comparison.

23. The demographic analysis identified that on the basis of providing the 446 dwellings per annum additional dwellings over 25 years, it is likely that the economically active population would increase by 5,700 people (around 230 per year on average). In addition, the number of unemployment benefit claimants recorded by DWP reduced by around 1,900 over the period January 2012 to January 2015, which also increases the number of available workers.

24. Taken together, these figures suggest that the number of available workers will increase by around 7,400 over the 25-year period 2011-36 (without any further reduction in unemployment), equivalent to an average of around 300 additional workers each year. Even allowing for many of the workers living in Darlington to be out-commuters, it is clear that there are sufficient workers in the demographic growth to fill 120 additional jobs per annum.

25. Therefore, taking the Oxford Economics model as a policy off position for Darlington indicates that the area will have a surplus of workers and will be able to reduce net out-commuting from the area.

26. Allowing for a much more optimistic growth rate in the Darlington economy of around 0.5% per annum would see the number of jobs rise by around 7,000 over the 25 year period 2011-2036. **Therefore, even on an aspirational growth scenario of 0.5% jobs per annum, the number of workers available will be sufficient to meet the growth without the need for commuting patterns to change.**

Darlington's Objectively Assessed Need

27. While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to assess market signals to determine if a higher rate of housing delivery is required in the housing market area to address housing market problems.

28. On the basis of the Market Signals and the need to balance workers and jobs, we can conclude that the Objectively Assessed Need for Darlington does not need to be increased beyond the addition of concealed households. **Therefore the SHMA identifies an Objectively Assessed Need for 11,160 dwellings over the 25-year period 2011-36.** This represents a figure which is more than 140% higher than 2012 based CLG projections, but the CLG figures contain a number of issues which mean that they cannot be considered robust.

Specific Needs

Private Rented Sector

29. One of the most significant housing changes in the past decade, both in Darlington and across England, has been the rise in the relative size of the private rented sector and the decline in owner occupation. In Darlington, owner occupation declined from 72% to 65% between 2001 and 2011, while private rent increased from 10% to 19% in the same period.

30. Overall, in terms of the private rented sector, the evidence supports continuing demand for, and growth in, the Private Rented Sector homes in Darlington.

People wishing to self-build

31. Overall, the evidence suggests limited demand for self-build. However, this may under-estimate actual demand. Therefore, arrangements should be put in place to comply with the Self-Build and Custom Housebuilding Act and undertake a possible future survey to ascertain levels of demand for self-build in the HMA.

Older People

32. The population in older age groups is projected to increase during the Plan period, with 20% of the overall population growth (22,300 persons) projected to be aged 65 or over and 14% projected to be 75 or over (15,500 persons). This is particularly important when establishing the types of housing required and the need for housing specifically for older people. Whilst most of these older people will already live in the area and many will not move from their current homes; those that do move home are likely to need accessible housing.

33. Overall, the evidence suggests a future need for 2,960 specialist older person additional housing units of various types over the period 2011-32; however around three fifths of this need (63%, 1,860 dwellings) is for Leasehold Schemes for the Elderly housing[1].

Figure 2: Additional Modelled Demand for Older Person Housing (Source: Housing LIN Toolkit)

	Darlington
Population aged 75+	
2011	8,960
2032	15,500
Change 2011-32	**6,540**
Additional Modelled Demand for Older Person Housing to 2032	
Extra care – owned and rented	700
Sheltered 'plus' or 'Enhanced' Sheltered	310
Dementia	90
Leasehold Schemes for the Elderly (LSE)	1,860
TOTAL	**2,960**

Households with Specific Needs

34. Overall, in terms of the need for adapted or wheelchair adapted dwellings for households with specific needs, the evidence supports:

[1] The EAC advise: 'Leasehold Schemes for the Elderly (LSE) are run by a small number housing associations and involve you buying a proportion (e.g. 70%) of the equity of the property, the remaining portion being owned by the RSL'.
http://www.firststopcareadvice.org.uk/jargon-leasehold-schemes-for-the-elderly.aspx

- the need for 100% of all dwellings to meet Category 2 requirements, providing that this does not compromise viability.
- the need for 10% of market housing and 10% of affordable housing to meet Category 3 requirements.

Students

35. There are few Students in Darlington from the SHMA perspective. Most students are either under 18 or are mature students on part time courses who live in their own home and did so before undertaking their courses. Neither local college provides any specialist accommodation for its students.

36. As such, there is limited student impact on the working of the local housing market. Looking forward, both demand and supply for specialist accommodation is likely to be relatively modest and the market unlikely to change significantly as a result.

Service Families

37. The numbers of service personnel living in Darlington is relatively low compared to the overall HMA population. There are 462 people living in a household and none in barracks. While the large base at Catterick is 15 miles away and could have an impact on Darlington if the borough were ever expected to meet some of the bases housing need, the nation’s armed forces are currently being reduced in size. It seems unlikely that the number of service personnel either in Darlington or in other areas will increase sufficient to create a potential demand in the HMA in coming years.

Conclusion

38. In conclusion, this SHMA identifies an Objectively Assessed Need for Darlington Borough Council of 11,160 dwellings over the 25-year period 2011-36.

39. Darlington, in common with similar authorities, faces considerable strategic challenges in meeting the housing needs of its future population. The age profile of the borough is changing and a large proportion of housing need is likely to be for older persons’ accommodation. There has also been fundamental tenure adjustment, the continuing challenge of new housing delivery and responding to the needs of those households affected by welfare reform. Overall, therefore, there is a need for a continued co-ordinated approach towards the varied housing challenges faced to ensure future success.

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