Durham Housing Delivery and Supply

Technical Note

April 2023

1. Introduction and Overview

1.1. This Technical Note has been prepared by Pegasus Group on behalf of the Home Builders Federation (HBF) and examines the delivery and supply of new homes in County Durham since the adoption of the County Durham Plan (CDP) in October 2020.

1.2. The CDP requires Durham County Council (the Council) to deliver 24,852 homes over the period 2016 - 2035 which equates to an annual average requirement of 1,308 dwellings. This is to be achieved through various sources of supply including those sites which already benefit from planning permission (including those completed and under construction), sites allocated for housing in the CDP as well as an assumption for windfall sites.

1.3. To demonstrate delivery of the homes that the county needs over the plan period, the CDP includes a housing trajectory which details the number of homes which the Council envisages it will deliver per year and the sources of supply within that year. An extract of the housing trajectory found in the CDP is in **Appendix 2.1**. This reflects the fact that it is unrealistic to assume that housing delivery will be uniform across the plan period and in common with other housing trajectories, it envisages stronger delivery around the middle part of the plan period with this then tailing off towards the end when sources of supply become more exhausted.

1.4. Given the time that has elapsed since the adoption of the CDP and that the plan period has run for 8 years, the HBF is keen to understand how the Council has performed to date on the delivery of new homes and how this may shape future delivery. This is explored below.

2. Housing Delivery to Date

2.1. Table 1 below shows delivery of housing since the beginning of the plan period and is taken from the Council's latest Annual Monitoring Report (AMR, 2021/22).

Table 1 – Housing Delivery 2016 - 2022

Year	Gross Completions	Net Completions
2016/17	1,417	1,410
2017/18	1,356	1,339
2018/19	1,513	1,463

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2019/20	1,633	1,628
2020/21	1,343	1,328
2021/22	1,681	1,671

2.1.1. The figures from 2016/17 – 2018/19 are fully reflected in the housing trajectory given that these figures were available at the time at which the CDP was being prepared and examined.

2.2. For the purposes of measuring the Council's housing delivery, the Government's Housing Delivery Test (HDT) is measured against the annual average plan requirement (1,308 dwellings per annum). As Table 1 shows, for every year so far, the Council has achieved housing growth above that figure, therefore it continues to pass the HDT with the latest figure being 145% (from data published in February 2022). This takes into account an allowance that the Government has made in relation to the slowdown in building over 2020 as a result of the Covid-19 pandemic.

2.3. However, a comparison between housing delivery and that envisaged in the housing trajectory is shown in Table 2 below. As the graph within the CDP is not accompanied by figures, these have been derived from the housing trajectory appended to the Five Year Housing Land Supply Position Statement (updated October 2019) which was submitted as part of the CDP examination (document reference: DCC2).

Table 2 – Housing Delivery compared to Housing Trajectory

Year	Net Completions (see Table 1)	Anticipated Completions from Housing Trajectory (see Appendix 1)	Difference
2019/20	1,628	1,852	-244
2020/21	1,328	1,783	-455
2021/22	1,671	2,097	-426

2.4. In these years, the majority of the supply is projected to be from sites which are under construction.

2.5. The conclusions that can be drawn in relation to this is that whilst the Council continues to deliver homes above the annual average requirement, it has not kept pace with the assumptions provided in the housing trajectory. Indeed, the housing trajectory indicates that 2021/22 should have been one of the strongest delivery years over the plan period and whilst it delivered more homes than any other year since 2016, it is not at the level which the Council has envisaged. The HBF considers that the reason for this is as a result of a falling number of outlets within the county. The representations, to which this Technical Note is appended, outlines the reasons for this.

2.6. This failure to keep pace with the assumptions in the housing trajectory indicates that the Council may be facing delivery difficulties later on in the plan period, which we examine in Section 3 below.

3. Analysis of Future Delivery

3.1. To get a fuller picture of housing delivery across County Durham, we have also examined the likely future situation in terms of sites coming forward to add to future supply. This includes looking at what is in the pipeline as well as the status of allocations and other sites.

Housing Land Supply

3.2. Whilst the HDT is a backwards looking indicator which examines delivery against the LHN from the previous three years, the National Planning Policy Framework (NPPF, 2021) also requires that local planning authorities identify and update annually a supply of specific deliverable sites sufficient to provide a minimum of five years' worth of housing against their housing requirement set out in adopted strategic policies (paragraph 74). This is a forward looking indicator.

3.3. Table 3 below shows the housing land supply position since the adoption of the CDP.

Table 3 – County Durham Plan 5 Housing Land Supply Position

Year	5 Year Housing Land Supply Position
2019/20	6.3 years (position at the time of the adoption of the CDP).
2020/21	5.99 years (outlined in the AMR 2020/21).
2021/22	5.67 years (outlined in the AMR 2021/22)

3.4. Whilst this shows a housing land supply position above 5 years in each of the years shown, there is a clear trend which shows the Council's position deteriorating since the adoption of the CDP. This would indicate the following:

- It would support the observation made above that there has been a decrease in the number of outlets across the county which would feed through to a lower forecasted supply figure.
- That despite the coming years in the plan period being those envisaged to be the strongest in terms of delivery (shown in the housing trajectory), the forecasted supply over this period is actually reducing, when it would be expected to be increasing to match the trajectory.
- As this is the case, it is an indication that sites are not being granted planning permission at the speed which is needed to deliver the housing sites in accordance with the housing trajectory.

Analysis of Sources of Supply

3.5. Taking this into account, it is worth exploring the status of development sites across the county.

Housing Allocations

3.6. The housing trajectory found in the CDP (see **Appendix 2.1**) indicates that in the next few years there is a clear shift in the sources of housing supply from commitments and existing planning permissions to an increasing emphasis on the delivery of housing allocations.

3.7. The supporting policies within the CDP (Policies 4 and 5) outline the requirements for each allocation with the supporting text highlighting that:

"We believe the sites allocated in this policy [Policy 4] are the most appropriate to deliver the new homes we need to ensure that we meet our Local Housing Need (LHN), making the effective use of land and utilising previously developed land where it is available and viable. These allocations, together with the other elements of housing supply such as sites with planning permission and under construction, will provide the range and choice of sites to meet our needs and deliver the preferred spatial strategy for the distribution of housing in County Durham." (paragraph 4.77).

3.8. The CDP establishes that when examining the future supply of homes, there was a requirement for the Council to allocate a minimum of 5,214 dwellings to meet its LHN over the plan period (see Table 2 of the CDP).

3.9. By virtue of the Council allocating 5,470 dwellings, it meant there is only a relatively small buffer of 256 dwellings. Whilst the Council's calculations make an assumption for lapses in planning permissions, given the small size of the buffer, any further changes in lapse rates could have a profound effect on the Council being able to meet its LHN up to 2035.

3.10. The housing trajectory currently assumes that the delivery of allocations will commence in 2024/25 and 'ramp up' over a 4 year period to 2027/28 where it is envisaged that around half of the total units allocated will be delivered. After this time, allocations are due to tail off consistently to the end of the plan period. Using the Five Year Housing Land Supply Position Statement (2019) as a guide, Table 4 translates the housing trajectory graph into the forecasted delivery of allocations:

Table 4 – Trajectory of Housing Allocations

Year	Forecasted Delivery
2024/25	625
2025/26	800
2026/27	730

2027/28	600
2028/29	450
2029/30	440
2030/31	405
2031/32	350
2032/33	315
2033/34	285
2034/35	230

3.11. As a result of changes to the assumptions relating to the Copelaw, Newton Aycliffe allocation, these numbers do not completely tally with the total allocations (5,470 dwellings) but nevertheless shows the anticipated pattern for delivery of allocations over the plan period and is largely consistent with the housing trajectory graph.

3.12. **Appendix 2.2** of this note contains an update as to the status of individual allocations and our high level judgment on whether they are 'on track' to deliver what is anticipated. In many instances delivery has been assumed for 2024/25 onwards but based on current observations and taking into account the need to discharge conditions, site preparation and submission of reserved matters (where applicable), it appears many will not likely hit these targets.

3.13. As a result of this, it is anticipated that delivery of new homes will fall at this time as other sources of supply (namely commitments) will play a lesser role in the delivery of new homes. The deteriorating position in relation to the Council's 5 year housing land supply would seem to confirm this trend (notwithstanding issues of nutrient neutrality).

3.14. The latest AMR for 2021/22 notes the following completions in relation to allocations:

- 17 units (full site) completed on Hawthorn House Newton Hall (H2)
- 10 completions (out of 60) on Former Gilesgate School (H1)

3.15. It also notes planning permissions granted at Ash Drive, Willington (H26) and Sherburn Road (H6) for 200 units and 500 units respectively. However, these planning permissions are in outline only with reserved matters applications pending and so these sites are currently not in a position to come forward imminently.

3.16. Although housing has been delivered on allocations H1 and H2 (which runs ahead of the trajectory), it is noted in these cases that planning permission was granted prior to the adoption of the CDP (in August 2020 and August 2019 respectively) and both sites are relatively small in scale. Therefore, notwithstanding this, there is a real danger that the Council is reaching a point whereby it will not be in a position to deliver allocations in the timescales which the housing trajectory envisages.

3.17. This delay in allocations coming forward is therefore likely to cause housing delivery issues in the county, which will fail to address current needs. The implication of this is that it will put pressure later on in the plan period to deliver the allocations and may mean that some of the allocations due to be delivered in this plan period, slip to beyond the plan period. The consequence of this is that the Council's LHN may then not be met.

Additional 5% Lapse in Allocations

3.18. Whilst further work can be undertaken looking at specific allocations and revising individual trajectories to feed into an overall housing trajectory, examining this on a macro basis, if 5% of the dwellings allocated fall away (either not implemented or are implemented beyond the plan period), this would mean the delivery of 5,183 dwellings via allocations over the plan period (a reduction in 274 dwellings).

3.19. Crucially even at this rate, the CDP would not be delivering a sufficient number of new homes to meet its LHN (assuming other sources of supply remain unchanged). It would be 18 dwellings short in this scenario.

Additional 10% Lapse in Allocations

3.20. If the additional lapse rate is increased to 10%, this would mean the delivery of 4,923 dwellings via allocations over the plan period (a reduction in 547 dwellings).

3.21. Under this scenario the Council would fall short of its LHN by 291 dwellings (assuming other sources of supply remain unchanged).

Additional 20% Lapse in Allocations

3.22. If the additional lapse rate is increased to 20%, this would mean the delivery of 4,376 dwellings via allocations over the plan period (a reduction in 1,094 dwellings).

3.23. Under this scenario the Council would fall short of its LHN by 838 dwellings (assuming other sources of supply remain unchanged).

3.24. The testing of these scenarios indicates that there is little ability for the Council to absorb any further lapses in its supply without having a profound effect on housing land supply and the Council meeting its LHN.

The Role and Effect of Policy 6

3.25. Policy 6 of the CDP covers windfall sites and provides a route for residential sites to come forward either within the built-up area of a settlement or well-related to it (in areas not restricted by Green Belt or policies in a neighbourhood plan), subject to addressing a number of criteria included in the policy text.

3.26. It should be noted that the intention of Policy 6 is to add further flexibility in the supply of new homes over the plan period. When discussing Policy 6 the Inspector was clear on this point and outlined:

"Given the SHLAA process, and that all sites currently considered by the Council to be deliverable or developable have been allocated in the Plan, there is likely to be a significant reduction in large windfalls compared to the past. I therefore consider that the Plan is sound in not relying on this source of supply, despite the fact that some are almost certain to materialise. This approach helps to ensure that the Plan is positively prepared and flexible." (Paragraph 199 of the CDP Inspectors Report).

3.27. That is to say, Policy 6 as drafted in the CDP was to ensure that the plan is positive in boosting housing supply and providing flexibility, rather than the policy being a fallback position if other sources of supply were to falter.

3.28. The Council's 2021/22 AMR provides overall figures for residential dwellings coming forward on unallocated sites. For 2021/22 it notes that in total, 1,828 units were permitted and 1,654 units were completed. However, given the timescales involved, it is difficult to discern (particularly with completions) how many of these are genuine sites determined through Policy 6 and how many were windfalls granted prior to the CDP (and Policy 6) being adopted.

3.29. In this regard it is important to note that the AMR states:

"Compared with last year's figures, all approvals have decreased, with both smaller and larger sites completions increasing from last year. The decrease in approvals could be due to the adoption of the CDP, and less windfall sites approved, and development is being directed to the most sustainable locations through policy 4 and policy 6."

3.30. This would appear to be an acknowledgement from the Council that windfall approvals are declining specifically as a result of the CDP and its policies. This indicates that even if Policy 6 were a tool to use to make up a fall in other sources of supply, it does not appear that it is in a position to be able to do this.

3.31. Whilst there is no publicly available data which logs Policy 6 sites specifically (only the headline figures in the AMR), in September 2022, Pegasus Group did undertake its own analysis of Policy 6 sites using the Council's Public Access system. This covers all Policy 6 sites we could find at that point which were determined after the adoption of the CDP. This is found in **Appendix 2.3** of this document.

3.32. Table 5 below also provides a summary of those sites:

Table 5 – Summary of Policy 6 Sites

Status	No. Dwellings
Approved (total of 25 sites).	631 of which 238 are 'within the built-up area'. Average site size is around 25 dwellings.
Undetermined (total of 33 sites)	1,637. Average site size is around 50.
Total (Approved and Undetermined)	2,268.

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Refused	348.
Total (all Policy 6 sites)	**2,616**

3.33. This has been extracted from **Appendix 2.3** and would indicate that whilst there are a number of approved sites (within and well-related to settlements), these would be unlikely in themselves to boost supply to the levels in the housing trajectory. The undetermined applications may make a difference, although this would require the vast majority of them to be promptly approved. Compared to the Policy 6 sites which have been approved, those which are still to be determined are, on the whole, much larger sites with a higher proportion located on the edge of settlements. These are likely to be more contentious schemes which may be refused or delayed.

4. Commentary on Housing Supply and Delivery

4.1. The information which is available shows that whilst the delivery of housing since the start of the plan period (2016) has exceeded the annual average requirement in the CDP, it is clear that it has not kept pace with the Council's forecasts within its housing trajectory.

4.2. It is clear that the next few years will be particularly important in terms of the county building new homes and the housing trajectory indicates a period of strong housing delivery and an increasing emphasis on housing supply coming from allocations. However, the indications are that the Council may be struggling to deliver this with a real risk of the LHN not being achieved. Early indications including a deteriorating position in relation to its 5-year supply of deliverable housing sites, would seemingly confirm this.

4.3. Whilst there is a policy for windfall in place in the CDP (Policy 6), this is not intended to bridge the gap when there is a fall in housing delivery and from the information we have to hand, it does not appear to be able to do this in any event.

4.4. The impact of falling housing delivery is significant for the county financially as investment will leave County Durham and the wider benefits of new homes are not felt through the local economy. Moreover, the Council’s corporate aspiration of bringing new and better jobs to the area will not be supported by the homes to support these jobs, threatening their delivery and Durham’s ability to capture the increase in population through taxation and general spend within the county. Growth which could then be accommodated in County Durham may then flow elsewhere which in turn would have implications on sustainability.

4.5. In this context the HBF has undertaken representations (to which this is an appendix) outlining what it considers are the key issues which need to be tackled to help boost housing delivery including considerations relating to viability.

5. Summary and Conclusions

5.1. This Technical Note has been prepared by Pegasus Group on behalf of the Home Builders Federation (HBF) and examines the delivery and supply of new homes in County Durham since the adoption of the County Durham Plan (CDP) in October 2020.

5.2. An examination of housing delivery over the CDP plan period reveals that whilst the Council is developing new homes above the annual average housing target in the CDP, when compared to anticipated delivery shown on the housing trajectory (see **Appendix 2.1**), the Council is underdelivering homes. This in itself will create additional pressure to deliver more homes towards the end of the plan period and is likely to result in unmet housing need in certain places within County Durham.

5.3. Indeed, an examination of the housing trajectory indicates that from 2024, the Council will be relying heavily on the delivery of housing from allocations. However, examining the progress of allocations in the CDP (see **Appendix 2.2)**, it is clear that many of these are some way off being in a position to be delivered. As a result of this, it is anticipated that delivery of new homes could fall at this time as other sources of supply (namely commitments) will play a lesser role in the delivery of new homes. Whilst the Council can permit windfall sites through Policy 6 of the CDP, the number of sites coming forward through this route is unlikely to make up for a shortfall and in any event, the purpose of Policy 6 was to add flexibility to the supply of homes in County Durham rather than acting as a way to address fundamental shortfalls.

5.4. Without addressing this matter, the issue is likely to frustrate growth and future investment in County Durham and mean the wider benefits of new homes are not felt through the local economy. Moreover, the Council's corporate aspiration of bringing new and better jobs to the area will not be supported by the homes to support these jobs leading to unsustainable patterns of development.

5.5. Taken in this context, the points raised within the HBF's representations need due consideration (including matters related to viability).