
Housing Need and Requirement in Darlington

Darlington Regulation 19 Local Plan

Contents

1.	Introduction	1
2.	National Planning Policy and Guidance	2
3.	Darlington's Draft Local Plan	7
4.	The Darlington Strategic Housing Market Assessment	8
5.	Summary & Conclusion	17

1. Introduction

- 1.1.1. This report has been prepared by Savills UK Ltd on behalf of Hellens Land and Homes England. It provides an assessment of the housing requirement put forward in the emerging Darlington Local Plan (eDLP).
- 1.1.2. It will do this by examining the policies and supporting evidence base of the emerging plan, to understand the provenance and justification for the housing numbers identified by the eDLP. It will then assess the planning policy context to understand the requirements of the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) in respect of housing requirements. Finally it will assess some of the demographic, economic and housing indicators in Darlington to understand if they support the policies in the eDLP.
- 1.1.3. The intention of this report is to provide a critique of policy position adopted by the Council and to understand whether it is positively prepared, justified, effective and consistent with national planning policy.

2. National Planning Policy and Guidance

2.1. Introduction

2.1.1. It is the NPPF and PPG which set out the framework for assessing housing needs and transcribing those needs into an emerging local plan. It is the NPPF which provides the tests by which the soundness of a local plan is examined and the overarching policies which govern which method a Council should use to determine its housing requirement. It is the PPG which provides the detailed calculation of the method and specific contexts in which departures from that method may be appropriate. This chapter will outline the requirements of national planning policy and guidance to enable a fuller assessment of the position adopted by Darlington Borough Council (DBC).

2.2. National Planning Policy Framework

2.2.1. The NPPF provides the overarching national framework for decision-taking and plan-making. Paragraph 11 of the NPPF states (Savills Emphasis):

a) plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change;

b) strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas⁵, unless:

i. the application of policies in this Framework that protect areas or assets of particular importance provides a strong reason for restricting the overall scale, type or distribution of development in the plan area⁶; or

ii. any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.

2.2.2. Paragraph 11, otherwise known as the presumption in favour of sustainable development and the linchpin of the NPPF's approach to both plan-making and decision-taking, sets out the overarching requirement of plans to positively meet the development needs of their area and to as a minimum meet the 'objectively assessed needs' which is defined by footnote 19 of the NPPF as the output of "a clear and justified method, as set out in paragraph 60 of this Framework." Paragraph 11 does set out exceptions to these requirement where there are specific policy restrictions such as National Park which would prevent needs from being met or where the harm of meeting needs would be significantly and demonstrably greater than the benefits.

2.2.3. Paragraph 60 of the NPPF states that (Savills Emphasis):

*To determine the minimum number of homes needed, **strategic policies should be informed by a local housing need assessment, conducted using the standard method** in national planning guidance – **unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals**. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.*

2.2.4. Paragraph 65 of the NPPF states that (Savills Emphasis):

*“Strategic policy-making authorities should establish **a housing requirement figure** for their whole area, **which shows the extent to which their identified housing need** (and any needs that cannot be met within neighbouring areas) **can be met over the plan period**”*

2.2.5. Paragraphs 60 and 65 of the NPPF set out two terms which are of critical importance for strategic plan-making. There is the ‘local housing need’ which is the minimum number of homes needed. This should be calculated with reference to the ‘standard method’ or in exceptional circumstances another method which reflects demographic trends and market signals. There is also the ‘housing requirement figure’ which strategic plans should establish and which should demonstrate the extent to which the local housing need can be met. This ‘can be met’ statement in paragraph 60 is important because it infers that the housing requirement and the local housing need figure could be different. The PPG also reiterates the difference between a housing requirement and housing need:

***Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations.** Paragraph: 001 Reference ID: 2a-001-20190220*

***The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement figure.** Paragraph: 002 Reference ID: 2a-002-20190220*

***This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan)** Paragraph: 010 Reference ID: 2a-010-20190220*

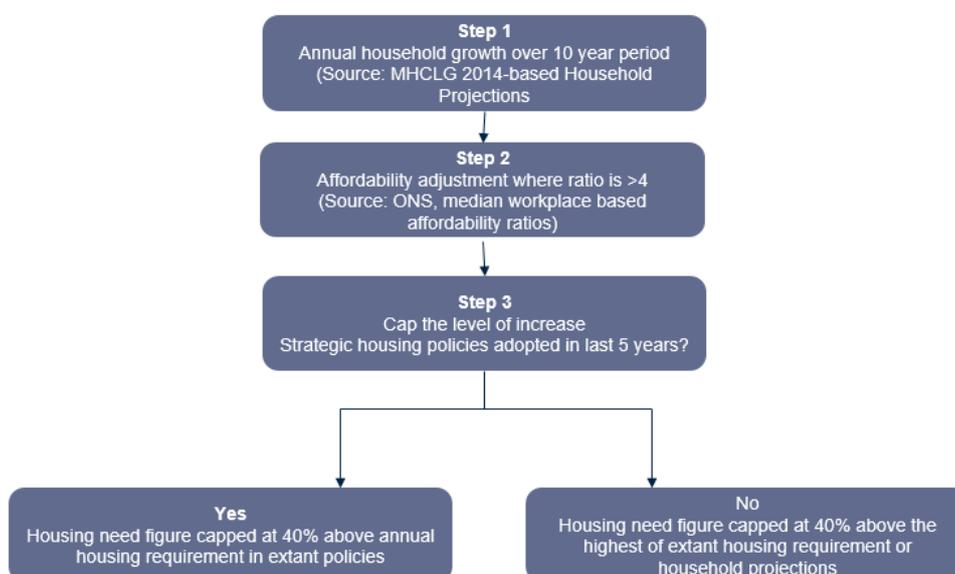
2.2.6. Essentially the housing need figure is the unconstrained objectively calculated minimum need for housing in a given area. It should be based on the standard method (to be discussed) but where there are exceptional reasons to use another method a planning authority can use an alternative as long as the alternative also meets the key objectives of Government. The housing requirement is the figure in policy that sets out the number of houses that a local area will plan for. It can be lower than the housing need where there are demonstrable constraints or harms to delivering that need or it can be higher than the housing need figure where there are justified policy objectives for exceeding the figure.

2.2.7. Paragraph 16 of the NPPF states that plans should “*be prepared positively, in a way that is aspirational but deliverable.*” The tests of soundness at paragraph 35 of the NPPF state that plans will be sound if they are “*positively prepared*” by “*providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs*”. It is therefore clear that the Government places a great importance on a plan meeting its needs but also encourages aspiration where it can be shown to be realistic and deliverable.

2.3. The Planning Practice Guidance

2.3.1. The PPG sets out, amongst other things, the ‘standard method’ for calculating the local housing need figure and the circumstances in which it is appropriate to plan for a higher housing need figure than the standard method indicates. In terms of the standard method calculation, the PPG set this out as follows:

Standard Method in the PPG¹



¹Paragraph: 004 Reference ID: 2a-004-20190220

2.3.2. The method includes a demographic trend (based on MHCLG household projections), an affordability adjustment (based on ONS affordability ratios) and a cap where the number is increased to a very significant degree (which isn't relevant in Darlington so isn't discussed further). Of particular importance in the context of Darlington (explained further below) is the requirement in national planning policy to use the 2014-based household projections as the basis for understanding demographic change in a given local authority area.

2.3.3. The PPG also sets out the circumstances in which one can depart from and use an alternative method to the standard method in the PPG. It is important to note that the PPG differentiates circumstances where the 'alternative to the standard method' produces a higher figure than the standard method or a lower figure:

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates. This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Paragraph: 010 Reference ID: 2a-010-20190220

Where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point. Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination. Paragraph: 015 Reference ID: 2a-015-20190220

2.3.4. What the PPG is making clear is that the burden of evidence is less where an LPA is going higher than the standard method. Indeed the starting point for an Inspector examining a minimum housing need figure that is above the standard method is that it is sound. The converse is true for an approach which is below the standard method where robust evidence is required and it is made clear that it will be tested at examination. It is also relevant to point out that all this relates to the housing need not the requirement. This is made clear in Reference ID: 2a-010-20190220 which states that this is separate from the housing requirement for the strategic policies.

2.3.5. Finally the PPG sets out specific circumstances where the 'actual housing need is higher than the standard method indicates':

Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);

strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or

*an authority agreeing to take on **unmet need from neighbouring authorities**, as set out in a statement of common ground;*

*There may, occasionally, also be situations where **previous levels of housing delivery in an area, or previous assessments of need** (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. **Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.** Paragraph: 010 Reference ID: 2a-010-20190220*

- 2.3.6. Here the PPG sets out specific contexts in which the housing need figure may be increased such as where there is a growth strategy for the area, where previously levels of housing delivery show need to be higher and where previous assessment of need such as a SHMA indicate significantly greater levels of need all of which apply to Darlington as we discuss below.

3. Darlington's Draft Local Plan

- 3.1.1. Darlington's emerging Local Plan has reached 'Regulation 19' stage and is out for public consultation. The eDLP contains policies and proposals for using and developing land throughout the Borough of Darlington. When finalised and adopted it will replace the Darlington Local Development Framework (LDF) Core Strategy (May 2011) and the saved policies of the Borough of Darlington Local Plan (1997, including adopted alterations 2001), and will provide an up to date statutory development plan for the Borough including both strategic and development management policies.
- 3.1.2. Policy H1 of the eDLP sets out the housing requirement for the area. It states that over the 20 year plan period (2016 to 2036) the eDLP will seek to meet a minimum requirement of 422 dwellings per annum ('dpa' a total net minimum requirement of 8,440 dwellings).
- 3.1.3. Policy H1 of eDLP goes onto set out "*a Local Plan housing target*" which "*makes an allowance for economic growth and 7,000 full time equivalent additional jobs over the plan period*" and "*reflects the additional homes required to meet the need for additional workers*". The housing target is 492 dpa so 70 dpa above the minimum requirement.
- 3.1.4. Darlington's Local Plan therefore contains a minimum requirement and a target. Policy H1 states that the "*approach has been taken to provide a housing requirement range rather than a single figure. The housing target is not a restrictive maximum figure.*"
- 3.1.5. The explanatory text to Policy H1 sets out the justification for this approach. Paragraph 6.1.3 of the eDLP states that the local housing need calculated using the standard method (as required by paragraph 60 of the NPPF) results in a figure of 177 dpa in Darlington. Paragraph 6.1.5 however states that the Council's SHMA has "*identified fundamental flaws in national statistics for population and household growth in Darlington*" and as a result has remodelled the projections for Darlington using alternative data. Furthermore, as described by paragraph 6.1.7 of the eDLP, the SHMA also examined "*the working age population, unemployment rates, commuting patterns, economic activity rates and part time working trends*" because the Council is "*committed to supporting the economic growth of the Borough and the authority is active in attracting new businesses and industries to the area*". This support, the Council states at paragraph 6.1.7 of the eDLP, has been "*reflected through the housing target which accounts for projected employment growth and accommodating additional workers required.*"
- 3.1.6. What is clear from Policy H1 and the explanatory text that supports it is that the Council has sought to depart from the standard method because in Darlington there is clear evidence that it is flawed. The Council identifies a minimum requirement which it considers represents its minimum local housing need (a requirement of paragraph 11b and 35 of the NPPF) and a target which it states accounts for employment growth. Paragraph 6.1.9 states that "*the minimum housing requirement and target within Policy H1 strikes a balance between realistic achievability and aspiration*". What is not clear from the eDLP is how the minimum figure of 422 dpa and target of 492 relate to the remodelling work undertaken by the Council or the Council's commitment to support economic growth in the Borough. The next Section of this report will assess the Council's SHMA to understand this.

4. The Darlington Strategic Housing Market Assessment

- 4.1.1. The evidential basis for Policy H1 of the eDLP is the Darlington Strategic Housing Market Assessment Update October 2017 Report of Findings ('2017 SHMA').
- 4.1.2. The 2017 SHMA was published prior to the revised NPPF and is therefore a document which adheres to and references the 2012 NPPF and the PPG as it was published at the time. The document was published around the same time as the 'Planning for the Right Homes in the Right Places' consultation (September 2017) which revealed for the first time details of the proposed standardisation of the calculation of housing need. The 2017 SHMA therefore follows the previous approach to assessing housing need which:
- Used the latest published household projections as the starting point
 - Introduced adjustments where demographic and housing trends indicated past projections were unlikely to reflect future needs
 - Where appropriate, made adjustments for housing market pressures by assessing a range of 'signals'
 - Considered the relationship between the anticipated increase in jobs and the likely supply of economically active population.
- 4.1.3. This approach is not the approach that the NPPF and PPG requires of a local plan today. It is not the approach against which the eDLP will be assessed against when it is examined. Notwithstanding, that does not necessarily mean that its analysis and conclusions are not instructive to a strategic plan-making authority today or to strategic policies in an up to date local plan.

4.2. Population Growth

- 4.2.1. In line with the approach detailed above, the 2017 SHMA starts off by assessing the latest published household projections. At the time the 2017 SHMA was published, these were the 2014-based household projections which utilised the 2014-based sub-national population projections (SNPP). This is relevant to the eDLP because these are the same household projections which the 2019 NPPF and PPG require strategic planning authorities to use as part of the standard methodology.
- 4.2.2. In assessing the projections, the 2017 SHMA noted that there were a number of "*significant issues with the ONS data for Darlington.*"¹ These errors relate to the 2001 Census which the 2017 SHMA concludes was under-enumerated² and significant issues in the mid-year estimates post-2011 (as demonstrated by a range of administrative data³). As this data directly feeds into the mechanism and assumptions of the 2014 Household Projections the conclusion of the 2017 SHMA is that the official ONS estimates "*appear to be flawed*" with respect to its applicability in the specific circumstances of Darlington.

¹ Paragraph 2.15 of the 2017 SHMA

² Paragraph 2.15 of the 2017 SHMA

³ See Figure 6 of the 2017 SHMA

- 4.2.3. The 2017 SHMA has followed the correct approach here, not just in terms of the planning guidance that existed at the time (which isn't relevant to the eDLP), but in terms of good analytical and statistical procedure (which is). The 2017 SHMA has scrutinised the official projections using a range of alternative statistics and quality assurance measures (which are published alongside the ONS estimates for this very purpose) and has found the official projections to be flawed. Having reviewed the analysis we concur with its conclusions that there are large and unexplained discrepancies between administrative data and the mid-year estimates which indicate problems with the latter.
- 4.2.4. The 2017 SHMA then discusses a range of alternative approaches to understanding future population growth in Darlington⁴, assesses the outputs of three different approaches before selecting a ten year migration trend based on a rebased 2001 Census, ONS migration data pre-2011 and Patient Register derived migration post 2011.⁵ This approach in our view is an appropriate one as it;
- Generates a set of migration data which addresses the identified flaws in the 2001 Census and the statistics that followed the 2011 Census.
 - It extends the base period for the projection from 5 years in the household projections to 10 years providing a more stable base period on which to project future needs.
 - It utilises the base period from 2006 to 2016 (the start date for the plan period) and therefore takes into account the needs at the start of the plan period.
- 4.2.5. The revised population projection results in an additional 12,272 persons over the 20 year plan period (613 persons per annum); an additional 3,482 economically active persons; and a housing projection of 384 dpa per annum.
- 4.2.6. Since the 2017 SHMA was published the ONS have revised their population estimates for the period 2011 to 2016. The revised ONS figure similarly concluded that population growth in Darlington post 2011 Census has been underestimated and so validated the concerns of the 2017 SHMA. Notwithstanding, the extent of the revision did differ to that concluded by the SHMA. In 2016, the 2017 SHMA concluded that there was likely to be 107,945 persons living in Darlington compared to the revised ONS mid-year estimate for 2016 which concluded that there was 106,327 persons living in Darlington. Whilst this would seem to be a significant overestimate, it is not the base population which dictates population growth it is the assumptions made about how that population will grow in the future and because the 2017 SHMA also revised the data pre-2011 (including rebasing the 2001 Census), we need to know what assumptions were made over its based period (2006 to 2016) which dictated its population projection over the plan period (between 2016 and 2036). Between 2006 and 2016 the revised MYE conclude that the population in Darlington grew by 4,818 persons (from 101,509 to 106,327 persons). Over the same period, the rebased figures in the 2017 SHMA concluded that population growth was 5,045 persons⁶ (a difference of just 227 persons or less than 23 persons per year). What this means is that over the base period (2006 to 2016) that the 2017 SHMA uses to project forward population growth for the plan period 2016 to 2036, the assumptions made by the SHMA align well with the official estimates over the same period. This means that a ten year projection that utilised the official revised estimates would likely align

⁴ Paragraph 2.22 of the 2017 SHMA

⁵ Paragraph 2.22 and 2.31 of the 2017 SHMA

⁶ Figure 10 of the 2017 SHMA

well with the 2017 SHMA. Overall in our view the 2017 SHMA's growth assumptions are both justified and reasonable given the official data.

4.2.7. There have been a number of other publications since the 2017 SHMA. Sub-national population projections (SNPP) are published every two years and provide 25 year projections of population growth by local planning authority. The SNPP takes data on births, deaths and migration from the mid-year estimates and uses it to project forward growth for the next 25 years. Adjustments are also made to ensure that local totals add up to figures in the national population projections. Whilst the main principles of the methodology have remain consistent, the details have varied considerably over recent iterations causing large variations in the data:

- 2014 SNPP – project forward births, deaths and migration using the reference period 09/10 to 13/14 (five years).
- 2016 SNPP – uses the reference period 11/12 to 15/16 (five years) but draws upon revised MYE figures for 2012 to 2016 and so is based on completely different growth assumptions.
- 2018 SNPP – uses the reference period 13/14 to 17/18 (five years) for birth and deaths but crucially uses the reference period 16/17 to 2017/18 (two years) for internal migration which again utilised a revised MYE methodology.

4.2.8. What the bullet points above show is that over the last three iterations of population projections the underlying data and methodology taken from the MYE has been revised each year. This lack of consistency in methodology means that comparing the statistics is highly problematic. It has also caused problems for local authorities' calculation of housing needs because the household projections, which are based on the SNPP, have varied considerably over this time. In terms of the 2018 SNPP, the issues are magnified because the 25 year projections are based on only two years of data. ONS in their methodology paper on the 2018 SNPP state:

*“The decision to use two-year averages for internal migration in the 2018-based population projections was because analysis conducted by the ONS showed the new methods used for the years ending mid-2017 and mid-2018 were more accurate and robust at picking up moves. **There is a chance that using only two years of data will create unusual averages for local authorities experiencing abnormal migration patterns over this short period.** However, we decided that although there may be risks associated with this change, the general increase in accuracy outweighs any impacts on individual local authorities.”*

4.2.9. It is therefore recognised that the changes in the methodology could cause problems for local authorities in terms of their long-term projections. The 2017 SHMA considered the 2014 SNPP and for reasons above considered it appropriate to depart from its assumptions and utilise remodelled data. However the 2017 SHMA also considered the methodology for the 2014 SNPP stating that:

The ONS 2014-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2009-2014. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households⁷.

4.2.10. Here the 2017 SHMA sets out concerns with the 5-year base period for the SNPP and its assumption that a long term migration trend is likely to provide a more reliable estimate of future growth. As we know, the 2017 SHMA proceeds to model a 10 year trend based on the period 2006 to 2016. Whilst a 5 year base period is not necessarily less reliable than a longer term trend, in Darlington there is a great deal of uncertainty with year on year estimates and there have been dramatic changes over a short period of time (for example between 2011 and 2012 the population fell by 81 persons but between 2012 and 2013 it increased by 223 persons). In our view a ten year period in Darlington is a more appropriate basis for considering future population projections. Given this it would not be appropriate to adopt more recent SNPP projections given the 2016 SNPP relies on a 5 year base period and the 2018 SNPP relies on just two years of data for domestic migration.

4.2.11. In conclusion, there is a good deal of uncertainty about historic population growth in Darlington which makes preparing trend-based projections difficult. Furthermore the volatility inherent within the data means that using the official SNPP (or household projections which rely on them) would likely be less reliable than a projection based on a longer term trend. Later iterations of the projections are not an improvement either. In light of this, the 2017 SHMA prepares a considered and justified population projection which in our view has yet to be improved by more recent data.

4.3. Household Formation

4.3.1. Household formation rates are calculated by assessing Census data to understand the relationship between age and sex the propensity to form households. This data is then looked at over time to project forward trends into the future. As with the SNPP, the methodology around calculating and projecting household formation rates has changed over recent years:

- 2014 HP – uses household formation trends through the available Census points (1971, 1981, 1991, 2001 and 2011) to take a long-term (25 year) view on how household formation rates have changed over time.
- 2016 HP – uses household formation trends from the latest Census points (2001 and 2011). These are projected up to 2021 and then held constant
- 2018 HP – uses household formation trends from the latest Census points (2001 and 2011). These are projected up to 2021 and then held constant

⁷ Paragraph 3.7 of the 2017 SHMA

4.3.2. The change that occurred between 2014 and 2016 Household Projections was a significant one. This is because household formation between 2001 and 2011 was extremely subdued, partly because of the credit crunch and recession that emerged at the end of the decade (which reduced both the supply of and demand for housing), but also for a number of socio-economic and cultural reasons (migration, students, welfare changes). The change from a longer-term view (1971-2011) to a short term view (2001-2011) is significant because it assumes that the rather extreme circumstances of the 'naughties' are going to continue. The overall effect of this change has been further reductions in household formation in the 2016 and 2018 Household Projections, something which the government has commented on in the NPPF Technical Consultation (October 2018):

*The Government has considered whether it needs to change its aspirations for housing supply in light of the new household projections, and in particular whether these imply that 53,000 fewer homes are needed each year than previously thought. It has decided it is not right to change its aspirations. First, the annual change in household projections comprises two aspects: a reduction of 29,000 arising from the lower population projections, and a reduction of 23,000 arising from changes in the method for converting population change into estimates of household formation – **(reducing the historic period of household formation on which the projections are based from five census points to two, which focuses it more acutely on a period of low household formation where the English housing market was not supplying enough additional homes)**. Methodological changes are not a reason why the Government should change its aspirations.⁸*

4.3.3. The Government's response to the change was to prevent assessments of housing need from using the 2016 Household Projections because of this methodology change. Clearly therefore the Government has concerns about the effect that this methodological change has on the calculation of housing need to the extent that it moved to change the calculation to avoid it. It should be noted that this same methodological change applied to the 2018 Household Projections. The 2017 SHMA utilises the household representative rates from the 2014 household projections which are the last set of projections to use a longer term period to project forward household formation. In our view (and in light of current Government guidance), the continued use of these household formation rates is justified and manifestly better than relying on the rates within the 2016 and 2018 Household Projections which use a methodology that has been specifically criticised by Government.

4.3.4. The 2017 SHMA has identified exceptional flaws in the 2014 SNPP and Household Projections which justify departing from the standard method as is allowed by paragraph 60 of the NPPF. In our view therefore the 2017 SHMA's assessment reflects the requirements of paragraph 60 of the NPPF for an alternative approach which is to reflect current and future demographic trends. Therefore the demographic base projection of 368 household per annum or 384 dpa⁹ is justified and positively prepared.

⁸ Paragraph 11 of the Technical Consultation

⁹ Paragraph 2.53 of the 2017 SHMA

4.4. Market Signals

4.4.1. The issue of market signals is more straight forward than that of the demographic starting point. The SHMA concludes that housing market signals (including house prices, affordability, rental prices, housing supply and overcrowding) “do not indicate any need for an upward adjustment to the housing number” within market signals “typically in line with or better than the equivalent rates for England and the other comparator areas.”¹⁰ Notwithstanding the 2017 SHMA does make an adjustment for ‘concealed families’ – families that live with another household. This adjustment equates to an adjustment of 5 dwellings per annum (from 384 dpa to 389 dpa) or an adjustment of 1.3% over the demographic starting point. Looking at the affordable adjustment recommended by the current PPG this suggests in Darlington a 6.25% adjustment is appropriate¹¹ however this is applied to the annual household growth figure whereas the 2017 SHMA figures are in dwellings per annum. Using households per annum, the market signals adjustment from 368 households per annum to 389 dpa is actually an adjustment of 5.7% so broadly in alignment with the level of adjustment mandated by the standard methodology. In our view therefore whilst it could be more positive, the 2017 SHMA’s assessment and adjustment reflects the requirements of paragraph 60 of the NPPF for an alternative approach which is to reflect market signals.

4.5. Adjustments for Economic Growth

4.5.1. The 2017 SHMA was prepared under a different policy regime and therefore in light of the requirement in policy at the time, included an adjustment where the likely supply of labour fell below the likely increase in jobs. The 2017 SHMA assessed the supply of labour from its demographic projection against the Council’s “aspirational jobs growth target” of 7,034 jobs over the plan period.¹² We can see reference to this figure in the eDLP which states on page 16 that the plan will aim to “facilitate sustainable economic growth of 7,000 new jobs within the Borough”. Furthermore, Policy H1 states that “the housing target makes allowance for economic growth and 7,000 full time equivalent additional jobs over the plan period”. The evidential basis for this number is set out in paragraph 7.1.8 of the eDLP which states:

Developed by public and private sector partners, the updated Tees Valley Strategic Economic Plan (SEP) 2016 sets out the ambition and priorities for generating economic growth through transformational change in the Tees Valley. With a target of achieving a net increase of 25,000 new jobs by 2026 over the next ten years, approximately 7,000 of these are based in Darlington up to 2036.¹³

¹⁰ Paragraph 3.37 of the 2017 SHMA

¹¹ The affordability ratio in Darlington is 5. The affordability adjustment calculation is $((5-4/4) \times 0.25) + 1$ which equals 1.0625.

¹² Paragraph 3.42 of the 2017 SHMA

¹³ A figure ustified in the Darlington Future Employment Needs Report September 2017 based on an Oxford Economics forecast.

- 4.5.2. We have reviewed the Council's evidence base for its employment target. The Darlington Employment Needs Report assesses economic forecasts, past employment data and the objectives of the Tees Valley SEP. It concludes that the SEP alone is targeting 25,000 jobs across Tees Valley over the next ten years and this equates to around 6,000 jobs in Darlington. This is on top of base line employment growth. Overall the report concludes that a total growth target of 7,000 jobs over twenty years is appropriate given the ambitions on the SEP and past indicators of economic growth.
- 4.5.3. The inclusion of economic growth in the calculation of housing numbers is something that the standard method has sought to move away from, however it is clear from the PPG that in certain circumstances it can be appropriate to increase the housing need figure to meet growth strategies for an area. The Tees Valley Strategic Economic Plan is one such strategy and, as the eDLP describes, has been developed by both public and private sector partners as an ambitious economic growth plan for the Tees Valley sub-region.
- 4.5.4. The 2017 SHMA assesses the requirement to deliver this job target (taking account of unemployment, commuting and economic activity) and concludes that if the LPA were to deliver 389 dpa there will be a shortfall of 1,808 workers and the job target would not be obtained.¹⁴ It concludes that an increase of 70 dwellings per annum (from 389 dpa to 459 dpa) would be required to meet the Council's job target. Overall the approach employed by the 2017 SHMA of understanding the likely increase in housing needed to achieve the growth within the Tees Valley Strategic Economic Plan is not one that is specifically required by the NPPF and PPG since their revisions in 2018. Notwithstanding, the PPG does provide the flexibility to upwardly adjust the housing need figure to reflect growth strategies. Furthermore, as long as the Council has an evidenced justification and it meets its minimum need, it can adjust its policy requirement to meet its own employment objectives. In this case, the analysis by the 2017 SHMA and the Darlington Employment Needs Report is still relevant and its conclusions that a higher housing figure is required to meet the objectives of the Council is still pertinent to the consideration of the plan's requirement, notwithstanding the change to national planning policy and guidance.
- 4.6. Adjustments for institutional population**
- 4.6.1. The 2017 SHMA assesses the likely increase in non-household population – i.e. those who will live in institutional housing like care homes, student halls, prisons, and army barracks – who would normally be residing in use class C2 accommodation. Typically these populations are relatively stable because unless there is a large building programme for new student accommodation, the student population remains largely static year on year due to the relatively stability in student places. However the care home population is increasing as the population ages and more of the population requires assisted living arrangements. The 2017 SHMA therefore makes an adjustment to the housing need figure to take into account the projected increase in older people living in institutional housing which it concludes would result in a requirement to deliver an additional 33 dpa.

¹⁴ Paragraphs 3.47 to 3.48 of the 2017 SHMA

4.6.2. Whilst not a specific stage in the assessment of housing need in the PPG today, quantifying and planning for the needs of older people is a requirement of national policy with the PPG outlining¹⁵ the importance of ensuring that local plans plan for the housing needs of older people. The eDLP has an objective to help older people stay independent and in their own homes for as long as possible¹⁶ and policies (such as Policy H4) which require the housing mix of new proposals to reflect the needs for both older people and those with disabilities. This being the case, it is appropriate for any housing requirement to include an allowance for older people to ensure that sufficient housing is provided and that their needs are neither missed nor double counted. Including an allowance in the local plan housing requirement for the likely increase in older persons requiring assisted living also allows the Council to include such housing in its supply figures (in the same way that the housing delivery tests includes many institutional accommodation types in its assessment of supply). In our view therefore this adjustment is a justified and positive approach to take.

4.7. Summary

- The 2017 SHMA was prepared under a now defunct national planning policy and guidance regime and it has therefore been necessary to prepare a detailed critique of its conclusions.
- In respect of demographic projections, the 2017 SHMA is very forensic in its analysis of population estimates and projections and, after identifying significant flaws, prepares an updated projection. A review of this work concludes that the significant flaws are exceptional, and the alternative projection prepared by the SHMA remains an appropriate basis for considering future population growth.
- In terms of market signals, the 2017 SHMA's adjustment for concealed families is an appropriate one and results in a need which is 5.7% higher than the demographic household projection. The standard methodology adjustment for Darlington is 6.25% and therefore comparable. On this basis the 2017 SHMA's adjustment is justified and in accordance with paragraph 60 of the NPPF.
- Whilst economic growth no longer features in the calculation of housing need, it is a consideration of the PPG and furthermore a Council is entitled to adjust its policy requirement for housing to meet economic policy objectives. The conclusion of the 2017 SHMA that to meet the growth requirements of the eDLP and the SEP would require an additional 70 dpa is therefore relevant and appropriate given updated planning policy and guidance
- Finally, the inclusion of a specific adjustment to the housing requirement for older people is supported by the PPG. The eDLP has policies which will ensure that part of the housing requirement reflects the needs of this population (Policy H4 for example)

¹⁵ Paragraph: 001 Reference ID: 63-001-20190626

¹⁶ Paragraph 5.3.1 of the eDLP

- 4.7.1. Looking at the eDLP's minimum housing requirement for 422 dpa, this does not take into account the economic growth required by the SEP and instead plans for the demographic need (384 dpa) plus a market signals adjustment (+5 dpa) plus an adjustment for older persons housing (+33 dpa). The eDLP's housing target of 492 dpa includes the minimum requirement plus an additional 70 dpa to meet the requirements of the anticipated labour force growth from the SEP and eDLP job target. Describing the figure of 492 dpa as a housing target one suspects is a pragmatic decision to differentiate between the minimum needs of the area and those needs based on aspiration. There is clearly some ambiguity about this given the PPG states that the additional housing required to meet growth strategies should be considered as part of the need not the requirement, notwithstanding the plan is being positive and ambitious and therefore meets the requirements of the NPPF and PPG in this respect.
- 4.7.2. Finally, the PPG specifically stipulates that strategic planning authorities can consider the conclusions of recently published SHMAs when considering how much housing it is appropriate to plan for. The eDLP does this and this report has concluded that it is correct for it do so. The PPG also states that past delivery can also be a useful indicator of whether to plan for more than the minimum standard method figure. In the last three years (using the MHCLG Housing Delivery Test) the Council has delivered on average 434 dpa increasing to almost 570 dpa in the last two years. The housing requirement figures identified by the eDLP are therefore demonstrably deliverable.

5. Summary & Conclusion

5.1.1. This report has reviewed the policy position and evidence of the Council with respect of its housing requirement. It has assessed the national planning policy context to understand the requirements of Government. It has concluded the following:

- The 2019 NPPF and PPG require local plans to utilise the standard methodology. However exceptions are given. Evidence such as historic delivery, growth strategies and historic SHMAs can form the basis for a higher number – where LPAs do this (and have an evidenced justification) there is the presumption that this approach should be sound as it meets the minimum number identified by Government. Local plans can reduce their numbers below the standard methodology where there are exceptional reasons to do so – where LPAs do this it will be scrutinised at examination.
- In Darlington the Council has identified a minimum need of 422 dpa, some 245 dpa above the standard method figure of 177 dpa. Furthermore the Council identifies a housing target of 492 dpa to meet its job growth target of 7,000 jobs. For the reasons set out below this approach has been found to be justified and positively prepared:
 - The 2017 SHMA identifies significant flaws in the official estimates and projections used by ONS and in particular the 2014 SNPP and Household Projection (which are the same as those used by the standard method). In our view these flaws are exceptional and justify an alternative approach in Darlington to that suggested by the standard method. Paragraph 60 sets out the requirement of any alternative approach which is to address current and future demographic trends and market signals.
 - 422 dpa addresses demographic trends and market signals.
 - It is based on a remodelled population projection which uses a long term trend over the period 2006 to 2016 (leading up the start of the plan period). Many of the statistical issues identified by the 2017 SHMA still persist and therefore the conclusions of the SHMA remain an appropriate basis for understanding future demographic growth in Darlington, notwithstanding the publication of more recent household projections. In terms of market signals, the 2017 SHMA's adjustment (5.7%) above the demographic starting point is comparable to that within the standard method (6.25%) and is justified with reference to addressing the rising occurrence of concealed families in the Borough. Finally the inclusion of a specific adjustment to the housing requirement for older people is supported by evidence of a growing population not accounted for in the household projections and aligns with the requirements of national planning guidance. These three stages; demographic trends (384 dpa) plus a market signals adjustment (+5dpa) and an allowance for older persons housing (+33dpa) equates to a minimum requirement for 422 dpa.
 - 492 dpa provides sufficient housing to meet the Tees Valley SEP economic growth strategy and the Council's job target

- Whilst economic growth is not a feature of the standard method, it is a consideration of the PPG and furthermore a Council is entitled to adjust its policy requirement for housing to meet economic policy objectives. In Darlington the Council has made such an adjustment, using the Tees Valley Strategic Economic Plan as the basis for considering future employment growth. The PPG states that if a number goes above the minimum need the assumption is that it is sound. The conclusion of the 2017 SHMA that to meet the growth requirements of the eDLP and the SEP would require an additional 70 dpa on top of the minimum need figure is in line with the PPG.

- In conclusion, the Council has demonstrated exceptional circumstances and is therefore permitted to depart from the standard method as set out in planning guidance. Paragraph 60 states that any alternative method must address current and future demographic trends and market signals. The approach adopted by the 2017 SHMA meets the requirements of Paragraph 60. The Council has also demonstrated that to meet the Tees Valley growth strategy (the Strategic Economic Plan), requires additional housing and the Council proposes that this higher number should be identified as a 'target' above the minimum need. Whilst there is some ambiguity about whether the additional housing required here should be considered as part of the need or the requirement, the plan is being positive and ambitious and therefore meets the requirements of the NPPF and PPG in this respect. Recent delivery shows the number to be manifestly deliverable and achievable.

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