Northumberland

Strategic Housing Market Assessment

2015

Northumberland County Council

Final Report

October 2015

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Please note that in this report some of the tables include rounded figures. This can result in some column or row totals not adding up to 100 or to the anticipated row or column 'total' due to the use of rounded decimal figures. We include this description here as it covers all tables and associated textual commentary included. If tables or figures are to be used in-house then we recommend the addition of a similarly worded statement being included as a note to each table used.

Executive Summary

Introduction

The 2015 Northumberland Strategic Housing Market Assessment (SHMA) provides the latest available evidence to help to shape the future planning and housing policies of the area. The study will help inform the production of the Council's Local Plan and Housing Strategy. This research provides an up-to-date analysis of the social, economic, housing and demographic situation across the area. In particular, the SHMA considers the Housing Market Area of Northumberland, and the Objectively Assessed Housing Need.

The 2015 SHMA comprises:

- A review of relevant secondary data including the 2011 Census, house price data, private rental data, Housing Association CORE lettings data, CLG Statistics and Housing Register information;

- Demographic and dwelling forecasts prepared by Edge Analytics using POPGROUP modelling;

- Analysis of the 2012 county-wide household survey which was sent to around 19,700 households and 5,984 questionnaires were returned (a 30.4% response rate). Data were weighted to take account of 2011 census;

- An on-line survey of Key Stakeholders including local authorities, county councils, voluntary agencies, public service providers, registered providers and private developers; and

- Interviews with Estate and Lettings Agents.

The findings from the study provide an up-to-date, robust and defensible evidence base for policy development which conforms to the Government's National Planning Policy Framework (NPPF) and National Planning Practice Guidance (NPPG).

Housing market context

House prices

Median prices in Northumberland have been consistently higher than median prices for the North East, though well below those for England as a whole. Overall, prices have increased from £59,950 in 2000 to £140,556 in 2014, an increase of 134.5%. Prices rose to a peak of £145,000 in 2010 but have since fallen slightly.

During 2014, median prices across Northumberland were £140,556 and lower quartile prices were £93,000.

Dwelling stock

Across Northumberland there are a total of 149,750 dwellings[1] and a total of 138,535 households[2]. Overall, the 2012 Household Survey shows that:

- 72.7% of properties are houses, 18.7% are bungalows, 8.4% are flats/maisonettes/bedsits, and 0.1% are other property types (e.g. caravans);

- 8.3% have one bedroom/bedsit, 29.2% have two bedrooms, 42.8% have three bedrooms and 19.7% have four or more bedrooms;

- 66.0% of properties are owner-occupied, 18.6% are rented from a social landlord, 15.2% are private rented/tied accommodation and 0.2% are intermediate tenure;

- There is a particularly strong aspiration for houses and these tend to be for larger properties of three or more bedrooms.

Demographic drivers

The population of Northumberland is estimated to be 315,987 in 2014[3] and this is projected to increase by 2.6% to 324,400 by 2031[4]. Over the next few decades, there will be a marked increase in the number and proportion of residents aged 65 and over which is expected to increase by 39.5% from 73,000 in 2015 to 101,800 in 2031.

Economic drivers

Across Northumberland, 22.6% of households receive less than £10,000 each year, 32.9% receive between £10,000 and £25,000, 25.7% received between £25,000 and £45,000, 8.7% receive between £45,000 and £60,000 and 10% receive £60,000 or more each year.

In terms of travel to work: the 2011 Census indicates 67.5% live and work in Northumberland; a further 14.0% work in Newcastle upon Tyne; 7.6% work in North Tyneside; 3.4% in Gateshead; 1.2% in County Durham; 1.2% in Sunderland; 0.6% in South Tyneside; 0.6% in Cumbria and 0.3% in Tees Valley. Outside of the neighbouring districts: 0.2% work elsewhere in the North West; 0.5% in Yorkshire and the Humber and 2.7% elsewhere in the United Kingdom

Market areas

An analysis of 2011 Census migration data suggests that 69.7% of moving households originated from within Northumberland and 67.5% of employees live and work within the County. Former Government guidance suggested that housing markets are self-contained if at least 70% of moves take place within the area.

Northumberland can be described as a largely self-contained housing market on the basis of migration and travel to work patterns, with both suggesting that just under

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[1] 2014 CLG
[2] 2012 Household Survey
[3] ONS 2014 Mid Year Population Estimate
[4] ONS 2012-based population projections

70% of moves take place within Northumberland. Additionally, 74.6% of households planning to move in the three years 2012-2015 were planning to move within Northumberland. The SHMA also acknowledges the relationship between Northumberland and neighbouring areas, in particular North Tyneside, Newcastle, Gateshead, Durham, Carlisle and the Scottish Borders. Overall however, Northumberland is considered to be a self-contained Market Area for the purposes of Local Plan policy making.

Objectively Assessed Housing Need (OAN)

The National Planning Policy Framework requires that local planning authorities identify Objectively Assessed Housing Need and that Local Plans translate those needs into land provision targets. Paragraph 159 of the NPPF recognises that the objective assessment of housing need must be one that meets household and population projections, taking account of migration and demographic change; meets the need for all types of housing including affordable, and caters for housing demand and the scale of housing supply necessary to meet that demand.

An OAN should be based on reasonable assumptions which take into account baseline demography, adjustments to reflect local demographic trends, past delivery, market signals, future jobs and other local circumstances: the SHMA has explored these factors in detail. PAS guidance suggests that the OAN should exclude any policy objectives and value judgements and evidence should be entirely about need and demand, to the exclusion of any supply-side factors such as physical constraints, policy designations and adverse impacts of development.

The key driver underpinning population change and associated dwelling requirement in Northumberland is net internal migration and anticipated trends in migration. A further uplift in dwelling requirement is recommended to take account of jobs-growth. The baseline annual dwelling requirement, based on the SNPP-2012 scenario is +683 but given likely migration trends this should be uplifted to +975 each year to take account of a longer 10 year period and increasing levels of net in-migration associated with flows from North Tyneside. A further uplift to take account of dwelling requirements associated with full-time equivalent jobs-growth increases the annual dwelling requirement to between 1,216 and 1,246 when applying assumptions regarding reductions in unemployment and out-commuting. It is therefore proposed that the Objectively Assessed Housing Need for Northumberland is within the range +975 and +1246.

The Council's preferred scenario reflects the jobs-growth aspirations of the Economic Strategy, to create an additional 10,000 headcount jobs over the period 2011-2031, reduce in-commuting and unemployment, reducing the decline in the size of the economically active resident population.

It is therefore proposed that an annual dwelling requirement of 1,216 is the Objectively Assessed Need figure for Northumberland.

Affordable housing

Affordable housing need is defined as *'the quantity of housing required for households who are unable to access suitable housing without financial assistance'*.

A key element of the study is to explore the scale of housing need and the extent to which additional affordable housing is needed.

Affordable housing is defined as either social/affordable rented or intermediate housing which is provided and made available to eligible households (i.e. those who lack their own housing or live in unsuitable housing) who cannot afford to meet their needs through the market. Intermediate affordable housing is housing at prices and rents above those of social rents, but below market prices or rents.

The scale of affordable requirements has been assessed by taking into account the annual need from existing and newly-forming households and comparing this with the supply of affordable (social/affordable rent and intermediate tenure dwellings). The overall gross need for affordable housing is 1,502 dwellings each year. However, there is good capacity of affordable dwellings across Northumberland which results in an overall net shortfall of 191 affordable dwellings each year. Analysis demonstrates a shortfall of all dwelling sizes, most notably two bedroom general needs (140 each year), three or more bedroom general needs (30 each year) along with 10 one bedroom general needs and 11 older person affordable dwellings. It is therefore appropriate for the continued delivery of affordable housing to reflect underlying need, particularly of two and three bedroom general needs dwellings

In terms of the split between social/affordable rented and intermediate tenure products, the household survey identified tenure preferences of existing and newly-forming households. This suggests a tenure split of 67% affordable (social) rented and 33% intermediate tenure. Analysis of property type preferences suggests that the delivery of houses is a priority (with 56.1% stating an expectation of moving to a house), followed by flats (30.8%) and bungalows (12.7%).

Table ES1 Net annual affordable housing imbalance by property size and designation 2014/15 to 2018/19					
Shortfall	**General Needs**			**Older Person**	**Total**
	1 Bed	2 Beds	3+ beds	1/2 Bed	
Gross	359	647	361	135	**1502**
Net	10	140	30	11	**191**

Sources: 2012 Household Survey; RP CORE Lettings and Sales

Market demand

Households intending to move in the open market were asked what type and size of property they would like and expect to move to. This was compared with the current stock profile to identify any mismatches between availability and requirements (Table ES2). Of households moving, most require a house (75.7%), 16.8% a bungalow, 4.5% a flat and 3% to other dwelling types which includes supported/sheltered accommodation. Where cells are colour coded: a green spot indicates that the current proportion of dwelling stock is greater than the requirement for that dwelling stock and a red spot indicates that the proportion of dwelling stock is lower than the requirement. Therefore a red spot suggests there is a lack of that particular dwelling type and size across Northumberland and green suggests there is sufficient supply.

Future development should focus on delivering to address identified mismatches and also maintain the delivery of a range of dwelling types and sizes.

Table ES2   Comparison between current dwelling stock and market aspirations

Dwelling type/size	Current stock (%)	Market Preference (%)	Variance
Detached house/cottage 1-2 Beds	1.2	3.1	🔴 1.9
Detached house/cottage 3 Beds	7.8	14.7	🔴 6.9
Detached house/cottage 4 or more Beds	15.5	16.8	🔴 1.3
Semi-detached house/cottage 1-2 Beds	6.2	6.3	🔴 0.1
Semi-detached house/cottage with 3 Beds	19.7	18.7	🟢 -1.0
Semi-detached house/cottage 4 or more Beds	4.4	4.1	🟢 -0.3
Terraced house/cottage 1-2 Beds	8.3	6.8	🟢 -1.5
Terraced house/cottage 3 Beds	12.5	4.1	🟢 -8.4
Terraced house/cottage 4+ Beds	2.1	1.0	🟢 -1.1
Bungalow 1-2 Beds	8.3	8.6	🔴 0.3
Bungalow 3 Beds	6.1	8.1	🔴 2.0
Bungalow 4+ Beds	1.7	0.0	🟢 -1.7
Flat/Apartment 1 Bed	1.8	1.7	🟢 -0.1
Flat/Apartment 2 Beds	3.8	2.8	🟢 -1.0
Flat/Apartment 3+ Beds	0.4	0.0	🟢 -0.4
Other 1-2 Bed	0.1	2.7	🔴 2.6
Other 3 Bed	0.0	0.2	🔴 0.2
Total	100.0	100.0	
Base	112064.0	6859	

Older people and adaptations

A major strategic challenge for the Council is to ensure a range of appropriate housing provision, adaptation and support for the area's older population. The 2011 Census identified 24.6% of households within Northumberland as older (containing at least one person 65 years or over) and the number of people across Northumberland area aged 65 or over is projected to increase from 73,000 in 2015 to 101,800 by 2031 (a 39.5% increase)[5].

The 2012 Household Survey found that 25.7% of all households across Northumberland included someone with a disability or a limiting long-term illness.

13.7% of households said they required care or support to enable them to stay in their current home and particularly noted was a need for a low-level shower (3.4%), stair lift (2.6%), a ground floor toilet (2.4%) and a ramp/step lift (2.1%).

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[5] ONS 2012-based population projections

1.   Introduction

Background and objectives

1.1   A comprehensive Strategic Housing Market Assessment (SHMA) for Northumberland County Council (the Council) was commissioned to provide an up-to-date evidence base to inform the development of the Council's Local Plan and other strategies.

1.2   The SHMA satisfies the requirements of the National Planning Policy Framework (NPPF) and the National Planning Policy Guidance (NPPG) which replaces previous guidance including the DCLG Strategic Housing Market Assessment guidance (Version 2, 2007).

1.3   The SHMA also includes a review of the Housing Market Area definition, Objectively Assessed Housing Need, Housing Market Signals and Duty to Co-operate matters.

National Planning Policy Framework (NPPF) requirements

1.4   The NPPF provides the planning policy context for this SHMA. The key sections of the NPPF which need to be taken into account in the SHMA are now summarised.

1.5   Paragraph 159 of the NPPF states that Local Planning Authorities should have a clear understanding of housing needs in their area and they should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where Housing Market Areas cross administrative boundaries. The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period that:

- Meets household and population projections, taking account of migration and demographic change;

- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to families with children, older people, people with disabilities, service families and people wishing to build their own homes); and

- Caters for housing demand and the scale of housing supply necessary to meet this demand.

1.6   NPPG (para 8) states that housing needs should be assessed in relation to the relevant functional area i.e. Housing Market Area and this may identify smaller sub-markets with specific features and it may be appropriate to investigate these specifically in order to create a detailed picture of local need. It is also important to recognise that there are 'market segments' i.e. not all housing types have the same appeal to different occupants.

1.7   Paragraph 47 of the NPPF makes it clear that local planning authorities should *"use their evidence base to ensure that their Local Plan meets the full objectively assessed needs for market and affordable housing"*. The SHMA provides robust evidence to help the Council *"plan for a mix of housing based*

on current and future demographic trends, market trends and the needs of different groups in the community" and *"identify the size, type tenure and range of housing that is required in particular locations, reflecting local demand"* (NPPF para 50).

1.8   NPPF para 173 also states that that in order to ensure both viability and the deliverability of development, careful attention to viability and costs in plan-making and decision-taking is required.

1.9   Moreover, the NPPF and the Localism Act both introduced the Duty to Co-operate. Section 110 of the Localism Act requires local authorities to co-operate with other local authorities in maximising the effectiveness with which strategic matters within development plan documents are prepared. The provision of housing development is a strategic priority and the Council will have to ensure that they are legally compliant with the Localism Act at Examination. The Duty to Co-operate applies to all local planning authorities, working with neighbouring authorities and other bodies, including Local Enterprise Partnerships, on strategic priorities. It also means collaborating on the evidence critical to understanding the needs of your area, and the wider economic and Housing Market Areas, including through the preparation of a Strategic Housing Market Assessment.

Definitions

1.10   NPPG defines need for housing as *"the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – [and] should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand"*[6].

1.11   For the purposes of this study, the term housing need refers to *"the housing that households are willing and able to buy or rent, either from their own resources or with assistance from the state"*.

1.12   Definitions relating to affordable housing have been revised in the National Planning Policy Framework (March 2012):

- **Affordable Housing**: Social Rented, Affordable Rented and Intermediate Housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

- **Social Rented** housing is owned by local authorities and private Registered Providers (as defined in Section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as

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[6] The approach to assessing need Para 003 [ID: 2a-003-20140306], NPPG, March 2014.

agreed with the local authority or with the Homes and Communities Agency.

- **Affordable Rented** housing is let by local authorities or private Registered Providers of social housing to households who are eligible for Social Rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

- **Intermediate Housing** is homes for sale and rent provided at a cost above Social Rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and Intermediate Rent, but not Affordable Rented housing. Homes that do not meet the above definition of Affordable Housing, such as *"low cost market"* housing, may not be considered as Affordable Housing for planning.

Geography

1.13   Map 1.1 illustrates the geographical context of Northumberland County. Household survey data has been presented for four housing market areas (HMAs) as illustrated in Map 1.2:

- Central,

- North,

- South East, and

- West.

1.14   The characteristics of these local housing market areas are explored further in Chapter 3

Map 1.1   Northumberland Context

Map 1.2   Northumberland housing market areas
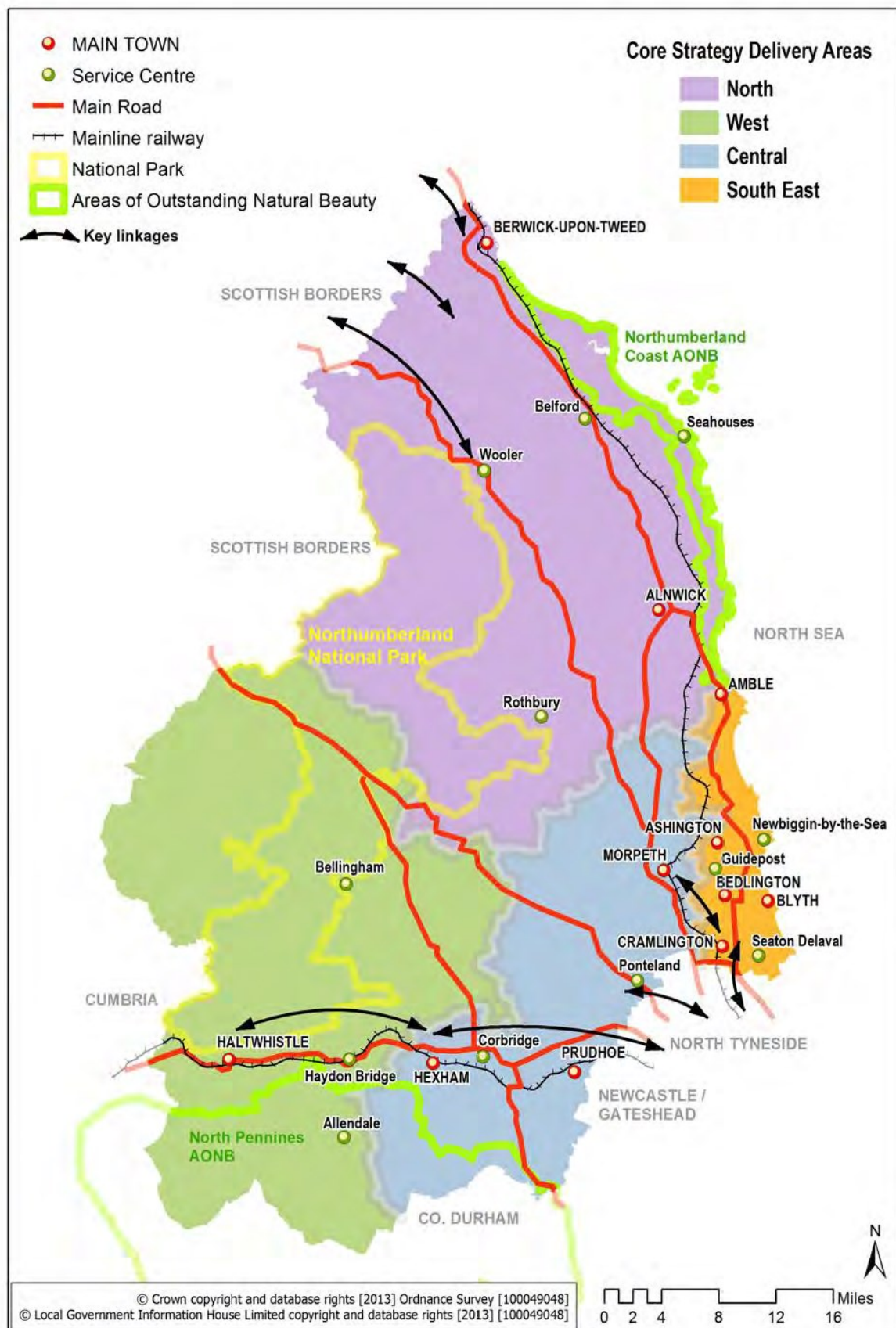
Research methodology

1.15   To deliver the 2015 SHMA, a multi-method approach was adopted, which comprised:

- A review of relevant secondary data including the 2011 Census, house price data, private rental data, Housing Association CORE lettings data, CLG Statistics and Housing Register information;

- The preparation of demographic and dwelling forecasts by Edge Analytics using POPGROUP modelling;

- Analysis of the 2012 county-wide household survey which was sent to around 19,700 households and 5,984 questionnaires were returned (a 30.4% response rate). Data were weighted to take account of 2011 census;

- An on-line survey of Key Stakeholders including local authorities, county councils, voluntary agencies, public service providers, registered providers and private developers; and

- Interviews with Estate and Lettings Agents.

1.16   Further information on the research methodology is presented at Appendix A.

Objectively Assessed Housing need

1.17   A key element of the SHMA is to derive an Objectively Assessed Need for Housing. Objectively Assessed Housing need is defined in the PAS advice note as *'the housing that households are willing and able to buy or rent, either from their own resources or from the State'*.

1.18   In order to establish Objectively Assessed Need, the PAS advice note recommends a logical progression of steps which are presented in this SHMA report. The steps to establishing an OAN are:

A.   Defining the Housing Market Area (see Chapter 3);

B.   Using CLG household projections as a starting point to establishing the OAN (see Chapter 4); and

C.   Adjusting projections to take account of local demography, past delivery and market signals, other local circumstances not captured by past trends and future jobs (see Chapters 5 and 6).

1.19   Chapter 7 draws evidence together to establish the Objectively Assessed Housing Need for Northumberland.

Presentation of data

1.20   Data presented in this report is based on the re-weighted 2012 Household Survey unless otherwise stated. All survey information presented in this report is for weighted and grossed responses which are rounded up where appropriate.

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Report structure

1.21   The Northumberland 2015 SHMA report is structured as follows:

- **Chapter 2** reviews the national and regional policy context within which the research needs to be positioned;

- **Chapter 3** considers the definition of the Housing Market Area;

- **Chapter 4** reviews demographic projections;

- **Chapter 5** considers the linkage between demographic and economic growth;

- **Chapter 6** presents a comprehensive review of the housing market including market signals;

- **Chapter 7** presents the Objectively Assessed Need for housing; and

- **Chapter 8** concludes the report with a summary of findings from the update and a consideration of strategic issues.

1.22   The report includes a substantial technical appendix, which provides detailed material that underpins the core outputs of the SHMA. The technical appendix material includes:

- General methodology (Appendix A);

- Housing need (Appendix B); and

- Monitoring and updating (Appendix C).

2. Policy and strategic review

Introduction

2.1   The previous five years have seen a radical and sustained programme of reform of welfare, housing, and planning policy, set within the context of national austerity. Under the coalition Government these reforms championed localism and decentralisation, and economic growth. Core cross-cutting themes that ran through the coalition Government's strategic policy context included:

- Deficit reduction;

- Economic growth;

- Carbon reduction and tackling climate change; and

- Empowering people and communities.

2.2   It is unlikely that these themes will change significantly following the election in May of a majority Conservative Government; indeed deficit reduction and economic growth were central planks of the Conservative Party election manifesto, which have been reiterated through the July 2015 budget.

New Government Agenda

2.3   On 27th May 2015 the Queen's speech was presented to Parliament and gave an overview of the new Government's proposed legislation and policies for the coming year. In terms of housing the following forthcoming legislation will be of relevance:

- Housing Bill;

- Full Employment and Welfare Benefits Bill;

- Immigration Bill; and

- Cities and Government Devolution Bill.

Housing Bill

2.4   The proposed Housing Bill will include measures to:

- Extend the Right to Buy to housing association tenants. Tenants will have to have held a tenancy for at least three years and discounts of up to £78,000 will be available outside London;

- Require local authorities to sell their most valuable homes when these become vacant. The proceeds of these sales will fund the extension of the Right to Buy scheme to housing association tenants, they will also provide resources to build more affordable housing in a local authority's area;

- Provide the statutory framework necessary to deliver Starter Homes (new build homes exclusively for first time buyers under 40, available at 20% discount on market value);

- Require local authorities to provide assistance to custom and self-builders to help them identify suitable development plots;

- Introduce a statutory register of brownfield land; and

- Simplify and speed up the neighbourhood planning system.

Full Employment and Welfare Benefits Bill

2.5   The Full Employment and Welfare Benefits Bill will propose:

- Removing the automatic entitlement to housing benefit from 18-21 year olds;[7]

- Extending the freeze on working age benefits for two more years beyond 2016/17; and

- Reducing the overall benefit cap from £26,000 to £23,000.

Immigration Bill

2.6   The proposed Immigration Bill will seek to control immigration and will include measure to make it easier to evict illegal immigrants. The Bill will also seek to extend the requirement (currently being piloted in the West Midlands) for private sector landlords to check the immigration status of prospective tenants. The policy will also apply to housing associations, although tenants nominated by local authorities will already have been checked by their nominating council. It is anticipated that hostels, care homes and student accommodation would be exempt.

2.7   The Prime Minister has also announced plans to introduce a new mandatory licencing scheme[8] to 'crack down' on unscrupulous landlords housing illegal migrants in overcrowded housing. It is not clear whether this new mandatory licencing scheme would cover solely the migration status of tenants, and whether it would just apply to Houses in Multiple Occupation.

Cities and Local Government Devolution Bill

2.8   This Bill will be central to the Government's devolution plans for England, and is seen as central to facilitating its vision of a 'Northern Powerhouse'. The Bill will devolve power to cities with elected metro mayors. It will provide the legislative framework to deliver the Greater Manchester deal and other similar agreements elsewhere.

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[7] The Conservative Party Manifesto previously suggested withdrawing housing benefit from under 21s in receipt of Job Seekers' Allowance.
[8] https://www.gov.uk/government/speeches/pm-speech-on-immigration

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The Budget July 2015

2.9 On 8th July 2015 the Government delivered its first budget, which outlines its proposed cuts to welfare spending. A number of measures will impact upon housing, especially in relation to residents in receipt of welfare payments. The proposed changes include:

- A reduction in the overall benefit cap to £20,000 outside London for a working age household with children (£23,000 in London);

- From April 2016 Local Housing Allowance and Housing Benefit will be frozen for four years along with working and child tax credits and other benefits such as Job Seekers Allowance (JSA), Employment and Support Allowance (ESA), child benefit and income support;

- The Universal Credit (UC) work allowance[9] will be abolished for non-disabled, childless households. For all other households (whose claims include housing costs) it will be reduced to £192 per month;

- The income threshold for tax credits will be reduced from April 2016 to £74.04 per week. The taper rate will also increase from 41% to 48% so for every pound a claimant earns over £74.04 their tax credits will fall by 48p;

- 18 to 21 year olds will not automatically be entitled to the housing costs element of UC from April 2017 (exceptions include parents whose children live with them, vulnerable groups, and people previously living independently and working for six months);

- From April 2017 under a new Youth obligation, 18 to 21 year olds will be expected to participate in a support programme at the start of their claim and apply for an apprenticeship, traineeship, or go onto a work placement after six months;

- From April 2017 those in the work-related activity group of ESA will only be paid the equivalent of JSA;

- The child element of tax credits and UC will be limited to two children in most instances. This will affect new claimants and those having a third child after April 2017;

- From April 2017 the family element in tax credits, the first child premium in UC, and the family premium in housing benefit will be abolished;

- From April 2017, claimants of UC, including lone parents, will be expected to prepare to return to work when their youngest child turns two and look for work when they turn three; and

- From April 2018 payments under the support for mortgage interest scheme will become repayable either upon sale of the property or when the claimant returns to work.

2.10 In addition to these welfare cuts the budget set out plans for social landlords to reduce their rents by 1% per annum for the next four years, rather than increasing them by CPI +1% as had previously been anticipated. By 2020/21

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[9] The amount a claimant can earn before their UC award is reduced.

the Government aims to reduce social housing rents by an average of 12%, which it sees as the sector's contribution to reducing the housing benefit bill.

2.11   Social housing tenants earning more than £30,000 per annum (£40,000 in London) will be expected to pay a market rent for their property. The extra revenue raised through this will be paid by local authorities directly to the Exchequer to assist in deficit reduction, whilst housing associations will be expected to reinvest the revenue to build more homes.

2.12   A review of 'lifetime tenancies' was also announced, with a view to limiting their use to ensure 'best use' of social housing stock.

2.13   Support for home ownership measures was also reiterated with measures such as the extension of the right to buy to housing association tenants and the introduction of help to buy ISAs (which will be available to savers by the end of 2015).

2.14   Other measures that could have an impact on housing include:

- The introduction of a new national living wage for those aged 25 and over, which will rise to £9 per hour by 2020;

- Tax relief for buy to let landlords is to be limited to the basic rate of income tax;

- A fund of £3million to help fund innovative solutions to domestic violence;

- Devolution of further powers to the Greater Manchester combined authority, including planning and a new land commission with more city deals following in other areas of the Country; and

- Inheritance tax thresholds will be increased allowing people to pass on properties worth up to £1million to their children and grandchildren.

2.15   Overall the planned welfare cuts will impact significantly upon low income households. Whilst reductions in social rent may help to limit the housing benefit bill, they will also have an impact on providers and their future investment capacity and plans.

The Productivity Plan

2.16   On 10th July 2015 the Government announced its plan to '*fix the foundations of the British economy*.'[10] 'Fixing the Foundations: Creating a more prosperous nation' is seen by the Government as a comprehensive plan to reverse the Country's long-term productivity problem over the course of this Parliament. As part of the plan to deliver a 'dynamic economy' flexible and fair markets are seen as central. To achieve these the plan proposes:

- Planning freedoms, more houses to buy;

- A higher pay, lower welfare society including the introduction of the national living wage; and

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[10] https://www.gov.uk/government/news/productivity-plan-launched

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- More people with a chance to work and progress, including doubling the entitlement to free childcare to 30 hours a week for working parents of three and four year olds.

Planning freedoms

2.17   In terms of the planning freedoms this includes:

- Introducing housing zones to give automatic planning permission on brownfield sites;

- Taking action against councils that are not making land available for housing; and

- Removing the need for planning permission for upward extensions (up to the height of the adjoining building) in London.

2.18   The productivity plan sees the Government taking action to ensure that local authorities have local plans in place by a set date, which is to be confirmed before the summer recess. League tables will be published showing the progress of authorities in terms of meeting their local plan, with information about housing and employment targets. Where progress is not made on producing a local plan the Secretary of State will intervene and arrange for plans to be written in consultation with local people.

2.19   The Government is to bring forward proposals to *'significantly streamline the length and process of local plans.*[11]*'* The plan also states that proposals to improve co-operation between local authorities will be brought in and that where authorities cannot meet their housing need in full, they should co-operate with other authorities to do so. Strengthened guidance around the Duty to Co-operate is therefore proposed for key housing and planning issues.

2.20   The plan states that the Government will be working with elected mayors to use new powers in the Devolution Bill to '*use development corporations to deliver higher-density development in designated areas. … and consider how policy can support [this]… [it] will also consider how national policy and guidance can ensure that unneeded commercial land can be released for housing*.'[12]

2.21   The plan proposes legislating to grant automatic permission in principle on brownfield sites registered as sustainable for housing. This will give a 'zonal' system on brownfield sites, which the Government anticipates will reduce delay and provide certainty for development on these sites. Legislation is already planned to introduce reforms to the compulsory purchase regime to enable more brownfield land to be brought forward for development, and the plan makes a commitment that the first round of reforms will be introduced through legislation in this session of Parliament. Proposals to further modernise the compulsory purchase system will be introduced in autumn.

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[11] Fixing the Foundations: Creating a more prosperous nation Para 9.11
[12] Fixing the Foundations: Creating a more prosperous nation Para 9.12

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2.22   The plan also commits the Government to legislating to allow major infrastructure projects with a housing element to apply through the Nationally Significant Infrastructure Regime (NSIP).

2.23   The Government is also proposing to '*tighten the planning performance regime*' which would see local authorities taking 50% or fewer decisions on time being at '*risk of designation*'[13]. It is also proposing that the performance regime be extended to minor applications. A fast track certificate process for minor applications is also proposed for establishing the principle of development for minor development proposals, as well as '*significantly tightening the planning guarantee for minor applications*.'[14]

2.24   The existing commitment to reduce net regulation on housebuilders is reiterated within the plan; and the Government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards.

2.25   A dispute resolution mechanism for Section 106 agreements is proposed within the plan to '*speed up negotiations and allow housing starts to proceed more quickly.*'[15]

2.26   The Government's commitment to delivering 200,000 Starter Homes by 2020 (at 20% discount) is reiterated within the plan, and proposals will be brought forward to help deliver this, including:

• *'Requiring local authorities to plan proactively for the delivery of Starter Homes;*

• *Extending the current exception site policy, and strengthening the presumption in favour of Starter Home developments, starting with unviable or underused brownfield land for retail, leisure and institutional uses;*

• *Enabling communities to allocate land for Starter Home developments, including through neighbourhood plans;*

• *Bringing forward proposals to ensure every reasonably sized housing site includes a proportion of Starter Homes;*

• *Implementing regulations to exempt these developments from the Community Infrastructure Levy, and re-affirming through planning policy that section 106 contributions for other affordable housing, and tariff-style general infrastructure funds, will not be sought for them; and*

• *Putting in place new arrangements to monitor their delivery'.*[16]

National Housing Strategy

2.27   The National Housing Strategy for England, Laying the Foundations: A Housing Strategy for England, was published in 2011 under the previous

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[13] Fixing the Foundations: Creating a more prosperous nation Para 9.17
[14] Fixing the Foundations: Creating a more prosperous nation Para 9.17
[15] Fixing the Foundations: Creating a more prosperous nation Para 9.17
[16] Fixing the Foundations: Creating a more prosperous nation Para 9.23

Administration; it currently remains in place. The Strategy set out ideas on the then Government's preferred shape of housing provision, which centre on 'the primacy of home ownership; social housing as welfare; and an increasing role for the private rented sector.'[17]

2.28   The Strategy presents both existing initiatives and policies, and introduces a series of other interventions and approaches, along the following themes:

- Increasing supply, more homes, stable growth;

- Social and affordable housing reform;

- A thriving private rented sector;

- A strategy for empty homes;

- Quality of housing experience and support; and

- Quality, sustainability and design.

2.29   Whilst these themes provide a useful overall framework for housing practitioners, the subsequent focus for strategic housing policy has centred on the four policies for housing, which currently appear to have been retained by the new Conservative administration, these are now looked at in turn.

Policy focus for housing

2.30   The Department for Communities and Local Government states that:

'The government is helping local councils and developers work with local communities to plan and build better places to live for everyone. This includes building affordable housing, improving the quality of rented housing, helping more people to buy a home, and providing housing support for vulnerable people.'[18]

2.31   Thus the policy focus for the new Government is centred upon:

- Building affordable housing;

- Improving the quality of rented housing;

- Helping more people to buy a home; and

- And providing housing support for vulnerable people.

Building affordable housing

2.32   Increasing housing supply has been a central priority for successive governments. The impact of the global credit crunch on the housing market has been significant, with falling numbers of completions and significant issues linked to accessing investment for both development and mortgage finance.

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[17] Chartered Institute of Housing *Summary Laying the Foundations: A Housing Strategy for England* November 2011
[18] https://www.gov.uk/government/topics/housing

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2.33   The previous Government wanted investors, developers and local councils to increase the overall supply of housing both in terms of new build properties and 'repurposed' empty homes. To help increase housing supply the previous Government tried to:

●   Remove 'unnecessary and complex' regulations (planning reform);

●   Provide finance for projects that cannot otherwise proceed; and

●   Provide assistance to home buyers who cannot afford to buy a home due to a lack of deposit (Help to Buy and Right to Buy).

2.34   Whilst the DCLG's stated policy focus is now *'building affordable* housing' it is assumed that the desire to increase overall housing supply remains unchanged under the new Government.

Planning reform

2.35   The coalition Government perceived Planning as acting as a brake on the delivery of new housing supply. To this end a fundamental review of planning policy resulted in the introduction of the National Planning Policy Framework in March 2012. As part of its commitment to economic growth, localism and decentralisation, the previous Government used the Framework to streamline all existing national policy documents into one short Policy Framework.

2.36   The Framework stresses the need for councils to work with communities and businesses to seek opportunities for sustainable growth to rebuild the economy; helping to deliver the homes, jobs, and infrastructure needed for a growing population whilst protecting the environment. A presumption in favour of sustainable development means that proposals should be approved promptly unless they compromise the twelve sustainable development principles set out in the Framework.

2.37   The Framework identifies three dimensions to sustainable development: economic, social and environmental. These three dimensions (or roles) are seen as mutually dependent. The Framework also introduced new definitions of affordable housing covering social rented housing, affordable rented housing and intermediate housing. In addition, National Planning Policy Guidance was published on-line as a web-based tool replacing all previous planning guidance.

2.38   In November 2014 the coalition Government introduced new affordable housing thresholds. The objective of this change was to reduce the planning burden on small developers and increase housing delivery on small sites. These thresholds were successfully challenged in the High Court and the NPPG guidance regarding thresholds has subsequently been removed.

Financial incentives

2.39   Prior to May 2015 the previous Government introduced a range of approaches and incentives to encourage new development, these included:

●   The new homes bonus;

●   The affordable rent model;

- The Get Britain Building programme;

- The Builders Finance Fund;

- Housing zones to unlock development on brownfield sites; and

- Measures to increase supply through custom build, including the Right to Build (including 11 Right to Build vanguard authorities), the Affordable Housing Guarantee Programme to enable community groups and registered providers to build affordable self-build homes, and a serviced plot repayable loan fund.

2.40   In addition to this, in the past, measures aimed at increasing the supply of rented homes (such as the Build to Rent Fund) and those to help people access home ownership (Home Buy and Starter Homes) are also seen as contributing to the Government's overall commitment to increase housing supply.

2.41   In March 2015 the coalition Government launched a new national Starter Homes exception site planning policy *'to make it easier for developers to gain planning permission for a new generation of Starter Homes on under-used commercial and industrial land.'*[19] Sites where these homes are to be delivered will be exempt from affordable housing requirements. The Starter Homes[20] are to be made available to young first time buyers at a 20% discount on open market value. The Government is also seeking for Starter Homes to be exempt from CIL.

2.42   To increase the supply of affordable rented homes the Government introduced the affordable rent model[21], aimed at giving providers greater flexibility on rents and use of assets, whilst at the same time providing affordable housing for people in need. In July 2014 the Homes and Communities Agency announced the Affordable Homes Programme for 2015 to 2018, which aims to invest £1.7 billion in new affordable housing to deliver 165,000 new homes by March 2018.

2.43   In addition to the affordable rent model, the Affordable Homes Guarantee scheme was launched in 2013 to support the building of new affordable homes. The scheme offers a guarantee to providers on debt that they raise to deliver additional new build affordable homes. The guarantee aims to help reduce the borrowing costs of providers thus enabling them to provide more homes. As part of the 2013 budget £450 million was announced to support the delivery of up to 30,000 homes in this way.

Improving the quality of rented housing

2.44   Whilst the stated aim of the new Government is *'improving the quality of rented housing'* a raft of measures were introduced under the previous Administration aimed at increasing both the quality and quantity of housing available in both the private and social rented sectors. These are now looked at in turn.

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[19] https://www.gov.uk/government/speeches/housing-and-planning
[20] The Queen's Speech proposed that the delivery framework for Starter Homes be set out in the forthcoming Housing Bill.
[21] Allows Registered Providers to charge no more than 80% of local market rent for affordable housing.

Social rented housing

2.45   Since 2010 a series of social housing reforms have been introduced including:

- The option of flexible tenancies for local authority tenants with a minimum five year fixed term;

- Reforms to social housing allocations;

- Measures to tackle overcrowding;

- The introduction of a national home swap programme for social housing tenants;

- Discharge of homeless duty to private rented accommodation; and

- Self-financing arrangements for council housing.

2.46   Alongside social housing reform sit reforms to the welfare system, which, with changes to benefit, eligibility and entitlement, impact significantly on housing supply and demand. The Welfare Reform Act received Royal Assent on 8th March 2012; it introduced Universal Credit as well as changes to housing benefit and other welfare benefits. The Act also introduced a new 'personal independence payment' to replace the existing disability living allowance.

2.47   In addition, the Welfare Reform Act gave the Government powers to implement housing benefit reforms outlined in the June 2010 Budget and the October 2010 Comprehensive Spending Review, including:

- Introducing a size criteria to the calculation of housing benefit for social sector tenants;

- Up-rating future Local Housing Allowance rates in line with Consumer Price Index rather than actual rents; and

- Introducing household benefit caps of £500 per week for couples and £350 per week for single claimants.

2.48   Proposals within the pending Full Employment and Welfare Benefits Bill aimed at reducing entitlement and freezing benefits are also likely to impact upon social housing providers and their tenants.

Private rented housing

2.49   The private rented sector has grown significantly in recent years; it now houses 16.5% of all households in England[22]. The Government sees the private rented sector as playing a vital role in meeting housing needs and supporting economic growth; it wants to see a 'bigger and better' private rented sector and believes that increasing the supply of private rented homes will make rents in the sector more affordable.

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[22]https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector

2.50   To help grow capacity in this sector the previous Government invested £1 billion in the Build to Rent Fund, to provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these homes.

2.51   In a policy paper *'2010 to 2015 government policy: rented housing sector' (7th May 2015)* the Government identifies proposals to ensure that tenants receive proper protection from their landlord, including:

- Raising standards on the condition of private rented properties;

- Protecting tenants from hidden agency fees; and

- Improving access to longer-term more family friendly tenancies.[23]

2.52   The paper also advises on the development of a model tenancy agreement and measures to ensure that all letting and property management agents are members of an approved redress scheme. In addition, £4.1 million has been allocated to 23 local authority areas to tackle rogue landlords, and £2.6 million to tackle 'beds in sheds.'

2.53   The Government has also set up a Private Rented Sector Taskforce to improve the quality and choice of rented housing available to tenants nationally. The Taskforce is made up of developers, investors, and housing management bodies.

Helping more people to buy a home

2.54   The primacy of home ownership remains central to the Government's housing policy approach. A number of measures were introduced under the previous Administration to help those currently unable to access home ownership to buy a home of their own.

2.55   Current home ownership initiatives include:

- Starter Homes scheme, from 2nd March 2015 new rules enable developers to reduce the sale price of these 'starter' homes by 20% thus enabling first time buyers to access owner occupation. The cost of providing the 20% discount on market value is to be met in lieu of delivering affordable housing on these sites. The scheme is seen as operating when developers bring forward unusable or surplus commercial or industrial land for housing. These sites will be exempt from affordable housing requirements in return for the provision of starter homes offered to people under 40 at a 20% discount on open market value;

- Help to Buy, which enables people to buy a home worth up to £600,000 with a 5% deposit. There are three types of Help to Buy product:

    - An equity loan, where the Government lends up to 20% of the value of a new-build home;

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[23]   https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector

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- Mortgage guarantee that enables lenders to offer potential purchasers 80% to 95% mortgages. This runs until 2016; and

- NewBuy, aimed at assisting potential purchasers with at least a 5% deposit to buy a new-build home.

- Right to Buy, where maximum discounts have been increased to £77,000 outside London and £102,700 within London. The maximum cash discount will now increase annually in line with the Consumer Price Index. The maximum percentage discount on houses has been increased to 70%, bringing it in line with the maximum discount available on flats.

- The extension of the Right to Buy to housing association tenants is a flagship policy of the new Government and will form part of the proposed Housing Bill legislation for Parliament to consider; and

- In the March 2015 budget the Government announced the introduction of a new Help to Buy ISA for first time buyers. For every £200 saved the Government will contribute an additional £50, up to a maximum of £3,000 on savings of £12,000, at the point at which the purchaser buys their first home. The bonus is per person, so couples buying together will receive a maximum £6,000. The property purchased must be valued at £450,000 or less in London and £250,000 or less in the rest of the Country. The scheme will run for four years starting from Autumn 2015 and will cost up to £230 million in its first year.

Providing housing support for vulnerable people

2.56   To date, older people have been the predominant focus of this policy due to almost one third of all homes being occupied by older people, and an increasing number of households headed by someone aged 65 or over[24]. There are pressing demographic and economic reasons why addressing housing issues for older people is important.

2.57   Increasing numbers of people being defined as homeless, and rising levels of rough sleeping in places such as London, also mean that addressing homelessness was seen as a priority by the previous Government.

2.58   As a result the coalition Government agreed to provide the following housing support to older people and to people with a disability:

- Support to those wishing to stay in their own home via the Disabled Facilities Grant, Home Improvement Agencies and Handyperson services;

- Ensure that advice is available through FirstStop's[25] national service; and

- Strengthen choice for those wanting specialist housing through the Care and Support Specialised Housing Fund[26] (see para 2.67) .

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[24]https://www.gov.uk/government/publications/2010-to-2015-government-policy-housing-for-older-and-vulnerable-people/2010-to-2015-government-policy-housing-for-older-and-vulnerable-people
[25] FirstStop is a free, independent, national information and advice service for older people, their family and carers funded by the Department for Communities and Local Government.
[26] Care and support specialised housing programme is a resource administered by the Homes and Communities Agency

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2.59 On the 14th May 2014 the Care Act received Royal Assent; the Act came into effect in April 2015. The Act replaces existing pieces of legislation and aims to:

- Provide a single, modern framework for the planning, funding and provision of care and support making people's entitlement to care clearer;

- Promote a preventative approach with services built around an individual's wellbeing;

- Give carers a right to assessment for support;

- Promote the integration of health and social care; and

- Place Safeguarding Adult Boards on a statutory basis.[27]

2.60 In terms of safeguarding vulnerable adults, housing has a strong role to play alongside social services, health, the police and other agencies. The Act set out a new safeguarding power, and places a duty on local authorities to respond to safeguarding concerns by making enquiries as necessary to decide on whether, and what, action is needed.

2.61 The Act also includes various proposals to support integrated working, including a duty of cooperation and partnership between police, health and local authorities.

2.62 From the April 1st 2013 Health and Wellbeing Boards, which include Directors of Public Health, became statutory committees of local authorities. They are responsible for encouraging integrated working on health and wellbeing issues, including development of Joint Health and Wellbeing Strategies, and Joint Strategic Needs Assessments.

2.63 The March 2015 Budget proposed exploring the impact of improved housing on whether this helps people with care needs stay in their homes for longer, potentially saving the NHS money.

Older people

2.64 In addition to Disabled Facilities Grants and Supporting People programmes the following has been undertaken to help older people live at home longer:

- Research was undertaken into Lifetime Neighbourhoods[28] (December 2011);

- Home Improvement Agencies are in place to help private tenants and home owners, advising on potential improvements and adaptations to their home;

- Handypersons schemes;

- FirstStop, free and independent national information and advice service; and

- The Housing Learning and Improvement Network knowledge hub.

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[27] Chartered Institute of Housing member briefing on the Care Act 2014
[28] Mark Bevan and Karen Croucher for DCLG, Lifetime Neighbourhoods, December 2011

2.65   In January 2012 the Government announced a new deal for older people to help them continue living independently, this included £51 million for Home Improvement Agencies to provide:

- Housing advice, including help to move to more suitable accommodation if needed;

- Handyperson services, including small home repairs, home safety and security adaptations;

- Energy efficiency advice; and

- Arranging for adaptations and home repairs.[29]

2.66   An additional £20 million for Disabled Facilities Grants was also announced at the same time.

2.67   Launched in October 2012, the previous Government saw the Care and Support Specialised Housing Fund (CASSH), as part of the '*biggest reform of the care and support system in 60 years*'.[30] As a result of the Care Act, the focus on wellbeing and independent living has seen a shift from intervention to prevention, with suitable housing being seen as a vital part of wellbeing. The CASSH fund was designed to stimulate the market in specialised housing provision, and the £300 million capital grant fund aimed to provide up to 9,000 specialist new homes for older people to move into. The Government identified that '*Phase 1 of the Care and Support Specialised Housing Fund is already showing success in meeting the need for affordable specialised housing for older people and disabled adults. The Homes and Communities Agency (HCA) and the Greater London Authority have allocated funds for over 4,000 specialised homes to be built as part of Phase 1.*'[31]

2.68   Phase 2 of CASSH was launched in February 2015 with a view to delivering more specialist housing for people living with mental health conditions and learning difficulties, as part of the then Government's 'Closing the Gap'[32] commitments. Specialist housing developers and providers were invited to bid for £155 million to develop accommodation for adults needing support to live independently as a result of old age or disability; priority within the programme was given to applications for people with learning disabilities or mental health issues.

Homelessness

2.69   In August 2012 the Government published its Homelessness Strategy, 'Making every contact count: A joint approach to preventing homelessness'. The Strategy focuses on prevention and aims to '*make sure that every contact local agencies make with vulnerable people and families really counts.*'[33]

2.70   The report identifies ten local challenges that need to be addressed by local authorities, these are:

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[29] www.communities.gok.uk
[30] HCA and DOH Care and Support Specialised Housing Fund: Phase 2 Bidding Prospectus Feb 2015 page 2
[31] HCA and DOH Care and Support Specialised Housing Fund: Phase 2 Bidding Prospectus Feb 2015 page 2
[32] DOH 'Closing the Gap: Priorities for essential change in mental health' Feb 2014
[33] DCLG Making every contact count Aug 2012 page 3

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- Adopt a corporate commitment to prevent homelessness which has buy-in across all local authority services;

- Actively work in partnership with voluntary sector and other local partners to address support, education, employment and training needs;

- Offer a Housing Options prevention service, including written advice to all clients;

- Adopt a *no second night out* model or an effective local alternative;

- Have housing pathways agreed, or in development, with each key partner and client group, which include appropriate accommodation and support;

- Develop a suitable private rented sector offer for all client groups, including advice and support to all clients and landlords;

- Actively engage in preventing mortgage repossessions including through the Mortgage Rescue Scheme;

- Have a Homelessness Strategy which sets out a proactive approach to preventing homelessness and is reviewed annually so that it is responsive to emerging needs;

- Not place any young person aged 16 or 17 in Bed and Breakfast accommodation; and

- Not place any families in Bed and Breakfast accommodation unless in an emergency, and then for no longer than six weeks.[34]

2.71   In the March 2015 Budget the coalition Government announced that it will consider options to support long term investment in private rented accommodation for homeless families.

National housing reviews

2.72   Over the past year a number of housing reviews were undertaken to assess the current housing situation and recommend ways in which it can be addressed.

2.73   In October 2014 the **Lyons Housing Review** was published. The review was commissioned by the Labour Party and identified that:

- Insufficient land is being brought forward for new housing and that communities are not able to take responsibility for the homes required, or are using planning powers reactively; and

- The capacity to build more housing has reduced significantly as it has become concentrated in the hands of a small number of volume house builders, whilst the number of smaller builders has reduced.

2.74   Overall the report recommended that the delivery of new homes be increased to 200,000 per annum by 2020. It also recommended that capital investment

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[34] DCLG Making every contact count Aug 2012 page 4

should be made in housing and that housing should be a priority for the new Government post May 2015.

2.75   In the 2013 Autumn Statement the Government announced a review of the role of local authorities' in increasing housing supply. The review culminated in the **Elphicke-House Report**, which was published on 27th January 2015. The review considered what local authorities (irrespective of whether they are stock holding or not) can do to help meet housing need in their areas.

2.76   The report recommended that local authorities become housing delivery enablers in their areas, to proactively assess and lead on facilitating new housing development in their areas. To enhance the role of authorities as delivery enablers, the report recommends:

- That there is community leadership and strategic clarity: that Government and local authorities do more to encourage community involvement on planning and development decisions in their area;

- Creating housing opportunity:
    - That Government and local authorities work together to make sure that housing market assessments are clearer, and easier for communities to understand;
    - That Government should increase building outside the HRA by reducing bureaucracy and increasing the number of homes local authorities can fund in this way; and
    - That Government consider whether there is any flexibility for additional borrowing and Right to Buy sales receipts to assist with one for one replacement of properties sold under the Right to Buy.

- Business leadership: that more support is provided for small and medium sized builders, and that more help and advice is available;

- Managing housing supply:
    - There should be transparency of ownership of all public land and assets;
    - Authorities should have the power to dispose of larger sites within their area that are publicly owned;
    - Authorities should be more proactive in identifying small sites suitable for custom build and small builders; and
    - Authorities should ensure that development on land with planning permission is progressed quickly.

- Shaping a stronger housing finance market:
    - The Government with the Local Government Association should establish a Housing Finance Institute (HFI) to advise and assist local authorities on the financial vehicles and options available to fund development. The HFI could also engage with developers and investors and advise them how to work with local authorities;
    - Authorities should consider setting up a housing delivery organisation and explore opportunities for accessing private finance to expand their offer beyond social rent; and

- Investment in housing and social infrastructure should be considered by local government pension funds.

2.77   Post-election it is not clear how far the Government will act upon all of these insights or recommendations, however, an inaugural summit of the new Housing and Finance Institute (HFI) took place in June 2015. The HFI is supported by the Treasury and aims to help accelerate council house building, focussing on the 'business readiness' of councils. The HFI aims to provide advice and assistance to local authorities and businesses through promoting new finance models and development opportunities, and access to its services will be via membership.

Local strategic priorities

2.78   In the absence of Regional planning bodies and their associated strategies and targets, local strategies and plans have become increasingly important. The need for Local Plans and Housing Strategies to have evidence-based priorities, and demonstrate how they support economic growth and reflect the economic priorities of the LEP, is increasingly important.

Local Economic Partnership

2.79   The Local Growth White Paper (October 2010) set out the Government's vision for empowering locally driven economic growth, encouraging business investment and promoting economic development. The paper highlighted a series of measures aimed at stimulating growth including the Regional Growth Fund. The Paper also established 24 LEPs aimed at overseeing economic growth and job creation.

2.80   These public/private partnerships are now the focal point for economic growth and development. Northumberland is part of the wider functional economic area that covers the local authority areas of Newcastle, Gateshead, North Tyneside, South Tyneside, Sunderland, Durham and Northumberland. These local authorities, together with partners from business and higher education, have formed the North East LEP, whose vision is to 'create growth' across the area, in other words *'more businesses and bigger businesses and more jobs and investment.'*[35]

2.81   Whilst the LEP has no statutory land use planning powers, it is responsible for determining local economic priorities and undertaking activities to drive economic growth and local job creation.

2.82   The North East LEP is working *'to make the North East a place where more businesses invest, grow and prosper, to deliver more and better jobs for everyone.'* The LEP is responsible for driving the delivery of the North East's Strategic Economic Plan, which is broken down into six key themes:

- Innovation;
- Business support and access to finance;

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[35] North East LEP `http://www.nelep.co.uk/

- Skills;

- Economic assets and infrastructure;

- Employability and inclusion; and

- Transport and connectivity.

2.83   In July 2014 the North East LEP secured £290 million of investment for the Region from Central Government's growth deals. The North East Growth Deal is the fourth largest allocation of funding nationally. The Growth Deal supports capital projects across the North East through smart, strategic and focused investment of public and private sector funding – with the ultimate goal to deliver more and better jobs for the North East.

2.84   In tandem with the creation of the North East LEP, the seven authorities have also created the North East Combined Authority, a new legal body that has statutory status. This brings together the seven councils with the following joint objective:

'Our ambition is to create the best possible conditions for growth in jobs, investment and living standards, to make the North East an excellent location for business, to prioritise and deliver high quality infrastructure and to enable residents to raise their skill levels and to benefit from economic growth long into the future.'

'To deliver these aims we have united to speak with one voice to Government, business, investors and partners.'

Housing Strategy

2.85   The Council's Housing Strategy for Northumberland 2013- 2018 outlines its ambitious plans for meeting people's housing need by delivering new affordable housing, maintaining and improving the existing housing stock, and through providing housing support to people who need it. The Strategy has three priorities:

- Affordable and quality housing;

- Healthy people; and

- Sustainable local economies and communities.

Local Plan

2.86   Consultation on the Core Strategy Full Draft Plan took place between December 2014 and February 2015. Consultation on the Core Strategy Pre-Submission Draft will take place in October 2015, with submission planned for March 2015, and adoption during Autumn 2016.

2.87   The Northumberland Local Plan Core Strategy Full Draft Plan (December 2014) set out the following vision for the area:

'Northumberland's physical and cultural identity will be protected and nurtured; its resources will be utilised in a sustainable way. The breadth, scale and quality of its special, varied landscapes and biodiversity will be protected,

enhanced and increased. The quality of buildings and spaces in its historic towns and villages will be conserved and improved.'

'By 2031 the County's communities will be healthier, more resilient and competitive; the balance between young and older people living in its towns and villages will be more even; its economy will be thriving and competitive, diversified by continuous investment in ICT, green industries and physical links with the Tyneside and Edinburgh conurbations. Its visitor economy in particular will have matured and grown, as a direct result of continuous investment in the protection of its heritage assets.'[36]

2.88   Providing existing and future communities with access to a decent, affordable home is one of the Plan's strategic objectives. The Core Strategy Full Draft Plan makes provision for at least 23,520 new homes in Northumberland over the period 2011 to 2031. It sets out a plan for an appropriate mix of property types, sizes and tenures to address both market and affordable housing need. It aims to ensure a continuous supply of housing over the Plan period that is aligned to employment growth and infrastructure capacity.

2.89   The key outcomes linked to this objective are:

- The focus of new housing development will have been in the main towns and service centres across Northumberland. Areas of new homes will have been planned and designed to respect local character;

- In smaller settlements a level of housing development that is proportionate to the size of the settlement, and appropriate to its character, will have been delivered, meeting local needs wherever possible;

- Significant progress will have been made towards addressing the shortfall in affordable homes across Northumberland;

- A range of housing tenures, types, prices and sizes will have been provided in order to help meet local needs for different groups of the population, including meeting the needs of an ageing population;

- Lifetime neighbourhoods will have been developed in locations which have the greatest potential to support older people to remain independent as they age; and

- New sites will have been provided for any additional identified need for Gypsy, Roma and Traveller communities.

Duty to co-operate

2.90   The Duty to Co-operate was introduced through the Localism Act to ensure local authorities *'engage constructively, actively and on an ongoing basis'* with neighbouring authorities and key stakeholders to develop strategic policies and consider joint approaches to plan-making where appropriate.

2.91   The Council have developed working arrangements with its neighbouring authorities. A North of Tyne working group has been established and meets

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[36] Northumberland Local Plan Core Strategy Full Draft Plan (December 2014) para 3.1

regularly to discuss key issues. It comprises senior representatives of Northumberland, Newcastle and North Tyneside planning policy teams. The Council also engages with a wider number of North East authorities through the North East Combined Authority meetings. A key factor considered is internal migration flows.

2.92   Long Term Employment and Demographic Projections prepared for the Core Strategy and Urban Core Plan (CSUCP) for Newcastle and Gateshead indicate Newcastle's Preferred Development scenario. The policy approach to increasing housing choice within Newcastle proposes to reduce net migration losses to its neighbouring authorities, principally North Tyneside. Newcastle proposes to reduce the net loss in population. While not explicit in the report, it is understood that the majority of the change in migration is associated with North Tyneside, with no significant change in migration between Newcastle and Northumberland.

2.93   The North Tyneside SHMA identifies that Northumberland forms part of a wider housing market area also including Newcastle-Upon-Tyne. Historically, North Tyneside has experienced significant migration from both Newcastle and Northumberland; with a large annual net in-flow from Newcastle and a more modest net out-flow to Northumberland. The North Tyneside SHMA mirrors migration assumptions reflected in the CSUCP and makes an additional assumption about out-migration to Northumberland that reflects changes in the balance of employment growth and housing across the sub-region, with additional housing needs accommodated within neighbouring authorities.

2.94   Therefore, under the duty to cooperate, Northumberland is planning to accommodate the additional housing requirements of North Tyneside, and has incorporated a migration assumption reflecting that of North Tyneside in its scenario development.

2.95   No additional migration assumptions have been applied by Northumberland County Council. As agreed in a position statement from the local authorities of the NELEP, all seven authorities seek to retain or encourage growth to support sustainable economic growth, maintain a proportion of economically active population, accommodate the trend of ageing population profiles and to meet objectively assessed needs. The paper indicates that in some instances it may be necessary to claw back economically active households from adjoining authorities.

2.96   The Council also engages with the local planning authorities from the Northumberland National Park, Scottish Borders and Cumbria, and the South East Scotland Strategic Development Planning Authority to discuss any cross-border issues as they arise.

Concluding comments

2.97   The main purpose of this chapter has been to consider the general policy and strategic context within which this research needs to be positioned. The previous coalition Government had established its housing and planning priorities within the context of local decision making and accountability, reduced capital expenditure on housing, fundamental changes to welfare, a

changing role for social rented housing, and a need for future housing investment to support economic growth. This direction of travel is set to continue, with the Conservative Government's continued programme of austerity aimed at delivering deficit reduction and a legislative programme that prioritises measures to increase access to home ownership, further reduce welfare spending, control immigration and assist devolution to cities.

2.98   The importance of having robust and up-to-date information to help inform decision making at local authority level is evermore essential. In a challenging economic climate, this SHMA provides the Council with an excellent range of material to inform policy debate and the Local Plan process, help influence strategic responses, and shape local and sub-regional strategic housing priorities to inform future investment decisions.

3.   Defining the Housing Market Area

Introduction

3.1   NPPG (para 8) states that housing needs should be assessed in relation to the relevant functional area i.e. Housing Market Area and this may identify smaller sub-markets with specific features and it may be appropriate to investigate these specifically in order to create a detailed picture of local need. It is also important to recognise that there are 'market segments' i.e. not all housing types have the same appeal to different occupants.

3.2   NPPG defines a Housing Market Area as *"a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap".*[37]

3.3   NPPG comments that Housing Market Areas can be broadly defined by using three different sources of information as follows:

- House prices and rates of change in house prices;

- Household migration and search patterns;

- Contextual data (for example travel to work area boundaries, retail and school catchment areas).

3.4   Former CLG guidance[38] suggested that a housing market is self-contained if upwards of 70% of moves (migration and travel to work) take place within a defined area. However the Guidance cautions that:

- HMAs are inherently difficult to define. They are a geographic representation of people's choices and preferences on the location of their home, accounting for live and work patterns. They can be defined at varying geographical scales from the national scale to sub-regional scale, down to local and settlement specific scales.

- HMAs are not definitive. As well as a spatial hierarchy of different markets and sub-markets, they will inevitably overlap.

3.5   Northumberland is located in the North East of England. The resident population of Northumberland County is 315,987[39]. The County is bounded to the north by Scotland, to the west by Cumbria, and to the south by County Durham, Gateshead, Newcastle upon Tyne and North Tyneside. The main population centres are Alnwick, Amble, Ashington, Bedlington, Berwick-upon-Tweed, Blyth, Cramlington, Haltwhistle, Hexham, Morpeth, Ponteland and Prudhoe.

3.6   In establishing the extent to which Northumberland is a Housing Market Area; house price, migration, travel to work and contextual data have been assembled. Additionally, reference is made to work carried out by the National

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[37] National Planning Practice Guidance paragraph 10
[38] DCLG Identifying Sub-Regional Housing Market Areas Advice Note, 2007
[39] 2014 ONS Mid Year estimate

Housing and Planning Advisory Unit in 2010 which defined Housing Market Areas as part of a national study.

The Geography of Housing Market Areas

3.7   In 2010, the DCLG published the Geography of Housing Market areas which was commissioned by the National Housing and Planning Advice Unit (NHPAU). This national study was undertaken by a multi-university team and sought to construct a consistent geography of Housing Market Areas for England. This research viewed housing markets as a layered system characterised as:

- Strategic framework Housing Market Areas defined by long distance commuting flows and the long-term spatial framework within which housing markets operate (based on 77.5% commuting self-containment)

- Local Housing Market Areas defined by migration patterns (based on 50% migration self-containment); and

- Sub-markets defined in terms of neighbourhood and/or house type price premiums.

3.8   This work therefore suggests that there are two principal 'layers' of housing markets: wider strategic functional housing markets which tend to be multi-district and smaller local Housing Market Areas. The research produced the first theoretically-based and rigorously-defended Housing Market Area boundaries for England, drawing upon commuting, migration and house price data.

3.9   The key outputs from the research were sets of 'gold standard' strategic and local Housing Market Area definitions. They were termed 'gold standard' because their boundaries are defined to the maximum possible level, being based on ward-level migration and commuting data from the 2001 census. A set of single tier HMAs were also devised based on a 72.5% commuting and 55% migration self-containment. 'Silver standard' outputs were also prepared based on local authority boundaries.

3.10   The 'gold standard' analysis suggests that Northumberland is associated with three wider functional strategic framework HMAs. The majority of the County is located within the Newcastle Strategic HMA, with northern parts of the County associated with the Berwick Strategic HMA and the area around Haltwhistle associated with the Carlisle Strategic HMA (Map 3.1). Local Housing Market Area analysis identifies a series of local Housing Market Areas as shown in Map 3.2.

Map 3.1   Strategic housing market areas
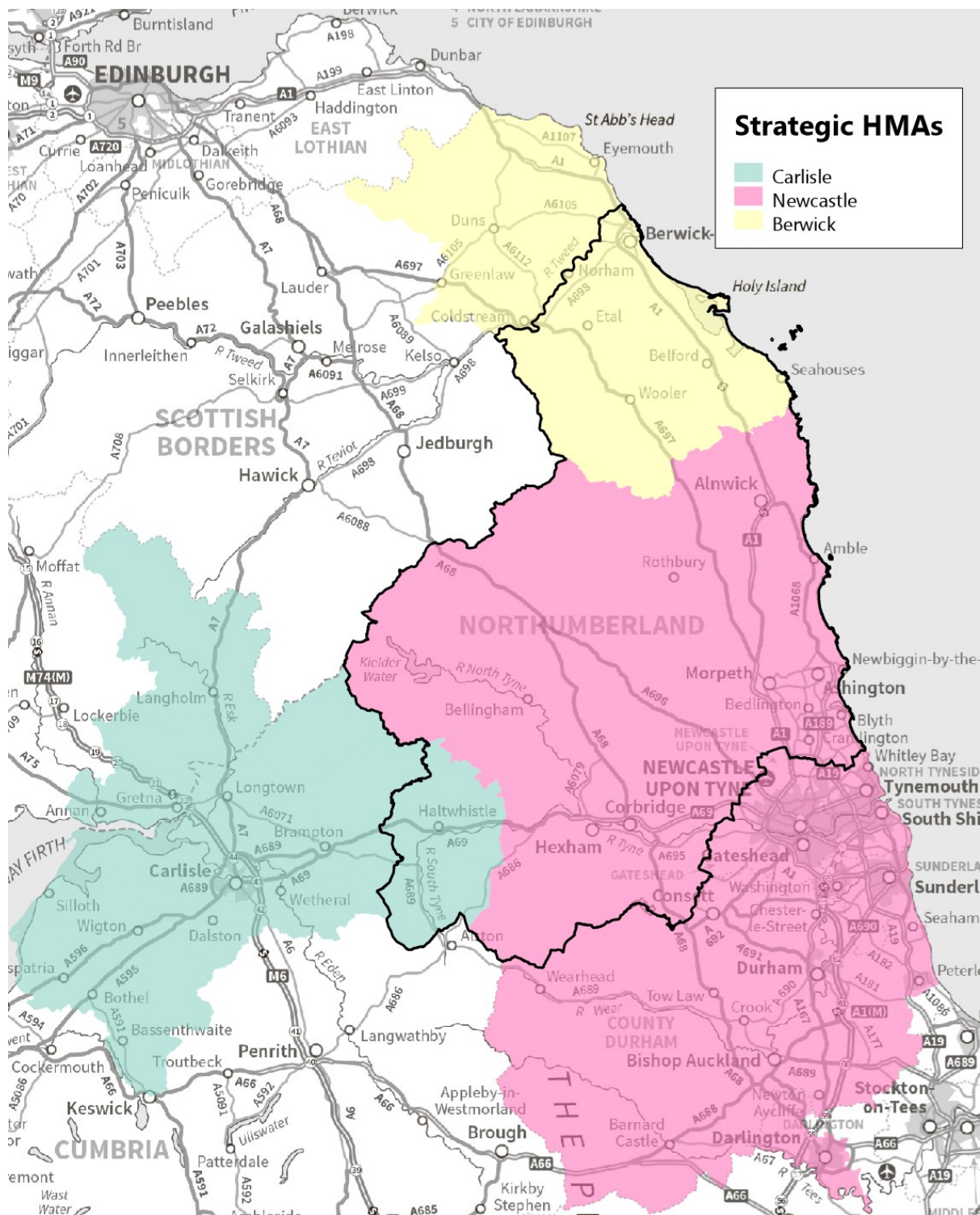
Source: NHPAU Geography of Housing Market Areas

Map 3.2   Local housing market areas
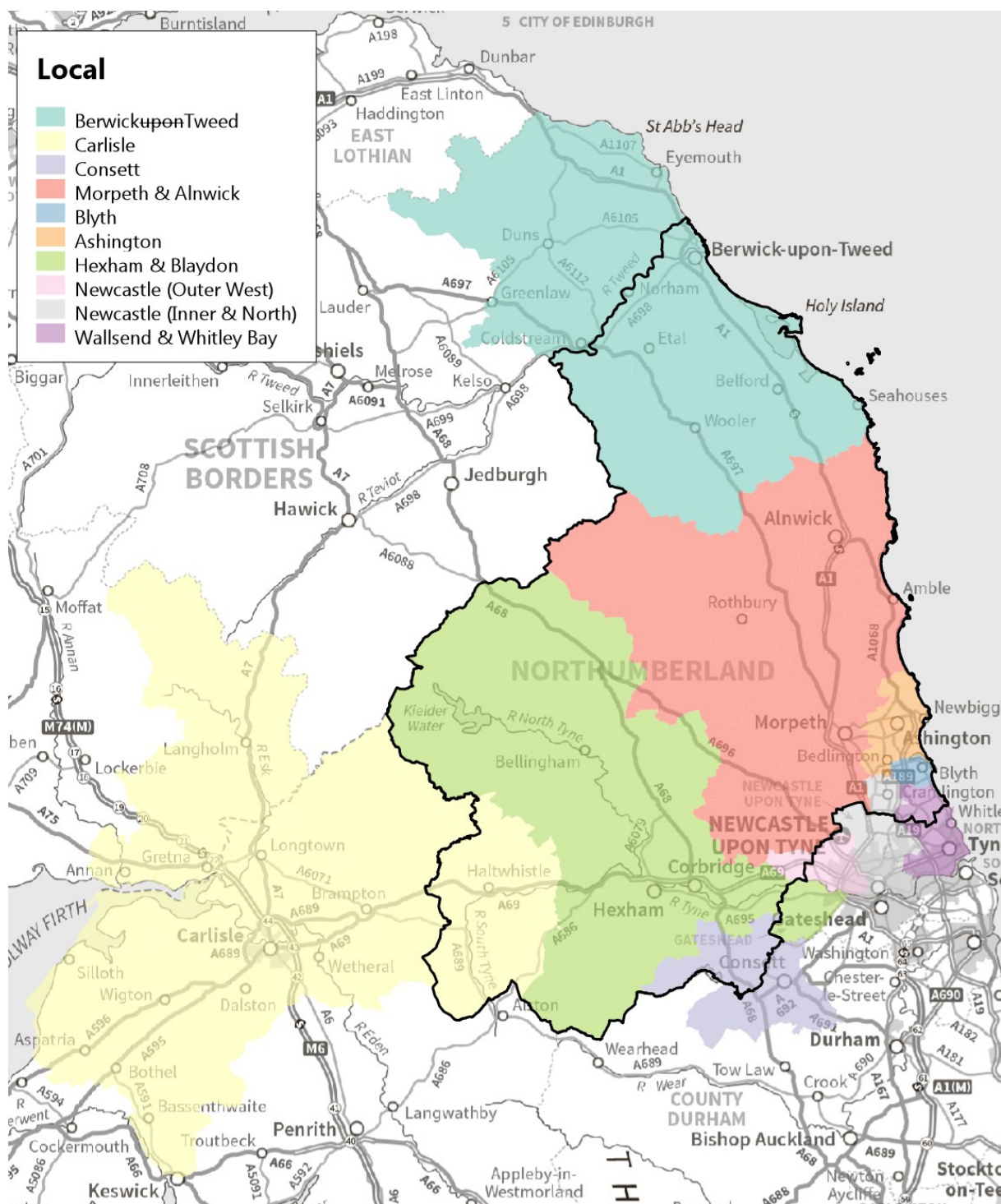
Source: NHPAU Geography of Housing Market Areas

House prices and rates of change in house prices

3.11   Figure 3.1 shows how house prices across the area have changed over the period 2000 to 2014.

3.12   Median prices in Northumberland have been consistently higher than median prices for the North East, though well below those for England as a whole. Overall, prices have increased from £59,950 in 2000 to £140,556 in 2014, an increase of 134.5%. Prices rose to a peak of £145,000 in 2010 but have since fallen slightly.

3.13   During 2014, median prices across Northumberland were £140,556 and lower quartile prices were £93,000. The distribution of lower quartile house prices during 2014 is illustrated in Map 3.3 and indicates relatively higher prices in the southern and central areas and relatively lower prices in south eastern parts of the County.

3.14   Table 3.1 summarises lower quartile, median and upper quartile prices by ward during 2014 based on Land Registry address-level data. Wards have been broadly grouped by HMA but note that HMAs are based on Parishes rather than wards.

Table 3.1 House prices in Northumberland by ward during 2014				
	Price (£)			
HMA and ward	**Lower Quartile**	**Median**	**Upper Quartile**	**No. Sales**
Central HMA				
Bywell	£136,000	£181,000	£267,000	59
Corbridge	£200,000	£274,025	£387,500	76
Hexham Central with Acomb	£109,000	£140,000	£190,000	75
Hexham East	£119,750	£165,000	£214,500	68
Hexham West	£210,000	£250,000	£290,000	75
Longhorsley	£205,000	£267,000	£420,000	47
Morpeth Kirkhill	£134,200	£203,250	£248,975	76
Morpeth North	£138,000	£181,750	£250,000	86
Morpeth Stobhill	£145,000	£192,000	£250,000	81
Pegswood	£90,000	£125,000	£205,000	65
Ponteland East and Stannington	£190,000	£290,000	£415,000	77
Ponteland North	£189,975	£233,750	£353,750	76
Ponteland South with Heddon	£249,995	£365,000	£451,750	65
Ponteland West	£295,000	£380,000	£465,000	58
Prudhoe North	£123,725	£165,000	£188,975	72
Prudhoe South	£100,000	£135,000	£200,000	57
Stocksfield and Broomhaugh	£126,000	£216,000	£366,885	49
South Tynedale*	£179,950	£250,000	£368,000	46

Continued overleaf/…

HMA and ward	Price (£)			No. Sales
	Lower Quartile	Median	Upper Quartile	
North HMA				
Alnwick	£105,400	£180,000	£244,000	171
Amble West with Warkworth	£147,500	£198,225	£250,000	68
Bamburgh	£137,600	£189,950	£250,000	113
Berwick East	£75,000	£96,250	£132,500	56
Berwick North	£95,000	£173,000	£285,000	87
Berwick West with Ord	£107,000	£140,000	£177,000	57
Longhoughton	£165,000	£240,000	£310,000	67
Norham and Islandshires	£108,500	£147,000	£250,000	57
Rothbury	£137,000	£196,750	£250,000	66
Shilbottle	£137,000	£180,000	£250,000	74
Wooler	£131,000	£170,000	£265,000	41
South East HMA				
Amble	£83,000	£99,950	£132,500	67
Ashington Central	£50,000	£69,950	£82,500	49
Bedlington Central	£79,950	£115,000	£141,000	61
Bedlington East	£60,000	£78,500	£123,000	38
Bedlington West	£117,500	£150,000	£186,000	63
Bothal	£83,000	£120,000	£160,000	57
Choppington	£61,000	£77,250	£129,950	50
College	£45,000	£85,250	£122,500	54
Cowpen	£65,000	£74,250	£84,875	32
Cramlington East	£80,000	£93,500	£107,500	45
Cramlington Eastfield	£105,000	£124,500	£155,000	63
Cramlington North	£144,995	£167,000	£226,000	83
Cramlington South East	£85,000	£125,000	£160,000	73
Cramlington Village	£85,500	£127,250	£175,000	46
Cramlington West	£85,000	£109,950	£152,000	49
Croft	£40,750	£59,000	£119,500	56
Druridge Bay	£77,000	£110,000	£164,000	65
Hartley	£101,000	£144,250	£193,000	90
Haydon	£70,000	£90,500	£131,000	64
Hirst	£43,000	£52,750	£67,000	42
Holywell	£85,000	£115,000	£157,500	85
Isabella	£52,875	£69,250	£89,925	32
Kitty Brewster	£87,500	£127,838	£163,500	64
Lynemouth	£60,000	£98,500	£150,000	79
Newbiggin Central and East	£46,000	£59,750	£116,000	66
Newsham	£68,125	£107,250	£118,750	56
Plessey	£103,750	£124,950	£138,975	52
Seaton with Newbiggin West	£75,000	£120,000	£157,000	62
Seghill with Seaton Delaval	£90,000	£136,000	£176,000	75
Sleekburn	£45,000	£70,000	£95,000	55
South Blyth	£116,500	£139,000	£177,500	91
Stakeford	£64,000	£99,000	£129,950	58
Wensleydale	£60,000	£74,000	£103,500	69

Continued overleaf/…

Ward	Price (£)			No. Sales
	Lower Quartile	Median	Upper Quartile	
West HMA				
Bellingham	£95,000	£125,000	£203,500	45
Haltwhistle	£78,000	£105,000	£148,000	51
Haydon and Hadrian	£145,000	£210,000	£296,500	45
Humshaugh	£141,250	£207,500	£288,500	40
Northumberland Total	**£93,000**	**£140,556**	**£220,000**	**4237**

*South Tynedale partly located in the West HMA

Source: Land Registry Price Paid Data 1 Jan 2014 to 31 Dec 2014

Figure 3.1   Median house price trends 2000 to 2014: Northumberland, the North East and England
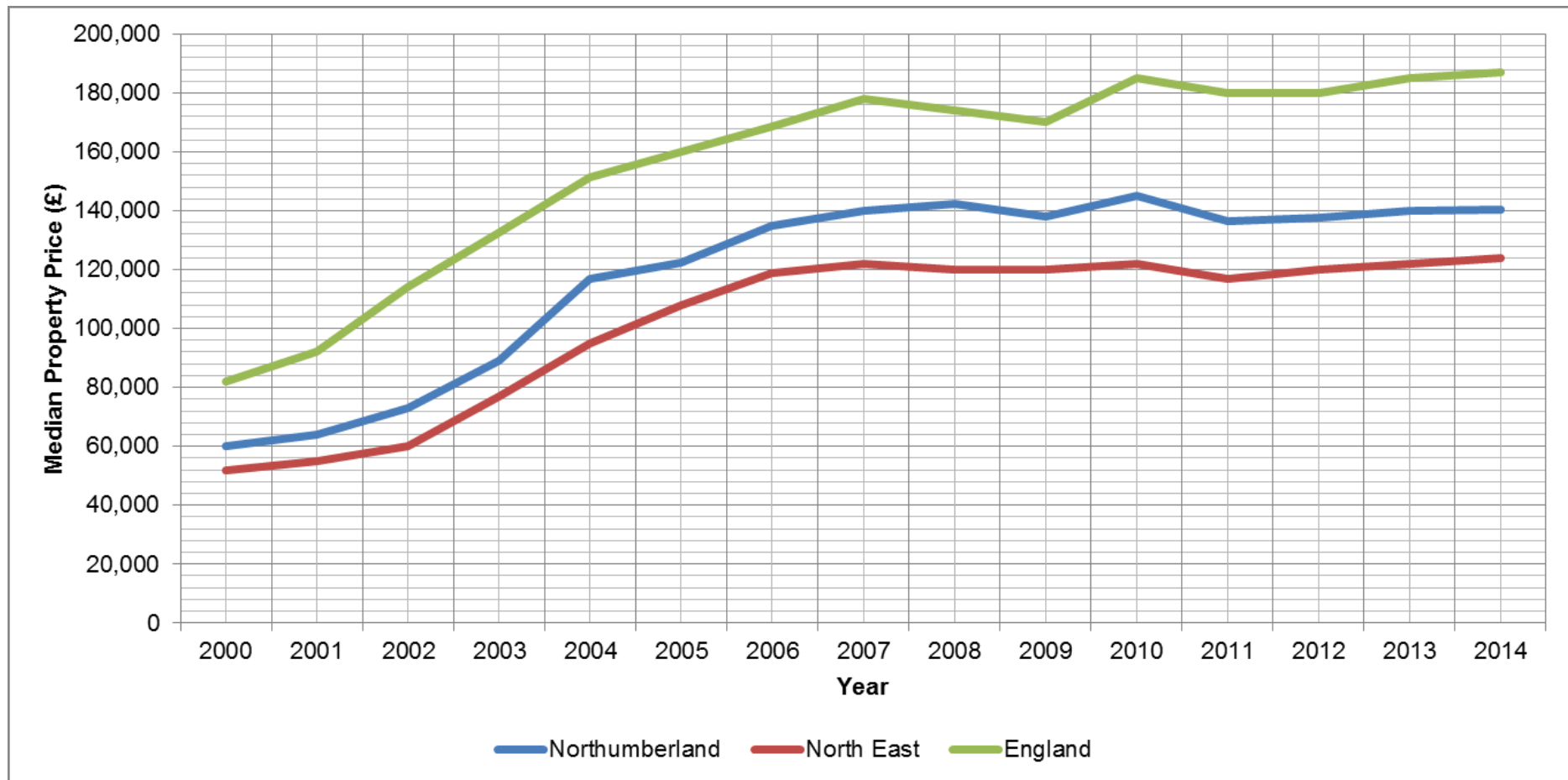
Source: DCLG; Land Registry

Map 3.3   Median house prices 2014 by ward

Median House Prices

- <£125,000
- £125,000 to <£150,000
- £150,000 to <£175,000
- £175,000 to <£200,000
- £200,000 +
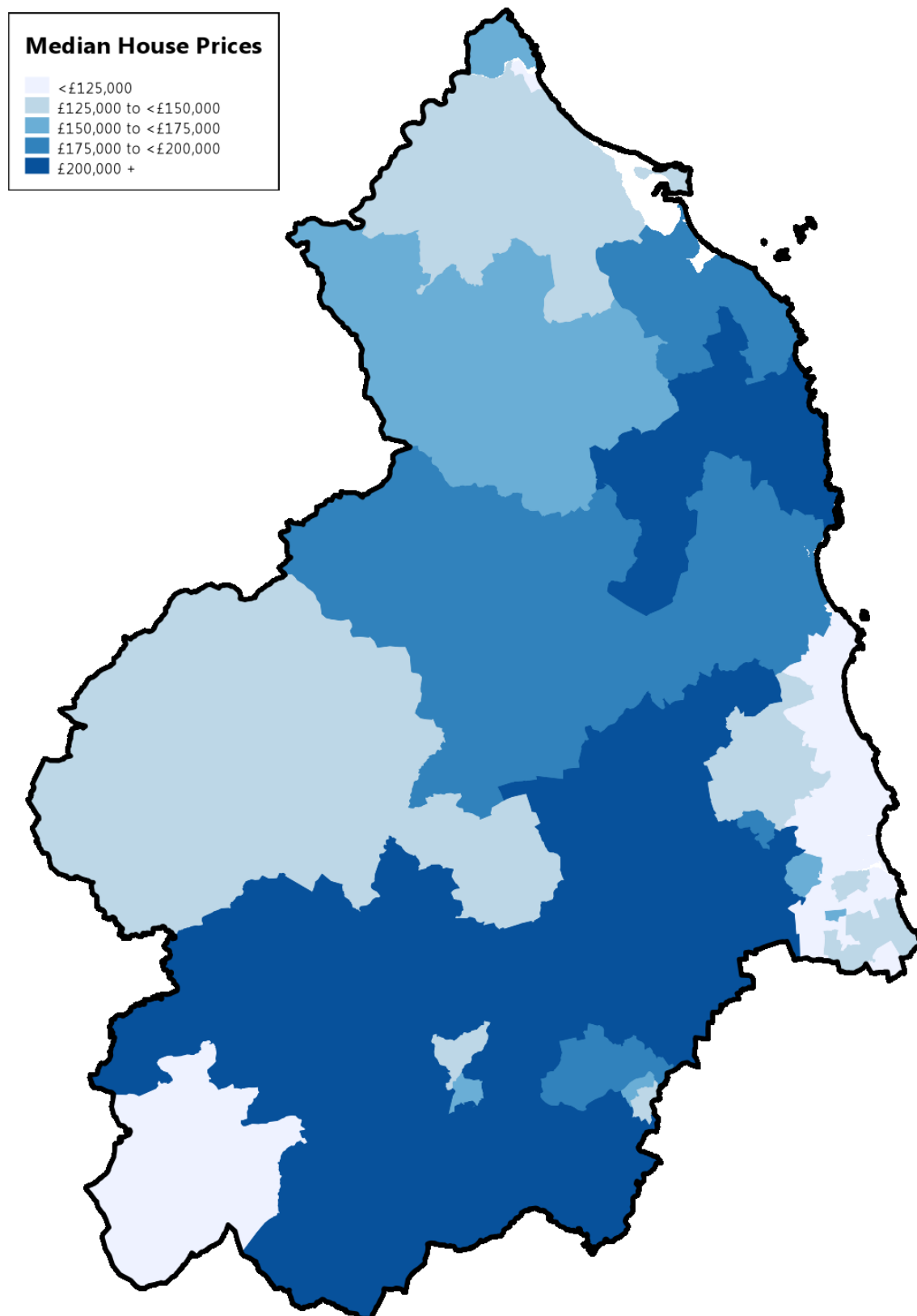
Source: Land Registry House Price Data 1 Jan 2014 to 31 Dec 2014

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Relative affordability

3.15 The relative affordability of open market dwellings in Northumberland is compared with the other local authorities in the Region in Table 3.2. Table 3.2 presents lower quartile house prices, lower quartile gross earnings of full-time workers and a ratio of lower quartile earnings to house prices.

3.16 In terms of relative affordability, Northumberland is ranked fourth least affordable local authority area (out of 12 authorities) in the North East, with a lower quartile house price to income ratio of 5.0, i.e. lower quartile house prices are five times lower than quartile gross earnings. This compares with the regional average of 4.7.

Table 3.2 Relative affordability of lower quartile (LQ) prices by Local Authority Area (residence based)				
District	**Lower Quartile House Price**	**LQ Gross Earnings per week**	**Annual Gross Earnings**	**LQ Income to House Price ratio**
Newcastle upon Tyne	£100,000	£349.20	£18,158	5.5
North Tyneside	£100,000	£357.20	£18,574	5.4
Stockton-on-Tees	£98,500	£365.90	£19,027	5.2
Northumberland	**£93,000**	**£357.30**	**£18,580**	**5.0**
Redcar and Cleveland	£85,000	£331.30	£17,228	4.9
Gateshead	£90,000	£357.80	£18,606	4.8
North East	£83,000	£342.90	£17,831	4.7
Darlington	£85,000	£357.70	£18,600	4.6
South Tyneside	£80,000	£345.50	£17,966	4.5
Sunderland	£75,000	£342.90	£17,831	4.2
Middlesbrough	£70,000	£332.60	£17,295	4.0
Hartlepool	£68,000	£345.70	£17,976	3.8
County Durham	£65,000	£347.10	£18,049	3.6

Sources: Land Registry Price Paid 2014; Annual Survey of Hours and Earnings 2014

3.17 In terms of relative affordability based on median prices, Northumberland ranked third out of twelve local authority areas in the North East, with a median income to house price ratio of 5.5, as illustrated on Table 3.3. This compares with a regional average of 5.0.

Table 3.3	Relative affordability of median prices by District (residence base)			
District	Median House Price	Median Gross Income per week	Annual Gross Income	Median Income to House Price ratio
North Tyneside	£140,000	£461.80	£24,014	5.8
Newcastle upon Tyne	£140,000	£484.10	£25,173	5.6
Northumberland	**£140,596**	**£487.50**	**£25,350**	**5.5**
Darlington	£124,950	£479.10	£24,913	5.0
North East	£124,000	£477.10	£24,809	5.0
Middlesbrough	£113,500	£437.70	£22,760	5.0
Redcar and Cleveland	£122,000	£477.60	£24,835	4.9
Stockton-on-Tees	£130,000	£509.90	£26,515	4.9
South Tyneside	£116,000	£464.40	£24,149	4.8
Gateshead	£123,000	£495.20	£25,750	4.8
Hartlepool	£110,000	£462.10	£24,029	4.6
Sunderland	£107,000	£456.50	£23,738	4.5
County Durham	£103,000	£476.70	£24,788	4.2

Source: Land Registry price paid data 1 Jan 2013 to 31 Dec 2014

Household migration and search patterns

3.18   Data reported in the 2011 Census suggests that 69.7% of households who moved in the year preceding the Census originated from within Northumberland and on the basis of a 70% self-containment threshold Northumberland can be described as relatively self-contained. Table 3.4 summarises the origins of households based on 2011 Census data. Of the 28,095 households moving in the preceding year, 30.3% originated from outside of Northumberland with 4.7% from North Tyneside, 4.5% from Newcastle upon Tyne, 2.1% from Gateshead, 1.5% from County Durham and 1.6% came from elsewhere in the North East. 3.3% came from the North West (including Cumbria), 2.5% from Yorkshire and the Humber and 10.1% from elsewhere in the UK.

Table 3.4	Origin of moving households		
Origin of moving household		**Number**	**%**
Northumberland		19571	69.7
Co. Durham		421	1.5
Gateshead		577	2.1
Newcastle upon Tyne		1277	4.5
North Tyneside		1315	4.7
South Tyneside		134	0.5
Sunderland		180	0.6
Tees Valley		154	0.5
Cumbria		198	0.7
Elsewhere NW		730	2.6
Yorkshire and the Humber		709	2.5
Elsewhere UK		2829	10.1
Total		28095	100.0

Source: 2011 Census

3.19 Data from the 2012 Household Survey indicated that around 35,372 households had moved home in the preceding five years. Of these households, 69.0% originated within Northumberland and 31.0% originated from outside the area as summarised in Table 3.5.

Table 3.5	Origin of moving households				
	Current HMA of residence				
Origin of moving household	**Central**	**North**	**South East**	**West**	**Northumberland Total**
Within Northumberland	66.0	67.3	71.2	66.8	69.0
Central	*47.9*	*3.8*	*3.5*	*15.6*	*15.1*
North	*4.6*	*59.1*	*7.2*	*3.5*	*15.6*
South East	*7.4*	*3.1*	*59.9*	*5.9*	*33.4*
West	*6.1*	*1.2*	*0.5*	*41.8*	*4.8*
North Tyneside	2.9	2.2	6.1	2.0	4.3
South Tyneside	0.0	1.1	1.2	0.4	0.9
Newcastle upon Tyne	8.8	4.1	6.7	4.1	6.6
Gateshead	3.4	0.3	0.4	1.6	1.2
Durham	2.1	1.6	1.3	3.9	1.8
Carlisle	0.0	0.4	0.3	2.6	0.4
Eden	0.3	0.3	0.2	0.7	0.3
Scottish Borders	0.5	4.0	0.6	0.0	1.2
Elsewhere in UK	13.7	17.5	11.0	16.9	13.2
Abroad	2.2	1.2	1.0	1.1	1.3
Total	100.0	100.0	100.0	100.0	100.0
Base	*8514*	*6321*	*18095*	*2442*	*35372*

Source: 2012 Household Survey

3.20   Table 3.5 also summarises the origins of households moving to a property within Northumberland by HMA. This indicates that in all four HMAs at least 65% of households moved from within Northumberland as a whole. Of those households moving into Northumberland from outside of the County, there were significant flows from Newcastle upon Tyne (6.6%) and North Tyneside (4.3%), although a large proportion of in-migrants were from elsewhere in the UK (13.2%), rather than neighbouring districts.

Characteristics of in-migrant households

3.21   The household survey identified around 10,980 households who had moved into Northumberland in the preceding five years. Information relating to in-migrant households includes:

- The majority (70.5%) moved into a house, particularly detached (25.7%), semi-detached (20.4%) and terraced (24.4%); 17.1% moved into a bungalow, a further 12.1% moved into a flat/apartment, and 0.3% to other property types. Overall 16.4% moved into detached houses with four or more bedrooms and 14.7% into terraced houses with three bedrooms;

- 36.4% moved into smaller properties with one or two bedrooms, 39.0% moved into properties with three bedrooms and 24.6% moved into properties with four or more bedrooms;

- 55.2% moved into owner occupied properties; 33.7% into private renting and 11.1% moved into affordable (social rented/intermediate tenure) dwellings;

- Overall, 47.4% of in-migrant households moved to the South East HMA, 26.4% to the Central HMA, 18.8% to the North HMA and 7.4% to the West HMA;

- 18.3% of in-migrant Household Reference People (Heads of Household) were aged 16-34, a further 59.5% were aged 35-64 and 22.2% were aged 65 or over;

- The majority of Heads of Household of in-migrant households were in employment (58.9%) with a further 27.1% retired, 5.6% looking after the home or caring for someone, 3.7% long-term sick/disabled, 3.0% away from work temporarily and 1.7% in education/training;

- 42.2% of households had an annual income of under £25,000, 29.1% had an annual income of between £25,000 and £45,000 and 28.8% had an income of at least £45,000 per annum;

- 40.2% of in-migrant Heads of Household in employment worked in Northumberland, with a further 23.4% working in Newcastle upon Tyne and 8.5% in North Tyneside; and

- Reasons for moving into Northumberland included family reasons (mentioned by 54.4% of respondents), quality of neighbourhood (38.3%), employment/access to work (26.8%), financial reasons (26.3%) and retirement (22.3%).

3.22   In summary, the 2012 household survey identifies that around 31.0% of households moving in the past five years originated from outside

Northumberland County. Of this number, 6.6% originated from Newcastle upon Tyne Council area, 4.3% from North Tyneside Council area, 1.8% from Durham, 1.2% from the Scottish Borders, 1.2% from Gateshead, 0.9% from South Tyneside, 0.4% from Carlisle, 0.3% from Eden and 14.5% from elsewhere in the UK or from overseas. Most moved into the private housing sector, with around 55.2% moving into owner occupation and 33.7% into private renting. 77.8% of in-migrant households had a Household Reference Person aged under 65 and 22.2% were aged 65 and over; overall 58.9% were in employment and 42.2% had an income (of Household Reference Person and partner) of less than £25,000 per annum.

Residential mobility within Northumberland

3.23   The household survey identified that the vast majority (69.0%) of households moving within the preceding five years had moved within Northumberland County (around 24,392 households).

3.24   Table 3.6 reviews the tenure choices of households moving within Northumberland. Social/affordable/intermediate residents and owner occupiers were most likely to remain in the same tenure. Private renters were more likely to consider alternative tenures, with 22.2% moving into owner occupation and 28.1% into social/affordable rented. Respondents who had previously lived with family and friends (i.e. newly forming households) tended to move into all major tenures although most prominently into ownership or private renting: private renting (39.7%), owner occupation (32%) and into affordable tenures (28.8%).

Table 3.6	Residential mobility – movement between different tenures				
	Previous Tenure				
Current Tenure	Owned	Social/Affordable Rented and Intermediate	Private Rented	Previously living with family/friends	Total
Owned	69.2	3.6	22.2	32.0	38.9
Social/Affordable/ Intermediate	13.0	76.2	28.1	28.3	29.3
Private Rented	17.8	20.2	49.7	39.7	31.8
Total	100.0	100.0	100.0	100.0	100.0
Base	8972	3397	7541	3738	23648

Source: 2012 Household Survey

Households planning to move

3.25   The 2012 Household Survey identified existing and newly-forming households planning to move in the next three years. Around 14,681 existing households (10.6%) were planning to move in the next five years. Of the existing households who were planning to move, 74.6% of these respondents planned to move within Northumberland, and 25.4% intended to move elsewhere. The household survey indicates that households planning to move outside of

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Northumberland were interested in a range of locations, particularly Newcastle upon Tyne and North Tyneside.

3.26   Key reasons why households planned to move outside of the County were employment/access to work (38.8%), family reasons (32.5%), financial reasons (18.3%) and education (17.5%).

Travel to work trends

3.27   The 2011 Census provides an analysis of travel to work patterns and the extent to which residents in Northumberland travel to other areas together with details of how many people commute into the County. The 2011 Census identified the travel to work patterns of 137,418 individuals and of these:

- 92,776 lived and worked in Northumberland County (including 18,334 who work at home);

- 22,508 commuted into Northumberland for work but lived outside the County; and

- 44,642 lived in Northumberland but commuted out of the County for work.

3.28   In addition, the 2011 Census also reports 614 residents working on offshore installations, 9,500 with no fixed place of work and 295 working outside the UK.

3.29   Using a base of 137,418 economically active residents in Northumberland: 67.5% live and work in Northumberland; a further 14.0% work in Newcastle upon Tyne; 7.6% work in North Tyneside; 3.4% in Gateshead; 1.2% in County Durham; 1.2% in Sunderland; 0.6% in South Tyneside; 0.6% in Cumbria and 0.3% in Tees Valley. Outside of the neighbouring districts: 0.2% work elsewhere in the North West; 0.5% in Yorkshire and the Humber and 2.7% elsewhere in the United Kingdom.

3.30   On this basis, Northumberland is a largely self-contained Market Area but there are functional linkages with Tyne and Wear, particularly Newcastle upon Tyne and North Tyneside.

National Housing and Planning Advisory Unit (NHPAU) research

3.31   The National Housing and Planning Advisory Unit (NHPAU) research suggests that there are at two main 'layers' of housing markets: wider functional housing markets which tend to be multi-district; and smaller local Housing Market Areas. The majority of the County is located within the Newcastle Strategic HMA, with northern parts of the County associated with the Berwick Strategic HMA and the area around Haltwhistle associated with the Carlisle Strategic HMA.

Local Housing Market Areas in Northumberland

3.32   The extent to which distinctive local housing markets exist in Northumberland can be assessed by considering:

- The function of housing markets (through the review of travel to work and, migration patterns); and

- The typology of housing markets (through the review of dwelling stock and socio-economic and demographic characteristics).

3.33   Table 3.7 provides a review of the distinctive attributes of each HMA. For each attribute, a county mean has been calculated (for instance the % of households who are owner-occupiers). Information for each housing market area is then compared against this mean to indicate the extent of variation from the mean figure. The colours in the chart reflect the degree of variation:

- YELLOW indicates that the HMA figure is less than 75% of the County mean;

- GREEN indicates that the HMA figure is between 75% and 125% of the County mean; and

- RED indicates that the HMA figure is at least 125% of the County mean.

3.34   Percentage data is presented for migration and travel to work data.

3.35   Using the North HMA as an example of interpreting this data would be as follows:

- The area has a proportionately higher amount of private renting households relative to the Northumberland average; and similar proportions of households in owner occupied and affordable dwellings to the Northumberland average;

- The dwelling stock profile in terms of type and size is similar to the Northumberland average, although the proportion of bungalows is higher;

- Economic activity patterns reflect the Northumberland average, and although incomes are comparable to the county average proportionately more households have incomes of less than £25,000;

- Residents in employment are more likely to work in the Scottish Borders compared with the Northumberland average (and less likely to work in Tyne and Wear/Durham);

- Households moving during the past 5 years were particularly likely to have originated from the same HMA, and households moving from the Scottish Borders were most likely to move to the North HMA.

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Table 3.7   Variation in the attributes and characteristics of Northumberland by HMA

Attribute	Housing Market Area				
Tenure	Central	North	South East	West	Northumberland
Owner occupied	109.2	92.9	98.4	97.8	66.0
Private rented	90.1	138.1	86.1	144.8	15.2
Social/Affordable rented and intermediate	75.6	94.4	116.9	71.7	18.8
Dwelling type					
Detached house	156.1	101.7	67.1	147.1	20.3
Semi-detached house	84.6	82.6	116.1	75.9	30.7
Terraced house/town house	74.6	91.1	114.5	103.7	21.7
Bungalow	99.1	137.2	88.0	98.6	18.8
Flat	89.9	95.1	111.3	60.9	8.4
No. Beds					
Bedsit/One	85.3	91.7	113.5	70.3	8.3
Two	80.3	113.8	104.5	101.5	29.2
Three	84.4	90.4	111.3	94.9	42.8
Four or more	169.5	104.0	63.1	121.4	19.7
Household income					
Under £10k	65.5	97.3	119.5	92.1	22.6
£10k up to £25k	84.3	105.3	107.3	91.3	32.9
£25k up to £45k	98.1	102.6	98.1	115.4	25.7
£45k up to £75k	155.8	89.9	75.2	97.7	12.9
£75k or more	204.3	91.4	47.6	116.8	6.0
Economic activity					
In employment	100.7	99.1	99.6	103.0	51.3
Retired	105.8	108.7	94.3	97.8	37.8
Other	76.9	74.1	121.4	93.7	11.0
Workplace					
Northumberland	90.4	122.7	95.5	110.4	67.5
Tyne and Wear/Durham	123.8	33.2	116.8	58.4	27.1
North West	108.0	80.1	44.6	543.6	0.9
Scottish Borders	0.0	337.8	74.2	45.4	0.9
Elsewhere	124.4	121.0	77.9	122.8	3.5
House Prices					
House price 2014 (LQ)	163.6	147.3	82.9	127.0	100.0
Origin of moving households					
Within Northumberland	**66**	**67.2**	**71.1**	**66.8**	**68.9**
Central	47.9	3.8	3.5	15.6	15.1
North	4.6	59.1	7.2	3.5	15.6
South East	7.4	3.1	59.9	5.9	33.4
West	6.1	1.2	0.5	41.8	4.8
Outside Northumberland	*33.9*	*32.7*	*28.8*	*33.3*	*31.2*
Tyne and Wear/Durham	17.2	9.3	15.7	12	14.8
Carlisle/Eden	0.3	0.7	0.5	3.3	0.7
Scottish Borders	0.5	4	0.6	0	1.2
Elsewhere in UK/Abroad	15.9	18.7	12	18	14.5

3.36   Table 3.7 identifies the distinctive attributes of different HMAs and in particular the influence of migration and travel to work behaviour. Analysis confirms that it is reasonable to sub-divide Northumberland into smaller HMAs and the four HMAs identified are appropriate for this purpose.

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Concluding comments

3.37   The purpose of this chapter has been to consider the general housing market context of Northumberland and its inter-relationships with other areas. By reviewing house prices, migration and travel to work patterns, a picture of the market dynamics of Northumberland emerges.

3.38   Northumberland can be described as a largely self-contained housing market on the basis of migration and travel to work patterns, with both suggesting that just under 70% of moves take place within Northumberland. The SHMA recognises four housing market areas (HMAs) within Northumberland based on the migration, travel to work and attributes of these areas.

3.39   The SHMA also acknowledges the relationship between Northumberland and neighbouring areas, in particular North Tyneside, Newcastle, Gateshead, Durham, Carlisle and the Scottish Borders. Overall however, Northumberland is considered to be a self-contained Market Area for the purposes of Local Plan policy making.

4. Demographic Projections

Introduction

4.1   This section presents the most recent official population and household projections for Northumberland, providing the 'starting point' in the assessment of housing need for the County. In line with the PPG, a range of alternative demographic forecasts, developed by Edge Analytics, are also presented, in which varying migration assumptions have been applied. This section should be read in conjunction with the report prepared by Edge Analytics 'Demographic Analysis & Forecasts' report (July 2015).

Demographic Starting Point

4.2   The PPG states that the official DCLG household projections provide the 'starting point' in the assessment of housing need (PPG paragraph 2a-015).

4.3   The latest official population and household projections are presented below, with commentary provided on the differences between these latest projections and the earlier official projections.

Official Population Projections

4.4   Figure 4.1 presents the most recent population projections for Northumberland. Under the latest, 2012-based SNPP, Northumberland's population is expected to increase by 8,630 over the full 2012–2037 projection period, an increase of 2.7%. This is lower than under the previous 2010-based population projection, in which population growth was projected to be 4.7% over the 2010-2035 projection period. The graph also slows the marked variations between population projections dating back from 2004.

Figure 4.1   Northumberland official population projections
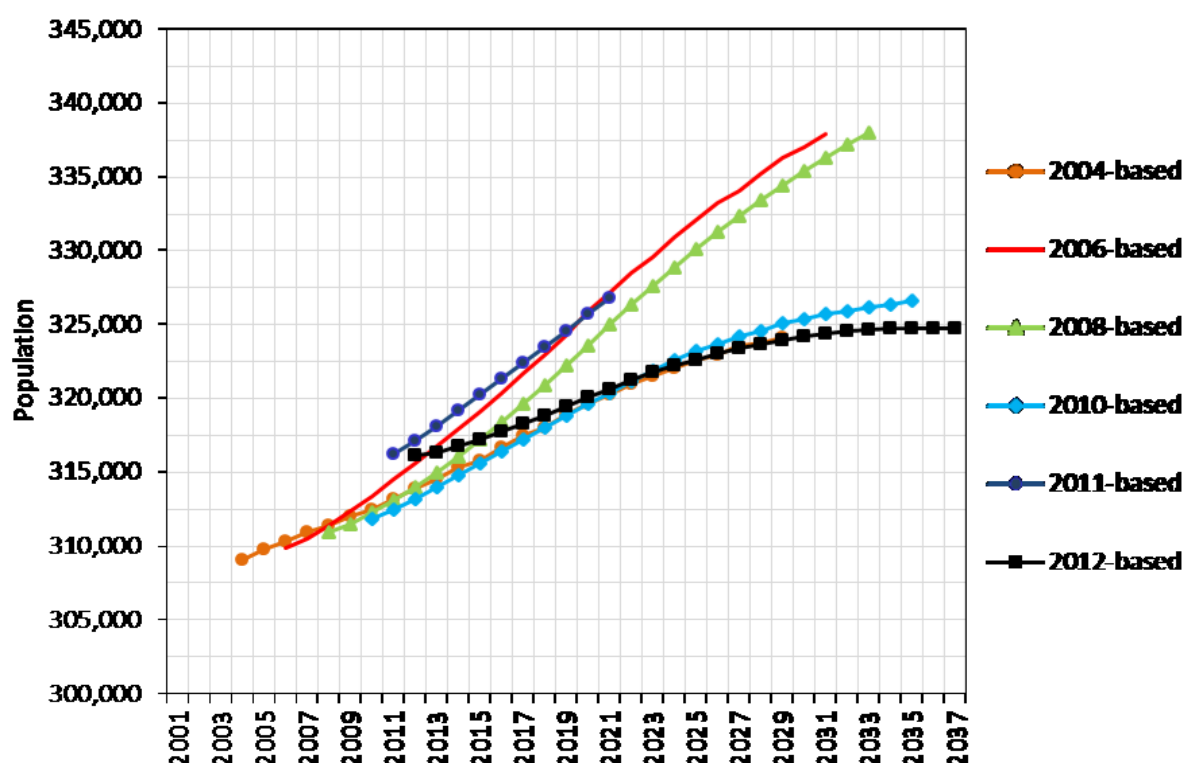
Source: ONS

Official Household Projections

4.5   In the evaluation of housing need, the PPG states that the DCLG household projections *'should provide the starting point estimate of overall housing need'* (PPG paragraph 2a-015). The 2012-based household projection model, which is underpinned by the 2012-based SNPP, was released by the DCLG in February/March 2015, superseding the 2011-based interim household projection model.

4.6   The methodological basis of the new 2012-based model is consistent with that employed in the previous 2011-based interim and 2008-based household projections. A 'two-stage' methodology has been used by DCLG. 'Stage One' produces the national and local projections for the total number of households by age-group and relationship status group over the projection period. 'Stage Two' provides the detailed household type breakdown by age. Currently, only Stage One output is available for the 2012-based household projection model.

4.7   Whilst methodologically similar to previous releases, the 2012-based household projections provide an important update on the 2011-based interim household projections with the inclusion of the following information:

- 2012-based SNPP by sex and age that extend to 2037 (rather than to 2021 as was the case in the 2011-based interim projections);

- Household population by sex, age and relationship-status consistent with the 2011 Census (rather than estimates for 2011, which were derived from 2001 Census data, projections and national trends, as used in the 2011-interim projections);

- Communal population statistics by age and sex consistent with the 2011 Census (rather than the previous estimate, which were calibrated to the total communal population from the 2001 Census);

- Further information on household representatives from the 2011 Census relating to aggregate household representative rates by relationship status and age;

- Aggregate household representative rates at local authority level, controlled to the national rate, based on the total number of households divided by the total adult household population (rather than the total number of households divided to the total household population); and

- Adjustments to the projections of the household representative rates in 2012 based on the Labour Force Survey (LFS).

(Source: DCLG Methodology[40])

4.8   Under the official 2012-based DCLG household projection model for Northumberland, the number of households is expected to increase by +14,500 over the 2012-2037 projection period (equivalent to an additional 580 households each year).

4.9   The average household size is projected to decrease from 2.23 in 2012 to 2.06 by 2037. Under the earlier 2008-based model, the rate of household growth was *higher* than under the latest 2012-based model (Figure 4.2), at 980 households per year (2008–2033).

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[40] Household Projections 2012-based: Methodological Report. Department for Communities and Local Government (February 2015) https://www.gov.uk/government/statistics/2012-based-household-projections-methodology

Figure 4.2   Northumberland household growth under the 2012-based and 2008-based DCLG household projections
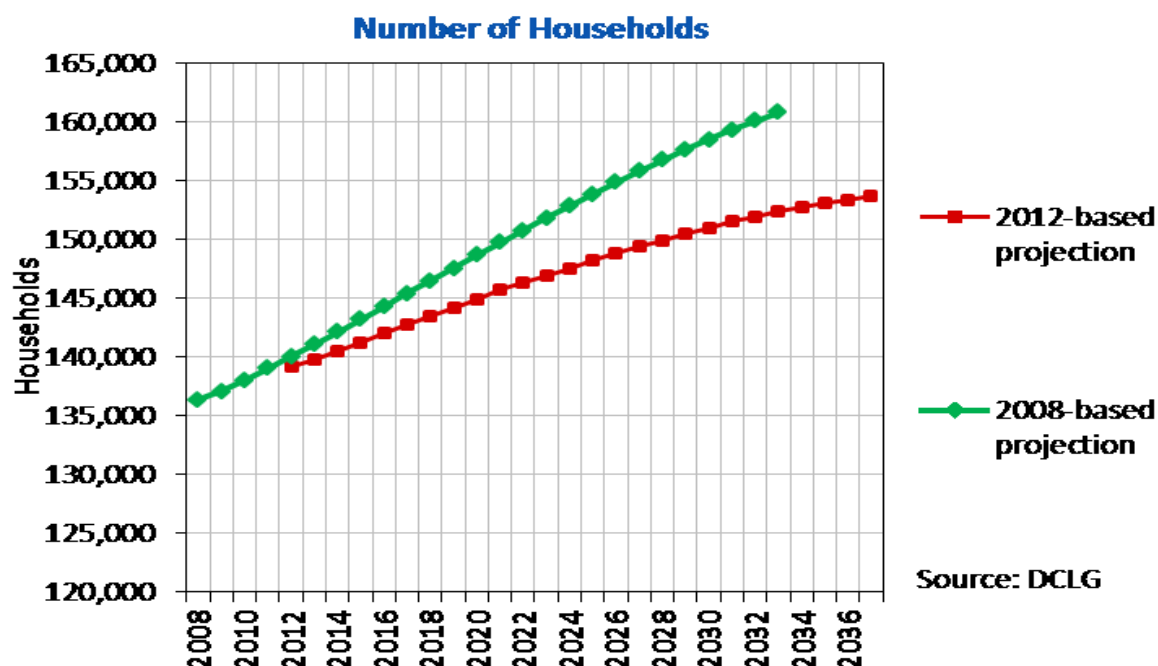
Source: ONS

Starting Point Estimate: Summary

4.10   As outlined in the PPG, the official DCLG household projections provide the 'starting point' in the assessment of housing need (PPG paragraph 2a-015).

4.11   Over the 2011–2031 plan period for Northumberland, the official benchmark scenario, the SNPP-2012 scenario, results in a 2.6% population growth over the plan period. This results in an average annual dwelling requirement of 683 using 2012 headship figures.

Alternative Demographic Scenarios

4.12   There is no single definitive view on the likely level of population and household growth expected in Northumberland. Ultimately, a combination of economic, demographic and national/local policy issues will determine the speed and scale of change.

4.13   Whilst the official 2012-based population and household projections form the 'starting point' of the assessment of housing need, it is necessary to evaluate a range of growth alternatives to establish the most appropriate basis for determining future housing provision. As outlined in the PPG, it is appropriate to consider *'alternative assumptions in relation to the underlying demographic projections and household formation rates'* of the local area (PPG Paragraph 2a-017). Therefore, a range of alternative demographic forecasts have been developed by Edge Analytics.

Population Change 2001–2014

How Appropriate is the 2012-based SNPP?

4.14   There are three key factors that mean it is appropriate to consider a range of alternative demographic scenarios in the derivation of the housing target for Northumberland.

4.15   Firstly, ONS have used a 5- to 6-year historical period when developing the 2012-based SNPP[41]. As identified in Figure 4.3 and Table 4.1, the future projected components of change are different to the historical components of change.

4.16   Figure 4.3 presents the 2012-based SNPP components of change, with the historical components of change for 2001/02–2011/12 included for comparison. The annual average natural change, net migration (internal and international) and population change for the 2012-based SNPP are compared to the historical 5-year and 10-year averages in Table 4.1.

4.17   Historically, over both the 5-year and 10-year periods, net internal migration has been a dominant component of change. Under the 2012-based SNPP, net internal migration is projected to be higher, averaging +1224 each year over the 2012/13 to 2036/37 period.

4.18   Natural change has been negative over the historical 5-year and 10-year periods (i.e. the number of deaths exceeds the number of births). Under the 2012-based SNPP, the number of deaths is expected to continue to exceed the number of births, but at a higher rate than that seen historically.

4.19   Net international migration (excluding UPC) has been negative historically and this trend is continued in the 2012-based SNPP, but at a higher rate than over both the 5- and 10-year periods.

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[41] http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html#tab-Introduction

Figure 4.3   Northumberland historical (2001/02–2011/12) and 2012-based SNPP components of change
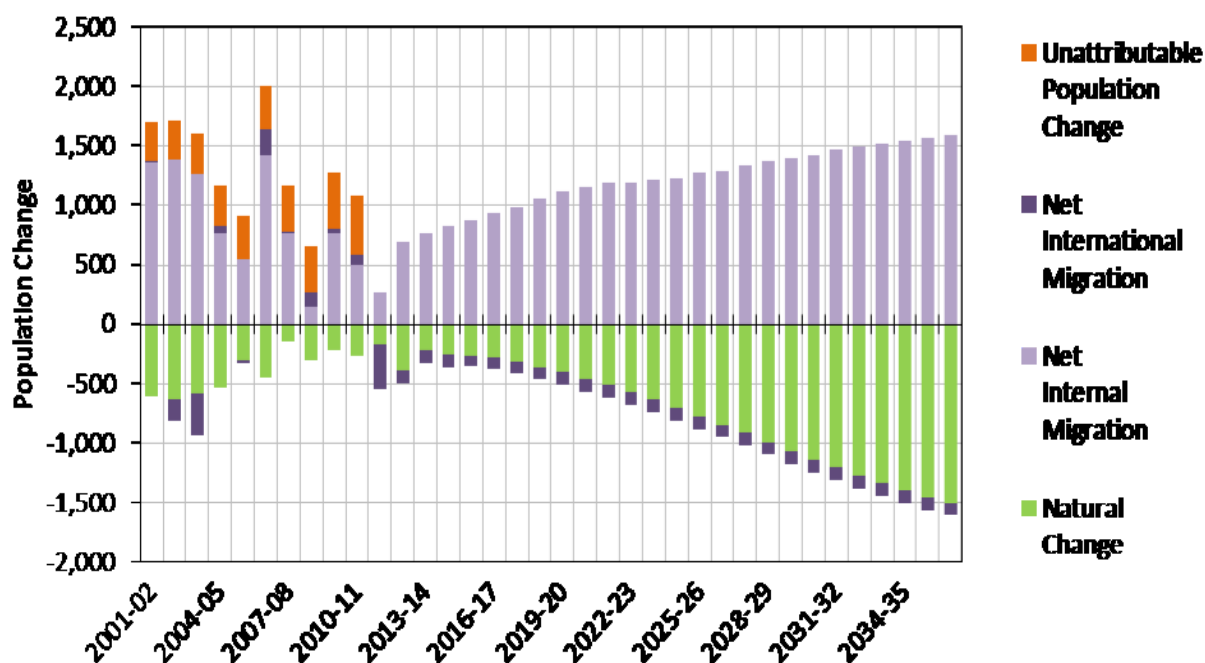
Source: ONS

Table 4.1	Northumberland 2012-based SNPP components of change		
	Historical		**Projected**
Component of Change	**5-year average (2007/08-2011/12)**	**10-year average (2002/03-2011/12)**	**2012-based SNPP average (2012/13-2036/37)**
Natural Change	-221	-361	-773
Net Internal Migration	489	784	1,224
Net International Migration	-24	-41	-106
Unattributable Population Change (UPC)	351	350	-
Net International Migration including UPC	327	301	-106
Net Migration excluding UPC	465	743	1,118
Net Migration including UPC	816	1,093	1,118

Source: ONS

4.20   Secondly, the 2012-based SNPP has a base year of 2012 (i.e. it uses the 2012 MYE as its start point). Since the 2012-based SNPP was produced, the 2013 mid-year population estimates (MYEs) have been made available, providing an additional year of historical population data.

4.21   Thirdly, there have been unprecedented demographic and economic changes since 2001 (e.g. EU Accession, the recession), meaning that is appropriate to consider whether the historical MYEs are reflective of what is likely to occur in the future.

4.22   In the following section, the historical population statistics for Northumberland are presented.

Mid-Year Population Estimates

4.23   Between successive Censuses, population estimation is necessary. These mid-year population estimates (MYEs) are derived by applying the 'components of change' (i.e. counts of births and deaths and estimates of internal and international migration) to the previous year's MYE.

4.24   Following the 2011 Census, the 2002–2010 MYEs were 'rebased' to align them with the 2011 MYE and to ensure the correct transition of the age profile of the population over the 2001–2011 decade. At the 2011 Census, the resident population of Northumberland was 316,028, a 2.8% increase over the 2001–2011 decade. The 2011 Census population total proved to be *higher* than that suggested by the trajectory of growth from the previous MYEs. For this reason, the revised final MYEs are *higher* than the previous MYEs (Figure 4.4).

Figure 4.4   Northumberland mid-year population estimates, 2001–2011
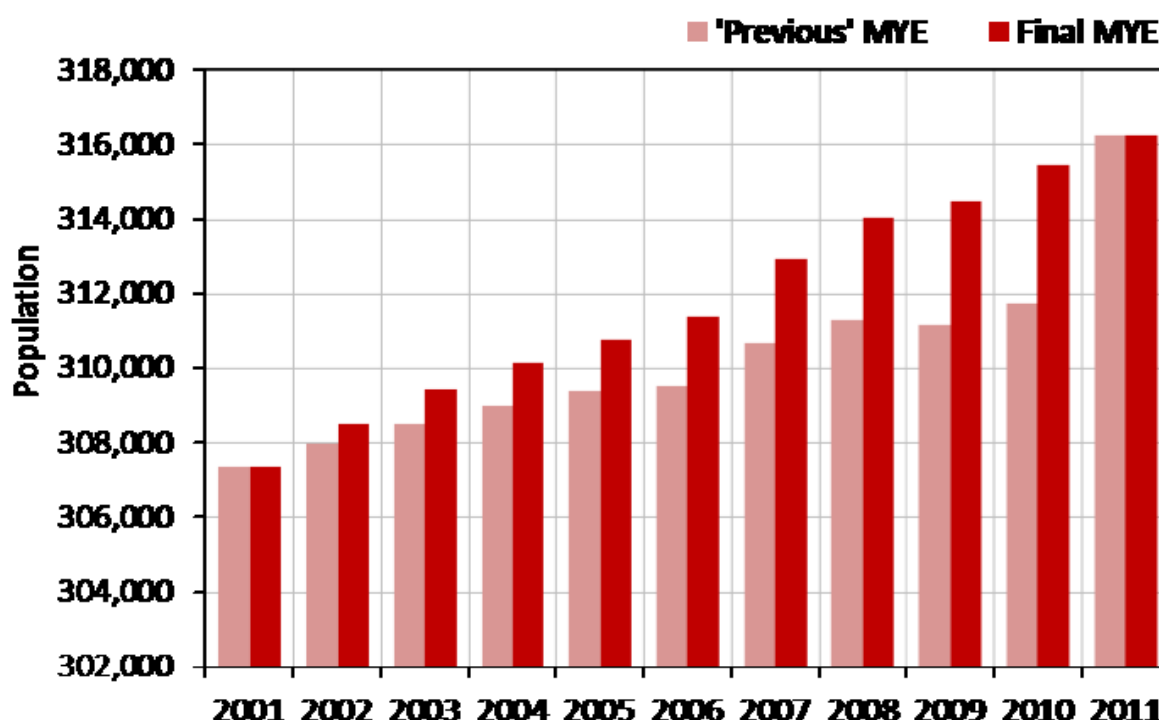
Source: ONS

Components of Change

4.25   The rebasing of the MYEs involved the recalibration of the components of change for 2001/02–2010/11. Between Censuses, births and deaths are accurately recorded in vital statistics registers and provide a robust measure of 'natural change' (the difference between births and deaths) in a geographical area. Given that births and deaths are robustly recorded, and

assuming that the 2001 Census provided a robust population count, the 'error' in the MYEs is due to the difficulties associated with the estimation of migration.

4.26   Internal migration (i.e. migration flows to and from other areas in the UK) is adequately measured using data from the Patient Register (PR), the National Health Service Central Register (NHSCR) and Higher Education Statistics Agency (HESA), although data robustness may be lower where there is under-registration in certain age-groups (young males in particular). It is therefore most likely that the 'error' in the previous MYEs is associated with the mis-estimation of international migration, i.e. the balance between immigration and emigration flows to and from Northumberland.

4.27   However, ONS has not explicitly assigned the MYE adjustment to international migration. Instead it has identified an additional 'unattributable population change' (UPC) component, suggesting it has not been able to accurately identify the source of the 2001–2011 over-count (Figure 4.5). The effect of the UPC adjustment depends upon the scale of population recalibration that has been required following the 2011 Census results. For Northumberland, the population estimates have been subject to a consistent annual *increase* due to the *under*-count over the 2001–2011 decade.

4.28   For demographic analysis, the classification of UPC is unhelpful, but given the robustness of births, deaths and internal migration statistics compared to international migration estimates, it is assumed that it is most likely to be associated with the latter, unless there were issues with the robustness of the 2001 Census figure. With the assumption that the UPC element is assigned to international migration (for estimates up to 2011), and with the inclusion of statistics from the 2012–2012 MYEs from ONS, a twelve-year profile of the 'components of change' is presented for Northumberland (Figure 4.6).

Figure 4.5   Northumberland components of change, 2001/02–2013/14
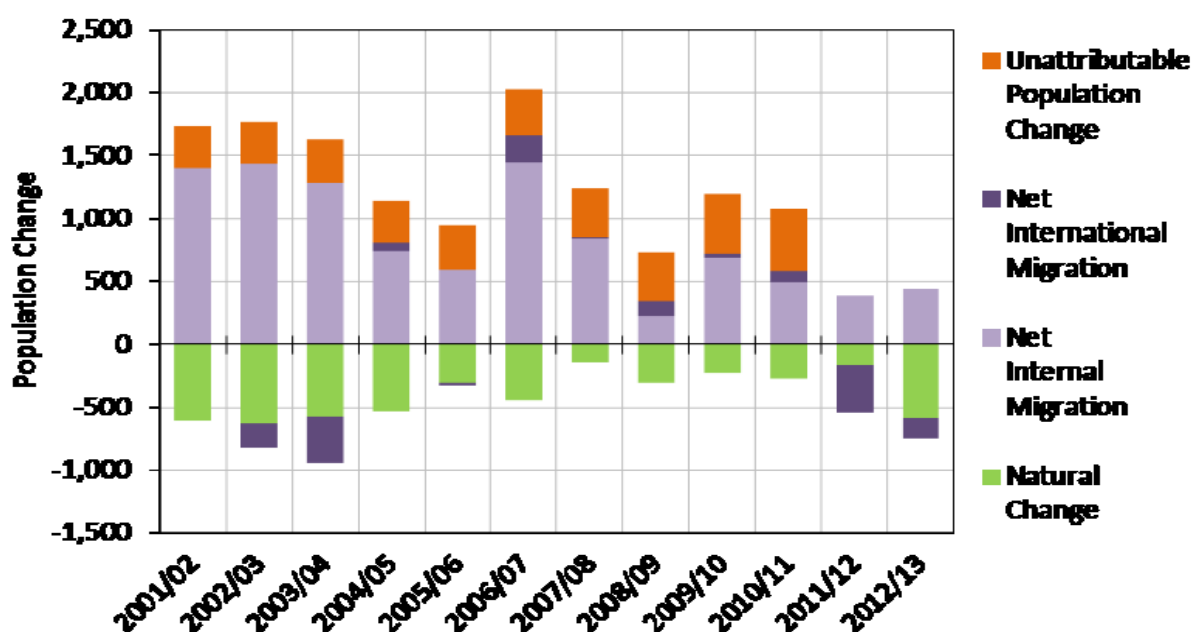
Source: ONS

Figure 4.6   Northumberland components of change, 2001/02–2013/14, including the UPC component in the 2001/02–2010/11 international migration component
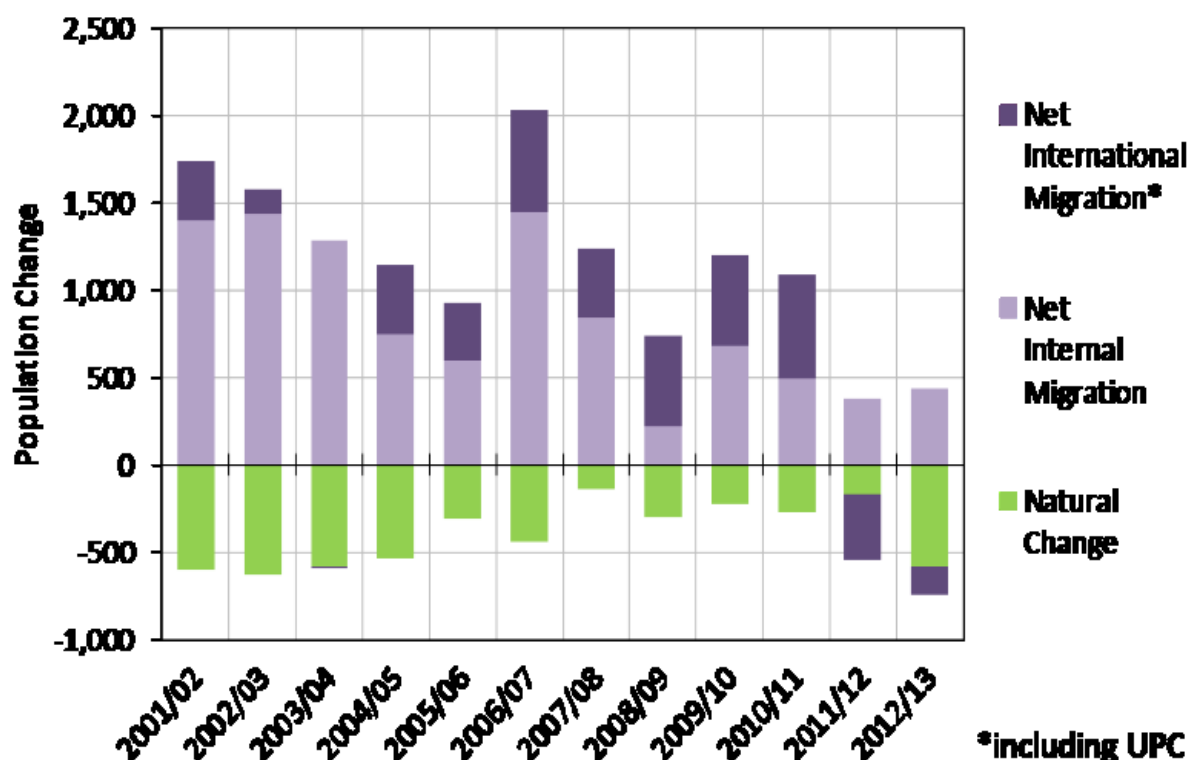
Source: ONS

4.29   For Northumberland, population change over the 2001/02–2012/13 period has been predominantly driven by net internal migration. With the exception of 2011/12 and 2012/13, net international migration has been largely positive throughout the historical period. Natural change remained negative throughout the historical period, with the number of deaths exceeding the number of births.

Internal migration flows

4.30   For Northumberland, net internal migration has been a dominant component of population change over the 2001/02 to 2012/13 historical period. Internal in-migration has been consistently higher than internal out-migration over the historical period, resulting in a net increase in the population.

4.31   The neighbouring authorities of Newcastle, North Tyneside and Gateshead have historically had the highest inflows to and from Northumberland (Figure 4A and B). In terms of *net* migration, the greatest net <u>in</u>flows are from these three authorities (Figure 4C), with the greatest net <u>out</u>flows to Leeds, Manchester and Carlisle (Figure 4D).

4.32   Net internal migration was positive in the majority of age groups in Northumberland (Figure 4F) over the 2001/2 – 2012/13 historical period. Only the 15-19 age group experienced a net outflow of migrants from Northumberland, this is usually students leaving to go to university.

Figure 4.7   Historical internal migration profile for Northumberland 2001/2 to 2012/13

Northumberland: Internal Migration Profile

(A) Top Ten Outflows	
	Average 2001/02-2012/13
Newcastle upon Tyne	1,348
North Tyneside	1,058
Gateshead	509
County Durham UA	469
Leeds	227
Sunderland	223
South Tyneside	129
Carlisle	125
Sheffield	93
Manchester	89

(B) Top Ten Inflows	
	Average 2001/02-2012/13
Newcastle upon Tyne	1,613
North Tyneside	1,320
Gateshead	607
County Durham UA	454
Sunderland	237
Leeds	194
South Tyneside	163
Carlisle	105
Sheffield	79
York	77

(C) Top Ten Net Outflows

(D) Top Ten Net Inflows

(E) Inflows, Outflows & Net Flows

(F) Age Group Net Flows

Source: ONS

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Figure 4.8   Historical internal migration flows between Northumberland and the neighbouring local authorities 2001/2 to 2012/13
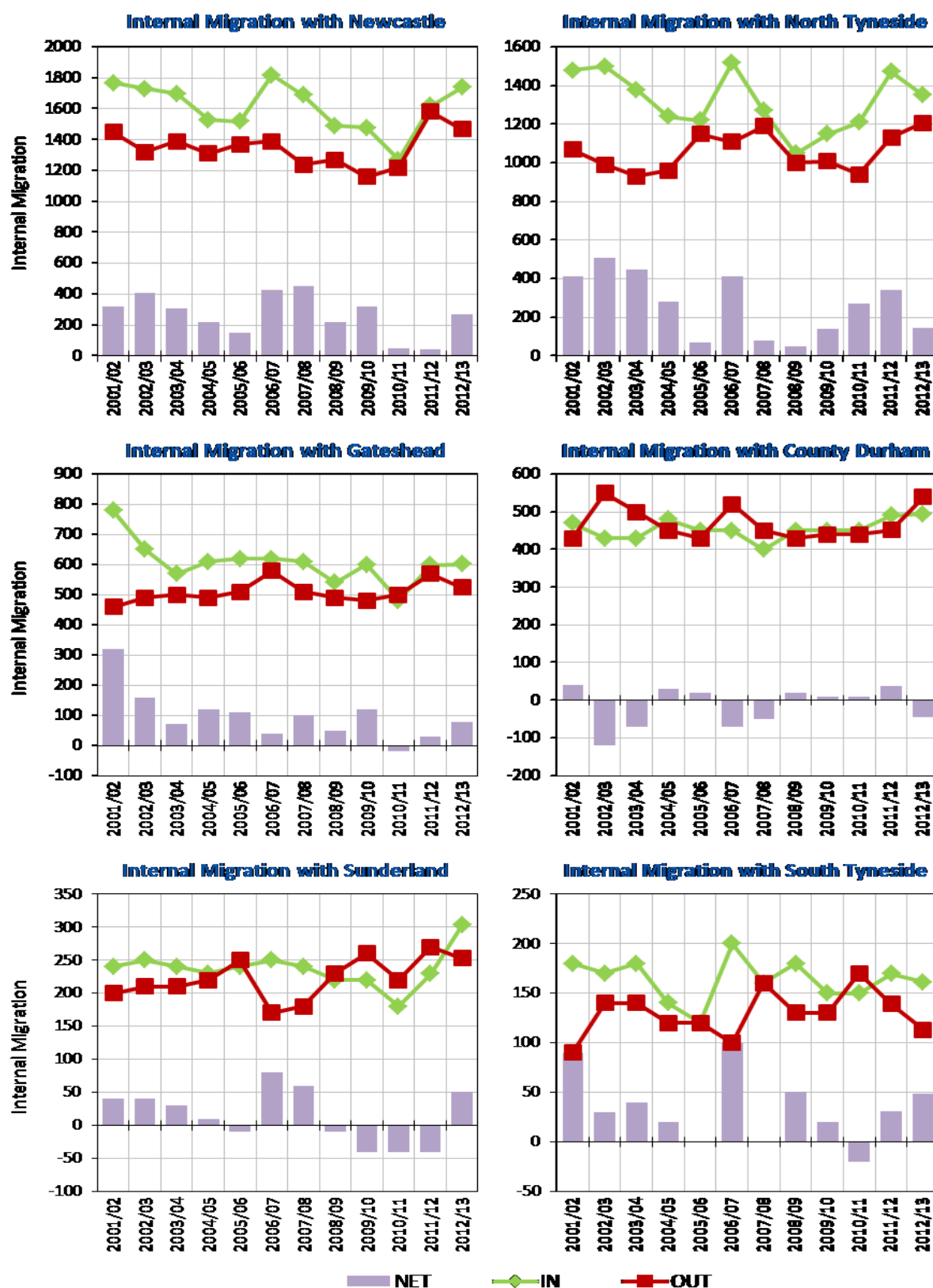
Source: Edge Analytics (from ONS)

Note: Green indicates the flows from the relevant neighbouring authority to Northumberland and red the flows from Northumberland

4.33   Figure 4.8 indicates overall there have been strong and consistent net inflows of residents from North Tyneside and Newcastle over the time period 2001/2 to 2013/14. Net flows between Gateshead, Sunderland, South Tyneside and Northumberland have been more modest. There has been a general balance in flows between County Durham and Northumberland.

Implications for Scenario Development

4.34   The historical MYE data presented above provides the basis for the development of a range of alternative trend-based scenarios, for comparison with the benchmark 2012-based population and household projections. In the following section, these scenarios are described.

Scenario Development

4.35   In line with the PPG, Edge Analytics has developed a range of alternative demographic scenarios for Northumberland, using POPGROUP v.4 technology.

4.36   The 2012-based SNPP is presented as the official 'benchmark' scenario, with household growth assessed using the household headship rates and communal establishment assumptions from the latest, 2012-based, DCLG household projection model[42].

4.37   For comparison with the official benchmark, a range of 'alternative trend' scenarios has been developed, in which varying migration assumptions have been applied. Household growth has been assessed using assumptions from the latest 2012-based household projection model, in line with the PPG. As recommended by the PPG, alternative headship rates have also been applied to each scenario in a 'headship rate alternative'. This sensitivity analysis evaluates the impact of the earlier 2008-based headship rates on the scenario household and dwelling growth outcomes.

4.38   The dwelling growth implications of each scenario have been evaluated through the application of a vacancy rate for Northumberland[43].

Scenario Definitions

4.39   Edge Analytics has produced the following demographic scenarios for Northumberland:

Official Projections

4.40   The **SNPP-2012** scenario replicates the 2012-based SNPP from ONS.

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[42] The communal population refers to the population 'not-in-households', and includes residential care homes and students halls of residence.
[43] A dwelling vacancy rate of 6.4% has been applied, fixed throughout the forecast period.

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4.41   Through the application of the household growth assumptions from the 2012-based DCLG household projection model, the 'starting point estimate' for Northumberland is provided.

Alternative Trend Scenarios

4.42   The PPG recommends, as part of the assessment of housing need, that the most recent demographic statistics from ONS and alternative demographic projections should be considered (PPG Paragraph 2a-017).

4.43   The 2012-based SNPP from ONS is a trend-based projection that draws demographic assumptions from a 5-year historical period to 2012[44]. Given the unprecedented economic changes that have occurred since 2008, and the differences between the projected 2012-based SNPP data and the historical data (see Table 4.1), it is appropriate to consider alternative time periods in the derivation of migration assumptions.

4.44   For these reasons, the following alternative trend scenarios have been developed:

- **PG-5yr**: internal migration rates and international migration flow assumptions are based on the last five years of historical evidence (2008/9–2012/13).

- **PG-10yr**: internal migration rates and international migration flow assumptions are based on the last 10 years of historical evidence (2003/04–2012/13).

4.45   As internal migration has been a dominant factor in population change and household growth, a further scenario **PG-10yr SENS** has been developed. This adjusts internal in-migration flows to reflect increased in-migration from North Tyneside. Internal migration flows increase by +50 intervals between 2014/15 – 2017/18. From 2018/19 onwards the internal in-migration increases by +200 each year. These assumptions mirror those applied by North Tyneside when developing similar scenarios. Internal out-migration and international migration assumptions are consistent with the PG-10yr scenario.

Dwelling-led Scenarios

4.46   Two dwelling-led outputs were prepared for comparative purposes and not to establish objectively assessed need:

- **Dwelling-led RSS**: population growth is determined by the annual change in the number of dwellings, as defined by the Regional Spatial Strategy (RSS). This is a total dwelling growth of +15,785 over the 2013/14 – 2030/31 period.

- **Dwelling-led Past Delivery**: Population growth is determined by the annual change in the number of dwellings, based on the historical dwelling completions. For 2013/14 the known completion rate is used. From

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[44]http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html#tab-Introduction

2014/15 onwards a 5-year historical average is used (2009/10 to 2013/14). This is a total dwelling growth of +11,507 over the 2013/14 to 2030/31 period.

Demographic and Dwelling-led Scenario Results

4.47   Scenario results are presented in Figure 4.7 and Table 4.2 for the 2011–2031 plan period. Figure 4.7 also includes the results of jobs-led scenarios which are explored further in Chapter 5.

4.48   Each of the demographic scenarios has been run with the historical MYEs defined for the 2001–2013 period. In each scenario, household growth has been assessed using the household headship rates and communal establishment assumptions from the latest, 2012-based, household projection model. The dwelling growth implications of each scenario have been evaluated through the application of a fixed 6.4% vacancy rate for Northumberland.

4.49   Under the benchmark SNPP-2012 scenario, the population of Northumberland increases by 8,097 over the 2011–2031 plan period, equivalent to a 2.6% increase. The number of households increases by +12,279, equivalent to +9.2% growth, resulting in an average annual dwelling requirement of +683.

4.50   Of the alternative trend and sensitivity scenarios, population change is highest under the PG-10yr SENS scenario at 7.3% (+975 dwellings), followed by the PG-10yr scenario at 6.2% (+894 dwellings).

4.51   The alternative PG-5yr trend scenario suggests a lower rate of population increase (3.6%) and household increase (9.6%) compared to the PG-10yr scenario, resulting in a lower average annual dwelling requirement of +714. This reflects the lower levels of net -migration that have occurred in Northumberland over the more recent 5-year historical period (see Figure 4.6).

4.52   The dwelling-led comparative outputs suggests a population increase of 4.7% (+834 dwellings) under the RSS scenario, and 1.6% (+620 dwellings) under the past delivery scenario.

Figure 4.9   Northumberland demographic scenario outcomes: population growth 2001–2031
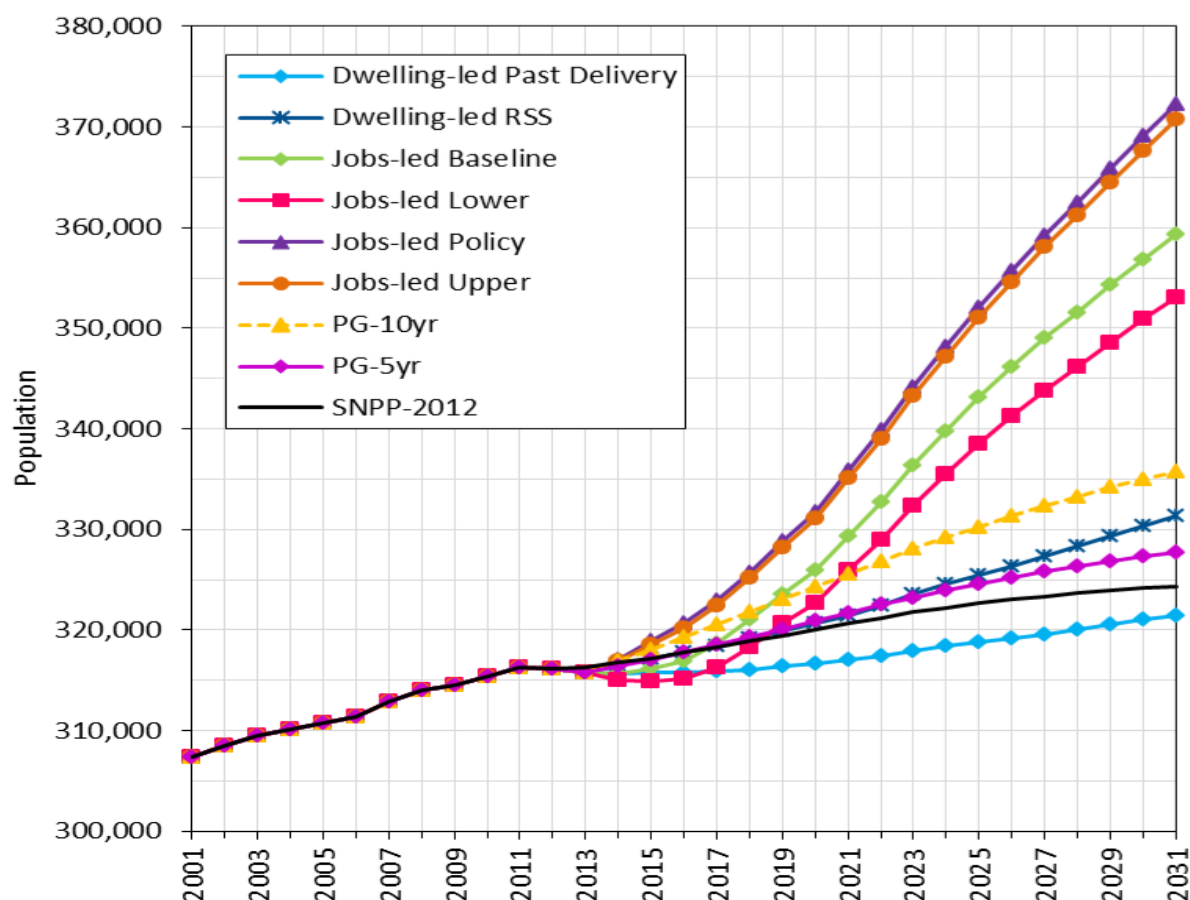
Source: Edge Analytics

Note this includes jobs-led scenarios which are discussed further in Chapter 5.

Table 4.2	Northumberland demographic scenario outcomes 2011-2031					
	Change 2011-2031				**Average per year**	
Scenario	Population Change	Population Change %	Households Change	Households Change %	Net Migration	Dwellings
PG-10yr SENS	23,255	7.30%	18,259	13.20%	1,648	975
PG-10yr	19,493	6.20%	16,733	12.10%	1,478	894
Dwelling-led RSS*	15,013	4.70%	15,613	11.30%	1,304	834
PG-5yr	11,465	3.60%	13,363	9.60%	1,123	714
SNPP-2012	8,097	2.60%	12,779	9.20%	970	683
Dwelling-led Past Delivery*	5,148	1.60%	11,609	8.40%	862	620

Note: The forecast period is 2013/14 to 2030/31. Therefore, scenario outcomes presented for the 2011-31 plan period include two years of historical data. Household growth has been assessed using the 2012-based headship rates and the dwelling growth figures using a fixed 6.4% vacancy rate.

*Run for comparative purposes

Headship Rate Sensitivity

4.53 In the four demographic scenarios presented above, household growth has been assessed using headship rate and communal population assumptions from the 2012-based household projection model. For comparison, each of the scenarios has also been run using the headship rate assumptions from the earlier, 2008-based, DCLG household projection model (Table 4.3).

4.54 The application of the 2008-based headship rates to each of the scenarios suggests more optimistic household formation, reflective of the different market conditions during the period from which the model was calibrated.

4.55 For the **SNPP-2012** scenario, the application of the 2008-based headship rates results in an average annual dwelling requirement of +158 for the 2011–2031 plan period.

Table 4.3 Northumberland demographic scenario dwelling growth using varying headship rates		
	Average annual dwelling requirement (2011-2031)	
Scenario	HH-08	HH-12
PG-10yr SENS	1,093	975
PG-10yr	1,011	894
Dwelling-led RSS*	846	834
PG-5yr	824	714
SNPP-2012	770	683
Dwelling-led Past Delivery*	632	620

HH-08: the 2008-based DCLG headship rates are applied. **HH-12:** the 2012-based DCLG headship rates are applied.

In all but the dwelling-led scenarios, only the household and dwelling-growth outcomes differ between the **HH-12** and **HH-08** outcomes, reflecting the alternative headship rate assumptions used. In the dwelling-led scenarios, the population growth, net migration and jobs outcomes differ, but the household and dwelling-growth figures are the same; again, this reflects the different headship rate assumptions used.

*Run for comparative purposes

Summary

4.56 In line with the PPG, Edge Analytics has developed a range of demographic scenarios for Northumberland, using POPGROUP technology. Scenarios have been produced for the 2011–2031 plan period, with the *forecast* period running from 2013/14 to 2030/31

4.57 The 2012-based population projection from ONS is presented as the official 'benchmark' scenario, with household growth assessed using household headship rate assumptions from the 2012-based DCLG household projection model. This provides the 'starting point' for the assessment of housing need (in line with PPG paragraph 2a-015).

4.58   For comparison with the official benchmark scenario, a range of alternative trend scenarios has been developed, in which variant migration assumptions have been applied. In addition, household growth has been assessed using assumptions from the previous, 2008-based, DCLG household model, for comparison with the 2012-based outcomes.

4.59   The **SNPP-2012** scenario provides the benchmark against which to consider alternative growth outcomes, with a dwelling requirement of +683 per year over the 2011–2031 plan period, when the 2012-based household growth assumptions (**HH-12**) are applied.

4.60   Alternative headship rates have been applied, to evaluate the impact of the earlier, 2008-based, household growth assumptions upon each scenario outcome. In all cases, the application of the 2008-based assumptions (**HH-08**) results in a higher average annual dwelling requirement.

4.61   The **PG-5yr** and **PG-10Yr** scenarios make more explicit use of the historical evidence on internal and international migration for a 5-year and 10-year historical period (2008/09–2012/13and 2003/04–2012/13 respectively).

4.62   Dwelling growth under these alternative trend scenarios is higher than the **SNPP-2012** scenario at +712 (**PG-10yr**) and +894 (**PG-5yr**).

4.63   The PG-10Yr SENS scenario which assumes an increasing level of net migration from North Tyneside results in a dwelling growth of +975 each year.

5.   Linking demographic and economic growth

Introduction

5.1   The PPG states that, as part of the assessment of housing need, the likely change in the number of jobs in an area should be considered, as should the size and structure of the labour force (PPG paragraph 2a-018). In the previous section, the results of the Edge Analytics demographic scenarios were presented.

5.2   In this section, the labour force and jobs growth implications of the demographic scenarios are evaluated, For comparison with these outcomes, a range of 'jobs-led' scenarios has also been developed by Edge Analytics, using employment growth figures from St Chad's college, Durham, A range of jobs-led sensitivity scenarios are also presented, in which the demographic implications of alternative commuting and unemployment assumptions are assessed.

Labour Force and Jobs Growth implications of the demographic scenarios

5.3   In POGPROUP, it is possible to derive the size and structure of the resident labour force and the number of jobs that an implied level of population growth could support. This is achieved through the application of the following three key economic assumptions:

- The **economic activity rates** determine the proportion of the working-age population that is economically active, i.e. the labour force. The labour force includes those who are in work (i.e. 'workers') and also those who are unemployed;

- The **unemployment rate** determines the proportion of the labour force that is in employment (i.e. the number of workers); and

- The **commuting ratio** determines the balance between the resident number of 'workers' (i.e. employed labour force) and the number of jobs in an area. A commuting ratio greater than 1.0 indicates a net *out*-commute (the number of workers resident in an area is greater than the number of jobs). A commuting ratio less than 1.0 indicates a net *in*-commute (i.e. the number of jobs is greater than the number of resident workers).

5.4   In a trend-based scenario, the size of the resident labour force and the number of jobs that can be supported are therefore sensitive to adjustments to these key factors. The following set of assumptions has been applied to the demographic scenarios:

- **Economic activity rates** for Northumberland have been derived from 2001 and 2011 Census statistics and adjusted to account for changes to the state pension age (SPA) and to accommodate potential changes in economic participation which might result from an ageing but healthier population in the older labour-force age-groups.

arc⁴

- In all core scenarios, the **unemployment rate** across Northumberland has been incrementally reduced from 6.6% in 2014 to 5% by 2020 to account for economic recovery post-recession, and fixed at 5% thereafter.

- In all core scenarios a fixed **commuting ratio** of 1.18, from the 2011 Census Travel to Work data for Northumberland, has been applied in each year of the forecast period.

5.5 With these economic activity rate, unemployment rate and commuting ratio assumptions, the derived annual jobs growth 2011-2031 is summarised in Table 5.1. In all scenarios there is a reduction in jobs as a result of the gradual aging of Northumberland's population.

Table 5.1 Northumberland annual jobs change, 2011-2031	
Scenario	**Jobs**
PG-10yr SENS	-157
PG-10yr	-237
Dwelling-led RSS*	-342
PG-5yr	-427
SNPP-2012	-496
Dwelling-led Past Delivery*	-555

*for comparative purposes

Aligning jobs growth and population growth

5.6 The jobs growth implications of the population growth trajectory under each of the demographic scenarios have been derived using three key economic assumptions: economic activity rates, an unemployment rate and a commuting ratio.

5.7 In the assessment of housing need, the PPG states that the likely future change in the number of jobs in an area should be considered. It is stated that: *'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns … and could reduce the resilience of local businesses'* (PPG paragraph 2a-018).

5.8 In the following section, the level of jobs-growth implied by employment forecasts for Northumberland is considered. These forecasts, developed by St. Chads, are linked to the demographic scenarios through sensitivity testing around the three key economic assumptions.

Linking jobs forecasts and demographic scenarios

5.9 In POPGROUP, the population, household and dwelling growth implications of the jobs growth trajectories can be evaluated using a 'jobs-led' formulation of the POPGROUP forecasting model. In a jobs-led scenario, population growth is linked directly to the change in the number of jobs available within an area.

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5.10   POPGROUP evaluates the impact of a jobs growth trajectory by measuring the relationship between the number of jobs in an area, the size of the resident labour force and the size of the resident population. Internal migration is used to balance the relationship between the size of the labour force and the forecast number of jobs. A higher level of net in-migration will occur if there is insufficient resident population and labour force to meet the forecast number of jobs. A higher level of net out-migration will occur if the population is too high relative to the number of jobs.

5.11   Key to determining the level of population growth required to meet a defined jobs growth trajectory are the three assumptions on economic activity, unemployment and commuting. With an ageing population (together with a fixed commuting ratio), higher levels of net in-migration would be needed to support the level of jobs growth in the employment forecasts.

Jobs-led scenarios

5.12   Jobs growth forecasts for Northumberland have been provided by St. Chad's college, Durham. Four alternative core forecasts have been prepared, measured as a total increase in the number of available jobs 2013/14 to 2030/31 (Table 5.2 and Figure 5.2).

Table 5.2	Jobs-led core scenarios
Scenario	Description
Jobs-led Baseline	Population growth is determined by the annual change in the number of jobs, as defined by St Chad's 'Baseline' employment forecast (headcount totals). This is a total increase of *+6,253* jobs 2013/14– 2030/31. The unemployment rate is incrementally reduced over the 2014–2020 period. The 2011 Census commuting ratio is applied, fixed throughout the forecast period.
Jobs-led Lower	Population growth is determined by the annual change in the number of jobs, as defined by St Chad's 'Lower' employment forecast (headcount totals). This is a total increase of *+3,559* jobs 2013/14– 2030/31. The unemployment rate is incrementally reduced over the 2014–2020 period. The 2011 Census commuting ratio is applied, fixed throughout the forecast period.
Jobs-led Upper	Population growth is determined by the annual change in the number of jobs, as defined by St Chad's 'Upper' employment forecast (headcount totals). This is a total increase of +11,162 jobs 2013/14– 2030/31. The unemployment rate is incrementally reduced over the 2014–2020 period. The 2011 Census commuting ratio is applied, fixed throughout the forecast period.
Jobs-led Policy	Population growth is determined by the annual change in the number of jobs, as defined by St Chad's 'Policy' employment forecast (headcount totals). This is a total increase of *+11,826* jobs 2013/14– 2030/31. The unemployment rate is incrementally reduced over the 2014–2020 period. The 2011 Census commuting ratio is applied, fixed throughout the forecast period.

arc⁴

Figure 5.1   Northumberland jobs-growth trajectory under each of the employment forecast alternatives for Northumberland (Source: Policy Research Group, St. Chad's College Durham).
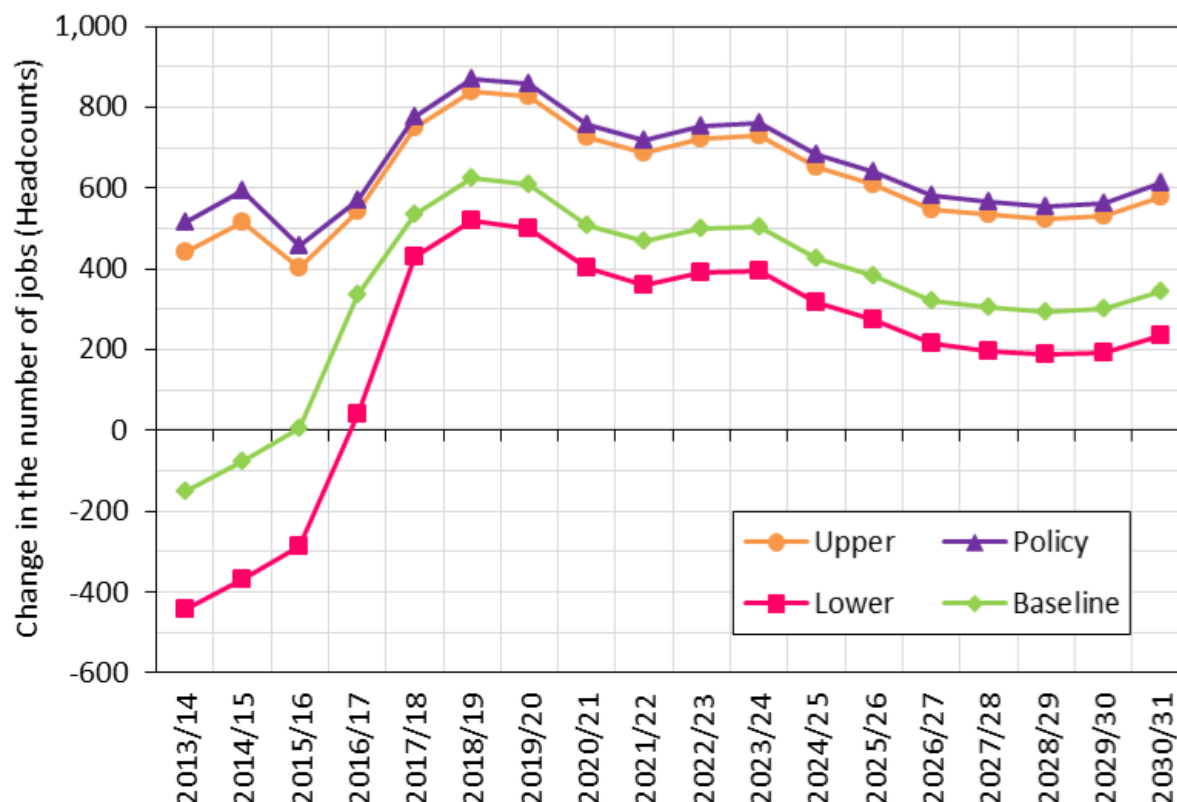
Note that the jobs-growth targets are applied from the start of the forecast period (i.e. from 2013/14 onwards)

Jobs-led scenarios and sensitivity testing

5.13   To evaluate the level of population growth required to meet the jobs growth forecasts, four jobs-led scenarios have been developed in POPGROUP. The core set of economic assumptions applied in the demographic scenarios have been applied in the jobs-led scenarios. Additionally, alternative unemployment rate and commuting ratio assumptions have been applied, in four 'sensitivity' (**SENS A to SENS D**) scenarios:

- **SENS A**: Unemployment and economic activity rate assumptions are consistent with the core scenarios. Commuting ratio reduces in line with the historical 2001-2011 trend;

- **SENS B**: Unemployment and economic activity rate assumptions are consistent with the core scenarios. Commuting ratio reduces in line with the NOMIS line of best fit;

- **SENS C**: Unemployment rate reduced to lowest historical value by 2031 and the commuting ratio reduces in line with the historical 2001-2011 trend;

- **SENS D**: Unemployment rate reduces to lowest historical value by 2031 and the commuting ratio reduces in line with the NOMIS line of best fit.

Unemployment rate

5.14   The unemployment rate, together with the commuting ratio, controls the balance between the size of the labour force and the number of jobs available within an area. In all core scenarios, the 2014 unemployment rate (6.6%) has been applied and incrementally reduced to the 'pre-recession' average (2004-07) of 5% by 2020 and fixed thereafter. In the Jobs-led SENS C and D scenarios, the unemployment rate is incrementally reduced to the lowest historical unemployment rate of 4.4% by 2031.

Commuting Ratio Assumptions

5.15   In the core scenarios, the 2011 Census commuting ratio has been applied, fixed throughout the forecast period. In the jobs-led sensitivity scenarios, the commuting ratio incrementally decreases from the 2011 Census value (of 1.18) to 1.03 (Jobs-led SENS A and SENS C) and to 1.09 (Jobs-led SENS B and SENS D) by 2031.

Jobs-led Scenario Outcomes

5.16   Of the nine core scenarios, population growth is highest under the jobs-led scenarios. In the jobs-led scenarios, the underlying economic assumptions (economic activity rates, commuting and unemployment) determine the balance between jobs-growth and population growth. Four sensitivities (Sens A to D) have been developed for three of the jobs-led scenarios (Baseline, Upper and Policy) and the outcomes under HH-12 headship rates are summarised in Table 5.3.

5.17   For the jobs-led scenarios, the choice of assumptions has a direct bearing on the estimated population and dwelling growth that supports the alternative jobs-growth assumptions.

5.18   Reducing unemployment, coupled with greater self-containment of the resident labour force through a reduced commuting ratio (**SENS C** and **SENS D**) result in the maintenance of a larger labour force in Northumberland, requiring less in-migration to meet the jobs growth forecast.

Summary

5.19   Consideration of the alignment of housing growth with economic growth is a key requirement of the PPG. Edge Analytics has evaluated the demographic implications of an alternative employment growth forecasts for Northumberland (developed by St. Chads), considering how key assumptions on unemployment rates and commuting ratios might influence dwelling growth outcomes.

5.20   The annual average dwelling growth outcomes for the range of jobs-led scenarios coupled with alternative demographic scenarios for the 2011–2031 plan period are summarised in Figure 5.2.

Table 5.3	Population and household change under core and sensitivity scenarios under alternative jobs-led assumptions						
		Change 2011-2031				Average per year	
Jobs-led assumption	Scenario	Population Change	Population Change %	Household Change	Household Change %	Net Migration	Dwellings (HH-12)	Jobs[45]
Jobs-led Baseline	Core	43121	13.6	26915	19.4	2585	1,438	275
	SENS B	23412	7.4	18977	13.7	1697	1,014	320
	SENS D	22092	7	18478	13.3	1625	987	320
	SENS A	9067	2.9	13180	9.5	1049	704	353
	SENS C	7813	2.5	12706	9.2	980	679	353
Jobs-led Upper	Core	54498	17.2	31507	22.7	3089	1,683	520
	SENS B	34011	10.8	23274	16.8	2167	1,243	565
	SENS D	32642	10.3	22757	16.4	2092	1,216	565
	SENS A	19108	6.0	17266	12.4	1494	922	598
	SENS C	17808	5.6	16774	12.1	1423	896	598
Jobs-led Policy	Core	56033	17.7	32126	23.2	3157	1,716	553
	SENS B	35441	11.2	23853	17.2	2230	1,274	598
	SENS D	34066	10.8	23333	16.8	2155	1,246	598
	SENS A	20463	6.5	17816	12.8	1555	952	631
	SENS C	19156	6.1	17322	12.5	1483	925	631

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[45] In the jobs-led assumptions growth targets are applied from 2013-31, while for the years 2011-13, jobs growth is derived from the population based on MYE. Different commuting and unemployment assumptions applied to the SENS scenarios mean that when averaged over the plan period the annual jobs growth figures differ from the Core Scenarios. See Northumberland County-Level Demographic Analysis and Forecasts (Edge Analytics, July 2015) for more detail.

Figure 5.2   Northumberland, summary of annual average dwelling growth outcomes, 2011–2031
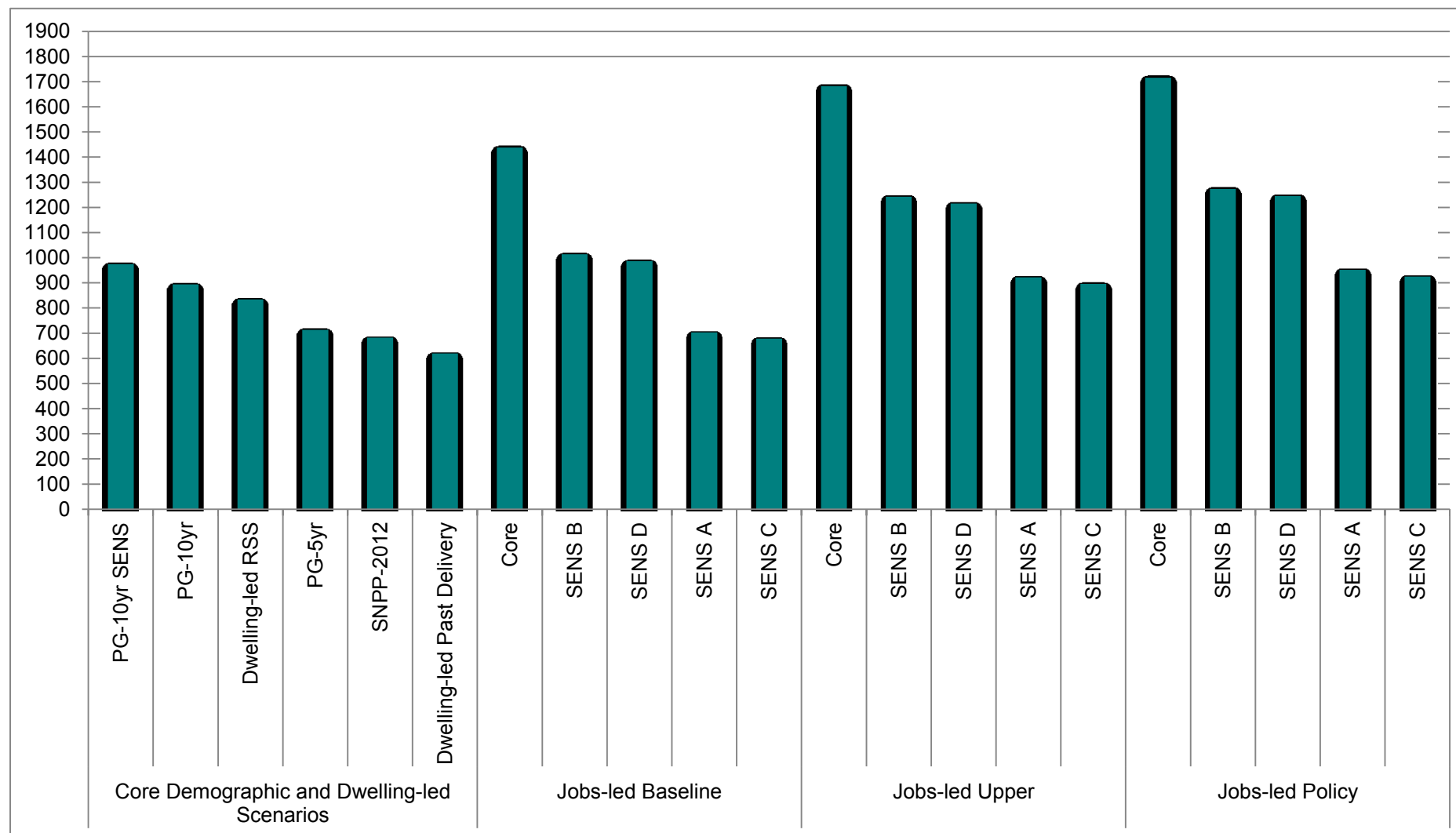
Source: Edge Analytics

6. Northumberland housing market review

Introduction

6.1   The purpose of this chapter is to explore the housing market dynamics of Northumberland focusing on: current stock profile and condition; tenure characteristics; housing need and affordable requirements; market demand and aspirations; overcrowding and under-occupancy; the needs of particular groups including older people, people with disabilities and Black, Asian and Minority Ethnic Groups.

Estimates of current dwellings in terms of size, type, condition, tenure

6.2   This study assumes a total of 149,750 dwellings in Northumberland County and a total of 138,535 households. The difference is attributed to vacant dwellings (estimated to be around 5,074) and second home ownership. The overall vacancy rate of 3.4% is slightly higher than the national average of 2.7% across England.

Table 6.1	Total households by HMA and Northumberland dwelling stock			
HMA	**Total Households**	**Total Dwellings**	**Total Vacant**	**%vacant**
Central	33,714			
North	24,246			
South East	71,630			
West	8,945			
Total	**138,535**	**149,750**	**5,074**	**3.4%**

Source: 2012 Household survey; CLG dwelling stock estimates

Property size and type

6.3   Table 6.2 reviews the profile of occupied dwelling stock by size and type across Northumberland. Overall, the vast majority (72.7%) of properties are houses, 18.8% are bungalows, 8.0% are flats and maisonettes and 0.5% are other types of property including bedsits and caravans. Of all occupied properties; 8.3% have one bedroom or bedsit, 29.2% have two bedrooms, 42.8% have three bedrooms and 19.7% have four or more bedrooms.

6.4   How property type varies by HMA is illustrated in Figure 6.1 and variations in number of bedrooms by HMA in Figure 6.2. Notable HMA variations include the relatively higher proportion of detached properties in the Central and West HMAs; high proportions of bungalows in the North HMA; and higher proportions of larger properties with four or more bedrooms in the Central HMA.

Table 6.2	Property type and size of occupied dwellings across Northumberland						
Property Type	**No. Bedrooms (Table %)**					**Total**	**Base (Valid response)**
	One	**Two**	**Three**	**Four**	**Five or more**		
Detached house	0.1	1.0	6.6	9.7	2.9	20.3	*28013*
Semi-detached house	0.1	7.5	19.3	3.1	0.7	30.7	*42310*
Terraced house	0.3	8.1	11.6	1.4	0.3	21.7	*29942*
Detached bungalow	0.4	3.1	3.9	1.1	0.2	8.7	*11943*
Semi-detached bungalow	1.4	3.6	1.0	0.1	0.0	6.1	*8454*
Terraced bungalow	2.0	1.8	0.2	0.0	0.0	4.0	*5512*
Flat/maisonette	3.6	4.1	0.3	0.0	0.0	8.0	*11087*
Bedsit	0.4	0.0	0.0	0.0	0.0	0.4	*509*
Caravan/mobile home/houseboat	0.0	0.1	0.0	0.0	0.0	0.1	*171*
Total	8.3	29.2	42.8	15.5	4.2	100.0	*137941*
Base (Valid response)	*11468*	*40255*	*59095*	*21341*	*5782*	*11468*	

Source: 2012 Household Survey

Figure 6.1   Property type by HMA
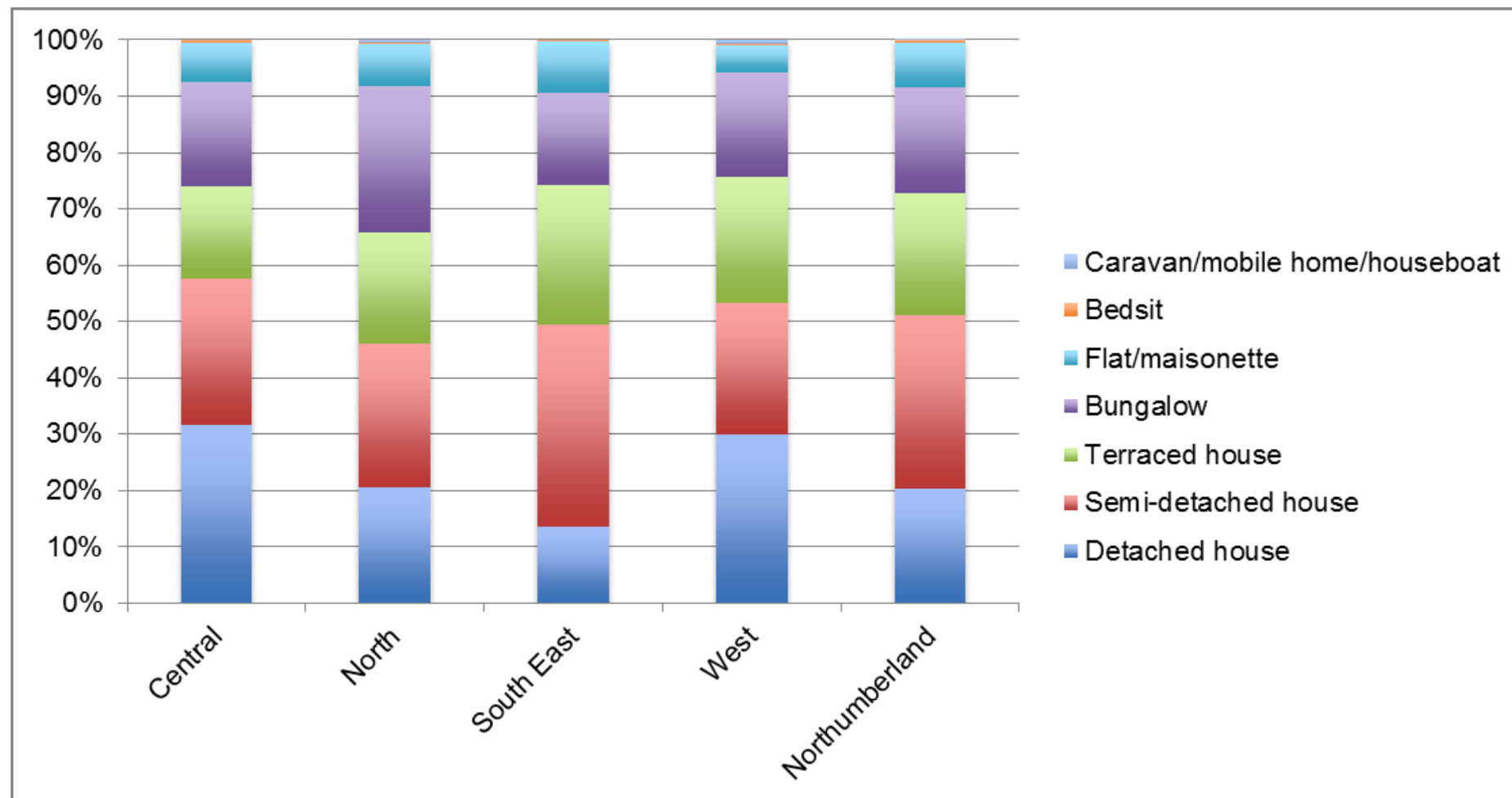
Source: 2012 Household Survey

Figure 6.2   Property size by HMA
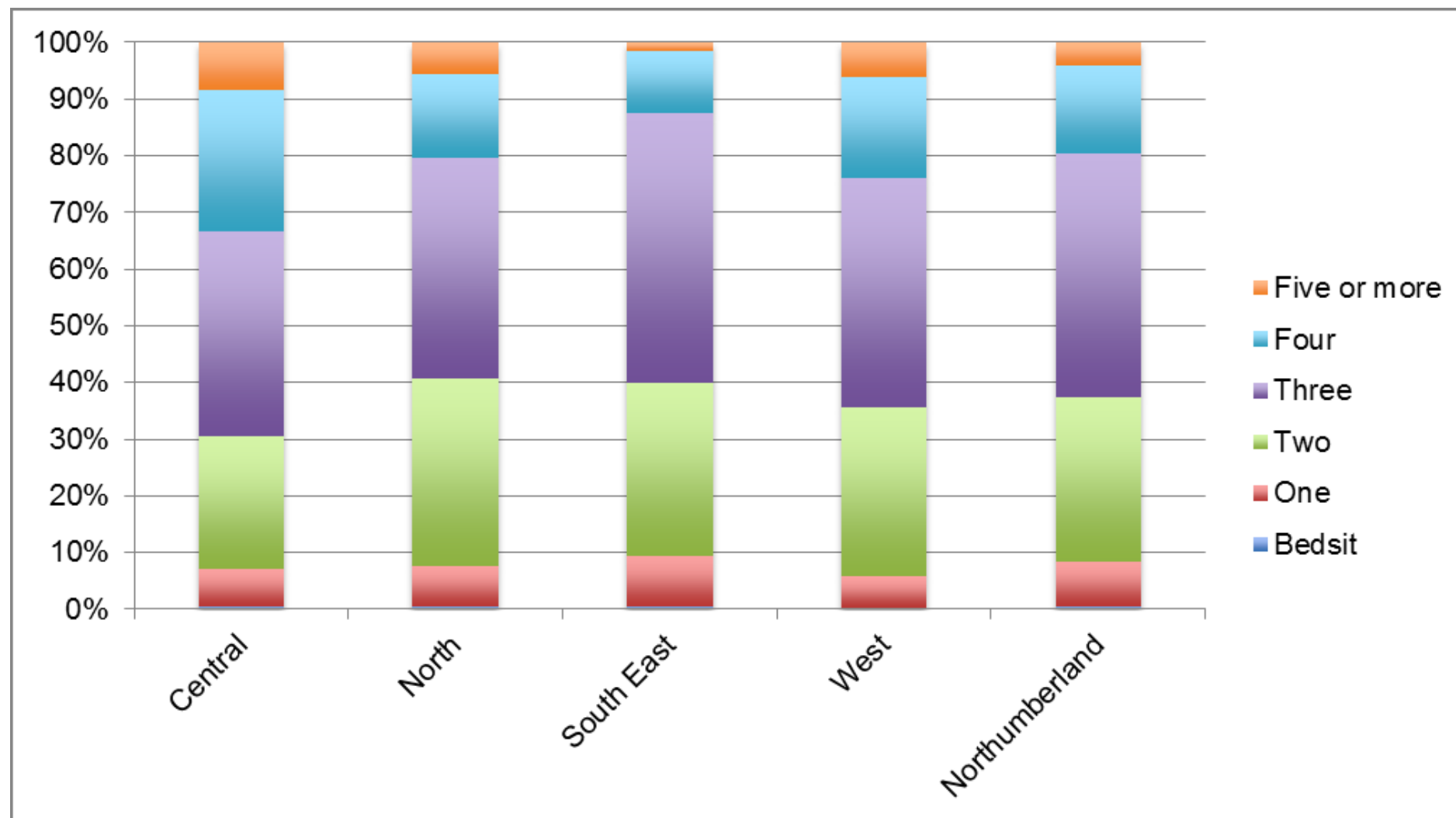
Source: 2012 Household Survey

Property tenure

6.5   The tenure profile of the Northumberland area is summarised in Figure 6.3. Variations in broad tenure groups by HMA are summarised in Figure 6.4. Overall, based on survey evidence, 66.0% of occupied dwellings are owner-occupied, 15.2% are private rented (including tied accommodation), 18.6% are rented from a social housing provider and 0.2% are intermediate tenure dwellings.

Figure 6.3   Northumberland: tenure profile of occupied dwellings
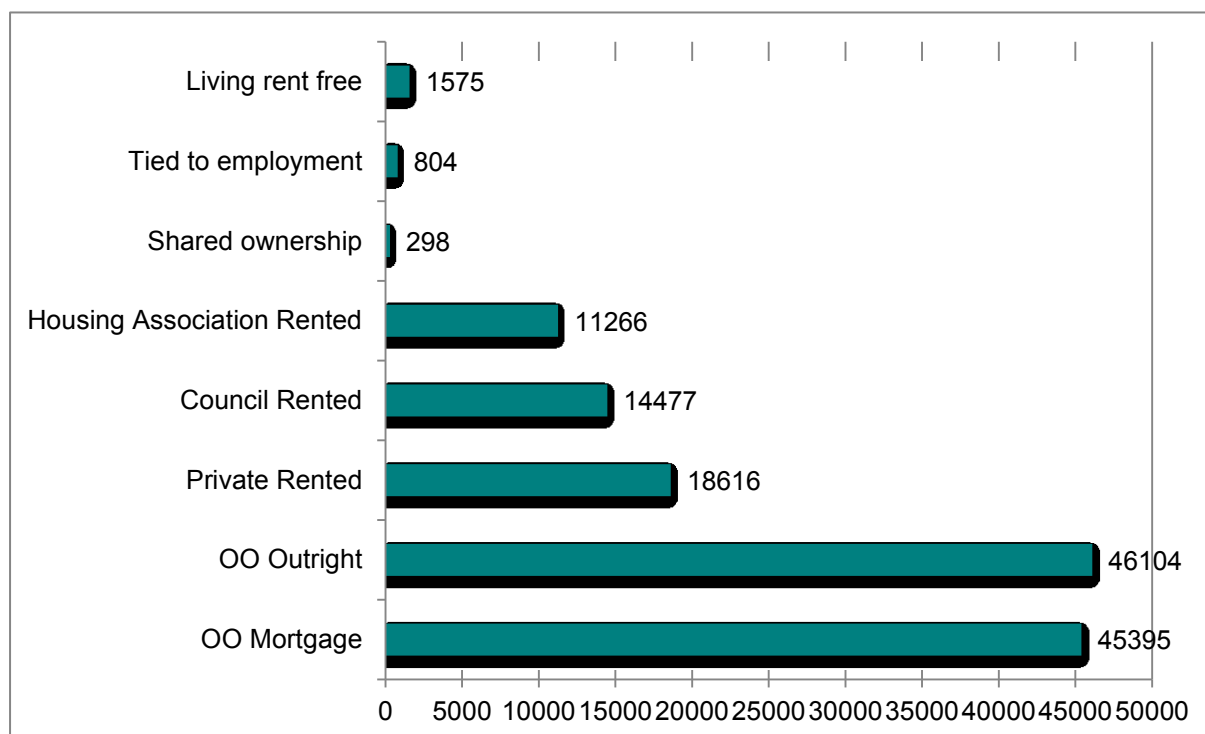
Source: 2012 Household Survey

6.6   Tenure profile varies across Northumberland (Figure 6.4). The proportion of owner occupied dwellings is highest in the Central HMA (72.1%); private renting in the West (21.9%) and North (20.9%); and affordable accommodation (social rented or intermediate tenures) in the South East (22.0%).

Figure 6.4   Northumberland tenure profile by HMA
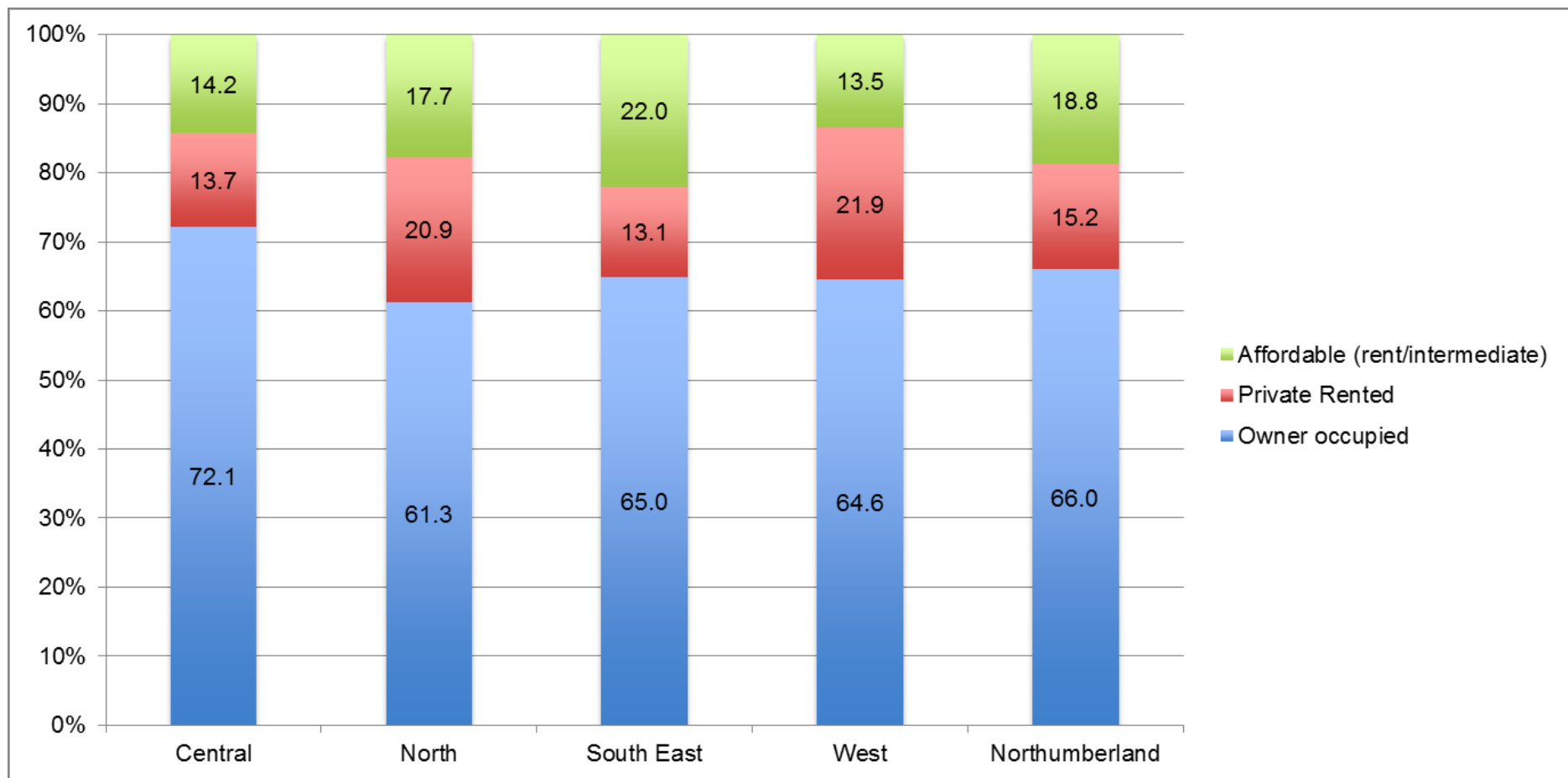
Source: 2012 Household Survey

Tenure characteristics

Owner-occupied market

6.7   66.0% (91,499) of households across Northumberland are owner occupiers. 33.3% of all households (46,104) own outright and 32.8% of all households (45,395) have a mortgage.

6.8   The household survey provides the following information on owner occupied stock:

- Most owner-occupied properties are houses, with 31.9% semi-detached, 26.3% detached and 22.4% terraced; a further 16.6% are bungalows, 2.7% flats/maisonettes and 0.2% other property types;

- 48.6% of properties have three bedrooms, 27.4% have four or more bedrooms, 22.8% have two bedrooms and 1.3% have one bedroom;

6.9   Over the period 2000 to 2014, lower quartile and median house prices across Northumberland have increased dramatically as summarised in Table 6.3.

6.10   It is interesting to note that in 2000, a household income of £10,857 was required for a lower quartile price to be affordable; by 2014 this had increased to £26,571. In comparison, an income of £17,129 was required for a median priced property to be affordable in 2000 compared with £40,159 in 2014.

Table 6.3	Lower Quartile and median price and income required to be affordable			
Northumberland	**House Price (£)**		**Income to be affordable***	
	2000	2014	2000	2014
Lower Quartile	38,000	93,000	£10,857	£26,571
Median	59,950	140,556	£17,129	£40,159

Source: DCLG / Land Registry

*Assuming a 3.5x income multiple

6.11   A range of socio-economic and demographic information on residents has been obtained from the household survey. Some interesting observations relating to owner-occupiers include:

- In terms of household size, almost half (47.8%) of owner-occupied households comprise two people, while only 22.9% are single-person households, 13.4% include three people and 16.1% include four or more people;

- Just over half of Household Reference People (Heads of Household) living in owner occupied dwellings are in employment (56.0%) and a further 37.7% are wholly retired from work; a further 3.6% are looking after the home or caring for someone, 1.5% are long-term sick or disabled, 1.0% are temporarily away from work and 0.1% in education or training;

- 44.7% of households have an income of less than £25,000 per annum, 30.4% receive between £25,000 and £45,000 per annum and 24.9% receive over £45,000 per annum; and

- In terms of length of residency, 64.8% of owner occupiers have lived in the same property for ten years or more (and the figure is 78.3% for outright owners).

Views of estate agents

6.12   arc[4] approached the following agents in Northumberland who and all agreed to face to face interviews.

- Pattinsons (Ashington and Newbiggin);

- Mike Rogerson (Blyth, Bedlington and Cramlington);

- Sam Allan (Morpeth and rural hinterland);

- Rook Matthews Sayer (Ponteland and Darras Hall);

- Rook Matthews Sayer (Hexham, Tyne Valley and rural hinterland);

- George F White (Alnwick, town and coastal area); and

- Edwin Thompsons (Berwick upon Tweed and large rural hinterland).

6.13   The majority of agents reported that they were having a better year than previously in the sales market, with more activity than the previous year and the numbers of transactions generally rising, with fewer potential sales falling through than they experienced in previous years.

6.14   The main issue that everyone agreed with when talking about the sales market was that prices were not rising apart from the coastal strip (from Bamburgh to Alnmouth and Beadnell) and in the cheaper price bracket in Ashington and Blyth. Most prices achieved for vendors remained below the 2007/8 peak; one agent reported that some internal research he had carried out indicated that at their lowest prices had dropped by as much as a quarter.

6.15   It appeared that sellers were being realistic in their asking prices given that they were benefiting if they were purchasing another property themselves. Sellers were taking their agents' advice on valuations and this meant that properties were being priced to sell. There was some concern that the flow of new instructions being made was less than the level of sales but this relative shortage was not pushing up prices as yet.

6.16   There was a shortage of smaller homes in Alnwick and Hexham and a shortage of bungalows in Ashington and the Alnwick area. Agents quoted that there were very few new build bungalows coming onto the market, the emphasis seemed to be on building family accommodation.

6.17   None of the agents felt that there were any major impacts arising from changes to local employment levels though there was some demand arising from proximity to the Airport and within easy commuting distance of Tyneside. Remoteness from employment opportunities was cited as being a major brake on the housing market in Berwick-upon-Tweed in particular and in the more remote rural areas which were often seen as less popular to prospective buyers.

6.18   Agents generally felt the relatively low wages in the County and the poor employment opportunities available to residents were likely to dampen future

price rises and the level of home grown demand for homes to purchase. Around Berwick-upon-Tweed there were in excess of 1000 homes with planning permission but a site with fewer than 50 homes was still not complete eight years after it started on site.

6.19   None of the agents felt that the improvements to the A1 would have any effect on demand for homes, nor future price levels.

6.20   All agents felt that first time buyers were present in the market but that numbers had neither increased nor reduced over the past few years. Those looking to enter the market are clearly well prepared and have researched the new lending criteria, the types of loans available and how to get them. They seemed to inhabit certain bands within the market, for example from £100,000 to £150,000 in the Ashington area and the slice between £150,000 and £200,000 in and around Ponteland, neither band seeming to represent the bottom of the respective markets.

6.21   The impact of Help to Buy was considered to be non-existent for existing homes whilst agents felt that Help to Buy was being exploited by the large house builders who were becoming much more active in most of the towns. For example, Persimmon was pushing Help to Buy hard in Ashington and there was considerable new build starting to appear in Blyth and in particular, around Morpeth.

6.22   Some shared ownership homes are available as part of larger developments in various parts of Northumberland and these appeared to be moving, albeit slowly.

6.23   Agents reported that many people stay in rented accommodation for longer periods than previously. Agents felt that many people know that they would not pass the stricter criteria set for mortgages and so settle for renting while others are happy to rent and avoid the costs and complications of ownership.

6.24   Northumberland is different from many other areas due to the (often) very large land and property holdings of private estates, particularly in the rural west and north of the county. Landlords offer much longer tenancies and tenants stay for considerable periods of time, partly because the landlords offer a good service but also there is little suitable housing to purchase in the rural area around Wooler and Berwick-upon-Tweed, for example.

6.25   Much of Northumberland outside of the urban south east is attractive to older home owners from outside of the area who are usually cash buyers and looking initially for holiday accommodation which often becomes their retirement home. This steady flow of cash, quality buyers is driving the market in these parts of the County and is leading anecdotally to the smoother operation of the sale and purchase process. Mortgage availability does not influence this flow so failed transactions are much fewer than in the past.

6.26   There is a shortage of appropriate serviced apartments for the elderly and as already stated, a shortage of bungalows and in and around Hexham, of smaller homes in general.

6.27   The quality of schools is a major factor which influences where people buy homes especially in Blyth, Morpeth, Hexham and Ponteland where secondary schools in particular are seen as excellent and a reason to live in their

catchments. Schools were not identified as a major issue in Berwick-upon-Tweed, Alnwick and Ashington.

6.28   All agents advised that the sales market in Northumberland has picked up over the last year (or had at least just about remained stable) and felt that this was in line with the gradual economic recovery. Most felt that the sales market was not as strongly seasonal as it used to be. Whist the busiest times tend to be October and November, these concentrations had reduced considerably over recent years. Prices remained considerably down on the 2007/8 peaks apart from the coastal strip, and there was some upward price movements at the lower end of the market in Blyth and Ashington.

6.29   Most properties were finding buyers but the more rural areas remote from services stayed on the market longer with some, in the north of the County, having been on the market for five years.

6.30   The market towns within travelling distance of Tyneside, especially Morpeth and Hexham, and to a lesser extent Alnwick, remain very popular, as do particular pockets within towns for example, South Beach in Blyth or around Alnmouth Station, and of course popular areas like Bamburgh and Corbridge.

6.31   The cash purchase of holiday homes by people living elsewhere in the County is an important factor in the housing market in the coastal area and the area within the National Park and the Tyne Valley; it remains strong and has been in evidence for many years.

6.32   The first time buyer market seems to be steadily improving and many now miss out the flat/terraced house stage and buy three bed semis in better locations or are able to use the Help to Buy and shared ownership products now aimed at stimulating the new build housing market. Mortgage availability has also improved recently, further boosting demand.

6.33   New build properties in the area appear to sell well and provide a steady source of business to agents in the form of properties taken in part exchange by developers. Agents around Blyth and Morpeth are not convinced that the surge in new building currently underway will move very quickly.

6.34   Property prices in the area vary between £30,000 - £1,000,000 with exceptional properties which are either very large or situated in the rural areas and the National Park or close to the airport in Darras Hall, commanding much higher prices. Most homes coming to the market sell quite quickly, except for the more remote rural areas

6.35   In summary:

- Demand for housing in the area is at least steady or improving across the County;

- The sales market has picked up over the past year and confidence within the market is growing and the number of completed transactions is slowly increasing;

- Sales prices are not increasing and are well below their 2007/8 peak ;

- There are now very few repossessions and no evidence of negative equity;

- 2 and 3 bed bungalows and 3 bed family homes with gardens are in most demand;

- Across much of the County, school catchments are important to prospective buyers although there is no discernible impact on prices in these areas;

- Parts of the area have an extremely healthy investor market but activity diminishes as returns reduce (i.e. where homes are more expensive to buy);

- Historically the local housing market has seen a healthy demand from other parts of the country for holiday and retirement homes and this is continuing; and

- The older persons market is increasing in the area but there is a shortage of new specialist accommodation (bungalows or apartments) coming onto the market to satisfy this demand.

Stakeholder views on new housing provision

6.36   The key stakeholders who responded to the online survey were aware of a range of new housing provision within Northumberland and felt that the scale of the new developments taking place had noticeably increased in recent years. Stakeholders identified that development is focused towards general needs and housing for sale in areas such as Morpeth, Blyth, Cramlington and a small amount within the National Park. Some felt that not enough was being built to support local need whilst others suggested that what was being built was not suitable to cater the demand profile that is currently present. One stakeholder supported this view saying *"New build developments are starting to pick up however these are not all being planned positively and most are due to aggressive appeals being won on a lack of housing land supply"*.

6.37   A number of respondents were holding both green and brown field land within the area and some were currently involved in the development of new housing provision within the County. Much of this development is focused around providing affordable homes for rent and for low cost home ownership. This was targeted at a range of client groups in varying locations yet affordability was identified by most respondents as a problem within the area.

6.38   Stakeholders were keen to develop within Northumberland for a number of reasons including;

- High levels of local demand for housing presenting a viable commercial opportunity;

- To offer greater geographical balance to existing property portfolios;

- Strong ties and commitments to the area and;

- To help cater to local communities' needs.

6.39   When asked what the main barriers to development were, a number of views were offered. These were defined as:

- Restrictions with planning and planning policies including the speed at which these can be obtained,

- Market viability and the attractiveness of an area;

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- Financial viability of development including land values and;

- A lack of understanding of local need and how this varies in different geographies across the County.

6.40   Stakeholders were asked what locations of the County should be prioritised for housing growth. A range of views were provided as to where new housing should be built including:

- Proportionally distributed between the larger centres of population which have a good range of services and facilities yet not limited development in the rural areas;

- In areas where the need is high and the market is viable;

- In sustainable locations within existing urban areas and this should include development in suitable rural or semi-rural areas and;

- Ponteland, Darras Hall, Blyth and Cramlington were highlighted as specific areas where new housing should be built.

6.41   The general view was that demand for new housing came from a broad range of groups with first time buyers, the elderly and families identified as the most active within the market. Stakeholders felt that due to the vast geographical spread of the County, demand needs changed greatly in different locations. Demand was identified as coming from a range of households currently living within Northumberland as well as increasing levels of in-migration particularly from those seeking second homes in the area. However, stakeholders felt that this was focused towards the more rural areas of the county. One stakeholder noted that the area is popular for people who are "in work but want to live away from the Tyneside conurbation".

6.42   Asked to identify what types of housing they thought should be built, the general view was that a broad range of new housing is required in Northumberland to meet a spectrum of needs and demands this included;

- A focus on affordable family homes with 3+ bedrooms;

- Bungalows;

- Adapted homes for special needs;

- Specialist housing;

- High-quality, executive houses; and

- High-quality 2 and 3 bed family homes.

6.43   Stakeholders envisaged that growth would take place within the new build market over the short to medium term. However, most were concerned that land availability would present challenges when aiming to support this growth. The consensus was that family demand would be particularly strong and one stakeholder suggested; *"demand for detached new build family homes will continue to grow as supply is currently outstripped by this demand"*.

6.44   In relation to Black and Minority Ethnic (BAME) households, stakeholders suggested there were no housing related issues amongst this demographic.

6.45   In terms of the key messages for the SHMA in respect of new housing provision in Northumberland, respondents made the following points;

- The importance of an up to date and relevant Local Plan to support the future development of new housing provision whilst ensuring this is in line with the needs of those seeking housing;

- Acknowledgement of the issues associated with delivery including constraints of the market such as mortgage availability;

- Older persons preference for living well at home should be of priority;

- More affordable, elderly and specialist housing be provided in the more rural areas and;

- Continued growth is needed to match and support the improving economy.

Private rented sector

6.46   Nationally, the private rented sector has established itself as an important dimension of the housing market to complement owner occupation and social renting. The sector plays a major role in facilitating labour mobility. The sector is diverse in terms of the range of households it accommodates and the types of properties available. A report 'The Modern Private Rented Sector'[46] provides a useful overview of the sector. Drawing upon 2001 census data, it suggests that the private rented sector has five key roles:

- A traditional housing role for people who have lived in the private rented sector for many years;

- Easy access housing for the young and mobile;

- Providing accommodation tied to employment;

- A residual role for those who are unable to access owner occupation or social renting;

- An alternative to social rented housing (for instance those wanting to move to a different area but unable to do so through their social housing provider).

6.47   Given the range of roles of the private rented sector, there is a considerable diversity in the characteristics of private renting tenants. Evidence from the 2001 census (Rhodes, 2006) indicates that households living in private rented accommodation:

- tend to have younger Heads of Household;

- are ethnically diverse;

- singles, lone parents and other multi-adult households are over-represented compared with other tenures;

- people in professional and higher technical occupations are over-represented compared with other tenures;

- are more likely to be highly mobile geographically and turnover rates are high; and

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[46] 'The Modern Private Rented Sector' David Rhodes, 2006 University of York with CIH/JRF

- are more likely to accommodate international migrants.

6.48   The report 'The Private Rented Sector: its contribution and potential'[47] identified that the private rented sector is complex and distinct sub-markets include:

- Young professionals;

- Students, whose needs are increasingly being met by larger, branded, institutional landlords;

- The housing benefit market, where landlord and tenant behaviour is largely framed by housing benefit administration;

- Slum rentals at the very bottom of the PRS, where landlords accommodate often vulnerable households in extremely poor quality property;

- Tied housing, which is a diminishing sub-sector nationally but still has an important role in some rural locations;

- High-income renters, often in corporate lettings;

- Immigrants whose most immediate option is private renting;

- Asylum seekers, housed through contractual agreements with government agencies;

- Temporary accommodation, financed through specific subsidy from the Department for Work and Pensions; and

- Regulated tenancies, which are a dwindling portion of the market.

6.49   The report concludes that the PRS needs to become a flexible, well-functioning element of the housing market. To this end, its recommendations include:

- More policy to encourage a better understanding of managed rented housing and mandatory regulation of managing agents to ensure better quality management standards and Registered Providers should be encouraged to enter this market place;

- Initiatives to 'grow' the business of letting, encouraging smaller, good landlords to expand their portfolios and view this as a business;

- Equalising rental choice so low-income households can make a real choice between a social or private let and see both as being equally desirable;

- Light-touch licensing and effective redress to encourage local authorities to target the very worst landlords and a permit/licence would be required by all landlords that would be revoked if the landlord did not meet statutory requirements on housing management and quality.

6.50   The private rented sector accommodates around 15.2% (20,995) of households across Northumberland. Of these households, 18,616 rent

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[47] The Private Rented Sector: its contribution and potential' Julie Rugg and David Rhodes, Centre for Housing Policy The University of York 2008

privately from landlords, 804 rent with their job (tied accommodation) and 1,575 live rent free. Table 6.4 summarises the number of private rented dwellings by HMA and indicates that 44.5% of all private rented dwellings are in the South East HMA, 24.2% are in the North, 21.9% in Central and 9.3% in West.

Table 6.4	Profile of private rented sector in Northumberland		
	Total		
Sub Area	Count	% of PRS stock	% all households living in PRS
Central	4604	21.9	13.7
North	5076	24.2	20.9
South East	9352	44.5	13.1
West	1963	9.3	21.9
Northumberland Total	20995	100	15.2

Source: 2012 Household Survey

6.51   Most private rented properties (65.4%) are houses (of which 25.2% are terraced, 23.3% are semi-detached and 16.9% are detached); a further 20.4% are flats/maisonettes/bedsits and 14.1% are bungalows. 11.4% of privately rented properties have one bedroom/bedsit, 42.6% have two bedrooms, 37.5% have three bedrooms and 8.5% have four or more bedrooms.

6.52   The private sector accommodates a range of tenants. There is a tendency towards smaller households, with 40.5% of private rented households being single-person, 38.2% two-person and 21.3% three or more person households.

6.53   32.2% of private renting households have lived in their accommodation for less than two years.

6.54   In terms of income, 32.6% of privately renting households receive less than £10,000 gross per year, 35.7% receive between £10,000 and £25,000 per year and 31.8% receive at least £25,000 per year, indicating that the private rented sector tends to accommodate lower income households.

6.55   55.5% of Household Reference People (Heads of Household) living in private rented accommodation are employed, 26.9% are wholly retired from work, 6.7% are long-term sick/disabled, 5.4% are carers or looking after the home, 3.9% are temporarily away from work and 1.6% are in education/training.

Estate and lettings agent views on the private rented sector

6.56   All agents reported that the rental market was at least strong and at best buoyant. One agent described the demand for all homes to rent as insatiable. They could not however, identify a single factor driving the market.

6.57   Potential renters included those coming out of relationship breakdowns, some coming into the area and sizing up the market before buying and some downsizers who retained their original home as a source of income after renting a more suitable home, but none of these factors was dominant.

6.58   Demand for one bed accommodation is now very much higher than in previous years, fuelled by the effect of the bedroom tax.

6.59   All bar one of the agents provided full management services to the rented sector and prided themselves on the quality of their service and generally the quality of homes under their management, their main aim was to keep both landlords and tenants happy, which they felt allowed tenants to feel more secure and settled in the rented sector.

6.60   Most accepted DSS and tenants eligible for housing benefit so long as they could provide a personal guarantor. Agents did say however, that some landlords did not want tenants who were not in full time work but there were still many who were happy to leave it to the agents' vetting process to find tenants.

6.61   Agents voiced concern about the possibility of losing more homes from long term letting to holiday lets. The holiday letting period was extending well beyond the school holiday periods as walkers and other activity based stays grew in popularity.

6.62   Agents believe the rental market is consistently strong throughout the year although the build up to the holiday season increases demand. Many holiday home owners seek valuations at the start of the summer and this leads to a flow of homes coming onto the market in October as owners have mulled over their options during the summer months.

6.63   All agents considered that a home becoming available to rent in the area will find a tenant and location was not a huge issue for many as, for example most schools are rated at least good and tourism based employment is spread quite widely across the County. All areas are popular for sales and rentals; areas of ex-right to buy homes are not stigmatized as they were in the past.

6.64   Unfurnished properties are in most demand and there are only a handful of furnished homes available to rent across the County. All agents did however state that they would sort out whatever furniture option someone requested and all said that more and more unfurnished homes included white goods as a matter of course.

6.65   Rental properties tend to move quickly and all who acted as letting and managing agents reported that they had waiting lists for all property sizes in most areas. Professional footballers create a healthy demand for high rental homes in the Ponteland area, access to the airport and Tyneside being important criteria to these renters.

6.66   The range of market rental values is extremely difficult to distil into averages across the County as the market is so varied and complex. However to illustrate some of this variety, the figures from Ashington and Ponteland are detailed below:

	Ashington	Ponteland
1 Bed Flat or Apartment	£300 to £425	£450 to £500
2 Bed House	£300 to £450	£550 to £750
3 Bed Semi Detached House	£500 to £600	£600 to £900
4 + Bed	£650 to £700	£900 to £4500

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6.67   Buy to let investors remain very active in most of the County but the returns on investment are particularly strong in the urban south east driven by very low house prices. This is fuelling considerable sales activity and this seems to be gathering pace. The availability of homes to rent made available by Buy to Let investors provides considerable choice to potential tenants (at least those who pass the vetting process) in and around Blyth and Ashington. It also clearly drives the levels of sales transactions in these areas.

6.68   In summary:

- the rental market is buoyant across the county and there is shortage of accommodation becoming available to rent.

- demand from tenants is consistently very high; and

- the rental market is very strong and rents appear to be showing modest increases.

Stakeholder views on the private rented sector

6.69   The feedback from stakeholders about their views on the size of the rented sector within Northumberland was very mixed. Some felt it was about the right size and others felt it was too small however, no one indicated that it was too big. One stakeholder suggested; *"the demand for private rented accommodation is increasing rapidly"* and they felt that this was as a result of welfare reforms. Further feedback suggested that *"many concealed households are priced out of the private rented market"* whilst another stakeholder felt that *"increasingly older people are looking to the private rental market to meet their housing needs, reducing the responsibility of home ownership in older age"*; they believe that may suggest that the private housing market is not big enough to meet that demand.

6.70   The characteristics of the private rented sector within Northumberland were defined as mainly older properties with many stakeholders indicating that the condition of these types of properties is generally poor. Flats and starter homes were noted as key features of the market however, most felt that supply centred around large numbers of terraced properties. One stakeholder said *"my feeling is that many are in poor condition and too high in value"*. Properties are typically located in large concentrations and are within the former colliery terraced housing of south east Northumberland towns such as Ashington. However, some felt that supply was more evenly split across the County. The areas of high demand are in the south and east of the County with low areas of demand in the north and west. One stakeholder explained why they felt this was the case stating *"Affordability is a dominant factor as well as proximity to employment and the size and quality of the accommodation"*.

6.71   Stakeholders were asked their views on the type and condition of the available housing stock. The consensus was that a broad range of properties were available within the market and this was highlighted as a strength however, the general view was that the condition of this stock was good to mixed. Concerns were raised that 'clusters' of lesser quality properties were

located across the County which can negatively impact of the overall image of an area. Stakeholders felt that more help for landlords would help to improve the overall condition of housing stock across the County.

6.72   Young families and those on low incomes were mentioned as the key households that seek private rented accommodation however; one stakeholder felt that there was *"unmet demand for older people seeking rented accommodation within the area"*. Another suggested that the demand profile was focused around those who *"…cannot access social housing"*.

6.73   Stakeholders felt strongly that there were issues with the stock condition of the private rented sector within Northumberland. They felt that more needed to be done to manage this, as quality was becoming a clear problem within the market. This view was supported by one stakeholder who noted; *"if new stock were available, existing landlords would be forced to do something to their old stock in order to be able to let it"*. One stakeholder also felt that *"There are pockets within the private rented sector where conditions are poor, which impacts on the health and wellbeing of the tenants. This in turn places pressures on health and social care services in providing care and support to the tenants."* Other stakeholders felt that the issues with stock condition also encompassed overcrowding and indicated that this was often a common characteristic amongst ethnic minority groups however, most were unaware of the overall level of demand present from ethnic minority groups locally. Of the feedback obtained, most believe that demand from this grouping was high as most were unable to afford to purchase property and thus seek private rented property within the area to cater to their needs.

6.74   Feedback about the role of buy-to-let within the local market suggested that it was a significant feature and served a range of purposes. The demand for holiday homes was highlighted as a key driver within this market whilst other stakeholders felt that this has traditionally been led by speculative investors, due to relatively low property values. Yet due to lack of demand and increased problems some felt that the scale of activity may now be slowing.

6.75   When asked about the impact of changes in the economy and welfare on the sector, the overall view was that more people are looking for private rented accommodation, as they cannot afford a mortgage due to increased house prices. In addition, the introduction of the bedroom tax and changes to local housing allowance was highlighted as leaving many properties potentially no longer affordable and is encouraging rent arrears. Furthermore, the reduction of social and housing association stock through the right-to-buy scheme means that there is less stock available for social/affordable rent. This was of great concern to stakeholders as little of this public housing stock gets replaced.

6.76   Stakeholders identified some movement between tenures. The general view was this is often amongst those moving into intermediate housing such as shared ownership and shared equity schemes The feedback highlighted the view that traditionally private rented accommodation was viewed as a better alternative to social rented, however as the condition of the social housing estates and associated management services have improved (over the last 10 years) social rented accommodation is now viewed by many existing and prospective tenants as a better alternative. Furthermore, as the condition of

some of the private sector stock has deteriorated, the social stock is viewed as a better, more secure alternative.

6.77   In terms of key strategic messages about the sector to be identified in the SHMA, stakeholders identified the following:

- The condition of the homes and how they are managed needs to be more fully understood and planned for as it can have a significant impact on the local housing markets (both negative and positive);

- Focus on increasing social housing and don't rely solely on private rented as once interest rates increase over the next 5 years there will be less stock available;

- Increasing choice and availability for the older market;

- The provision of more discounted private rented accommodation of a higher quality with security of tenure - i.e. longer tenancy agreements and;

- More products for low earning families.

Affordable sector

6.78   There are around 26,041 households who live in an affordable (social rented or shared ownership) property across Northumberland, accounting for 18.8% of all occupied dwellings.

6.79   Houses account for 51.0% of occupied affordable dwelling stock, 30.3% are bungalows and 18.6% are flats/maisonettes/bedsits. Affordable dwellings tend to have one (30.6%), two (40.7%) or three (27.0%) bedrooms, with a further 1.7% having four or more bedrooms.

6.80   46.9% of households living in affordable dwellings are single-person households, a further 34.9% are two-person households and 18.2% of households comprise three or more people.

6.81   28.2% of Household Reference People living in affordable housing are in employment. 47.3% are wholly retired from work, 11.2% are long-term sick/disabled, 9.3% look after the home/are caring for someone, 2.9% are temporarily away from work and 1.1% are in full-time education/training.

6.82   Incomes are generally low, with 56.8% receiving an income of less than £10,000 gross per year, 36.5% receiving between £10,000 and £25,000 per year and 6.6% receiving £25,000 or more per year.

Stakeholder views on affordable housing

6.83   The stakeholder survey included a range of affordable housing providers from across the County offering a mix of 2/3/4 bed family homes and bungalows in a range of locations to cater to general needs, the elderly and the vulnerable.

6.84   Stakeholders were involved in a range of affordable housing developments within Northumberland. This was mainly focused around; family homes and some bungalows offered for affordable rents, shared ownership, social rent, intermediate products and full market rent.

6.85   Properties offering affordable home ownership products were proving most popular amongst young families who were local to the area however, some stakeholders noted demand from non-locals and the elderly. The types of people who were identified as moving in and out of stakeholder properties were predominantly local people on lower incomes.

6.86   The highest demand for affordable housing is based around families and stakeholders noted that this is typically for 2/3/4 bed family homes. Those located in key market towns and villages with good local facilities typically prove most popular. Larger general needs homes for rent have reduced in popularity. Stakeholders believe this is as a result of welfare reforms whilst one-bed bungalows and flats, bedsits and properties in rural locations are considered the least desirable properties.

6.87   The general view was that there were limited, if any, issues with anti-social behaviour in the area. One stakeholder suggested it did present a challenge *"…in certain areas, particularly Blyth and Ashington"* however this view was not shared by most.

6.88   Stakeholders highlighted that amongst their customer groups, satisfaction rates were generally good. There was also a general view that Decent Homes standards had been achieved in the dwelling stock of stakeholder respondents.

6.89   In terms of key messages for the SHMA in respect of affordable housing, stakeholders identified the following:

- The need for an adequate supply of affordable housing to be provided and to meet the Objectively Assessed Need;

- A focus on new wholly affordable developments in west Northumberland to cater to the growing demand and;

- A greater focus on developing an in depth understanding of the local housing market and to access how this is likely to change in the future.

Executive housing

6.90   Although it is difficult to define executive housing, distinctive features include:

- High property values linked to desirable locations, with high incomes/ equity required to support the purchase; and

- High quality construction including exterior and interior fittings.

6.91   This SHMA has sought to investigate the requirements for executive housing through a review of existing provision, stakeholder discussions and analysis of household survey evidence. Overall, in Northumberland, executive housing provision will have a role in response to the need for diversification and expansion of the sub-regional economy and in contributing towards achieving wider population and economic growth objectives for the Region.

6.92   Regarding the development of additional executive housing in Northumberland, almost half (48.3%) of stakeholders felt it was a high priority and 20.7% felt it was a medium priority. Some stakeholders commented that executive housing is deemed an essential part of economic growth for the

County and is a key aspect of being able to narrow the gap between the national average and better performing LEPs. The presence and availability of this type of housing is likely to attract more innovation and skilled workers to the area whilst offering a boost to the local economy.

6.93   The household survey can be used to explore the housing options being considered by higher income groups (with an annual income of at least £60,000 per year). Although the executive housing market is a niche market, reviewing the housing aspirations of high income groups is an appropriate way of investigating the potential demand for executive housing.

6.94   The 2012 Household Survey identifies 9,976 households with an income of at least £60,000 per year. Of these households, 2,314 are intending to move in the next three years. Of this group of high income households, a majority (64.1%) stated a first preference location within Northumberland and 35.9% plan to move out of Northumberland.

6.95   The dwelling requirements of high-income households are summarised in Table 6.5. This indicates strongest aspiration towards detached houses with three or more bedrooms.

Table 6.5	High income household dwelling requirements				
	Property type (Table %)				
No. Beds	Detached house	Semi-detached house	Terraced house	Bungalow	Total
One				1.6	1.6
Two	1.2		2.4		3.5
Three	30.2	12.0		9.3	51.5
Four	30.6				30.6
Five or more	12.8				12.8
Total	74.7	12.0	2.4	10.9	100%

Base: 2,314 households with an income of more than £60,000 planning to move in next 3 years

Source: 2012 Household Survey

Self/custom build

6.96   The extent to which there is a market for self-build and custom-build dwellings in Northumberland was explored with stakeholders. Some developers are already offering self-build and custom-build products as part of a development. Northumberland has a high number of small sites which would be suitable for this type of product. Stakeholders considered self-build to be a niche market and more likely in rural areas. Custom build (up to 10 units) is likely to be delivered elsewhere in the county by small/medium size builders but a lack of these was identified as an issue which may affect delivery.

6.97   Overall, stakeholders considered policy intervention to encourage self/custom build would be problematic and would generally not welcome prescribed site/plot requirements. Notwithstanding this, a market is recognised for this type of product and stakeholders felt that interest was still growing.

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Suggested future development profile of market dwellings

6.98   The household survey identified around 7,073 households who planned to move in the open market in the next three years and asked what type and size of accommodation they required. This information is presented in Table 6.6 and indicates a preference for detached (34.6%) and semi-detached (29.1%) houses. Almost half (45.9%) of respondents expressed a requirement for three bedroom properties.

Table 6.6	Household dwelling requirements					
	Number of Bedrooms (%)					
Property Type	**One**	**Two**	**Three**	**Four**	**Five or more**	**Total**
Detached house	0.0	3.1	14.7	15.0	1.7	34.6
Semi-detached house	0.0	6.3	18.7	4.1	0.0	29.1
Bungalow	1.0	7.6	8.1	0.0	0.0	16.8
Terraced house	1.2	5.6	4.1	1.0	0.0	12.0
Flat/maisonette	0.7	2.8	0.0	0.0	0.0	3.5
Bedsit	1.0	0.0	0.0	0.0	0.0	1.0
Housing adapted for disability needs	0.0	0.4	0.0	0.0	0.0	0.4
Supported/sheltered Accommodation	1.3	0.6	0.0	0.0	0.0	1.9
Caravan/mobile home/ houseboat	0.0	0.5	0.2	0.0	0.0	0.7
Total	5.2	27.0	45.9	20.2	1.7	100.0

Base: 6,859 households stating type and size preferences from a base of 7,073 households stating a market housing preference

Source: 2012 Household Survey

6.99   The current stock of open market dwellings is compared with market preference in Table 6.7. Where cells are colour coded: a green spot indicates that the current proportion of dwelling stock is greater than the requirement for that dwelling stock; a red spot indicates that the proportion of dwelling stock is lower than the requirement. Therefore a red spot suggests there is a lack of that particular dwelling type and size across Northumberland and green suggests there is sufficient supply.

Table 6.7   Comparison between current dwelling stock and market aspirations

Dwelling type/size	Current stock (%)	Market Preference (%)	Variance
Detached house/cottage 1-2 Beds	1.2	3.1	🔴 1.9
Detached house/cottage 3 Beds	7.8	14.7	🔴 6.9
Detached house/cottage 4 or more Beds	15.5	16.8	🔴 1.3
Semi-detached house/cottage 1-2 Beds	6.2	6.3	🔴 0.1
Semi-detached house/cottage with 3 Beds	19.7	18.7	🟢 -1.0
Semi-detached house/cottage 4 or more Beds	4.4	4.1	🟢 -0.3
Terraced house/cottage 1-2 Beds	8.3	6.8	🟢 -1.5
Terraced house/cottage 3 Beds	12.5	4.1	🟢 -8.4
Terraced house/cottage 4+ Beds	2.1	1.0	🟢 -1.1
Bungalow 1-2 Beds	8.3	8.6	🔴 0.3
Bungalow 3 Beds	6.1	8.1	🔴 2.0
Bungalow 4+ Beds	1.7	0.0	🟢 -1.7
Flat/Apartment 1 Bed	1.8	1.7	🟢 -0.1
Flat/Apartment 2 Beds	3.8	2.8	🟢 -1.0
Flat/Apartment 3+ Beds	0.4	0.0	🟢 -0.4
Other 1-2 Bed	0.1	2.7	🔴 2.6
Other 3 Bed	0.0	0.2	🔴 0.2
Total	100.0	100.0	
Base	112064.0	6859	

Source: 2012 Household Survey

Market signals

6.100 NPPG (para 20) states that the number suggested by household projections should be adjusted to reflect appropriate Market Signals as well as other market indicators of the balance between demand for, and supply of, dwellings. In broad terms, these signals should take account both of indicators relating to price (e.g. house prices, rents and affordability ratios) and quantity (e.g. overcrowding and rates of development). NPPG comments that Market Signals are affected by a number of economic factors and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with the principles of sustainable development, should be expected to improve affordability, and monitor the response of the market over the Plan period.

6.101 In line with NPPG, Table 6.8 considers a range of Housing Market Signals for Northumberland. These should be monitored on a regular (at least annual) basis and the scale of dwelling delivery should be adjusted where the Council believes it is appropriate to do so. Table 6.10 considers how the market signals evidenced in Northumberland compare with comparator districts, regional and national data.

Table 6.8	Housing market signals				
Price/transaction indicators	**2010**	**2011**	**2012**	**2013**	**2014**
Lower Quartile House Prices	95,000	90,000	91,250	90,000	93,000
Median House Prices	145,000	136,500	137,500	140,000	140,556
Lower Quartile Rents (per calendar month)	399	416	399	399	399
Median Rents (per calendar month)	472	494	477	477	464
Relative affordability (LQ earnings to LQ house prices)	5.3	5.1	5.0	5.1	5.0
No. Property Sales	4074	4062	4188	4728	5115
Quantity indicators	**2010**	**2011**	**2012**	**2013**	**2014**
Total dwelling stock (at 1 April)	146,770	148,010	148,570	149,190	149,750
Total vacant dwellings (at October)	5,402	5,242	5517	5246	5074
Total vacancy rate (at October)	3.68%	3.54%	3.71%	3.52%	3.39%
Long-term vacancy rate (at October)	2,411	2,372	2,337	2137	2136
Overcrowding (2011 census)	2.03%				
Net additional dwelling stock	710	1,240	560	620	560
No. of households on the housing register (at 1st April) as reported by CLG	8,859	11,651	10,912	9,608	7,744

Notes: House Prices. Source: Land Registry Price Paid Data.

No. households on housing register at 1 April. Source: CLG Local Authority Housing Statistics.

Total dwelling stock/vacancy. Source: Council Tax

Rent data. Source: Zoopla

Overcrowding. Source: 2011 Census

6.102 In terms of price/transaction indicators, a key message from Table 6.8 is that the market prices have been broadly consistent over the period 2010-2014, although the number of transactions has been increasing over time. The number of property sales has increased from 4,074 in 2010 to 5,115 in 2014. Over the period 2010 to 2014, lower quartile prices have ranged between £90,000 and £95,000 and median prices have ranged between £136,500 and £145,000. Relative affordability has ranged between 5.0x and 5.3x earnings. Lower quartile rents have been stable at £399 per month, except for an increase to £416 in 2011. Although median rents had increased from £472 in 2010 to £494 in 2011, these fell back from this peak over the following three years, to £464 in 2014.

6.103 In terms of quantity indicators, there has been a growth in the total number of dwellings. Vacancy rates have fluctuated slightly, but have fallen from 3.71% in 2012 to 3.39% in 2014, which compares with an English rate of 2.61%.

6.104 Assuming the English average as a 'target' vacancy rate (which would suggest a target of 3,908 vacant dwellings, compared with actual vacancies of 5,074), it could be suggested that in 2014 there were around 1,166 surplus vacant dwellings across Northumberland. The current vacancy rate allows for a greater degree of household mobility within dwelling stock compared to the English average. Long-term vacants represented around 1.4% of total dwelling stock over the period 2010-14.

6.105 According to the 2011 Census, 2.03% of households were overcrowded. This compares with 4.6% across England. The 2001 Census reported an overcrowding rate of 3.9% (7.1% across England), suggesting that levels of overcrowding have fallen both nationally and locally.

6.106 The number of households on the Housing Register has fluctuated between 7,744 and 11,651 and averaged around 9,755 over the period 2010 to 2014.

6.107 During the five year period 2010 to 2014 inclusive, there has been a net additional increase of 3,690 dwellings, which is an average of 738 dwellings each year.

Table 6.9	Housing market signals in comparator districts, region and England					
Comparator 2010-2014	**Northumberland**	**Comparator Districts***			**North East**	**England**
		East Riding of Yorkshire	Shropshire	Monmouth-shire		
Lower Quartile House Price change	-2.1	1.8	3.8	1.4	-1.2	5.6
Median House Price change	-3.1	2.1	1.8	7.3	1.6	5.4
Lower Quartile Rents (per calendar month) change	0.0	1.1	-1.7	6.1	0.0	-0.7
Median Rents (per calendar month) change	-1.7	-5.0	-6.6	8.8	0.0	4.4
Change in relative affordability (ratio of lower quartile earnings to house prices)	-4.9	1.7	-0.3	-5.1	-7.2	1.6
No. Property sales change	25.6	29.5	27.2	22.3	22.3	26.0
Total dwelling stock change	2.1	4.3	2.7	1.9	1.6	2.3
Total vacancy change	-6.7	-3.3	-1.9	#	-16.3	-17.2
Total long-term vacancy change	-11.4	-26.9	-5.5	#	-25.5	-31.4
Overcrowding change 2001-11	-47.8	-29.3	-34.3	-39.9	-42.4	-35.2

*Three most similar LA based on ONS 2011 Area Classification for Local Authorities

6.108 Table 6.9 shows that over the period 2010-2014 house prices (both lower quartile and median) in Northumberland have decreased by -2.1% and -3.1% respectively. This compares with growth in all comparator districts and nationally. In the North East region, lower quartile prices fell by -1.2% while median prices rose by 1.6%.

6.109 The overall relative affordability of properties to buy has improved, with the ratio of lower quartile house prices to incomes falling. This has been experienced in two of the comparator districts and across the North East, while England and East Riding comparator district have seen a worsening level of affordability.

6.110 In terms of quantity indicators, there has been an increase in the total number of dwellings over the period 2010-2014, with Northumberland broadly in line with the national trend and above the regional trend. The increase in the number of property sales in Northumberland has been very similar to national, regional and comparator district trends.

6.111 Both overall and long-term vacancy rates have declined in Northumberland, but at a lower rate than regional and national trends. Overall vacancy rates have fallen at a higher rate than for the comparator districts, while long-term vacancy rate change varies significantly between districts.

6.112 According to the 2001 and 2011 Census data, levels of overcrowding in Northumberland have fallen by 47.8%. While a fall in overcrowding has been experienced in all comparator districts, the region and England, Northumberland has seen the largest drop.

6.113 In conclusion, a review of Market Signal data would suggest that the housing market in Northumberland is relatively stable. There are some variations in trends in Northumberland compared with other areas, for instance the significant reduction in overcrowding. However, there is no recommendation to alter dwelling targets in the light of market signals relating to property price or quantity data. It is recommended that data be collected and monitored on a regular basis to ensure the Council has up to date information from which to review dwelling targets.

Past trends in housing delivery

6.114 Over the past 11 years 2004/05 to 2014/15, there has been an annual average completion of 869 dwellings (Table 6.10). Past completions is considered further in Chapter 7.

Table 6.10	Dwelling completions 2004/05 to 2014/15
Year	**Total**
2004/05	765
2005/06	928
2006/07	1283
2007/08	1098
2008/09	820
2009/10	476
2010/11	1006
2011/12	558
2012/13	621
2013/14	559
2014/15	1447
Total (11 years)	**9561**
Annual average	**869**

Source: Northumberland County Council Planning Department

Key market drivers

6.115 Essentially, there are three key primary drivers influencing the current (and future) housing market: demographic; economic and dwelling stock characteristics, as summarised in Table 6.11.

Table 6.11	Primary market drivers	
Primary Driver	**Attributes**	**Impact on overall demand through:**
Demography	Changing no. of households, household structure, ethnicity	Natural Change
Economy	Jobs, income, activity rates, unemployment	Economic migration
Housing stock and aspirations	Quality vs. aspirations, relative prices, accessibility, development programmes	Residential migration

6.116 In summary, the following demographic drivers will continue to underpin the operation of the Northumberland Housing Market Area:

- An increasing population, with ONS 2012-based population projections (Table 6.12) indicating an increase of 2.6% from 316,100 in 2012 to 324,400 by 2031;

- Over the period 2012 to 2031, the number of residents aged under 65 will fall by 10.7% from 249,400 in 2012 to 222,600 in 2031. The number aged 65 or older will increase by 52.6% from 66,700 in 2012 to 101,800 in 2031;

- The 2012 Household Survey indicates that the typical household includes two people (43.9%), with almost a third (30.1%) of households being single-person and 26.1% including three or more people; and

- Regional household projections suggest that the proportion of singles and other household types is likely to increase in the future.

Table 6.12	Projected population change, 2012 to 2031			
Age Group	**2012**	**2021**	**2031**	**Change 2012-31**
0-14	49,700	49,100	46,700	-6.0
15-39	83,500	80,600	78,200	-6.3
40-64	116,200	108,000	97,700	-15.9
65+	66,700	83,000	101,800	52.6
TOTAL	316,100	320,700	324,400	2.6
% aged 65+	21.1	25.9	31.4	
% aged 75+	9.5	12.1	16.6	

Source: ONS 2012-based population projections

6.117 The following economic drivers underpin the operation of the Northumberland Housing Market Area:

- 51.3% of Household Reference People are economically active and are in employment according to the 2012 Household Survey; a further 37.8% are retired; 4.8% are either looking after the home or provide full-time care; 3.8% are long-term sick/disabled; 1.8% are temporarily away from work; and 0.5% are in full-time education/training;

- According to 2011 Census data, 67.5% of residents in employment work in Northumberland. A further 14.0% work in Newcastle upon Tyne, 7.6% work in North Tyneside, 5.3% work elsewhere in Tyne and Wear, 1.2% work in County Durham, 0.3% work in Tees Valley and 4.0% work elsewhere in the UK;

- According to the Office for National Statistics (ONS) Annual Survey of Hours and Earnings, lower quartile earnings in 2014 across Northumberland were £18,580 each year which compares with £18,200 for the North East region and £19,396 for England. Median incomes were £25,350, compared with a regional median of £24,809 and a national median of £27,227.

- The 2012 Household Survey identified considerable income polarisation across Northumberland, with 22.6% of households receiving less than £10,000 per year, 32.9% receiving between £10,000 and £25,000 per year, 25.7% receiving between £25,000 and £45,000 per year and 18.7% receiving at least £45,000 each year. Figure 6.5 shows annual income by HMA, showing a predominance of lower-income households in the South East HMA and the highest incomes in the Central HMA.

Figure 6.5   Annual income by housing market area
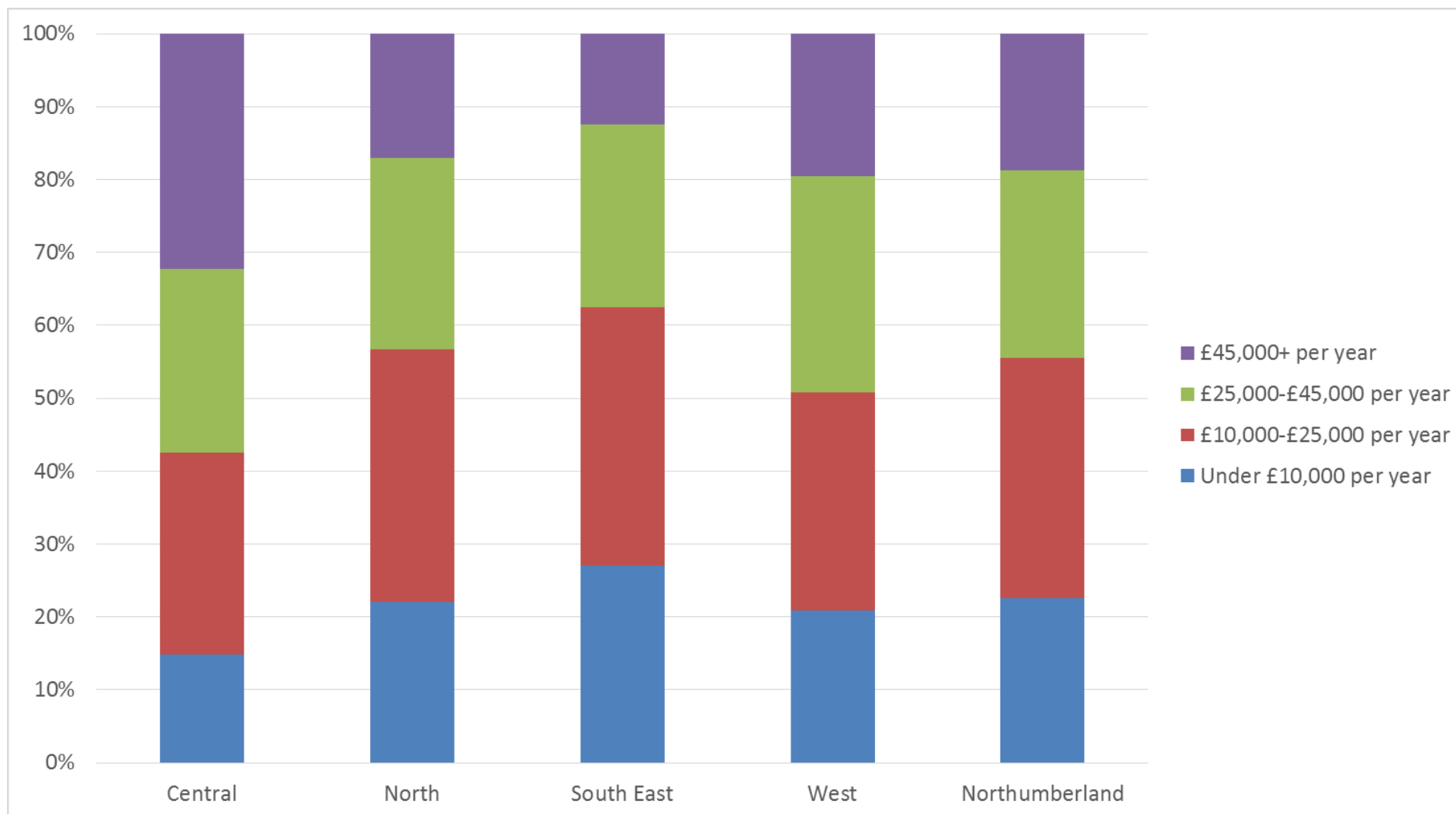
Source: 2012 Household Survey

6.118 In terms of dwelling stock, the 2012 Household Survey reports that, across the Northumberland area:

- 72.7% of properties are houses, 18.7% are bungalows, 8.4% are flats/maisonettes/bedsits, and 0.1% are other property types (e.g. caravans);

- 8.3% have one bedroom/bedsit, 29.2% have two bedrooms, 42.8% have three bedrooms and 19.7% have four or more bedrooms;

- 66.0% of properties are owner-occupied, 18.6% are rented from a social landlord, 15.2% are private rented/tied accommodation and 0.2% are intermediate tenure;

- There is a particularly strong aspiration for houses and these tend to be for larger properties of three or more bedrooms.

Stakeholder views on key market drivers

6.119 Stakeholders identified a number of drivers that they felt were key to demand in Northumberland these included:

- Population and age;

- The economy;

- High volumes of second homes driving up demand for homes for local people;

- Variation in housing demands as demographics and expectations of the population of Northumberland change and;

- The location of employment in the area which can lead to some areas of the County being viewed as less desirable if opportunities there are limited.

6.120 The demand profile for new build homes within Northumberland is very mixed and as a result, stakeholders felt that the types of properties needed to support this demand also varied greatly. Stakeholders also felt that demand and supply needs were most heavily influenced by property location. Generally, the characteristics of those seeking property in the area were noted as the elderly seeking bungalows, families looking for 2/3 family homes with large amounts of floor space and first time buyers seeking properties available through schemes such as 'Help to Buy'.

6.121 The demand levels for those seeking social rented housing was identified as being impacted by many varying factors; these included a lack of suitable transport to more rural locations and local employment opportunities within an area. These factors can greatly impact on the desirability of areas and therefore the level of demand present for property there; others highlighted the ageing population that is present within Northumberland as a key feature of the market moving forward. As a result, the consensus was that older person accommodation is key to future development and sustainability.

6.122 Stakeholders were asked for their views on house price trends and the impact they expect economic changes will have on housing markets in the future. Respondents felt that trends across the County vary greatly suggesting that

they are stagnant in some areas and rising in others. One stakeholder gave a general guide of house prices by saying *"majority of market houses for sale in North Northumberland which are affordable to the general local household are ex local authority properties, which average between £70-100k. Shared Ownership models £150,000 with 40-50% share being affordable"*. The overwhelming view of stakeholders was that house prices in many areas are creating significant challenges for affordability for most people seeking homes. Stakeholders felt that increasing demand from the elderly and demand for second homes continues to inflate house prices within the local markets and as a result, most were concerned about the impact this would have long term, particularly for younger people.

6.123 When asked what the biggest weaknesses within the housing market in Northumberland were, stakeholders identified:

- Planning policy and its lack of support for sufficient housing growth to address housing need and tackle the affordability crisis;

- Insufficient economic regeneration in the Coalfield areas;

- The threat placed on some communities by the high proportion of second homes present;

- The affordability and availability of transportation links in the more rural areas of the County;

- High house prices in areas such as Hexham, tight greenbelt boundaries restricting much needed new development;

- Limited options available to meet the changing expectations of the local demographic;

- Low demand for housing in the south east of the County and a lack of affordable housing in more rural areas underpinned by a lack of mixed of housing types across the market area to suit a range of needs;

- The low demand for flats and apartments and high demand for low-density housing was also raised as an issue; and

- An overall lack of new developments leading to a lack of rotation in the natural housing market.

6.124 Stakeholders were asked to rank a range of priorities as high, medium or low, their responses are summarised in Table 6.13.

Table 6.13 Ranking of priorities by stakeholders			
Proposed **priorities** (number of respondents)	**Low**	**Medium**	**High**
Building homes to buy on the open market (28)	10.7%	32.1%	57.1%
Building affordable homes to rent (29)	0%	34.5%	65.5%
Building affordable homes to buy (shared ownership, shared equity) (28)	3.6%	35.7%	60.7%
Building executive homes (29)	31.0%	20.7%	48.3%
Building properties designed for older people (26)	0%	69.2%	30.8%
Building properties designed for people with specialist needs (27)	0%	48.2%	57.1%
Improving the quality of existing stock (28)	0%	57.1%	42.7%

6.125 Building properties designed for older people was ranked the highest overall priority by stakeholders. 69.2% ranked it a medium priority and the remaining 30.8% felt it was a high priority for the County. Building affordable homes to rent was also identified by stakeholders as a high priority for the area by 65.5% of respondents. The remaining 34.5% felt that this was a medium priority. Equally, affordable homes to buy was deemed as important and was ranked high by 60.7% of respondents and a medium priority by 35.7% - only 3.6% felt that this was a low priority for the area. Building homes to buy on the open market was also important to respondents although opinion was more split in terms of its overall priority. 57.1% felt that it was a high priority, 32.1% felt it was a medium priority and 10.7% felt that this was a low priority for the area.

6.126 The general view was that improving the quality of existing stock and building housing for those with specialist need were both considered to be medium to high priorities for the majority of stakeholders - no stakeholders ranked this as low in term of its priority.

6.127 The views on the building of executive homes received the most divided response. 48.3% felt that this was a high priority for the area and 20.7% felt it was of medium priority however, 31.0% ranked this as a low priority.

6.128 Stakeholders gave a range of reasons for identifying these priorities, including:

- Demographic change, particularly population growth and an ageing population;

- The broad geographical spread of the county resulting in differing needs, and varying demand across the county;

- Fuel poverty was raised as a problem in Northumberland and the view was that improving the existing stock may help to address this;

- A general shortage of housing supply in recent years, but especially in relation to affordable, older persons and specialist people's housing where demand is increasing;

- A particular need for good quality affordable accommodation which is essential to the economy and social improvement of the County;

- The high demand for second homes creating an inflated housing market within the area and resulting in local people being left unable to afford property within the area. The presence of more affordable housing may help to support some of these people and reduce the growing inflation that is developing within the current market;

- Executive housing is deemed an essential part of economic growth for the County and is a key aspect of being able to narrow the gap between the national average and better performing LEPs. The presence and availability of this type of housing is likely to attract more innovation and skilled workers to the area whilst offering a boost to the local economy;

- Good quality older person's housing is limited and some of the stock within the area requires reconfiguration or replacement to avoid unplanned moves into appropriate alternatives such as residential care within the area. Better alternatives will also encourage older people to downsize which in turn would allow families access to bigger, more suitable properties to meet their changing needs; and

- Properties designed for those with specialist needs would increase independence and yet support vulnerable people in the community, especially if they are leaving care.

6.129 Asked what other key housing priorities there are in the Northumberland Council area, stakeholders felt that:

- The Council should help facilitate building homes for private rent for the thousands of people who do not qualify to get on the waiting lists for Housing Association properties;

- More bungalows should be built to help not just the elderly but to support those who need level access accommodation;

- A deliverable strategy is needed that is focused around understanding the different needs of each part of the broad geographical spread present within the area; and

- More affordable homes aimed specifically at younger people who are unable to access property locally.

Current households in need

6.130 A robust and defensible assessment of housing need is essential for the development of affordable housing policies. Housing need can be defined as:

'The quantity of housing required for households who are unable to access suitable housing without financial assistance'.

6.131 The 2012 Household Survey and a range of secondary data provide the robust and transparent evidence base required to assess housing need

across the Northumberland County area. This is presented in detail at Appendix B of this report and follows CLG modelling guidance.

6.132 Across Northumberland there are 7,839 existing households in need which represents 5.7% of all households. Reasons for housing need are summarised in Table 6.14.

Table 6.14 Housing need in Northumberland	
Factor	**Northumberland Total**
Homeless households or in temporary accommodation	770
Overcrowded and concealed	3,546
Other groups	11,853
Total need	13,847
Total no. households in need (with one or more housing needs)	7,839
Total Households	138,535
% households in need	5.7

Note: A household may have more than one housing need.

Source: 2012 Household Survey

6.133 Table 6.15 summarises overall housing need (before further analysis to test the extent to which households can afford open market provision to offset their need) by HMA and the extent to which housing need varies across Northumberland. The proportion of households in need is highest in the South East HMA (6.7%) and lowest in Central (3.5%).

Table 6.15 Households in need by HMA			
HMA	**No. H'holds in need**	**Total no. households**	**% H'holds in need**
Central	1,166	33,714	3.5
North	1,408	24,246	5.8
South East	4,802	71,630	6.7
West	462	8,945	5.2
Total	**7,839**	**138,535**	**5.7**

Source: 2012 Household Survey

6.134 Table 6.16 demonstrates how the proportion of households in housing need varies by tenure for Northumberland. Private renters are more likely to be in housing need, with housing need being identified in 13.4% of households who rent their accommodation privately; this compared with 6.8% of households living in affordable accommodation and 3.6% of owner-occupier households.

Table 6.16	Housing need by tenure		
Tenure	No. H'holds in need	Total no. households	% H'holds in need
Owner Occupier	3,265	91,499	3.6
Private	2,808	20,995	13.4
Affordable	1,766	26,041	6.8
Total (All households in need)	**7,839**	**138,535**	**5.7**

Source: 2012 Household Survey

Affordable housing requirements

6.135 A detailed analysis of the following factors determines overall affordable housing requirements:

- Households currently in housing which is unsuitable for their use and who are unable to afford to buy or rent in the market (backlog need);

- New households forming who cannot afford to buy or rent in the market;

- Existing households expected to fall into need;

- The supply of affordable housing through social renting and intermediate tenure stock.

6.136 The needs assessment model advocated by the CLG has been used and detailed analysis of each stage of the model is presented at Appendix B.

6.137 In addition to establishing the overall affordable housing requirements, analysis considers the supply/demand variations by property designation (i.e. general needs and older person) and property size (number of bedrooms). Analysis provides a gross figure (absolute shortfalls in affordable provision) and a net figure (which takes into account supply of existing affordable accommodation). Modelling suggests a gross annual imbalance of 1,502 affordable dwellings each year, but after the annual availability of affordable housing is included in analysis the net imbalance is 191 each year (Table 6.17).

6.138 Analysis is based on the next five years and in the absence of any updated information this should be extrapolated forward to cover the plan period 2011-2031.

Table 6.17 Net annual affordable housing imbalance by property size and designation 2014/15 to 2018/19					
Shortfall	General Needs			Older Person	Total
	1 Bed	2 Beds	3+ beds	1/2 Bed	
Gross	359	647	361	135	**1,502**
Net	10	140	30	11	**191**

Sources: 2012 Household Survey; RP CORE Lettings and Sales

Tenure split

6.139 In terms of the split between social rented and intermediate tenure products, the household survey identified tenure preferences of existing and newly-forming households and also the extent to which intermediate tenure products could be afforded (Table 6.18).

6.140 Overall, analysis would suggest a tenure split of 67.0% affordable rent and 33.0% intermediate tenure based on household preferences. The extent to which households in need could afford intermediate tenure products is considered in Table 6.19. Analysis suggests that intermediate tenure options remain affordable to households in need and newly-forming households, with 35.3% able to afford a property priced at up to £80,000, 33.9% a property priced at up to £100,000 and 26.1% a property priced at up to £120,000.

Table 6.18 Tenure preferences of existing households in need and newly-forming households requiring affordable housing			
Tenure	Existing households in need (%)	Newly-forming households (%)	Total (%)
Social/Affordable Rented	65.2	67.7	67.0
Intermediate	34.8	32.3	33.0
Total	100.0	100.0	100.0
Base (annual requirement)	*411*	*1091*	*1502*

Source: 2012 Household Survey

Table 6.19 Ability of existing households in need and newly-forming households requiring affordable housing to afford intermediate tenure dwellings			
	% could afford		
Price	Existing households in need	Newly-forming households	Total
Up to £50,000	55.9	54.3	54.7
Up to £60,000	54.6	49	50.5
Up to £70,000	40.8	34.1	35.9
Up to £80,000	38.5	34.1	35.3
Up to £90,000	38	32.7	34.2
Up to £100,000	37.2	32.7	33.9
Up to £110,000	32.6	26	27.8
Up to £120,000	30.2	24.6	26.1
Up to £130,000	28.6	20.4	22.6
Up to £140,000	25.9	19.3	21.1
Up to £150,000	22.2	16.9	18.4
Base	411	1091	1502

Property type preferences

6.141 Analysis of property type preferences (Table 6.20) suggests that the delivery of houses is a priority (with 56.1% stating an expectation of moving to a house), followed by flats (30.8%) and bungalows (12.7%).

Table 6.20 Property type preferences			
Type preferences	**Existing (%)**	**Newly-forming (%)**	**Total (%)**
House	54.1	57.3	56.4
Bungalow	30.0	6.2	12.7
Flat/other	15.9	36.5	30.8
Total	**100.0**	**100.0**	**100.0**
Base	*411*	*1,091*	*1,502*

Based on expectations of existing households in need and what newly-formed households have moved to in the past 5 years

Source: 2012 Household Survey

Estimates of household groups who have particular housing requirements

Introduction

6.142 There are a range of household groups who have particular housing requirements and this chapter focuses on the needs of families, older people and people requiring specialist support.

Families

6.143 The 2011 Census found that families (that is couples and lone parents with children) account for around 35.0% of households across Northumberland. Of these, 25.3% are couples with children and 9.7% are lone parents.

6.144 The 2012 household survey identified around 5,000 family households (that is couples and lone parents with children) who plan to move in the next 3 years. Around 70% were planning to move to either owner occupied or private rented dwellings and 30% to affordable dwellings. Table 6.21 summarises the dwelling type and size preference by tenure of family households.

6.145 Of those planning to move in the market, 83.8% stated a requirement for a detached or semi-detached property. 43.4% stated a requirement for a property with three bedrooms and 43.7% a property with four or more bedrooms.

6.146 Of family households planning to move into an affordable dwelling, 73% stated a requirement for a semi-detached property and 11.3% a bungalow. These households were also more likely to require a smaller dwelling, with 55.7% stating a requirement for a two bedroom property although 39.1% required a three bedroom property.

6.147 Modelling of affordable housing requirements suggests that a range of affordable dwellings are required including two and three bedroom dwellings which will help to address the needs of families.

Table 6.21	Property type preferences – families		
		Tenure preference (%)	
Dwelling type/size		Open Market	Affordable
Detached house		46.3	11.7
Semi-detached house		37.5	73.0
Bungalow		0.6	11.3
Terraced house		8.8	3.9
Flat/Maisonette		2.4	0.0
Bedsit		3.5	0.0
Housing adapted for disability needs		0.0	0.0
Supported/sheltered accom		0.0	0.0
Caravan/mobile home/houseboat		0.8	0.0
Total		100.0	100.0
One		3.5	0.0
Two		9.4	55.7
Three		43.4	39.1
Four		40.8	5.1
Five or more		2.9	0.0
Total		100.0	100.0
Base (valid responses)		2057	870

Source: 2012 Household Survey

Older people, support and adaptations

6.148 A major strategic challenge for the Council is to ensure a range of appropriate housing provision, adaptation and support for the area's older population. The 2011 Census identified 24.6% of households within Northumberland as older (containing at least one person 65 years or over) and the number of people across Northumberland area aged 65 or over is projected to increase from 66,700 in 2012 to 101,800 by 2031 (a 52.6% increase)[48].

6.149 The household survey found that 7.3% of respondents had elderly relatives who may need to move closer to them within the next five years. Table 6.22 sets out the housing options that these respondents identified for their ageing relatives. 31.8% would consider residential or nursing care for their relatives. Sheltered accommodation was a popular choice; 27.1% would consider Council-owned sheltered housing, 23.9% would consider privately-owned sheltered housing and 23.0% would consider Housing Association sheltered accommodation. Extra care housing was also considered to be an option for 22.4% of households. In addition, 27.0% would consider having an extension

[48] ONS 2012-based population projections

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or adaptations to make their home suitable for an elderly relative to live with them, and 14.4% would consider having their relative live with them without the need for any changes to their current home. This evidence suggests a need to continue to diversify the range of older persons' housing provision. Additionally, providing a wider range of older persons' accommodation has the potential to free-up larger family accommodation.

Table 6.22 Older persons' housing options: elderly relatives moving to Northumberland	
Housing option	**% would consider**
Live with you (existing home adequate)	14.4%
Live with you (need extension/adaptation)	27.0%
Privately owned sheltered housing	23.9%
Council owned sheltered housing	27.1%
Housing Association sheltered housing	23.0%
Extra care housing (with care & support services on site)	22.4%
Residential care/nursing care	31.8%
Owner occupied property	19.6%
Private rented property	4.7%
Shared ownership property	1.1%
Housing Association general	5.9%
Council property general	11.2%

Note: more than one option could be mentioned, so options do not total 100%

Source: 2012 Household Survey

General support requirements

6.150 The 2012 Household Survey found that 25.7% of all households across Northumberland included someone with a disability or a limiting long-term illness. Of these, 80.1% said that one person within the household had a disability or illness and 19.9% said two people. Using this information alongside population (household size) data, the Household Survey indicates that 14.4% of people in Northumberland have a disability or limiting long-term illness.

6.151 Variation in disability and illness can be seen between tenures, with 45.5% of households in affordable accommodation including a person with a disability or illness, compared with 25.3% of private renting households and 20.2% of owner occupiers. In population terms, 29.9% of residents in affordable accommodation have a disability or illness, compared with 16.1% of residents in private rented housing and 10.5% of those living in owner-occupation.

6.152 There is also variation between HMAs, with 29.2% of households in the South East HMA including someone with a disability or illness, compared with 22.1% in North, 21.9% in Central and 21.9% in West. This represents 16.8% of residents in the South East, 12.2% in West, 12.1% in North and 11.6% in Central.

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6.153 Table 6.23 provides an indication of the range of disabilities and illnesses experienced. Of those who indicated the presence of a disability or illness within their household, 64.4% mentioned walking difficulties (but not in a wheelchair), 26.3% mentioned asthma or respiratory problems, 26.2% mentioned diabetes and 23.5% said that there were other problems.

Table 6.23 Nature of disability or illness experienced within identified households	
Disability/illness	**% of cases**
Indoor wheelchair use	3.8%
Outdoor wheelchair use	13.7%
Mental health problems	12.7%
Walking difficulty (not in wheelchair)	64.4%
Learning disability	4.9%
Obesity	4.7%
Diabetes	26.2%
Drug and/or alcohol problems	1.5%
Visual/hearing impairment	16.8%
Asthmatic/respiratory problem	26.3%
Dementia/memory loss	5.3%
Other	23.5%

Note: more than one disability/illness could be identified, so percentages do not total 100%
Source: 2012 Household Survey

6.154 Overall, 16,801 households were identified by the household survey where one or more occupants required care or support. Of these, 86.5% said that the individuals involved were receiving sufficient care/support. While 3,911 received help from a registered care agency or voluntary body, 13,889 were receiving help from family members, friends or neighbours.

6.155 Table 6.24 provides an indication of the type of help that is required by those households who said that they were not receiving sufficient care or support. Of these, 47.3% said that they require help looking after their home, 36.1% need help arranging social contact and activities and 32.5% need support accessing health services.

Table 6.24 Care and support requirements that are currently unmet	
Care or support needed	**% of cases**
Claiming welfare benefit / managing finances	31.10%
Someone to act on your behalf	24.10%
Arrange social contact / activities	36.10%
Personal safety / security	22.30%
Accessing health services	32.50%
Looking after your home	47.30%
Accessing training / employment	9.10%
Help with memory loss/dementia	14.30%

Note: more than one unmet need could be identified, so percentages do not total 100%
Source: 2012 Household Survey

6.156 11.6% of all properties across Northumberland had been adapted or purpose
built for a person with a disability or long-term illness (Table 6.25). This varied
between tenures, including 8.8% of owner occupied properties, 10.7% of
privately rented properties and 24.5% of affordable homes. There was a small
amount of variation between HMAs: 10.6% of homes in Central, 11.1% in
West, 12.4% in North and 12.7% in South East had been adapted or purpose-
built.

Table 6.25	Adaptations by tenure			
	Tenure (%)			
Existing Adaptations	**Owner occupied**	**Private rented**	**Affordable**	**Total**
Ramp/steplift	2.2	2.0	5.5	2.8
Level access shower	2.8	1.9	13.2	4.7
Vertical lift	0.3	0.6	1.2	0.5
Ground floor toilet	7.1	7.6	13.8	8.4
Bath/shower room and bedroom downstairs	2.9	4.2	8.5	4.2
Adaptation to use a wheelchair indoors	1.5	0.9	3.4	1.8
Battery operated bath lift	1.3	2.6	4.0	2.0
Base	*90975*	*20740*	*26041*	*137756*

Note: more than one existing adaptation could be identified, so percentages do not total 100%
Source: 2012 Household Survey

6.157 13.7% of households said they required care or support to enable them to
stay in their current home. As set out in Table 6.26, 3.4% of households
stated that they required a low-level shower, 2.6% mentioned a stair lift, 2.4%
a ground floor toilet and 2.1% a ramp or step lift.

6.158

Table 6.26 Facilities required to ensure household members can remain in their current property	
Facilities required	**% of cases**
None	89.3%
Ramp/step lift	2.1%
Stair lift	2.6%
Vertical lift	0.1%
Ground floor toilet	2.4%
Bath/shower room and bedroom downstairs	1.3%
Adaptations to use a wheelchair indoors	0.6%
Battery operated bath lift	1.0%
Stepped access shower	1.3%
Level access shower	3.4%
Other	1.0%
Base	*125,586*

Note: more than one facility could be identified, so percentages do not total 100%
Source: 2012 Household Survey

Specialist support requirements

6.159 Table 6.27 summarises the type of client groups accommodated in social rented housing across Northumberland area over the three year period 2010/11 to 2012/13. Data indicates that a range of groups are accommodated in RP specialist provision, most notably older people with support needs, people with mental health problems and young people at risk.

Table 6.27 Client groups accommodated in social rented sector in Northumberland 2010/11 to 2012/13	
Client group	**Number**
People with physical or sensory disabilities	11
People with learning disabilities	9
People with mental health problems	54
Offenders and people at risk of offending	14
Women at risk of domestic violence	3
Older people with support needs	287
Single homeless people with support needs	11
Young people leaving care	0
Young people at risk	42
Missing	0
Total	431

Source: Supported CORE lettings data

Stakeholder views on specialist housing provision

6.160 Survey respondents working in this area were working with people with special needs, physical disabilities, learning disabilities, mental health issues, substance abuse, women and children fleeing domestic violence and the elderly. Asked what changes providers are seeing in their client groups, the following were mentioned:

- Poverty in relative and real terms due to ongoing austerity measures. This is particularly common amongst working age households many of whom cannot access, or are have difficulty accessing, employment opportunities.

- The care needs of the elderly and;

- Increasing demand amongst the young, including those leaving care and those without existing support networks, some of whom have limited employment and housing options.

6.161 A mix of properties were highlighted as essential to catering to older persons' needs within the future. Stakeholders felt this should include bungalows and ground floor accommodation offering one or two bedrooms and extra care independent supported living two bed apartments. The view was that these should incorporate dementia design features. Properties offering adaptable, flexible designs in central locations were identified as the primary focus for properties built to meet the needs of those with additional needs.

6.162 The key issues around the physical adaptations of a property were highlighted as the lowering of building standards, particularly size standards which stakeholders felt reduced the ability to adapt properties to meet physical needs.

6.163 Stakeholders identified that housing stock shortages for independent living varied greatly across the County. The general view was that the priority should be the size and location of stock to support independent living in appropriate community settings.

6.164 Respondents also reported an increase in demand for support services in recent years focused towards increased demand for low-level preventative support. Restrictions on public expenditure and the impacts of welfare reform have resulted in an increased expectation for advice and support from Social landlords. Stakeholders highlighted a range of added value initiatives they are undertaking to help support financial inclusion. This support includes advice, general support, training and apprenticeship programmes for working age households alongside social inclusion including those aimed at helping to tackle loneliness and isolation amongst the elderly.

6.165 Several stakeholders remarked on the significant affect that a reduction in government grants has had on housing provision. A lack of funding has limited the services that can be provided and the reduction in Local Authority funding was described as "challenging". The key issues are focused towards a policy shift in promoting independent living and a political preference for reducing the number of people in residential and nursing homes, supporting people to live independently in their communities. In relation to specialist provision, this was viewed as a key risk as medium to long term commitments regarding support contracts cannot easily be given. One respondent stated that; *"older persons*

needs should be identified through the SHMA as this will assist in the provision of this type of accommodation".

6.166 The biggest barriers to the delivery of specialist housing in Northumberland were identified as:

- The capital cost of delivering older persons' accommodation as well as a lack of planning policy encouraging the provision of this specialist type of accommodation; and

- Land availability in main towns and service centres and land values in popular areas. The reduction in revenue funding available has reduced the appetite for developing specialist housing.

6.167 In terms of key messages for the SHMA in respect of specialist housing provision in Northumberland, respondents made the following points:

- The SHMA should ensure it assesses the full needs for a wide range of specialist accommodation including older persons, student, BMEs and Gypsy and Travellers so that the LPA can seek to address these needs through the Local Plan;

- An assessment of need for Extra Care Housing and what model and size of accommodation is appropriate for an area including assessment of where bungalows are required, on what scale and how many of the units should be designed with dementia design issues in mind;

- That the provision is linked to clear evidence of need, that the accommodation is built to good standards to meet the defined need and that any support required is procured and delivered; and

- That an adequate supply of specialist and elderly housing will be provided to meet the Objectively Assessed Need.

Homeless households

6.168 Homelessness statistics for 2014/15[49] indicate that a total of 331 decisions were made on households declaring themselves as homeless across Northumberland (Table 6.28). Of these households, 194 were classified as homeless and in priority need. Over the five years 2010/11 to 2014/15, an annual average of 456 decisions has been made across Northumberland and an average of 205 households each year have been declared as homeless and in priority need.

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[49] CLG Homeless Statistics Table 784: local authorities' action under the homelessness provisions of the Housing Acts, financial year 2014 to 2015

Table 6.28	Homeless decisions and acceptances 2010/11 to 2014/15	
Year	**Decisions made**	**Accepted as homeless**
2010/11	424	189
2011/12	540	229
2012/13	593	227
2013/14	390	184
2014/15	331	194
Total	2278	1023
Annual Average	455.6	204.6

Source: CLG Homelessness Statistics

7. Objectively Assessed Housing Need and Dwelling Distribution

7.1   The National Planning Policy Framework requires that local planning authorities identify Objectively Assessed Housing Need and that Local Plans translate those needs into land provision targets. Paragraph 159 of the NPPF recognises that the objective assessment of housing need must be one that meets household and population projections, taking account migration and demographic change; meets the need for all types of housing including affordable, and caters for housing demand and the scale of housing supply necessary to meet that demand. PPG recognises that *'establishing future need for housing is not an exact science'* (para 014 2a-014-20140306), although it should be informed by reasonable and proportionate evidence.

7.2   The purpose of this chapter is to draw together the evidence in this report to establish the Objectively Assessed Housing Need for Northumberland over the Plan Period 2011-2031. It is structured in accordance with the approach set out in the Planning Advisory Service 'Objectively Assessed Need and Housing Targets Technical Advice Note' Second Edition, July 2015, which also accords with NPPG.

7.3   In order to establish Objectively Assessed Need, the PAS advice note recommends a logical progression of steps:

- Defining the Housing Market Area;

- Using CLG household projections as a starting point to establishing the OAN; and

- Adjusting projections to take account of local demography, past delivery and market signals, other local circumstances not captured by past trends and future jobs.

7.4   Each of these steps is now discussed.

Housing Market Area

7.5   Chapter 3 reviewed migration, travel to work and NHPAU research. It concluded that Northumberland can be described as a largely self-contained housing market on the basis of migration and travel to work patterns. The SHMA also acknowledges the relationship between Northumberland and neighbouring areas, in particular North Tyneside, Newcastle, Gateshead, Durham, Carlisle and the Scottish Borders. Overall however, Northumberland is considered to be a self-contained Market Area for the purposes of Local Plan policy making.

Demographic starting point

7.6   In accordance with PPG, official DCLG household projections have been used as the 'starting point' in the assessment of housing need. Over the 2011-31 plan period for Northumberland, the official benchmark scenario, the SNPP-

2012 scenario, results in a 2.6% population growth over the plan period. This results in an average annual dwelling requirement of 683 using 2012 headship figures.

Adjusting the projections

7.7   The PAS guidance recommends adjustments are made to the household projections with reference to local demographic trends, future jobs, past delivery and market signals and other local circumstances not captured by past trends. Each of these is now considered in turn.

Local demographic trends

7.8   As outlined in the PPG, it is necessary to evaluate a range of growth alternatives to establish the most appropriate basis for determining future housing provision. Chapter 4 identified three key factors which mean it is appropriate to consider a range of alternative demographic scenarios in the derivation of an OAN for Northumberland. These are: firstly that future 'components of change' (net internal migration, natural change and net international migration) in the 2012-based SNPP are different to historic components of change; secondly, that the 2012-based SNPP have a base year of 2012 and Mid Year Population data to 2013 can be used in the calibration of trend-based scenarios; thirdly, there have been unprecedented demographic and economic changes since 2001, with the implication that past trends may not reflect what is likely to occur in the future.

7.9   Over the period 2001/02 to 2013/14, population change in Northumberland has been predominantly driven by net internal migration. With the exception of 2011/12 and 2012/13, net international migration has been largely positive throughout the historical period. Natural change remained negative throughout the historical period, with the number of deaths exceeding the number of births..

7.10   This demographic analysis provides a basis for the development of a range of alternative trend-based scenarios, for comparison with the benchmark 2012-based population and household projections and in line with PPG, a series of alternative trend-based scenarios were developed for comparison with the official benchmark of the 2012-based household projections. Analysis using alternative headship rates was also carried out.

7.11   In summary, the 'benchmark' 2012-based dwelling requirement is +683 each year. Of the five alternative trend and sensitivity scenarios, population change is highest under the PG-10yr SENS scenario at 7.3% (+975 dwellings), followed by the PG-10yr scenario at 6.2% (+894 dwellings) and lowest under the PG-5yr scenario at 3.6% (+714 dwellings).

Future jobs

7.12   Consideration of the alignment of housing growth with economic growth is a key requirement of the PPG. Chapter 5 evaluated the demographic implications of alternative jobs-led forecasts on dwelling requirements. Edge

Analytics has evaluated the demographic implications of alternative employment growth forecasts for Northumberland (developed by St. Chads), considering how key assumptions on unemployment rates and commuting ratios might influence dwelling growth outcomes. These are summarised in Table 5.3 and Figure 5.2.

Past completions

7.13   Historic targets for housing delivery had been set in the North East Regional Spatial Strategy which established an annual target of 885 over the period 2004 to 2021 (17,700 in total).

7.14   Although the RSS has been revoked, it provides a useful context in which housing delivery can be positioned. Over the period 2004/5 to 2014/15, a total of 9,561 dwellings have been built across Northumberland, representing an annual gross rate of 869. Figure 7.1 compares overall completions with strategic RSS dwelling targets. Overall, gross rates of development have been in line with RSS targets. The impact of the recessionary environment post 2007 has affected delivery rates but more recently there has been a marked upturn in completions which rose to 1,417 in 2014/15[50].

Figure 7.1   Dwelling completions and targets 2004/5 to 2014/15
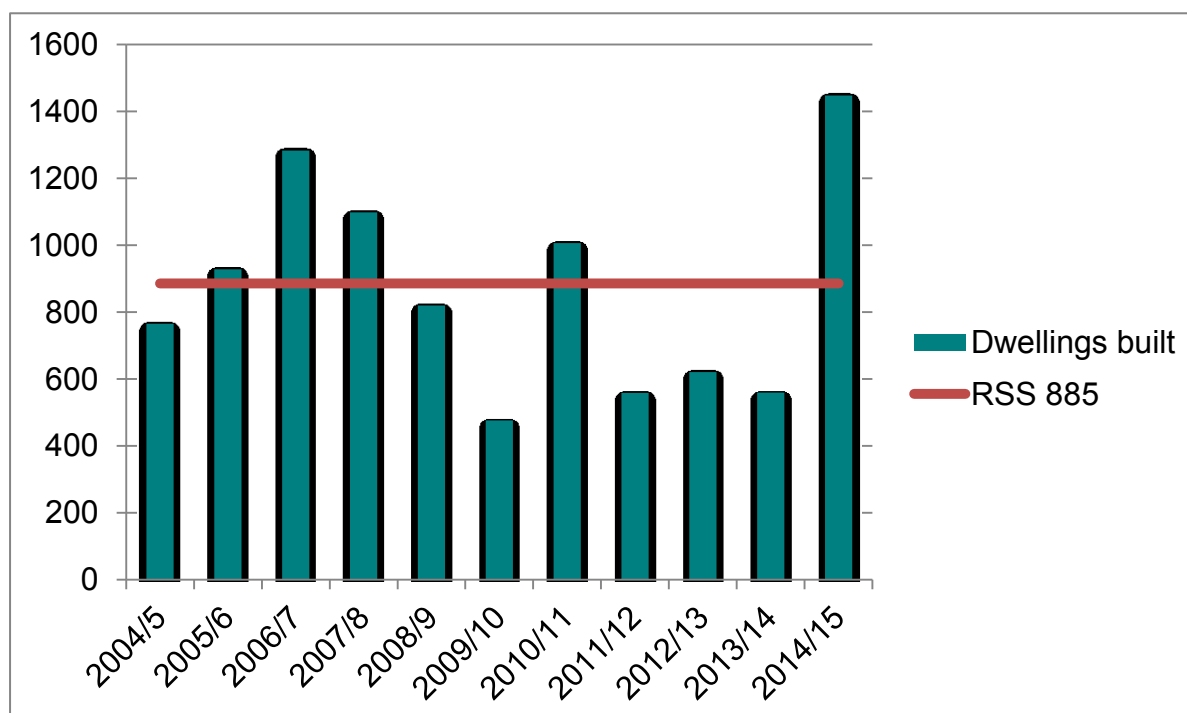
Source: Northumberland County Council

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[50] The 2014-15 figures do include completions identified through a data cleansing exercise

Market Signals

7.15   A range of Market Signal evidence was presented in Chapter 6 focusing on price and quantity indicators, with comparisons with 'comparator districts', the North East region and England. The review of Market Signal data would suggest that the housing market in Northumberland is relatively stable. There are some variations in trends in Northumberland compared with other areas, for instance the reduction in overcrowding and vacancy rates. However, there is no recommendation to alter dwelling targets in the light of Market Signals relating to property price or quantity data.

Objectively Assessed Housing Need

7.16   An OAN should be based on reasonable assumptions which take into account baseline demography, adjustments to reflect local demographic trends, past delivery, market signals, future jobs and other local circumstances: the SHMA has explored these factors in detail. PAS guidance suggests that the OAN should exclude any policy objectives and value judgements and evidence should be entirely about need and demand, to the exclusion of any supply-side factors such as physical constraints, policy designations and adverse impacts of development.

7.17   The key driver underpinning population change in Northumberland is net internal migration. The SNPP-2012 baseline scenario establishes a dwelling requirement of +683. Alternative trend-based scenarios linked to migration suggest higher levels of dwelling requirement, ranging between +714 (PG-5yr) and +975 (PG-10yr SENS). It is recommended that the +975 dwelling requirement is the baseline of an OAN range for Northumberland. However, this scenario does not consider jobs growth and therefore a further uplift in dwelling requirement is necessary to achieve this.

7.18   The SHMA has presented data relating to a series of jobs-led scenarios and variant assumptions. Only the jobs-led upper and jobs-led policy scenarios result in full-time equivalent (FTE) jobs-growth. The jobs-led policy scenario assumes sector-specific growth and the jobs-led upper provides for a more flexible jobs growth. Given the emerging Northumberland Local Plan Core Strategy, and the Council's Economic Strategy seek to reduce unemployment and out-commuting, the SENS D sensitivity variation is considered appropriate; reducing commuting will require a higher economically active resident population. . The reduction in the commuting ratio in this variation (from 1.18 to 1.09) is more realistic than that presented by the SENS C scenario (1.18 to 1.03)

7.19   A further uplift in dwelling requirement is therefore is necessary to take account of jobs-growth, ranging between +1,216 and +1246 using 2012 headship rates under the 'jobs-led upper' and 'jobs-led policy' SENS D sensitivity variation.

7.20   Therefore, it is proposed that the Objectively Assessed Housing Need for Northumberland is within the range +975 (baseline SNPP-2012 scenario plus an allowance for migration under the PG-10yr SENS variant scenario i.e. +683 increasing to +975 dwellings each year) and +1246 (Jobs-led policy SENS D).

7.21   The Council's preferred scenario for jobs-growth, commuting and unemployment most closely aligns with the Jobs-led Upper assumption and the SENS D sensitivity scenario.

7.22   Given the anticipated trends of net in-migration and aspiration for economic growth, it is proposed that an annual dwelling requirement of 1,216 is the Objectively Assessed Need figure for Northumberland.

Figure 7.2   Objectively assessed housing need in Northumberland: Annual dwelling requirements 2011 to 2031
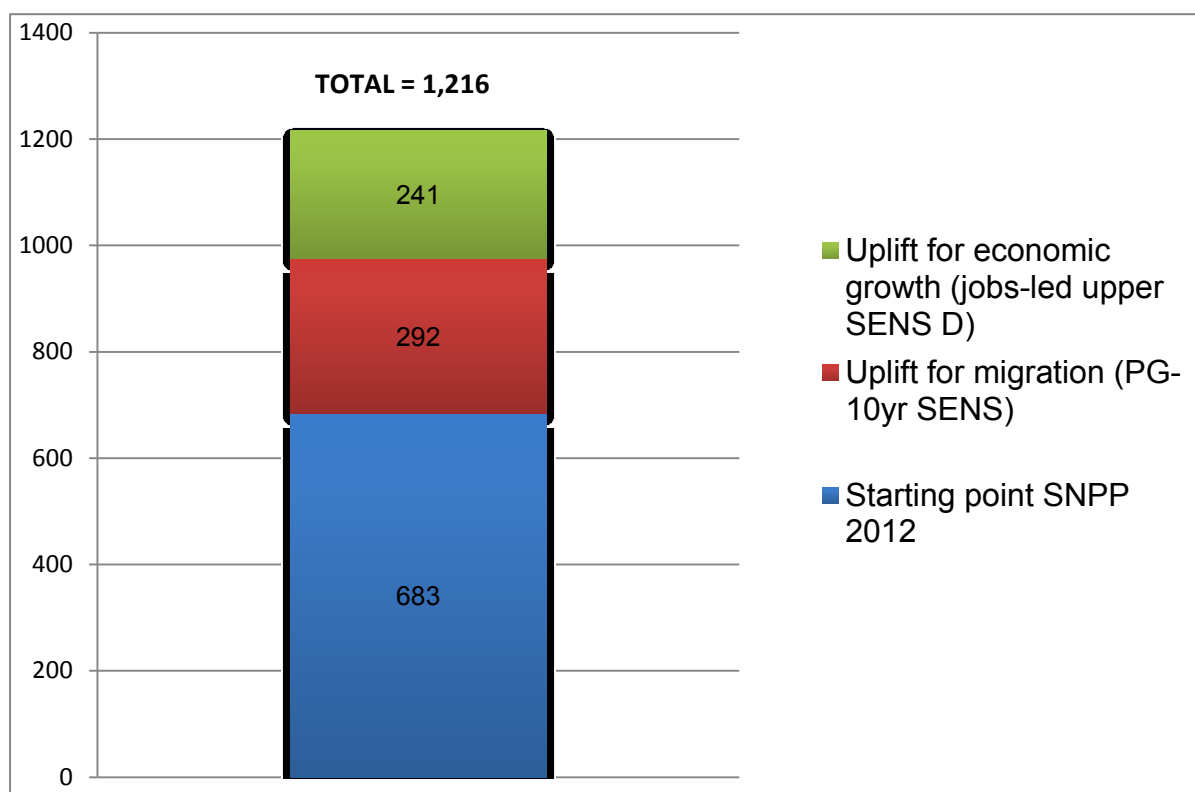
Dwelling distribution

7.23   The Countywide figure of 24,320 has been distributed between the HMAs. This has been informed by:

- The population, and the number of households and dwellings in each area;

- The need to support the delivery of the economic objectives as identified in the Council's Economic Strategy;

- The level of past delivery of housing and market demand;

- Areas of preference as identified by the 2012 Countywide Housing Need Survey;

- The capacity of each HMA to accommodate development in accordance with sustainable development principles; and

- Minimising the need for Green Belt deletion whilst ensuring the delivery of sustainable development.

7.24 For each HMA the housing is to be distributed as shown in Table 7.1

Table 7.1	Housing Distribution by HMA 2011-2031	
HMA	Dwellings (2011-2031)	Average dwellings per year
South East	12,840	642
Central	5,940	297
North	4,190	210
West	1,350	68
Total	24,320	1,216

7.25 The distribution of housing is between HMAs is also informed by the strategic approach to the distribution of development in the emerging Northumberland Core Strategy. This aims to:

- Focus population and housing growth in Main Towns and Service Centres, supporting their role and function, while allowing an appropriate level of development elsewhere in the County to meet local need, and to help support local services and facilities;

- Focus large scale housing development in Blyth, Cramlington and Morpeth to support the rejuvenation and revitalisation of communities; and

- Support the regeneration of Ashington by allowing an appropriate level of development to help extend choice to achieve a balanced housing market.

7.26 A bottom-up approach has also informed the level of housing at the local level. The Council's Strategic Land Review should be referred to for further details.

Affordable housing delivery

7.27 The Council should develop an affordable housing policy to support the delivery of new affordable housing across the County. The SHMA has provided county-wide evidence of an annual imbalance in affordable housing and acknowledges that there will be variations in the scale of affordable need and the economic viability of delivery across Northumberland.

7.28 Analysis identifies a net imbalance of 191 each year but this assumes that over the next 5 years, around 1,050 affordable dwellings will be built which will help to offset the imbalance identified. Excluding these dwellings, the annual imbalance is 401 each year.

7.29 Therefore, on the basis of a 401 imbalance, an affordable target of around 30% would be appropriate (based on a development target of 1,216 each year). However, as there is pipeline provision of around 1,050 dwellings, a target of 15% would be appropriate for sites coming forward for development. An overall target of 15% would support affordable housing delivery on the assumption that the development of around 1,050 affordable dwellings takes place over the next 5 years.

8.   Conclusion: policy and strategic issues

8.1   This document has been prepared to equip the Council and its partners with robust, defensible and transparent information to help inform strategic decision-making and the formulation of appropriate housing and planning policies. The work also takes account of the National Planning Policy Framework which came into effect in March 2012 and National Planning Practice Guidance.

8.2   The SHMA will help the Council plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Specifically, the SHMA identifies the size, type and tenure of market housing required by considering current market demand relative to supply; and also identifies a continued affordable housing imbalance across Northumberland County.

8.3   This concluding chapter summarises key messages from the research findings, structured around a commentary on the current and future housing markets; the interactions of Northumberland with other areas; and relates findings to key local strategic issues.

The Housing Market Area

8.4   An analysis of 2011 Census migration data suggests that 69.7% of moving households originated from within Northumberland and 67.5% of employees live and work within the County. Former Government guidance suggested that housing markets are self-contained if at least 70% of moves take place within the area.

8.5   Northumberland can be described as a largely self-contained housing market on the basis of migration and travel to work patterns, with both suggesting that just under 70% of moves take place within Northumberland. Additionally, 74.6% of households planning to move in the three years 2012-2015 were planning to move within Northumberland. . The SHMA recognises four housing market areas (HMAs) within Northumberland based on the migration, travel to work and attributes of these areas. The SHMA also acknowledges the relationship between Northumberland and neighbouring areas, in particular North Tyneside, Newcastle, Gateshead, Durham, Carlisle and the Scottish Borders. Overall however, Northumberland is considered to be a self-contained Market Area for the purposes of Local Plan policy making.

Establishing an Objectively Assessed Housing Need

8.6   The National Planning Policy Framework requires that local planning authorities identify Objectively Assessed Housing Need and that Local Plans translate those needs into land provision targets. Paragraph 159 of the NPPF recognises that the objective assessment of housing need must be one that meets household and population projections, taking account of migration and demographic change; meets the need for all types of housing including

affordable, and caters for housing demand and the scale of housing supply necessary to meet that demand.

8.7   An OAN should be based on reasonable assumptions which take into account baseline demography, adjustments to reflect local demographic trends, past delivery, market signals, future jobs and other local circumstances: the SHMA has explored these factors in detail. PAS guidance suggests that the OAN should exclude any policy objectives and value judgements and evidence should be entirely about need and demand, to the exclusion of any supply-side factors such as physical constraints, policy designations and adverse impacts of development.

8.8   The key driver underpinning population change and associated dwelling requirement in Northumberland is net internal migration and anticipated trends in migration. A further uplift in dwelling requirement is recommended to take account of jobs-growth. The baseline dwelling requirement, based on the SNPP-2012 scenario is +683 but given likely migration trends this should be uplifted to +975 to take account of increasing levels of net in-migration from North Tyneside in particular. A further uplift to take account of dwelling requirements associated with jobs-growth increases the dwelling requirement to between 1,216 and 1,246. This analysis therefore recommends that the annual Objectively Assessed Housing Need in Northumberland is within the range +975 and +1,246, and a figure of 1,216 would be appropriate as the objectively assessed need for Northumberland as this most closely reflects the jobs-growth, commuting and unemployment level assumptions of the Council.

The current housing market

8.9   This study provides up to date information on the housing stock in Northumberland. How the stock profile varies by HMA is presented in data tabulations accompanying this report.

8.10   Across Northumberland there are a total of 149,750 dwellings[51] and a total of 138,535 households[52]. Overall, the 2012 Household Survey shows that:

- 72.7% of properties are houses, 18.7% are bungalows, 8.4% are flats/maisonettes/bedsits, and 0.1% are other property types (e.g. caravans);

- 8.3% have one bedroom/bedsit, 29.2% have two bedrooms, 42.8% have three bedrooms and 19.7% have four or more bedrooms; and

- 66.0% of properties are owner-occupied, 18.6% are rented from a social landlord, 15.2% are private rented/tied accommodation and 0.2% are intermediate tenure.

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[51] 2014 CLG
[52] 2012 Household Survey

Housing markets and mobility

8.11   A range of material has been gathered to help identify market drivers and the characteristics of the Northumberland Housing Market Area and linkages with other areas.

8.12   An analysis of household mobility using survey data suggests that of households moving in the past five years, 69.0% originated in Northumberland and 31.0% moved into the County. 6.6% originated from Newcastle upon Tyne, 4.3% from North Tyneside and 1.7% from Durham. Most moved into the private housing sector, with around 55.2% moving into owner occupation and 33.7% into private renting. 77.8% of in-migrant households had a Household Reference Person aged under 65 and 22.2% were aged 65 and over; overall 58.9% were in employment and 42.1% had an income (of Household Reference Person and partner) of less than £25,000 per annum.

Future housing market

8.13   Data relating to future housing numbers and the Objectively Assessed Need for Housing has been explored in detail in this research.

8.14   The population of Northumberland is estimated to be 315,987 in 2014[53] and this is projected to increase by 2.6% to 324,400 by 2031[54]. Over the next few decades, there will be a marked increase in the number and proportion of residents aged 65 and over which is expected to increase by 39.5% from 73,000 in 2015 to 101,800 in 2031.

Housing need and demand

Delivering new housing

8.15   Households intending to move in the open market were asked what type and size of property they required. This could then be compared with the current stock profile to identify any mismatches between availability and aspirations/expectation. Of households moving, most require a house (75.7%), 16.8% a bungalow, 4.5% a flat and 3% to other dwelling types which includes supported/sheltered accommodation.

8.16   Future development should focus on delivering to address identified mismatches and reflect household aspirations.

8.17   The scale of affordable requirements has been assessed by taking into account the annual need from existing and newly-forming households and comparing this with the supply of affordable (social/affordable rent and intermediate tenure dwellings). The overall gross need for affordable housing is 1,502 dwellings each year. However, there is good capacity of affordable

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[53] ONS 2014 Mid Year Population Estimate
[54] ONS 2012-based population projections

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dwellings across Northumberland which results in an overall net shortfall of 191 affordable dwellings each year.

8.18   The net imbalance of 191 each year assumes that the 1,050 affordable dwellings forecast to be delivered over the next 5 years are built. Excluding these dwellings, a shortfall of 401 dwellings each year is identified. Based on a development target of 1,216 dwellings per annum, an affordable target of around 30% would be appropriate. However, as there is pipeline provision of around 1,050 dwellings, a target of 15% would be appropriate for sites coming forward for development.

8.19   Analysis demonstrates a shortfall of all dwelling sizes, most notably two bedroom general needs (140 each year), three or more bedroom general needs (30 each year) along with 10 one bedroom general needs and 11 older person affordable dwellings. It is therefore appropriate for the continued delivery of affordable housing to reflect underlying need, particularly of two and three bedroom general needs dwellings .

8.20   A tenure split of 67.0% affordable (social) rented and 33.0% intermediate tenure is suggested. Further analysis of household finances would suggest that intermediate tenure options remain affordable to households in need and newly-forming households, with 35.3% able to afford a property priced at up to £80,000, 33.9% a property priced at up to £100,000 and 26.1% a property priced at up to £120,000.

8.21   In summary, key drivers in determining the tenure and type of future development include:

- The need to continue development to satisfy household market requirements, in particular the development of detached and semi-detached houses with three or more bedrooms and bungalows;

- Developing an increasing range of housing and support products for older people;

- Delivering additional affordable housing to help offset the identified net shortfalls; and diversifying the range of affordable options by developing intermediate tenure dwellings and products; and

- The economic viability of delivering affordable housing on sites across Northumberland.

Improving the quality of existing stock

8.22   Strategic challenges include reducing the level of vacant dwellings and improving the quality of existing dwellings through better energy efficiency and modernisation. The Council's Private Sector Housing Strategy has been adopted which includes interventions and actions to improve the quality of existing stock and bring empty homes back into use.

Vacant stock

8.23   There are an estimated 5,074 (3.4%) dwellings that are vacant across Northumberland and these are mainly in the private sector. Properties can be empty for a variety of reasons which include: the properties are too difficult to

repair or are in the process of being repaired; they are in the process of being sold; they have been bought for capital investment; or they are in probate.

8.24   The Council should continue to consider identifying the reasons why properties are empty and identify mechanisms for bringing them back into use. Mechanisms could include:

- Financial/professional help for repairs and improvements in the form of equity loans; grant aid for renovation and subsequent leasing to a Housing Association for a fixed term; a professional service to manage repairs or full renovation; and

- Assistance with letting management or the sale of a property.

Satisfaction and repair

8.25   Improving the energy efficiency of dwellings and modernisation of stock is an important driver to improving the quality of existing stock and extends beyond those households expressing dissatisfaction. Given the need to reduce energy consumption, improve thermal comfort and future proof households from spikes in energy prices, retrofitting stock with improved insulation, heating systems and solar panels is likely to become a significant strategic issue.

The ageing population and addressing the needs of vulnerable people

8.26   A key challenge for the Council is to ensure a greater diversity of support services are made available to older people wanting to stay in their own home and develop funding mechanisms to achieve this. Additionally, the range of housing options available to older people needs to be diversified, for instance through the development of open market housing marketed at older people and the development of Extra Care accommodation and co-housing.

NPPF requirements

8.27   Paragraph 159 of the NPPF states that Local Planning Authorities should have a clear understanding of housing needs in their area and they should:

- Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where Housing Market Areas cross administrative boundaries. The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period that:

  - Meets household and population projections, taking account of migration and demographic change;

  - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and

- Caters for housing demand and the scale of housing supply necessary to meet this demand.

8.28   The material in this SHMA provides an evidence base to inform strategic decision making.

8.29   The SHMA has:

- Considered the Objectively Assessed Need for housing using the latest available evidence;

- evidenced the scale of Affordable Housing need and the specific affordable requirements necessary to offset the imbalance between supply and need;

- reviewed market demand and the range of dwellings required to satisfy household expectations and aspirations;

- reflected upon the needs of different groups of the population, in particular older people and those requiring specialist support requirements.

Final comments

8.30   Appropriate housing and planning policies have a fundamental role to play in the delivery of thriving, inclusive and sustainable areas. These policies need to be underpinned with high quality data. This study has provided a wealth of up-to-date social, economic, demographic and housing data for Northumberland County.

8.31   This research has reflected upon the housing market attributes of Northumberland and interactions with other areas. The report signposts future strategic challenges which include the ongoing delivery of new market and affordable housing to address need and support economic growth; diversifying the range of affordable tenures available to local residents; improving the condition and energy efficiency of existing stock; and addressing the requirements of older people and vulnerable groups.

Introduction to Technical Appendices

- Technical Appendix A: Research methodology
- Technical Appendix B: Housing need
- Technical Appendix C: Monitoring and updating

Technical Appendix A: Research Methodology

Overall approach

A.1   A multi-method approach was adopted in order to prepare a robust and credible Strategic Housing Market Assessment for Northumberland Council:

- A review of relevant secondary data including the 2011 Census, house price data, private rental data, Housing Association CORE lettings data, CLG Statistics and Housing Register information;

- The preparation of demographic and dwelling forecasts by Edge Analytics using POPGROUP modelling;

- Analysis of the 2012 county-wide Household Survey which was sent to around 19,700 households and 5,984 questionnaires were returned (a 30.4% response rate). Data were weighted to take account of the 2011 Census;

- An on-line survey of Key Stakeholders including local authorities, county councils, voluntary agencies, public service providers, registered providers and private developers; and

- Interviews with Estate and Lettings Agents

List of stakeholders interviewed as part of the SHMA process

A.2   An online survey and telephone/face to face interviews were carried out with a range of stakeholders drawn from:

- Local authorities;

- County councils;

- Voluntary agencies;

- Public service providers;

- Registered providers; and

- Private developers.

Technical Appendix B: Housing need calculations

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Step 4.4   Newly-arising need
Step 4.5   Total annual affordable need
Step 4.6   Annual social rented capacity
Step 4.7   Net Annual Shortfall

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Introduction

B.1   A working definition of housing need is *'the quantity of housing required for households who are unable to access suitable housing without financial assistance'*. The 2012 Household Survey and secondary data provide a robust range of information to quantify housing need in Northumberland and the extent to which additional affordable housing is required.

B.2   Housing needs analysis and affordable housing modelling has been prepared in accordance with CLG guidance at County level. In summary, the model reviews in a step-wise process:

Stage 1:   Current housing need (gross backlog)

Stage 2:   Future housing need

Stage 3:   Affordable housing supply

Stage 4:   Estimate of annual housing need

B.3   Table B1 summarises the different steps taken in assessing housing need and evidencing the extent to which there is a surplus or shortfall in affordable housing across Northumberland. Please note that in Stage 1, Step 1.4 reports the total number of households in need and avoids double counting as in some cases households have more than one housing need.

Table B1	CLG Needs Assessment Summary for Northumberland		
Step	Stage and Step description	Calculation	Northumberland Total
Stage1: CURRENT NEED			
1.1	Homeless households and those in temporary accommodation	Annual requirement	**770**
1.2	Overcrowding and concealed households	Current need	**1883**
1.3	Other groups	Current need	**11853**
1.4	Total current housing need (gross)	Total no. of households with one or more needs	**13548**
1.4A	**TOTAL cannot afford open market (buying or renting)**	**Total**	**4803**
Stage 2: FUTURE NEED			
2.1	New household formation (Gross per year)	Based on households expected to form in the next 2 years	**1520**
2.2	Number of new households requiring affordable housing	% based on actual affordability of households forming	**67.7%**
2.2	Number of new households requiring affordable housing	Number cannot afford	**1030**
2.3	Existing households falling into need	Annual requirement	**61**
2.4	**TOTAL newly-arising housing need (gross each year)**	**2.2 + 2.3**	**1091**
Stage 3: AFFORDABLE HOUSING SUPPLY			
3.1	Affordable dwellings occupied by households in need	(based on 1.4)	**1701**
3.2	Surplus stock	Vacancy rate <2% so no surplus stock assumed	**0**
3.3	Committed supply of new affordable units	Annual	**1048**
3.4	Units to be taken out of management	None assumed	**0**
3.5	Total affordable housing stock available	3.1+3.2+3.3-3.4	**2749**
3.6	Annual supply of social re-lets (net)	Annual Supply (3yr ave)	**1265**
3.7	Annual supply of intermediate affordable housing available for re-let or resale at sub-market levels	Annual Supply (3yr ave)	**46**
3.8	**Annual supply of affordable housing**	**3.6+3.7**	**1311**
Stage 4: ESTIMATE OF ANNUAL HOUSING NEED			
4.1	Total backlog need	1.4A-3.5	**2054**
4.2	Quota to reduce over 5 years (20%)		**20%**
4.3	Annual backlog reduction	Annual requirement	**411**
4.4	Newly-arising need	2.4	**1091**
4.5	Total annual affordable need	4.3+4.4	**1502**
4.6	Annual social rented capacity	3.8	**1311**
4.7	**NET ANNUAL SHORTFALL (4.5-4.6)**	**NET**	**191**

Source 2012 Household Survey; RP Core Lettings and Sales data

Stage 1: Current need

B.4   A working definition of housing need is *'the quantity of housing required for households who are unable to access suitable housing without financial assistance'*. The SHMA Guidance suggests types of housing that should be considered unsuitable, as summarised in Table B2.

Table B2 Housing need in Northumberland	Northumberland Total
Factor	
Homeless households or in temporary accommodation	770
Overcrowded and concealed	3,546
Other groups	11,853
Total need	13,847
Total no. households in need (with one or more housing needs)	7,839
Total Households	138,535
% households in need	5.7

Note: A household may have more than one housing need.

Source: 2012 Household Survey

Step 1.1   Homeless households and those in temporary accommodation

B.5   CLG SHMA guidance suggests that information on homeless households and those in priority need who are currently housed in temporary accommodation should be considered in needs modelling. The scale of need from these types of household can be derived from several sources.

B.6   Homelessness statistics for 2014/15[55] indicate that a total of 331 decisions were made on households declaring themselves as homeless across Northumberland (Table B3). Of these households, 194 were classified as homeless and in priority need. Over the five years 2010/11 to 2014/15, an annual average of 456 decisions have been made across Northumberland and an average of 205 households each year have been declared as homeless and in priority need.

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[55] CLG Homeless Statistics Table 784: local authorities' action under the homelessness provisions of the Housing Acts, financial year 2014 to 2015

Table B3	Homeless decisions and acceptances 2010/11 to 2014/15	
Year	Decisions made	Accepted as homeless
2010/11	424	189
2011/12	540	229
2012/13	593	227
2013/14	390	184
2014/15	331	194
Total	2278	1023
Annual Average	455.6	204.6

Source: CLG Homelessness Statistics

B.7   The household survey identified a total of 770 households who were either under threat of homelessness or were living in temporary accommodation across Northumberland. This figure has been used in needs assessment modelling.

Step 1.2   Overcrowding and concealed households

B.8   The extent to which households are overcrowded is measured using the 'bedroom standard'. This allocates a standard number of bedrooms to each household in accordance with its age/sex/marital status composition. A separate bedroom is allocated to each married couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex and each pair of children under 10. Any unpaired person aged 10-20 is paired if possible with a child under 10 of the same sex, or, if that is not possible, is given a separate bedroom, as is any unpaired child under 10. This standard is then compared with the actual number of bedrooms (including bedsits) available for the sole use of the household.

B.9   Analysis identifies 1,883 households who are currently living in overcrowded accommodation or are concealed households and are intending on moving in the next five years.

Step 1.3   Other groups

B.10   Table B2 identified a series of households who were in housing need for other reasons including the property is too expensive, difficult to maintain, household containing people with mobility impairment/special need, lacking amenities, disrepair and harassment.

B.11   A total of 11,853 households across Northumberland were identified to be experiencing one or more of these needs factors and intending to move in the next five years. This figure is taken as the five year backlog of need from other groups.

Step 1.4   Total current housing need summary

B.12   Having established the scale of need in Steps 1.1, 1.2 and 1.3, total current housing need from existing households across Northumberland before any analysis of the ability of households to afford open market solutions is 13,548.

B.13   The extent to which these households could afford open market prices is then considered. An 'affordability threshold' of households is calculated which takes into account household income, equity and savings. The household income component of the affordability threshold is based on 3.5 x gross annual income of the respondent and partner (if applicable).

B.14   The affordability threshold was then tested against lower quartile property prices and the cost of privately renting. Lower quartile prices for 2014 were derived using Land Registry address-level data based on the 37 HMAs used in the Household Survey. Information on private sector rents was based on lettings reported by Zoopla during 2014 for the 37 HMAs. The cost of letting a property according to the number of bedrooms required by a household was factored into affordability testing.

B.15   Using evidence from the Household Survey, the extent to which households identified in Steps 1.1, 1.2 and 1.3 could afford open market prices has been assessed. Overall, a total of 4,803 existing households in need wanted to move to offset their need and could not afford open market solutions.

Step 2.1   New household formation (gross per year)

B.16   The housing needs survey identifies a total of 1,520 households who expect to form each year over the next five years. This is equivalent to 1.1% of all households and compares with a national formation rate of 1.74% based on the latest three year average national rate reported in the English Housing Survey over the period 2010/11 to 2012/13.

Step 2.2   New households unable to buy or rent in the open market

B.17   Analysis of lower quartile market prices relative to the income/savings of households who have formed in the past five years suggests that 67.7% could not afford lower quartile house prices or private sector rents.

B.18   Therefore, the total number of newly-forming households who could not afford open market prices or rents across Northumberland is calculated to be 1,030 each year.

Step 2.3   Existing households expected to fall into need

B.19   An estimate of the number of existing households falling into need each year has been established by drawing upon the RP lettings data. This suggests that over the three year period 2010/11, 2011/12 and 2012/13, an annual average of 61 households moved into the social rented sector because they had fallen into housing need and were homeless.

Step 2.4   Total newly arising housing need (gross per year)

B.20   Total newly arising need is calculated to be 1,901 households each year across Northumberland.

Stage 3: Affordable housing supply

B.21   The CLG model reviews the supply of affordable units, taking into account how many households in need are already in affordable accommodation, stock surpluses, committed supply of new affordable dwellings and dwellings being taken out of management (for instance pending demolition or being used for decanting).

Step 3.1   Affordable dwellings occupied by households in need

B.22   This is an important consideration in establishing the net levels of housing need as the movement of these households within affordable housing will have a nil effect in terms of housing need[56].

B.23   A total of 1,701 households are current occupiers of affordable housing in need. Although the movement of these households within affordable housing will have a nil effect in terms of housing need (i.e. they already live in affordable housing), the type of property they would 'free up' if they moved is considered in modelling.

Step 3.2   Surplus stock

B.24   A proportion of vacant properties are needed to allow households to move within housing stock. Across the social rented sector, this proportion is generally recognised as being 2%. Stock above this proportion is usually assumed to be surplus stock. Modelling assumes no surplus social rented stock across Northumberland.

Step 3.3   Committed supply of new affordable units

B.25   CORE lettings data over the period 2010/11 to 2012/13 reports an annual average of 210 new affordable dwellings being built each year. It is assumed that this rate of development continues and over the next five years an estimated 1,048 new affordable dwellings will be built across Northumberland.

Step 3.4   Units to be taken out of management

B.26   The model assumes there will be no social rented units taken out of management over the next five years.

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[56] Strategic Housing Market Assessment Guidance (CLG, August 2007)

Step 3.5   Total affordable housing stock available

B.27   It is assumed that there are 2,749 social (affordable) rented dwellings available over the five year period arising from households moving within the stock.

Step 3.6   Annual supply of social re-lets

B.28   The CLG model considers the annual supply of social re-lets. Address-level RP CORE lettings data has been analysed for the three years 2010/11, 2011/12 and 2012/13. This information can be used to accurately assess the likely capacity of the social rented sector by location, size of property and designation (whether the property is general needs or older person). For the purposes of analysis, it is important to focus on the ability of households requiring affordable housing to access it. Therefore, the annual supply figures derived from CORE lettings data and used in modelling:

- **Exclude** those moving into accommodation from outside Northumberland and households moving within the social rented stock; and

- **Include** households who moved from within Northumberland into social renting from another tenure; newly-forming households originating in Northumberland and moving in social renting; and households moving from specialist/supporting housing from within Northumberland into affordable housing.

Analysis suggests that there is an annual average of 1,265 social rented dwellings let to new tenants i.e. households originating in Northumberland who either moved into social renting from another tenure, were newly-forming households, or who moved from supported/specialist accommodation.

B.29   Modelling therefore assumes an annual capacity of 1,265 dwellings for new tenants across Northumberland. Table B4 illustrates how the annual capacity figure is broken down by designation (general needs and older person) and property size.

Step 3.7   Annual supply of intermediate re-lets/sales

B.30   Table B4 presents a summary of the average supply of intermediate tenure dwellings which have either been sold or relet over the three year period 2010/11, 2011/12 and 2012/13 as recorded in CORE Sales data.

Table B4	Annual average of social/affordable rented re-lets and intermediate tenure sale/re-occupancy 2010/11 to 2012/13			
		Tenure		
Designation	No. Bedrooms	Social/ Affordable Relet	Intermediate tenure sale/ reoccupancy	Total
Under 65	1	349	1	350
	2	494	12	507
	3	294	20	314
	4	16	0	16
	5	0	0	0
65 and over	1	74	1	75
	2	36	11	47
	3	2	0	2
	4	0	0	0
	5	0	0	0
TOTAL		1265	46	1311

Source: RP CORE data annual average 2010/11, 2011/12 and 2012/13

Summary of Stage 3

B.31   Overall, the model assumes an existing affordable supply of 1,701, anticipated newbuild of 1,048 and an annual supply of 1,265 social (affordable) lettings and an annual supply of 46 intermediate tenure lettings/sales.

Stage 4: Estimate of annual housing need

Overview

B.32   Analysis has carefully considered how housing need is arising within Northumberland by identifying existing households in need (and who cannot afford market solutions), newly-forming households in need and existing households likely to fall into need.

B.33   This has been reconciled with the supply of affordable dwellings which considers property size and designation (i.e. for general needs or older person). Based on the CLG modelling process, analysis suggests that there is an overall annual gross imbalance of 1,502 and net imbalance of 191 dwellings each year.

B.34   For critical stages of the needs assessment model (Step 1.1, Step 1.4, Step 2.4 and Step 3.8), information is broken down by designation (general needs and older) and property size. This goes beyond the requirement of the SHMA guidance but allows a detailed assessment of the overall housing requirements of households in need and provides clear affordable requirement information. In turn, this can help identify where there are shortfalls and sufficient capacity of affordable housing, and help to shape policy responses.

B.35   Stage 4 brings together the individual components of the needs assessment to establish the total net annual shortfall.

Step 4.1   Total backlog need

B.36   Step 4.1 is the total backlog need which is derived from the number of households in Step 1.4A minus total affordable housing stock available (Step 3.5). The total backlog need is 2,054.

Steps 4.2 to 4.6

B.37   Step 4.2 is a quota to reduce the total backlog need which is assumed to be 20% each year (which is a standard modelling assumption suggested by the CLG guidance).

B.38   Step 4.3 is the annual backlog reduction based on Step 4.2 (411 each year).

B.39   Step 4.4 is a summary of newly-arising need from both newly forming households and existing households falling into need (1,091 each year).

B.40   Step 4.5 is the total annual affordable need based on Steps 4.3 and 4.4 (1,502 each year).

B.41   Step 4.6 is the annual social rented/intermediate tenure capacity based on Step 3.8 (1,311 each year).

Total gross and net imbalance

B.42   Table B5 summarises the overall annual gross and net affordable housing requirements for Northumberland by designation (general needs and older person) and property size.

Table B5 Net annual affordable housing imbalance by property size and designation 2014/15 to 2018/19					
Shortfall	**General Needs**			**Older Person**	**Total**
	1 Bed	2 Beds	3+ beds	1/2 Bed	
Gross	359	647	361	135	**1502**
Net	10	140	30	11	**191**

Sources: 2012 Household Survey; RP CORE Lettings and Sales

B.43   This analysis assumes the delivery of 1,048 affordable dwellings over the 5 years 2014/15 to 2018/19. Excluding this results in a net imbalance of 401 each year.

Tenure and dwelling type profile of affordable dwellings

B.44   Affordable housing includes social rented, affordable rented and intermediate tenure dwellings. New affordable development by Registered Providers will be

affordable rented (with rents of up to 80% of open market rent) and in order to recommend an appropriate split between social rented and intermediate tenure, the stated preferences of households and the relative affordability of intermediate tenure products is now reviewed.

Household preferences

B.45   Households were asked to state tenure preferences. Table B6 summarises the preferences of both existing households in need and newly forming households by tenure. Overall, this gives a tenure split of 67% social/affordable rented and 33% intermediate tenure across Northumberland.

Table B6	Affordable tenure preferences		
Tenure	Existing households in need (%)	Newly-forming households (%)	Total (%)
Social/Affordable Rented	65.2	67.7	67.0
Intermediate	34.8	32.3	33.0
Total	**100.0**	**100.0**	**100.0**
Base (annual requirement)	*411*	*1091*	*1502*

Source: 2012 Household Survey

B.46   An analysis of the ability of existing households in need and newly-forming households to afford intermediate tenure is summarised in Table B7. Analysis suggests that intermediate tenure options remain affordable to households in need and newly-forming households, with 35.3% able to afford a property priced at up to £80,000, 33.9% a property priced at up to £100,000 and 26.1% a property priced at up to £120,000.

Table B7 Ability of existing households in need and newly-forming households requiring affordable housing to afford intermediate tenure dwellings			
	% could afford		
Price	Existing households in need	Newly-forming households	Total
Up to £50,000	55.9	54.3	54.7
Up to £60,000	54.6	49	50.5
Up to £70,000	40.8	34.1	35.9
Up to £80,000	38.5	34.1	35.3
Up to £90,000	38	32.7	34.2
Up to £100,000	37.2	32.7	33.9
Up to £110,000	32.6	26	27.8
Up to £120,000	30.2	24.6	26.1
Up to £130,000	28.6	20.4	22.6
Up to £140,000	25.9	19.3	21.1
Up to £150,000	22.2	16.9	18.4
Base	411	1091	1502

Source: 2012 Household Survey

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B.47   There is potential scope for an intermediate tenure market in Northumberland County. The final proportion of intermediate tenure dwellings to be delivered needs to be reconciled with the economic viability of delivering affordable housing on sites; the appetite of the HCA to fund intermediate tenure dwellings; and the ability of households to secure mortgages.

Dwelling type

B.48   Table B8 considers the range of affordable property types households would consider, based on the aspirations of existing households in need and newly-forming households requiring affordable accommodation. Analysis of property type preferences suggests that the delivery of houses is a priority (with 56.1% stating an expectation of moving to a house), followed by flats (30.8%) and bungalows (12.7%).

Table B8	Property type preferences		
Type preferences	**Existing (%)**	**Newly-forming (%)**	**Total (%)**
House	54.1	57.3	56.4
Bungalow	30.0	6.2	12.7
Flat/other	15.9	36.5	30.8
Total	**100.0**	**100.0**	**100.0**
Base	*411*	*1,091*	*1,502*

Based on expectations of existing households in need and what newly-formed households have moved to in the past 5 years

Source: 2012 Household Survey

Technical Appendix C: Monitoring and updating

A framework for updating the housing needs model and assessment of affordable housing requirements

Introduction

C.1   Having invested considerable resources in obtaining an excellent range of primary and secondary data, it is vital that this information be used to the maximum effect and updated on a regular basis. The purpose of this appendix is to establish a framework for updating the housing needs model and affordable housing requirements. In addition, it recommends the regular monitoring and review of housing market activity and regular reflections on the wider strategic context.

Updating of baseline housing needs and affordable housing requirements

C.2   A baseline assessment of housing need across Northumberland has been derived from the household survey. This information should be taken as a baseline from which annual reviews of key aspects of the model proceed. It is recommended that the baseline information has a shelf-life of three to five years (with a recommended refresh of household information after 2018/19 through primary surveying).

C.3   Key elements of the needs assessment model can be readily updated on an annual basis to reflect:

- changes in house prices and rental costs;

- capacity of the social rented sector;

- availability of intermediate tenure housing.

Changes in house prices and rental costs

C.4   It is recommended that the annual purchase of address-level house prices to complement the existing dataset continues. This will result in an annual refresh of house price data by survey area and provide an indication of changing lower quartile prices. In turn, these can be applied to **Step 1.4** of the needs assessment model which considers the extent to which households in need can afford open market prices. As part of this analysis, updated information on private rented sector rents needs to be secured. Several websites can provide a snapshot of private rents and help inform this element of the update.

C.5   Lower quartile prices and private sector rents should also be compared with the income profile of newly-forming households at **Step 2.2** of the needs assessment model.

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Capacity of the social rented sector

C.6   The capacity of the social rented sector needs to be reviewed annually using RP CORE lettings data (**Step 3.6**).

C.7   A dataset has been prepared for RSL CORE data for 2010/11, 2011/12 and 2012/13 as part of this research. This includes some additional variables identifying the characteristics of households (by designation i.e. under 65 or over 65) and previous housing circumstances (from out of area, previously social renter, previously other tenure and from supported/specialist accommodation). The capacity of the social rented sector is based on the number of lettings to households from within the Local Authority County who were previously living in (non social rented or intermediate) tenure.

Availability of intermediate tenure housing

C.8   CORE Sales data can identify the availability of intermediate tenure housing (**Step 3.7**). Data has been assembled for 2010/11, 2011/12 and 2012/13.

Annual adjustments to affordable requirements

C.9   Datasets can be provided from which annual reviews of affordable requirements can proceed. This will point to any adjustment in net requirements by survey area, designation and property size.

Updating of contextual information

C.10   This report has presented a range of contextual information relating to the economy, demography (including population projections and migration) and dwelling stock. This information should be updated where possible and in particular progression with economic growth and diversification should be carefully monitored.

Reflections on the general strategic context and emerging issues

C.11   As part of its strategic housing function, all LAs need to understand the general strategic housing market context and respond to emerging issues. Given the dynamic nature of housing markets, the Central and Local Government policy agenda and bidding for resources, any update of housing needs must be positioned within a wider strategic context.

C.12   Ongoing stakeholder consultation and engagement with local communities is also vital to maintain up-to-date intelligence on housing market issues.

Concluding comments

C.13   It is vital that mechanisms are in place to derive robust, credible and defensible estimates of housing need and affordable requirements across Northumberland. We believe that this study provides a robust evidence base which has the capacity to be updated.

C.14 Having established a baseline position on affordable housing and advice on open market provision to reflect aspirations, it is essential that housing market activity is regularly monitored. This is highly relevant given current housing market uncertainty. A range of methods have been suggested to ensure that housing need and affordability modelling is revised on an annual basis. Annual reviews should also take into account the changing strategic context and impact on housing market activity.