Darlington Local Plan

Inspector's Matters, Issues and Questions for Examination

Response on behalf of Taylor Wimpey (UK) Ltd

Matter 2 – Amount of development needed in the Borough

Q2.1. Is the aim to facilitate economic growth of 7,000 net additional jobs in the Borough between 2016 and 2036 justified and positively prepared?

Taylor Wimpey fully support the Council's aim to facilitate economic growth of 7,000 net additional jobs and consider the approach to be justified and positively prepared.

Darlington has one of the highest performing economies in the North East. Recent rates of growth in GVA have been very strong due to its strong sectoral mix, skilled workforce and strong investor appeal. The recent announcements by Government to locate the Treasury North in Darlington along with the Trade and Industry Hub as part of the Department for Trade and Industry further demonstrates the strong jobs growth potential in the Borough. Over the long term Darlington has created around 400 jobs p.a. which equates to 8,000 jobs over the plan period making the 7,000 jobs year target proposed by the plan modest.

In order to support future economic growth, and to ensure a consistent approach to its employment land policies, Hatch Regeneris in their Housing Needs Review (**Appendix A**) calculate Darlington would need to deliver a minimum of 492 dpa between 2016 and 2036 based on 350 jobs per annum (7,000 jobs over the plan period). As such, to provide sufficient housing to support the Council's own 7,000 jobs target, the minimum housing requirement must be set at 492 dpa. In order to support jobs growth of 400 jobs per annum (in line with past trends), the requirement increases to 520 dpa.

Q2.3. Are (a) the minimum requirement of 422 net additional dwellings per year and (b) the target of 492 net additional dwellings per year between 2016 and 2036 justified, positively prepared and consistent with national policy?

The Housing Need Review prepared by Hatch Regeneris fully supports the Council's decision to pursue a housing requirement and housing target which are in excess of the standard methodology figure. A summary of the main conclusions are provided below:

The key findings are as follows and the full document can be found at **Appendix A**:

- The revised NPPF and PPG introduced a new standard method for determining the **minimum** level of housing that local planning authorities need to deliver. It is to be recognised that the minimum is not a target in its own right (PPG - Paragraph: 010 Reference ID: 2a-010-20190220). The Government has emphasised the need for Plans to boost supply and take account of a range of factors that can cause an authority to materially exceed the minimum. The minimum figure in Darlington will not meet the true needs of the Borough for

housing and will not result in a local work force sufficient to meet the Plan's employment growth policies. The minimum is just 177 dwellings per annum in Darlington (when the Review was undertaken).

- This figure is significantly lower than the housing requirement identified in the 2017 SHMA Update (492 dpa) and past delivery. There are a number of reasons for this difference. One is an error in the data used to calculate the minimum in Darlington's case, mainly due to ONS mid-year population estimates underestimating population growth from 2011 onwards. A further uplift is the need to support the Plan's approach to employment growth, employment land allocation and achieve a sustainable outcome when the Plan is read as a whole. **This is encouraged by the NPPG and the outcome of the standard method is simply a minimum.**
- In order to address demographic errors in the local population and household projections, there needs to be at least 370 dwellings per annum.
- In addition, Darlington has one of the highest performing economies in the North East. Recent rates of growth in GVA have been very strong due to its strong sectoral mix, skilled workforce and strong investor appeal. Over the long term Darlington has created around 400 jobs p.a.
- The Council has considered a range of evidence to determine the future employment growth of Darlington. The favoured approach is based on past trends. The Council has calculated that jobs will grow by around 350 jobs p.a. between 2016 and 2036. Regeneris agree with this approach to consideration of past trends in principle. However, the figure used is at the bottom end of what is realistic given the long term rate of jobs growth of 400 p.a.
- The Council has used 350 jobs per annum growth to determine employment land requirements. Whilst it is considered that the correct figure should be 400 jobs per annum, even at 350 jobs per annum, there is a need to ensure that the Plan is internally consistent and not reliant upon Darlington producing employment land and jobs for other surrounding Districts, thereby encouraging unsustainable in-commuting patterns. **Darlington Borough Council is therefore correctly planning for a material level of jobs growth and must match this with a commensurate level of housing growth for its workforce.**
- The Regeneris modelling shows that by applying the minimum of only 177 dpa (standard method at the time Review was undertaken) would impose severe labour market constraints in Darlington by causing a large fall in the economically active population. This constrained labour supply would result in a fall in employment in Darlington of circa. 900 jobs over the plan period, an inability to meet the Borough's economic plans and proposals from its own people and would result in the Borough unsustainably importing workers from elsewhere.
- There is therefore **a major misalignment between the standard method and the Council's employment land policy, and thus ensuring sustainable economic growth.**
- In order to support future economic growth, and to ensure a consistent approach to its employment land policies, Regeneris calculate Darlington would need to deliver a minimum of 492 dpa between 2016 and 2036 based on 350 jobs per annum. In order to support jobs growth of 400 jobs per annum (in line with past trends), the requirement increases to 520 dpa.
- PPG requires that plan makers "*count housing provided for older people against their housing requirement*". Regeneris make an additional adjustment to account for this in line with the method used by ORS. Regeneris conclude it is appropriate to include 833 dwellings in the overall housing requirement for Darlington (equating to an additional 42 dwellings per annum). Bedspaces in care homes would then be counted towards the housing requirement on the basis of 1 dwelling being equivalent to 1.37 bedpaces.
- **Regeneris therefore conclude that the housing requirement for Darlington is between 534 and 562 dpa.**

Fundamentally, the Hatch Regeneris Housing Need Review shows that by applying the minimum of only 177 dpa (standard method figure at the time the review was prepared) would impose severe labour market constraints in Darlington by causing a large fall in the economically active population. This constrained labour supply would result in a fall in employment in Darlington of circa. 900 jobs over the plan period, an inability to meet the Borough's economic plans and proposals from its own people and would result in the Borough unsustainably importing workers from elsewhere.

It is clear from this guidance and paragraph 60 in NPPF that the standard method is a minimum starting point for the determination of the numbers of homes needed in an area. As such, the principle of the Council's approach to materially exceed the standard method figure is sound and in line with national policy.

Further guidance is provided in PPG and states:

> *"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……*
>
> *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."* (Paragraph: 010 Reference ID: 2a-010-20201216)
>
> *"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***". (Paragraph: 015 Reference ID: 2a-015-20190220)

The Housing Need Review undertaken by Hatch Regeneris provides further support to the conclusions of the Council's evidence base on the housing requirement, as summarised in the Housing Topic Paper. This evidence base has informed the Council's decision to propose a higher housing requirement and target to address demographic errors in the local population and household projections along with making allowance for economic growth.

In terms current and future demographic trends, Hatch Regeneris concluded:

> *"The standard method is based on 2014 based household projections. These were reviewed by ORS in the 2017 SHMA Update, which concluded that the projections were "dramatically out of line with past evidence for Darlington". We strongly agree with this conclusion for the following reasons:*
>
> - *The population projections have already been shown to underestimate population growth based on ONS's latest mid-year population estimates.*
> - *There are clear flaws in the population estimates themselves, evidenced by a number of datasets which all point to much higher growth since 2011.*
>
> *We conclude that these circumstances warrant an alternative approach to assessing housing need".*

Moreover, in terms of market signals, housing delivery in Darlington has been significantly above the standard method figure for the last three years with 486 net additional dwellings completed in 17/18, 591 in 18/19 and 536 in 19/20 further demonstrating that housing need is significantly higher than suggested by the standard method.

The Council's 2017 SHMAA update identifies an OAN of 492 dwellings per year and pursuing a lower housing requirement (422 dpa) as proposed would not provide sufficient housing to support the delivery of the additional 7,000 jobs over the plan period.

Indeed, and as set out earlier, the Housing Need Review prepared by Hatch Regeneris using the same approach and analysis as the SHMA points to an even higher housing requirement of between 534 and 562 dpa which suggests that the Council's minimum requirement of 422 dpa would fail to meet the identified housing needs. As such, Taylor Wimpey consider that 492 dpa, whilst on the low side, should be adopted as the **minimum** housing requirement in the Local Plan in line with the evidence base.

As set out in Taylor Wimpey's representations on Matter 4, it is considered that the allocation of further sites is needed to ensure that a minimum housing requirement of 492 dpa is met. Taylor Wimpey have Land South of Coniscliffe Road and additional Land at Berrymead Farm which have previously been promoted and represent sustainable and deliverable options.

Q2.4. Is expressing the housing requirement as a range clear and unambiguous, and does the plan clearly establish a housing requirement figure for the Borough for the Plan period as required by national policy?

To be effective, the housing requirement should be a single and clear figure. The proposed range is confusing and self-defeating. The lower figure being used for 5 year supply purposes with simple cause the higher target not to be met if allocations and commitments fail to deliver. The gateway to the release of other sites through the 5 year housing land supply position will only allow the non-delivery to be corrected to figure equivalent to 422 dpa which for the reasons outlined above would therefore not meet identified needs.

Whilst the Regeneris Housing Need Review fully supported the Council's approach in arriving at the 492 dpa figure, it pointed to a higher housing requirement still (between 534 and 562 dpa) using broadly the same approach as ORS in the SHMA but based on using past trends for job creation. As such, it is Taylor Wimpey's view that, to align with the conclusions of the Council's 2017 SHMA and Regeneris Housing Need Review, the Council must make 492 dpa the **minimum** housing requirement rather than including range as currently set out in Policy H1.

Such an approach would be positively prepared and in line with the Government's objective to significantly boosting the supply of homes (NPPF, para. 60).

Appendix A:

Hatch Regeneris Housing Need Review

Darlington Housing Need Review

A Final Report by Hatch Regeneris
21 October 2019

Taylor Wimpey

Darlington Housing Need Review

21 October 2019

www.hatchregeneris.com

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Executive Summary

i. This report reviews the need for housing in Darlington over the period 2016 to 2036. It has been commissioned by Taylor Wimpey to provide up to date evidence of the need for housing in light of recent changes to the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG), and to make recommendations on an appropriate housing target.

ii. The findings are based on a review of the 2017 Update of the Darlington Strategic Housing Market Assessment (carried out by ORS) and our own modelling using more up to date demographic and socio-economic data. The 2017 SHMA identified a housing requirement of 492 dwellings per annum (dpa). Table 1 shows how this was calculated.

Table 1 Components of housing requirement in the 2017 SHMA Update

	Adjustment	Requirement
Demographic trends (10 year trend)		384
Market signals	+5	389
Supporting future jobs growth	+70	459
Bedspaces in Class C2 dwellings	+33	492

Source: Darlington Strategic Housing Market Assessment, 2017

Key Findings

Changes to the method for assessing housing need

iii. The revised NPPF and PPG introduced a new standard method for determining the minimum level of housing that local planning authorities need to deliver. This new approach suggests the need for a minimum of 177 dwellings per annum in Darlington. This is based mainly on past demographic trends, with a small adjustment to address affordability challenges.

iv. This is significantly lower than the housing requirement identified in the 2017 SHMA Update (492 dpa). There are a number of reasons for this difference, but the main one is that ORS applied an adjustment to ensure that Darlington has sufficient homes to attract workers and support future jobs growth. **This is encouraged by the NPPG and the outcome of the standard method is simply a minimum**.

v. PPG acknowledges there will be circumstances where the actual need for housing is higher than the minimum requirement. This can apply in a number of situations where future increases in housing need are likely to exceed past trends.

vi. One example of where this can occur is if a local plan's employment land target resulted in jobs growth and increased demand for housing which exceeds past trends. In this situation the housing that would be provided through the standard method would be insufficient to support the council's employment land target. This was found to be the case in the examination of the Calderdale Local Plan, where the Inspector recommended a higher housing requirement to ensure consistency with its employment land policy. **It is therefore important that the housing and employment land targets are broadly aligned and based on a common set of assumptions**.

Minimum requirement for Darlington

vii. There is clear evidence that the 2014 subnational population projections were flawed, and underestimated population growth in Darlington. This is due mainly to ONS mid year population estimates underestimating population growth from 2011 onwards. This was shown by ORS in their 2017 SHMA Update and has been confirmed by our own analysis.

viii. We have developed an alternative demographic scenario using the same methodology as ORS but using more up to date data. We have also made an adjustment for affordability in line with the formula used in the standard method. On this basis, we believe the minimum requirement for Darlington should be to accommodate 359 households per annum or **370 dpa**. These figures are consistent with the past delivery of housing in Darlington.

Darlington's growth potential

ix. Darlington has one of the highest performing economies in the North East. Recent rates of growth in GVA have been very strong due to its strong sectoral mix, skilled workforce and strong investor appeal. Over the long term Darlington has created around 400 jobs p.a., although the rate of growth has not been as strong in recent years.

x. The Council have considered a range of evidence to determine the future growth potential of Darlington. They have discounted economic projections and policy driven targets in favour of an approach based on past trends. This assumes jobs will grow by around 350 jobs p.a. between 2016 and 2036. We agree with this approach, although we believe this is at the bottom end of what is realistic given the long term rate of jobs growth of 400 p.a. The Council has also used this level of growth to determine its employment land requirements. **Darlington Borough Council is therefore assuming a material level of growth**.

Supporting future economic growth

xi. Our modelling shows **delivering only 177 dpa would impose severe labour market constraints in Darlington** by causing a large fall in the economically active population. The number of jobs in Darlington could fall in this scenario unless it attracted commuters from other areas or achieved a large increase in its economic activity rate.

xii. It would be very difficult to create 350 jobs per annum with this level of housing provision. There is therefore **a major misalignment between the standard method and the Council's employment land policy**. Given the precedent set in Calderdale, we believe a further adjustment would be appropriate to ensure employment and housing growth in Darlington are balanced.

xiii. In order to support future economic growth, and to ensure a consistent approach to its employment land policies, we estimate **Darlington would need to deliver a minimum of 492 dpa between 2016 and 2036**. In order to support jobs growth of 400 jobs (in line with past trends), the requirement increases to **520 dpa**. This is based on a number of assumptions about commuting, double-jobbing, unemployment and economic activity rates.

Accommodation for older people

xiv. PPG requires that plan makers *"count housing provided for older people against their housing requirement".* We make an additional adjustment to account for this in line with the method used by ORS. We estimate that the number of people living in residential

institutions will increase by 1,007 over the plan period. We estimate that an additional 1,007 people will require 1,144 additional bedspaces in residential institutions (after allowing for vacancy rates). Therefore, providing 1,144 care home bedspaces would equate to 833 dwellings in the housing market – a ratio of 1.37 bedspaces per dwelling.

xv. We conclude it is appropriate to include the 833 dwellings in the overall housing requirement for Darlington (equating to an additional 42 dwellings per annum). Bedspaces in care homes would then be counted towards the housing requirement on the basis of 1 dwelling being equivalent to 1.37 bedpaces.

xvi. **We therefore conclude that the housing requirement for Darlington is between 534 and 562 dpa**, made up as follows:

Table 2 Components of housing requirement

	Lower estimate	Higher estimate
Demographic trends (10 year trend)	349	349
Market signals	(+21) 370	(+21) 370
Supporting future jobs growth	(+122) 492	(+150) 520
Bedspaces in Class C2 dwellings	(+42) 534	(+42) 562

Source: Hatch Regeneris

1. Purpose of Report

1.1 Darlington Borough Council is in the process of preparing its new Local Plan, which will guide development in the borough between 2016 and 2036. Policy H1 of the Draft Local Plan identifies an overall housing target of 492 net additional dwellings per annum (dpa) over the plan period (9,840 dwellings in total) and a minimum requirement of 422 dpa (8,440 dwellings).

1.2 Following the consultation on the draft Local Plan and changes to the National Planning Policy Framework (NPPF), the Council will be considering the effects of the standard method. The standard method indicates a minimum of 177 dpa.

1.3 Taylor Wimpey is promoting a site in Darlington, and have commissioned Hatch Regeneris to review the evidence on housing need in the borough and to make recommendations on an appropriate target for housing.

1.4 The report is structured as follows:

- Chapter 2 reviews recent changes to NPPF and Planning Practice Guidance (PPG) and the implications for how housing need should be assessed.
- Chapter 3 reviews the approach to developing demographic trends-based scenarios in the Council's evidence base. We consider whether this was justified in light of demographic trends and the robustness of data. We also develop updated trends-based scenarios using recent data.
- Chapter 4 reviews the recent economic performance in Darlington and its growth prospects. This evidence is used to consider whether an increase in housing is required to support economic growth.
- Chapter 5 provides updated scenarios to take account of economic growth. We also model the potential implications of delivering only 177 dpa on Darlington's labour market.
- Chapter 7 provides our conclusions.

2. Policy and Methodological Context

- Government is committed to delivering more housing and delivering economic growth. This is made clear in NPPF and in numerous other policy statements.
- Rebalancing the UK economy is another central objective of government policy. Growing the economic prosperity of the North of England is a primary policy goal.
- The revised NPPF and PPG has set out a standard method for determining the minimum level of housing that local planning authorities need to deliver. This new approach suggests the need for a minimum of 177 dpa in Darlington, which is based mainly on past demographic trends.
- PPG acknowledges there will be circumstances where the actual need for housing is higher than the level implied by the standard method. Plan-makers are encouraged to consider whether circumstances exist which mean the need for housing may be higher than implied by past demographic trends.
- One example of where this could occur is where there is misalignment between the jobs growth assumptions underpinning a local plan's employment land targets and the number of jobs that could be supported by the standard method. This was found to be the case in the examination of the Calderdale Local Plan.
- By providing a higher housing target above the minimum requirement, local planning authorities can help to unlock economic growth by increasing the workforce available to local employers.

Planning Policy

2.1 The revised National Planning Policy Framework (NPPF) was published in February 2019. This retains the three overarching objectives contributing to sustainable development from earlier versions; building a strong, responsive and competitive economy, supporting strong, vibrant and healthy communities and protecting and enhancing the environment.

2.2 The revised framework also retains the explicit and unambiguous target to significantly boost the supply of housing (para 59) but introduces a new standard method for determining the minimum number of homes needed in local areas (see below). The framework continues to highlight the importance that local planning authorities adopt policies which support economic growth in their area, stating "*Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development*" (para 80). It also states that planning policies should "*seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment*" (para 81).

Addressing the North-South Divide

2.3 The UK Government has also stated its intentions to address regional imbalances in the UK economy. The 2018 Industrial Strategy White Paper recognised that regional disparities in the UK are wider than in other western European nations and states that *"many places are not reaching their full potential*". The strategy contains many measures orientated towards addressing regional disparities across broad areas like skills, transport and research and development.

2.4 The Government's commitment to rebalancing the UK economy has been seen in policy measures, such as the establishment and strengthening of Metro Mayors across city

regions, the opening of regional transport bodies like Transport for the North to link regional transport priorities with economic ones and committing funds, such as the £400m Northern Powerhouse Investment Fund.

2.5 The Northern Powerhouse Strategy was published in 2016. This set out the Government's intention to continue developing the Northern Powerhouse. It outlines the Government's strategy to tackle productivity barriers and realise the full economic potential of the North of England, including investment in transport infrastructure, measures to raise skill levels and ensure the North is an excellent place to start a business.

2.6 In 2019, the new Prime Minister Boris Johnson showed his continued commitment to the Northern Powerhouse by confirming the Government will fund a new high speed, trans-Pennine rail line between Manchester and Leeds.

How should housing need be calculated?

2.7 As stated above, the new NPPF introduces a new simplified method for determining the minimum level of housing needed in an area, which replaces the previous method.

The previous method

2.8 Under the earlier planning framework and guidance, the objectively assessed need for housing was calculated using a three step process:

- **Establish the demographic starting point**: plan-makers needed to use the latest available household projections to establish the baseline level of housing need. They could then make adjustments specific to their local circumstances based on alternative assumptions about demographic projections and household formation.
- **Consider whether an uplift was required to support employment growth**: an adjustment to the starting point should be considered to ensure that sufficient housing is provided to meet the needs of the economy. This was based on an assessment of the projected labour supply compared to future jobs growth.
- **Consider whether an uplift is required to address market signals**: a further adjustment should be applied if there is evidence of an imbalance between the demand for and supply of housing. Relevant indicators include house prices, rents affordability and overcrowding.

The new standard method

2.9 The new standard method for calculating local authorities' housing need is based on a simple formula. This involves the following steps:

- **Step 1: Setting the baseline**: the 2014 based household projections continue to be used as the demographic baseline for each local authority area[1]. This should be based on the average annual household growth over a 10 year period.
- **Step 2: An adjustment to take account of affordability**: the baseline should be adjusted using a formula based on the affordability ratio (the ratio of median house prices to median earnings). For each 1 per cent increase in the affordability ratio

[1] Although more recent projections have now been published (the 2016 based projections prepared by ONS), these pointed to a much lower level of housing need across the UK. The revised PPG therefore states that "*the 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government's objective of significantly boosting the supply of homes*".

above four, this would result in a quarter of a per cent increase in need above projected household growth.

$$Adjustment\ factor = \left(\frac{Local\ affordability\ ratio\ -4}{4}\right) x\ 0.25 + 1$$

- **Step 3: Capping the level of any increase**: the standard method caps the level of any increase at 40%. For those authorities that have adopted their plan in the last five years, this cap is applied to the annual requirement figure in the local plan. For those that do not have an up-to-date local plan it is capped at 40% above whichever is higher of the projected household growth for their area over the plan period, or the annual housing requirement figure set out in their local plan.

2.10 This formula is used to calculate the **minimum** need for housing. However plan-makers are also encouraged to consider upward adjustments based on a range of factors: "*the standard method for assessing local housing need provides the 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 actual housing need may be higher than the figure identified by the standard method.*" (paragraph 10).

2.11 The circumstances where a further uplift may be appropriate include "*situations where increases in housing need are likely to exceed past trends*", which could be because of growth strategies for an area, infrastructure improvements or because of the need to take on unmet need from other areas. It also states there may "*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*".

2.12 Based on the standard method, the minimum housing need for Darlington is **177 dpa**. However this figure does not take in to account of the significant circumstances that exist in Darlington that indicate it is appropriate to make further adjustments.

Housing and Employment Land

2.13 PPG's statement that there are circumstances where an uplift in the housing requirement may be appropriate has implications for the alignment between housing and employment land policies in local plans. If employment land policies are based on high levels of jobs growth, this could lead to situations where the need for housing is higher than past trends because of the need to attract workers to fill these jobs. This is particularly the case in the north of England where a declining working age population will make it difficult to realise growth strategies. This means that housing need and employment land policies should be aligned and based on a common set of assumptions.

2.14 An example of a Local Plan examination where this situation arose is Calderdale, where the housing requirement was based on the standard method, but the employment land target reflected the ambitions of the Leeds City Region Strategic Economic Plan and made provision for above baseline employment growth. The Inspector's Stage 1 post hearings letter stated

"The Council's evidence indicates that actual housing need is higher than the standard method indicates, and that an uplift above the minimum figure is warranted to support likely employment growth. In conclusion, taking account of all the evidence before me, I consider that housing need in the borough is higher than 840 dpa and is likely to amount to at least 1001 dpa. This would support baseline employment growth as a minimum, and aligns with

the SHMA recommendations. It would also provide a better balance between identified OAN for housing and employment in the submitted Plan."

Implications for this review

2.15 The standard method provides the methodology for determining the minimum level of housing that Darlington should provide over the plan period. This is calculated as being 177 dpa. Chapter 3 of this report analyses the underlying data and methodology for arriving at this figure and considers whether this is robust or whether an alternative approach is justified in the case of Darlington.

2.16 Plan-makers also need to consider whether there are circumstances which could lead to the need for housing being higher than implied by past trends. When this is the case a further uplift to the housing requirement will be appropriate. The recent decision in Calderdale shows that these circumstances include situations where a Council's employment land policies assume a level of jobs growth which is higher than could be supported by the standard method. Therefore employment and housing policies and targets need to be aligned. Chapters 4 and 5 review whether the circumstances exist where a further adjustment would be appropriate in Darlington.

3. Identifying a minimum requirement for Darlington

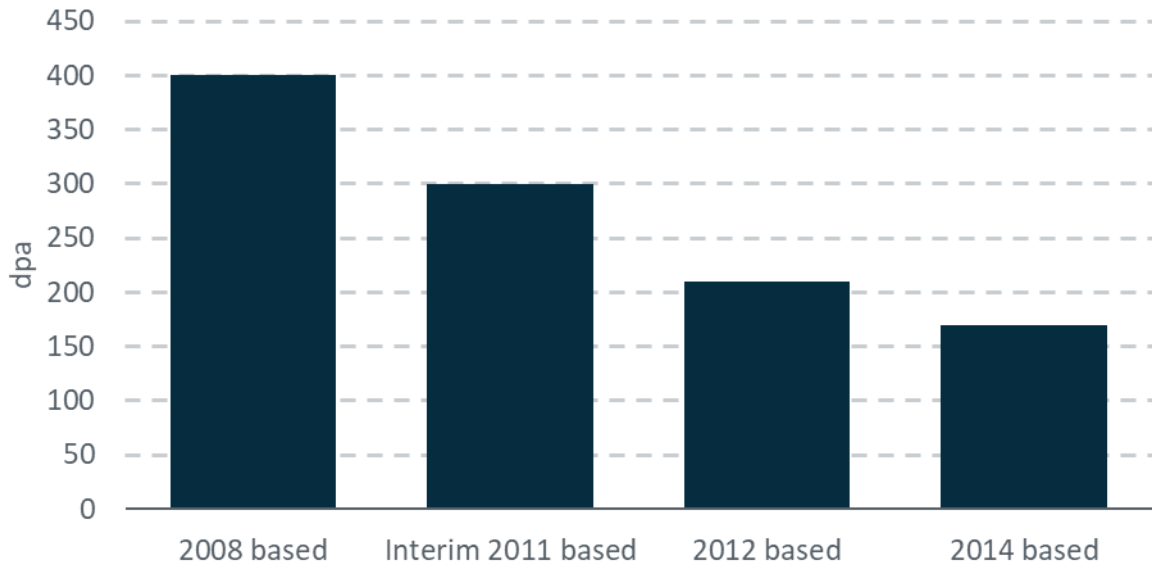
- The standard method is based on CLG's 2014 based household projections which are themselves based on the 2014 sub-national population projections (SNPP 2014).
- There is clear evidence that SNPP 2014 was flawed, and underestimated population growth in Darlington. This is due mainly to ONS mid year population estimates underestimating population growth from 2011 onwards. This was shown by ORS in their 2017 SHMA Update and has been confirmed by our own analysis.
- We therefore conclude there are strong grounds to develop an alternative demographic trends based scenario on which to base the minimum requirement in Darlington.
- We have followed a similar methodology to ORS to develop such a scenario based on 10 year trends in migration, using the patient register. We have also made an adjustment for affordability in line with the formula used in the standard method. On this basis, we believe the minimum requirement for Darlington should be to accommodate 359 households per annum.
- The standard method is based on change in the number of households and does not make a further adjustment to take account of vacant dwellings. However we believe it would be appropriate to account for this, which increases the requirement to **370 dpa**. These figures are consistent with the past delivery of housing in Darlington.

2014 based household forecasts

3.1 As noted in the previous chapter, PPG states that CLG's 2014 based household projections should be used as the demographic baseline for identifying the minimum housing requirement using the standard method. These figures project forward over a 25 year period, although the minimum housing requirement is based only on the first ten years of the forecast period. For Darlington, the projections show total growth of 1,700 households in the ten-year period 2014-2024 (170 households pa).

3.2 Figure 3.1 shows the annual average household growth for Darlington has declined with each new set of forecasts produced by CLG, declining from 400 dpa in the 2008 based forecasts.

Figure 3.1 Annual average household growth in CLG household forecasts over first ten years of forecast period.

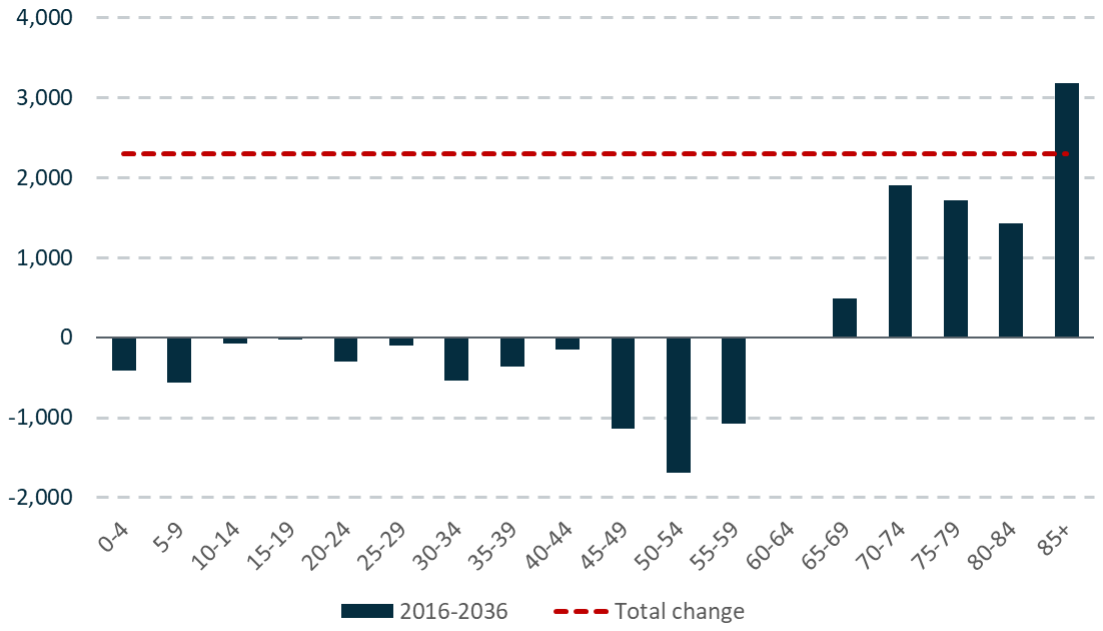


Source CLG Household Projections

3.3 Most of the difference between the household forecasts is due to differences in the underlying population projections. The 2008 based projections were based on forecast growth of 11,200 people over a 20 year period. In contrast, the 2014 sub-national population projections forecast very modest population growth of 2,300 people over the plan period.

3.4 Figure 3.2 shows that all of this growth is forecast to be among people aged over 65, with the largest growing group being people aged over 85. In total the working age population (16 to 64) is forecast to fall by 5,350 people.

Figure 3.2 Forecast population change by age group, 2016-2036

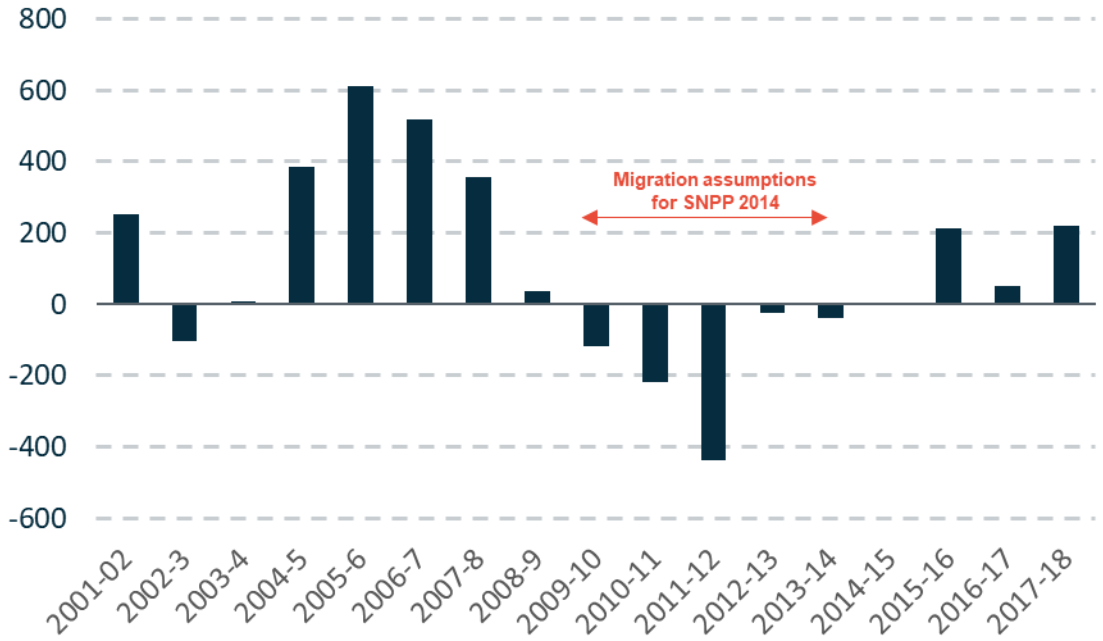


Source ONS SNPP 2014

3.5 Differences in the projected increase in population in different sets of forecasts are due mainly to alternative assumptions about migration rates, which are typically based on recent trends using 5-year averages. This means that short term changes in migration patterns can significantly affect the projected population growth.

3.6 Figure 3.3 shows that the five year period leading up to 2014 was one in which net migration to Darlington was particularly low (according to ONS mid-year population estimates). Net migration was negative in each year between 2009/10 and 2013/14 (a period which coincided with the economic downturn). This marked a significant fall from a period of strong growth during the mid-2000s. Recent population data also shows net migration has been positive in each of the last three years (2015/16 to 2018/19). **The period on which SNPP 2014 based its migration assumptions therefore appears to be untypical**.

Figure 3.3 Net migration to Darlington, 2001/2 to 2017/18



Source ONS Mid-Year Population Estimates. Note: this is based only on internal and international migration. It does not include unattributed population change

Darlington Strategic Housing Market Assessment Update 2017

3.7 Opinion Research Services (ORS) prepared the 2015 Strategic Housing Market Assessment (SHMA) and its 2017 update. The purpose of these reports was to establish the objectively assessed need (OAN) for housing in Darlington. These reports predated the introduction of the standard method in NPPF/PPG and therefore used the earlier method for establishing the OAN.

3.8 The 2017 Update reviewed CLG's 2014 based forecasts, and also prepared its own forecasts based on 10-year trends. In doing so it identified two flaws in the population estimates which underpin ONS population projections in Darlington:

- The 2001 Census under-estimated the number of households and population of Darlington[2]. This means that the growth in population between 2001 and 2011 that appears in mid-year population estimates is inaccurate and any population projections based on this period are likely to be misleading.
- The 2014 based SNPP and the mid-year estimates which were available at the time showed the population of Darlington had increased by only 60 people between 2011 and 2016. ORS concluded: "*this is very unlikely and imply that any projections based on data produced since 2011 are likely to be under-estimating the projected population growth*".

3.9 ORS reached this conclusion by comparing the mid-year population estimates for Darlington with other administrative datasets, including the patient register, the school census and state pensions data over the period 2011-2016. They found:

- The mid-year estimates suggest a population increase of 60 people while the NHS patient register shows a rise of 2,290 people

[2] This is an issue which has been identified in a number of areas and is not unique to Darlington.

- The mid year estimates suggest an increase of 230 children aged 5-14, while there was an increase of 567 on the school census; and
- The mid year estimates suggest an increase of 2,300 people aged 65+, while there was an increase of 2,380 people receiving the state pension.

3.10 While none of these administrative data sources provide a direct estimate of population, the fact that all three point to higher population growth than the mid-year estimates is evidence that the mid-year estimates are flawed and do not represent a sound basis for planning.

3.11 ORS therefore produced a number of alternative scenarios, based on different assumptions about migration[3]. However this process was complex because of the data issues described above. The scenarios were as follows:

- **A 10 year trends based scenario based on mid-year estimates and patient register data**: because of the error in the 2001 census it was necessary to rebase the population estimates for that year. ORS then used migration data (excluding unattributed population change[4]) from ONS mid year population estimates to derive migration trends between 2001 and 2011. After 2011 ORS used changes in the patient register to derive migration because mid year estimates were found to be unreliable and underestimated population change.
- **A 10 year model based on average household size**: this re-estimated the population of Darlington based on average household sizes changing steadily over time. For this model it was necessary to rebase the 2001 Census population, assume that the 2011 population is correct and assume that changes in household size were consistent over time.
- **A 20 year trend based on 1991 and 2011 Census**: this used the official population and migration estimates from the 1991 and 2011 Censuses to derive 20 year trends and projected these forward.

3.12 The two 10-year trends based scenarios were found to give very similar results. Both scenarios forecast population change of c. 12,400 people between 2016 and 2036. The 20 year trends based scenario forecast a lower level of population growth (c. 9.500 people). All three projections are significantly higher than SNPP 2014 (2,300 people). ORS select the 10 year trends based scenario as the preferred scenario, which is consistent with the approach they have adopted in other parts of the country. We have reproduced each of the scenarios developed by ORS and derived very similar results.

3.13 Based on our review of the evidence, we believe ORS was fully justified in departing from the 2014 based projections to derive a demographic trends-based scenario. There are clear flaws in the population estimates which underpin the 2014 based projections, evidenced by a number of administrative datasets which all point to much higher growth between 2011 and 2016.

3.14 There is therefore a clear risk for Darlington if it was to adopt a minimum requirement based on the standard method, which significantly underestimates the level of housing based on past trends. The key question then is whether the alternative scenario developed by ORS represented a sound basis for planning. On balance, we believe the approach taken was justified. It was necessary to make alternative assumptions about migration given the clear

[3] Migration is the key variable which is tested in these alternative scenarios because the other main components of change (births and deaths) are much easier to measure and predict based on the age of the population. Migration is difficult to measure and prone to large fluctuations from year to year.

[4] Unattributed population change (UPC) refers to population change between two censuses (in this case 2001 and 2011) which can not be attributed to a particular cause (eg migration, births or deaths). UPC may be due to errors in population estimates in either of the censuses or errors in measurement of migration.

flaws in the official data, and the patient register represents the only alternative data source covering all age groups. We therefore agree that it was reasonable in the circumstances and represents a sounder basis for planning than the 2014 based projections.

3.15 We would also note that the approach taken is consistent with other areas where mid-year population estimates were found to be inaccurate. For example an appeal decision in Central Bedfordshire[5] concluded that reliance on the standard method to determine housing need would be "misplaced" because of errors in the mid year estimates. This also found that the housing need identified in the SHMA (which used the same method as above) *"represents a reasonable level of LHN (local housing need) to be used in connection with the determination of the appeals*".

Recent trends

3.16 ONS has now revised its mid-year estimates and made a number of adjustments to the data for Darlington. The latest data shows the population of Darlington increased by around 1,000 people between 2011 and 2018. Although these revised estimates are higher than the superceded estimates, this still represents a very low rate of population growth (0.9%) which is well below the average for Great Britain (+5.0%) and the North East (2.4%).

3.17 Table 3.1 splits recent population change in to each of the main components. It shows that natural change (births minus deaths) has fallen in recent years and was negative in 2017-18, but that net migration has increased and has been positive in each of the last four years.

Table 3.1 Components of population change between 2011 and 2018

	Natural change	Net migration	Other changes	Total
2011-12	301	-436	54	-81
2012-13	226	-23	20	223
2013-14	171	-38	18	151
2014-15	99	5	17	121
2015-16	46	214	69	329
2016-17	24	53	-57	20
2017-18	-48	220	47	219

Source: ONS Mid-year Population Estimates

3.18 Table 3.2 compares the change in population as suggested by mid-year estimates with other administrative data sources which were reviewed by ORS. It shows Darlington's patient register grew by 3,300 people between 2011 and 2018, compared to only 1,000 in the mid-year estimates. The number of children aged 5 to 14 increased by 960 in the school census and 950 in the patient register but only 730 in the mid year estimates. This shows there is still a significant inconsistency between the revised mid year estimates and administrative data sources.

Table 3.2 Change in population according to Mid Year Population Estimates and administrative data, 2011-2016

	ONS mid year estimates	Patient register	School census
Aged 0-4	-650	-590	

[5] APP/P0240/W/18/3206495

Aged 5 - 9	510	570	740
Aged 10 - 14	220	380	220
Aged 15 - 19	-780	-600	
Aged 20 - 24	-600	-490	
Aged 25 - 29	-280	210	
Aged 30 - 34	180	480	
Aged 35 - 39	-100	150	
Aged 40 - 44	-1,320	-1,250	
Aged 45 - 49	-640	-410	
Aged 50 - 54	580	710	
Aged 55 - 59	1,150	1,230	
Aged 60 - 64	-300	-220	
Aged 65 - 69	680	970	
Aged 70 - 74	1,260	1,280	
Aged 75 - 79	360	400	
Aged 80 - 84	480	370	
Aged 85+	270	250	
Total	1,020	3,440	
School age	730	950	960

Source: ONS Mid-year Population Estimates, NHS Digital and Department for Education

3.19 In order to provide further sense-checks on the mid year estimates, we have compared change in other indicators which can act as a proxy for population growth in Darlington.

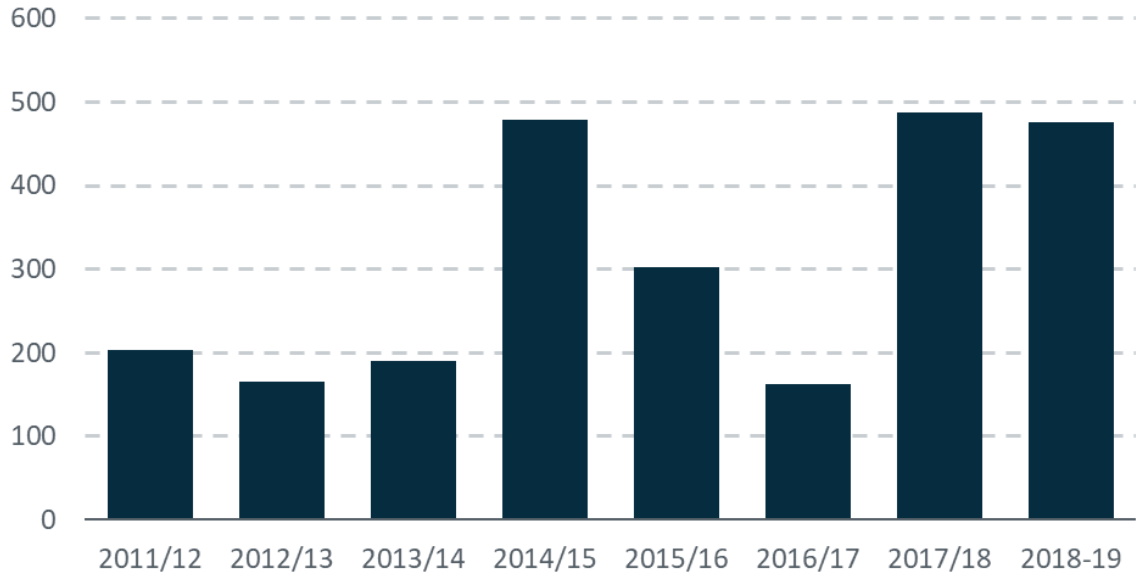
Housing completions

3.20 Firstly, Figure 3.4 presents net housing completions in Darlington between 2011/12 and 2018/19. It shows that the number of dwellings in Darlington grew by between 1,991 and 2,467 between 2011 and 2018[6]. Taking the lower estimate, if mid year estimates were accurate this would mean that around two dwellings have been built for every one net additional person in Darlington between 2011 and 2018.

3.21 Other factors could in theory explain some of this change, but don't when analysed in this case. Firstly, an increase in vacant dwellings could play a part. This can be ruled out since council tax records show the vacancy rate in Darlington has fallen from 4.0% in 2011 to 3.4% in 2018. Secondly, it could occur as a result of a reduction in average household sizes (eg more people living alone). This is more plausible as Darlington has an ageing population, and people are more likely to live in smaller households as they get older. We have tested this by applying household formation rates by age group from CLG's 2014 based household forecasts to the mid-year population estimates for 2011 to 2018. It suggests that population growth of 1,000 people would give rise to 1,350 new households as a result of smaller household sizes. This is much lower than the increase in the number of dwellings, which suggests the mid-year estimates have underestimated population growth.

[6] It is not clear how many of the dwellings in 2018/19 were built in the year 2018 so it is not clear how many of the houses in this year should be included. For information, CLG housing statistics show the number of dwellings in Darlington increased by 2,140 between 2011 and 2018

Figure 3.4 Net housing completions in Darlington, 2011-2018



Source Darlington Borough Council

Other Proxy Indicators

3.22 We have also compared recent change in population estimates between 2011 and 2018 with other indicators which have a direct relationship with an area's population. These include the number of licenced vehicles in Darlington, the number of people on the electoral roll, the number of domestic gas meters and total domestic gas consumption. None of these indicators are a perfect proxy for population change, but have a close relationship.

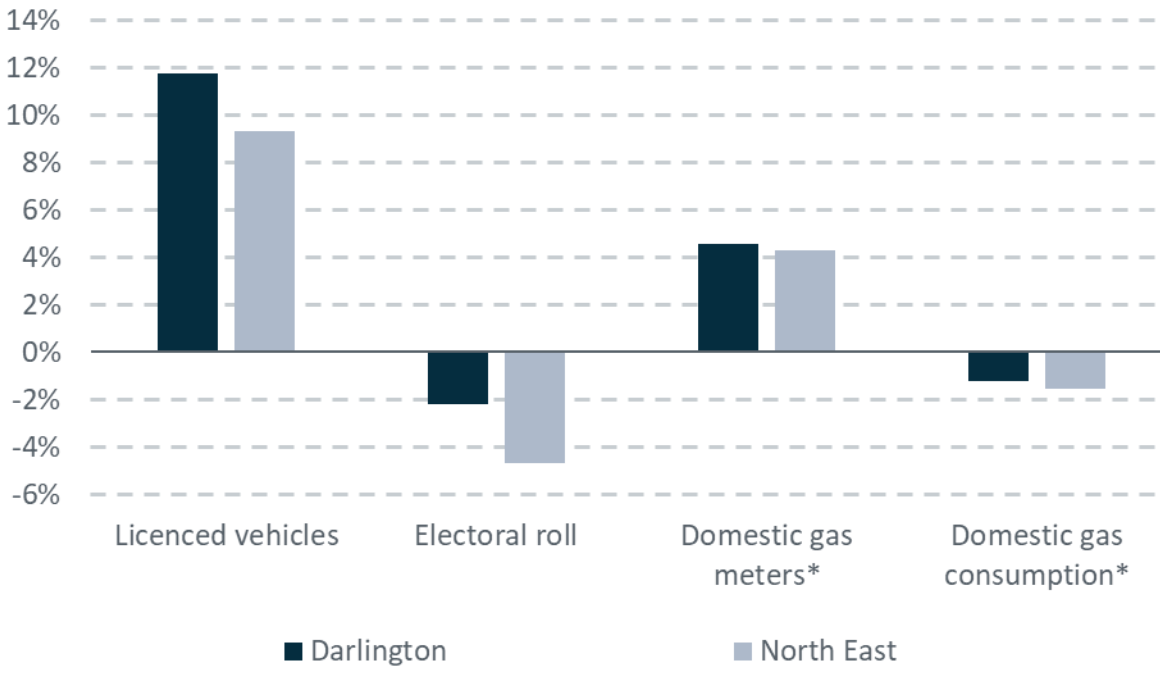
3.23 For each indicator, we have compared change in Darlington with the average for the North East of England. As noted above, mid year estimates indicate that the population in Darlington and the North East have increased by 0.9% and 2.4% respectively since 2011. This suggests the growth rate in Darlington is less than half of that in the North East.. All other things being equal, we would therefore expect other proxy indicators to have been growing at a far slower rate in Darlington than the North East. However this is not the case. Figure 3.5 shows:

- **The number of licenced vehicles in Darlington increased by just under 12%, compared to 9% in the North East**. The total number of licenced vehicles in Darlington increased by just under 12,000 during this period.
- **The number of people on the electoral roll fell in both areas, but the fall was twice as large in the North East (4.7% compared to 2.2% in Darlington).** The fall in both areas reflects growing voter apathy rather than a fall in population.
- **The number of domestic gas meters grew by 4.5% in Darlington which was slightly higher than the North East (4.2%).** The total number of meters in Darlington increased by 2,050 between 2011 and 2017, which is consistent with the growth in the number of dwellings (see above).
- **Total domestic gas consumption fell in both areas but at a faster rate in the North East,** reflecting improved efficiency in household consumption.

3.24 All of these proxy indicators are inconsistent with the mid-year estimates, which would suggest that Darlington's population has at least matched the rate of population growth in

the North East. Therefore, although mid-year estimates for Darlington have been revised upwards since the 2017 SHMA Update was produced these are still likely to underestimate recent population growth in the borough.

Figure 3.5 Change in proxy indicators, 2011-2018



Source Driver and Vehicle Licencing Agency, ONS Electoral Roll Statistics, Department for Business, Energy and Industrial Strategy

* data is for 2011 to 2017

Future Demographic Scenarios

3.25 Based on the above, we believe there is a strong justification to develop alternative trends-based population projections for Darlington. We have therefore prepared an updated version of ORS's 10 year trends based scenario, based on the period 2008 to 2018[7]. This uses the same methodology as ORS, but draws upon more up to date data on births and deaths, and uses the change in the patient register to estimate migration between 2011 and 2018. We also present a 5 year trends based scenario based on the period 2013 to 2018.

3.26 The results are shown in Table 3.3. The projections for the period 2016 to 2036 range from 9,200 in the 10 year trends scenario to 14,400 in the 5 year trends scenario. This compares to 12,300 in ORS's 10 year trends scenario (their preferred scenario). All scenarios are well above population projections which underpin the standard method (2,300 people).

3.27 The difference between ORS's scenario and our 10 year trends scenario is due to the high levels of in-migration in 2006-7 and 2007-8 (which were not included in our scenario) and the age profile of migrants implied by recent changes in the patient register.

Table 3.3 Population projections 2016 to 2036 by 5 year age bands

[7] We have not reproduced the 20 year trends based scenario as this used data from the 1991 and 2011 Census and projected these forward. This scenario would therefore be unchanged from the 2017 SHMA Update.

	2016	2036 - 10 yr trend	2036 - 5 yr trend
Aged 0-4	6,325	6,125	6,190
Aged 5-9	6,596	6,191	6,260
Aged 10-14	6,301	6,388	6,508
Aged 15-19	5,904	6,214	6,517
Aged 20-24	5,660	6,135	6,715
Aged 25-29	6,779	6,171	6,316
Aged 30-34	6,687	6,156	6,213
Aged 35-39	6,642	5,566	5,699
Aged 40-44	6,721	6,916	7,100
Aged 45-49	7,877	7,562	8,199
Aged 50-54	8,017	7,066	7,550
Aged 55-59	7,145	6,756	7,074
Aged 60-64	6,170	6,650	6,892
Aged 65-69	6,597	7,661	8,029
Aged 70-74	4,860	7,424	7,744
Aged 75-79	3,994	6,241	6,563
Aged 80-84	2,812	4,783	5,095
Aged 85+	2,787	7,046	7,610
Total	107,874	117,051	122,275

Source: Hatch Regeneris

3.28 We have converted the population projections in to change in households by deducting people who do not live in households (ie in communal establishments) and applying household formation rates from the 2014 based household projections. These are the same assumptions used by ORS.

3.29 We compare the results of various scenarios in Table 3.4. This shows that population change in our 10 year trends based scenario would give rise to an additional 6,780 households (339 households per annum), compared to 7,350 in ORS's equivalent scenario (368 pa). The much higher population growth in the 5 year trends based scenario results in growth of 9,580 households between 2016 and 2036 (479 pa). All scenarios are considerably higher than the estimates in CLG 2014 (171 pa).

3.30 The table also shows the number of dwellings implied by the change in households after we have made an allowance for vacancy rates (we assume 3% in all scenarios which is lower than ORS's assumption of 4%). We believe it is justified to make an allowance for vacancy rates, although it should be noted that the standard method makes no such allowance.

Table 3.4 Projected households and dwellings between 2016 and 2036 in different scenarios

Scenario	Household change	Dwellings
20 year change (2016-2036)		
CLG 2014*	3,420	3,523
ORS SHMA (10 year trends)	7,350	7,571
10 year trend 2008-18	6,780	6,983
5 year trend	9,580	9,867
Annual average change		

CLG 2014	171	176
ORS SHMA (10 year trends)	368	379
10 year trend 2008-18	339	349
5 year trend (2013-18)	479	493

Source: Hatch Regeneris

*based on average change between 2014 and 2024 in line with the standard method

Affordability Adjustments

3.31 The standard method makes an adjustment to household projections based on the affordability of housing in the relevant local authority area (see Chapter 2). The adjustment for Darlington added an additional six households per annum to the 2014 based household projections. This was based on an affordability ratio (the ratio of median house prices to median annual earnings) of 4.57 in 2014. Following the standard method formula, this generates a multiplier of 1.037 (171 x 1.037 = 177)

3.32 Since 2014 the affordability ratio has risen to 4.92 in Darlington (meaning housing has become less affordable for local households). Following the same formula, this means the affordability multiplier has increased to 1.059. This has been applied to the various scenarios in Table 3.5. This increases the annual average change in households by 20 in our 10 year trends scenario (359 households per annum) and 28 in the 5 year trends scenario (507 pa).

Table 3.5 Projected households and dwellings adjusted for affordability (2016-2036)

Scenario	Household change	Dwellings
20 year change (2016-2036)		
CLG 2014*	3,620	3,730
ORS SHMA (10 year trends)	7,780	8,020
10 year trend 2008-18	7,180	7,400
5 year trend	10,150	10,450
Annual average change		
CLG 2014	181	187
ORS SHMA (10 year trends)	389	401
10 year trend 2008-18	359	370
5 year trend (2013-18)	507	522

Source: Hatch Regeneris

Conclusions on the minimum requirement for Darlington

3.33 The aim of this chapter was to critically analyse the standard method for housing need for Darlington, as set out in PPG, and to reach conclusions on whether an alternative approach is justified. Having reviewed the evidence, we agree that this is the case.

3.34 The standard method is based on 2014 based household projections. These were reviewed by ORS in the 2017 SHMA Update, which concluded that the projections were "*dramatically out of line with past evidence for Darlington*". We strongly agree with this conclusion for the following reasons:

- The population projections have already been shown to underestimate population growth based on ONS's latest mid-year population estimates.

- There are clear flaws in the population estimates themselves, evidenced by a number of datasets which all point to much higher growth since 2011.

3.35 We conclude that these circumstances warrant an alternative approach to assessing housing need.

3.36 In order to develop an alternative estimate of the minimum requirement, we have followed the same approach as ORS, using the patient register to derive alternative migration assumptions. Based on trends over the past five and ten year periods, we estimate the number of households in Darlington will increase by between 339 and 479 pa. Since 10 year trends are less likely to be skewed by short term fluctuations in migration, we believe these should be used as the central scenario.

3.37 We have made an additional adjustment to address affordability in Darlington using the formula from the standard method, but using a more up to date affordability ratio. This increases the minimum requirement to **359 dpa**. The standard method is based on change in the number of households and does not make a further adjustment to take account of vacant dwellings. However we believe it would be prudent to account for this, which increases the requirement to **370 dpa**. These figures are consistent with past delivery of housing in Darlington.

3.38 These housing need estimates are based only on trends in births, deaths and migration (with a small adjustment for affordability). Demand for housing can also be influenced by economic growth, which creates jobs and attracts migrants to Darlington. Furthermore, setting a housing target which is too low has the potential to constrain economic growth by restricting the labour supply available to employers in Darlington. This is the focus of the following two chapters.

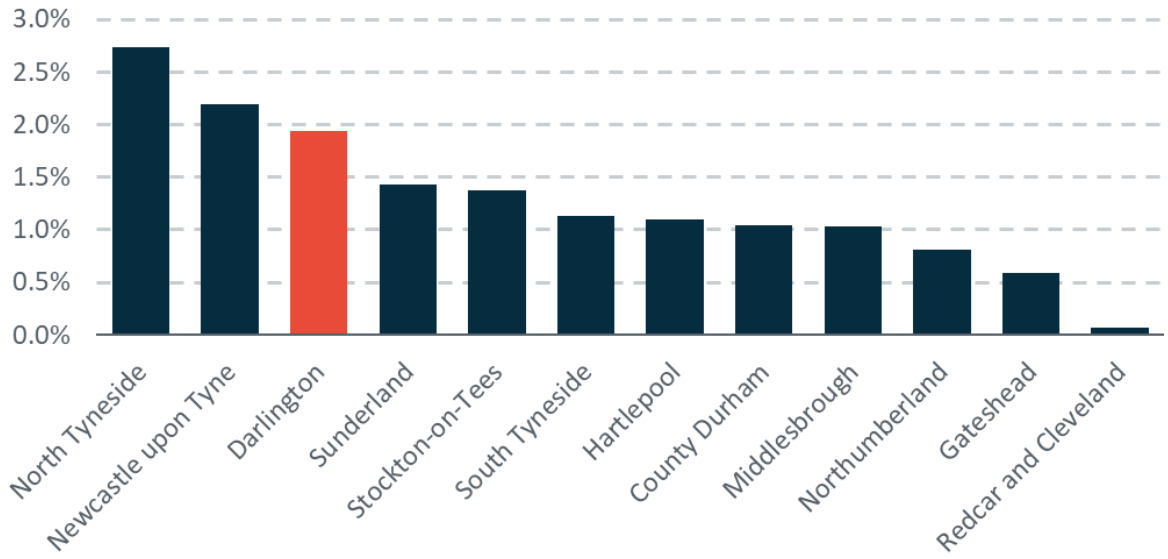
4. Economic Performance in Darlington

- Darlington has one of the highest performing economies in the North East. Recent rates of growth have been very strong due to its strong sectoral mix, skilled workforce and strong investor appeal.
- The number of jobs in Darlington fluctuates from year to year due to the limitations of employment surveys. Over the long term Darlington has created around 400 jobs p.a., although the rate of growth has not been as strong in recent years.
- The Council have considered a range of evidence to determine the future growth potential of Darlington. They have discounted economic projections and policy driven targets in favour of an approach based on past trends. This assumes jobs will grow by around 350 jobs p.a. between 2016 and 2036. We agree with this approach which is broadly in line with past trends, although it is at the bottom end of what is realistic given past growth of 400 jobs p.a.
- The Council has also used this level of growth to determine its employment land requirements.

GVA and Productivity

4.1 Darlington has one of the fastest growing economies in the North East of England. Since 2000 real Gross Value Added (GVA) increased at a rate of 1.9% p.a. which is higher than the national and regional average (1.7% and 1.4% respectively). It is also the third highest of any district in the region; only North Tyneside and Newcastle upon Tyne have grown at a faster rate.

Figure 4.1 Average annual growth rate in Gross Value Added for local authorities in the North East (2000 to 2017, 2016 prices)

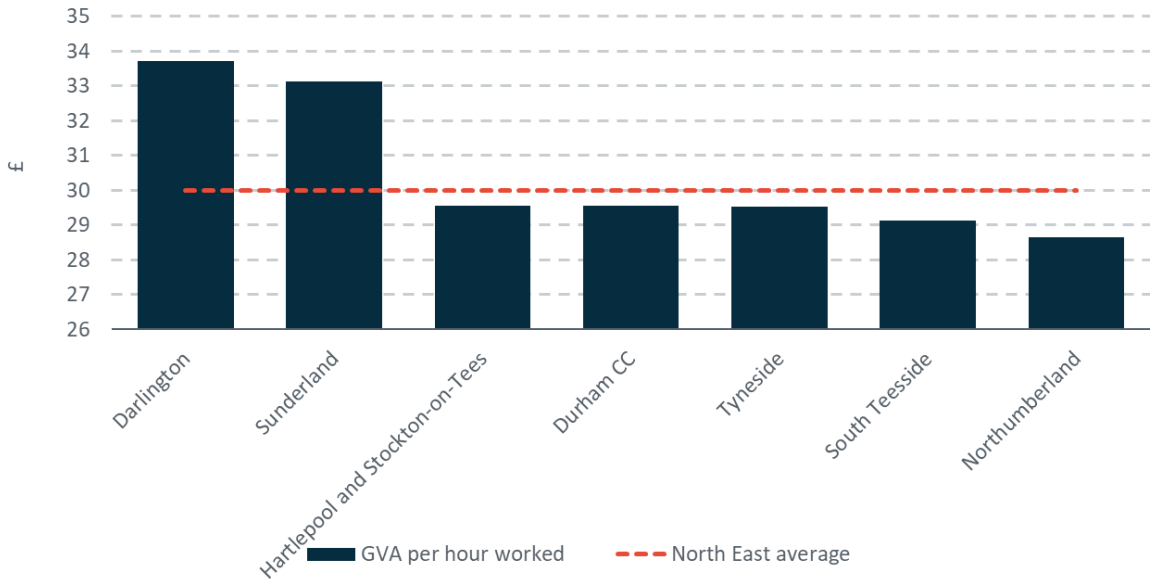


Source Nominal and real regional gross value added (balanced), Office for National Statistics

4.2 In terms of productivity (GVA per hour worked), Darlington outperforms all other areas in the North East. In 2017 Darlington's economy generated £33.70 in GVA for every hour worked which is £3.70 (12%) higher than the regional average. The area's strong

productivity performance is due to the presence of a number of high productivity sectors, including ICT and financial services.

Figure 4.2 GVA per hour worked in NUTS 3 areas in North East of England



Source ONS: Subregional productivity: labour productivity indices by UK NUTS2 and NUTS3 subregions

Note: NUTS (Nomenclature of Territorial Units for Statistics) areas are geographical areas defined for statistical purposes. GVA per hour worked is only available for these areas as opposed to local authority boundaries. Darlington is its own NUTS3 area, but other local authorities are joined together (eg Hartlepool and Stockton, Tyneside)

Key strengths

4.3 Darlington's strong performance is due to a number of key strengths:

- **An enterprising population**: between 2015 and 2017 there were 6.8 new businesses started in Darlington for every 1,000 working age residents compared to a regional average of 5.8. This is the second highest of any local authority in the North East (Stockton-on-Tees was only slightly higher with 6.9).
- **A skilled population**: 55.9% of the population hold at least a Level 3 qualification[8] compared to a regional average of 51.9%. This is also higher than any other district except Newcastle upon Tyne.
- **Connectivity**: Darlington has excellent road, rail and air connections as well as close proximity to Teesport. This connectivity has made Darlington a highly attractive location for investors seeking to serve the North East market. This is exemplified by Amazon's decision to set up a 1.5m sq ft logistics centre in the borough, which was one of the largest deals in the country in 2018.
- **Diversity**: although Darlington has a number of sector strengths (including ICT, financial services, advanced engineering and health) there is no single dominant sector, meaning the local economy is likely to be more resilient to economic shocks.

4.4 These underlying strengths mean Darlington is well placed to be one of the strongest and fastest growing districts in the North East in future.

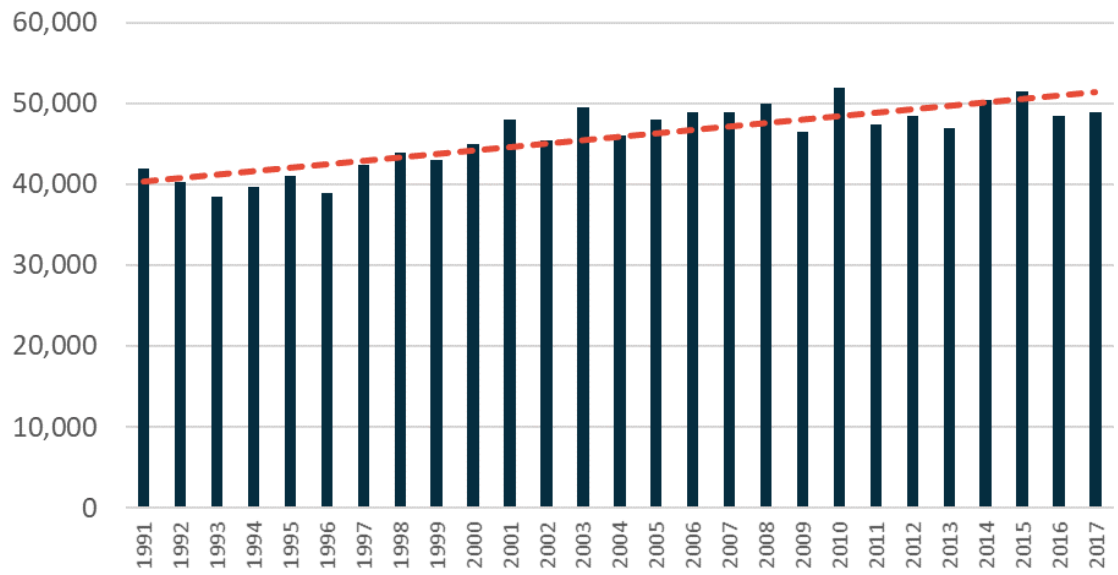
[8] Equivalent to A level qualifications

Employment

4.5 There are currently around 54,000 jobs in Darlington. These include employees and self employed. Figure 4.3 shows the change in employment in Darlington between 1991 and 2017. The data fluctuates from year to year, which is common for local authority areas because it is based on survey data. As such, the average rate of historic growth is highly dependent on the start and end date, and ranges from 200 to 600 jobs per annum. The chart provides a line of best fit which shows average growth of around 400 jobs p.a.

4.6 We would note however that the recent rate of growth (from the mid 2000s onwards) has not been as strong, although this is likely to be due to the recession and subsequent public sector funding cuts which reduced employment in Darlington for a number of years after 2010.

Figure 4.3 Employee jobs in Darlington, 1991 to 2017



Source Business Register and Employment Survey and Annual Business Inquiry.

Future employment growth

4.7 Darlington Borough Council published a Future Employment Needs Report in September 2017. This considered a range of evidence to understand the growth potential of Darlington and arrive at assumptions on which to base the local plan. These included:

- Economic forecasts prepared by Oxford Economics
- Tees Valley Combined Authority jobs targets, as set out in the Strategic Economic Plan 2016.
- Past trends in Darlington

4.8 The Oxford Economics projections forecast that there will be negative jobs growth in Darlington between 2016 and 2036 (-1,300). However, as noted in the 2017 SHMA Update, these forecasts were underwritten by population projections based upon the 2014 based SNPP which show almost no population growth and a decline in the working age population of Darlington. They are therefore subject to the same flaws that we identified in Chapter 3 and give a misleading and pessimistic assessment of future jobs growth in Darlington. The forecasts are also based on a 'hard Brexit' scenario and therefore represent

a worst-case scenario for Darlington. The Council rightly discount this scenario as being unreliable and inconsistent with the Government's growth ambitions.

4.9 The Tees Valley SEP outlines an ambition to create 25,000 new jobs across the Combined Authority area between 2016 and 2026. This has not been broken down to local authority areas, however earlier analysis indicates that Darlington's share of this jobs growth would be c. 6,000 over a ten year period. Projecting this forward would mean Darlington creates c. 12,000 jobs over the plan period (600 jobs p.a.). The Council also discounts this jobs target as being too ambitious and inconsistent with Darlington's workforce, which has a large proportion of people entering retirement and a relatively high employment rate. There is therefore less capacity in the labour market than other parts of Tees Valley.

4.10 Therefore the Council chooses to base its economic growth assumptions on past trends. The report considers a number of different time periods and notes that the historic growth rate is highly dependent on the start and end date. The Council use the period 2005-2015, during which the number of FTE jobs increased by 4,207 jobs. Projecting this forward would mean Darlington creates 8,414 jobs over the plan period (410 jobs pa). The Council then makes an adjustment to take account of growth in the employment rate between 2015 and 2016 and arrives at an assumption that Darlington will create 7,034 jobs by 2036 (352 jobs pa). This is the level of jobs growth that is assumed in the Local Plan and used to determine its employment floorspace requirements.

4.11 We disagree with the approach used by the Council to make the adjustment based on the employment rate. This is because the growth in the number of residents in employment does not mean the number of jobs in Darlington has grown by the same amount. This could reflect jobs being created in other districts which are taken by Darlington residents. For this reason, we believe the growth rate of 352 jobs per annum should be treated as being at the bottom end of what is realistic, and a growth rate of 400 jobs per annum would be a more appropriate assumption for planning.

4.12 Aside from this one caveat, we believe the approach taken by the Council is reasonable. The reasons for discounting the Oxford Economics projections and TVCA targets are both justified. While a past trends approach is subject to uncertainty, this is also true of all other scenarios. As such, we believe this is a reasonable basis on which to base the Local Plan, although the jobs growth assumption should be treated as being at the bottom end of what is realistic.

5. Supporting Future Economic Growth

- We present a number of scenarios which consider the relationship between housing and economic growth.
- The first scenario shows the potential economic implications of delivering only 177 dpa in Darlington. This would impose severe labour market constraints by causing a large fall in the economically active population. The level of jobs growth could fall in this scenario unless Darlington attracted commuters from other areas or achieved a large increase in its economic activity rate.
- Our alternative demographic scenario, which identified a minimum housing requirement for Darlington, would support jobs growth. However this would not be sufficient to meet past trends or the economic aspirations of Darlington Borough Council. It would also be inconsistent with the council's policy on employment land which is based on a higher level of jobs growth.
- In order to support future economic growth, and to ensure a consistent approach to its employment land policies, **we recommend that the Council retains its current housing target of 492 dpa**. This is the minimum level of housing needed to support jobs growth of 352 jobs pa. This level of jobs growth is consistent with past trends in Darlington.

5.1 As described in Chapter 2, there are significant risks for authorities if they do not consider future economic growth as part of their housing need assessments. This is particularly the case for parts of northern England which have an ageing population and are likely to experience a fall in the working age population over the next twenty years. This has the potential to act as a constraint on growth unless local authorities ensure there is sufficient housing to attract economic migrants, either from overseas or other parts of the UK.

5.2 This chapter models a number of different scenarios which consider the relationship between future jobs growth and housing in Darlington. In all of these scenarios we make the following assumptions:

- **Population in 2016-2018 is 'constrained' by the population estimates for these years**. These are based on our own estimates rather than ONS mid year estimates i.e. they have been derived using change in the patient register, as well as data on births and deaths.
- **Economic activity rates[9] change in line with the assumptions used by the Office for Budget Responsibility (OBR)'s 2018 Fiscal Outlook report**. The level of housing need is highly sensitive to the assumed change in economic activity rates in a jobs-led scenario because it determines what proportion of future jobs growth could be taken by Darlington residents and how many would need to be filled by in-migrants to the area. ORS also use OBR's assumptions for economic activity in the 2017 SHMA Update, although they use an earlier set of projections.
- **Unemployment rates are held constant at 4.7% between 2018 and 2036.** The level of housing need is also sensitive to assumed change in the unemployment rate for the same reason as economic activity rates. If the unemployment rate falls it implies that a larger share of jobs that are created will be taken by local people, which reduces the need to attract migrants. The rate of 4.7% is based on ONS modelled estimates for Darlington. This is in line with the pre-recession average

[9] Economic activity rates measures the proportion of the population who are either in work (employed) or seeking work (unemployed)

rate in the mid 2000s. Therefore we do not believe further falls in the unemployment rate are justified.

- **4% of jobs created will be taken by people taking more than one job.** This is based on data from the Annual Population Survey. If people take more than one job it reduces the number of positions which need to be filled by migrants.
- **The commuting ratio is held constant at 0.93**. The commuting ratio measures the number of Darlington residents in employment compared to the number of people who work in Darlington. This represents the net balance of out-commuters and in-commuters. If it is assumed that the net balance of out-commuters and in-commuters declines (sometimes referred to as "reclaiming commuters"), it means a larger number of new jobs can be filled from the local labour market, which reduces the need to attract in-migrants. The commuting ratio of 0.93 is also based on APS data for the period 2017-18.

5.3 On the last point, any assumed changes in the commuting ratio in Darlington would need to be agreed with neighbouring authorities. This is because any "gains" in commuters in Darlington could only come about through "losses" in other areas. Assuming a declining commuting ratio therefore has the potential to reduce labour market capacity in those areas which have strong links with Darlington.

5.4 We have reviewed the recent housing policies and evidence base in those districts which have strong links with Darlington to determine whether this is factored in to their assumptions[10]. The key points are as follows:

- County Durham's SHMA was undertaken in January 2019 following the introduction of the standard method. The council's housing target is based on the average rate of housing delivery (1,308 dpa) which is slightly higher than the level implied by the standard method (1,287 dpa). There is no assessment of whether this would be sufficient to meet economic growth so the SHMA has not made any assumptions about commuting. However we would note that SNPP 2014 (on which the standard method is based) forecasts a fall in the working age population over the next 20 years. Therefore County Durham is likely to face labour market constraints which would be hampered by additional loss of commuters. County Durham will not be able to provide homes for the workers of Darlington, to meet Darlington's economic growth.
- The SHMA for Stockton on Tees was undertaken in 2016 by ORS. The assessment did consider whether an adjustment should be made to support jobs growth. It concluded this was not necessary in part because Stockton on Tees would reclaim commuters from Middlesbrough, an assumption which was agreed between the two authorities at the time[11]. It did not make any allowance for a loss of commuters to other areas. Stockton will not be able to provide homes for the workers of Darlington, to meet Darlington's economic growth.
- The Richmondshire SHMA was undertaken by Arc4 in 2017. This did consider whether an economic adjustment was required, but concluded it was not necessary on the basis that demographic trends would be sufficient to meet the modest level of jobs growth forecast for the district. Arc4's modelling assumed a constant commuting ratio. Therefore the assessment assumed no changes in commuting

[10] When combined with internal flows within Darlington these districts account for 90% of all commuting flows in to Darlington. We have not included Hambleton which is a neighbouring authority but has a very weak commuting relationship with Darlington.

[11] An earlier version of the Middlesbrough SHMA found there was significant labour market capacity in Middlesbrough which Stockton on Tees could draw upon. However the Publication Local Plan for Middlesbrough shows this is no longer the case

patterns with other areas. Richmond will not be able to provide homes for the workers of Darlington, to meet Darlington's economic growth.

- The Publication Local Plan for Middlesbrough sets a minimum housing requirement of 425 dpa. This is based on delivering over 6,300 jobs over the lifetime of the plan and assumed no change in the commuting balance. Middlesbrough will not be able to provide homes for the workers of Darlington, to meet Darlington's economic growth.

5.5 There is therefore no evidence that neighbouring authorities are planning on the basis of a change in commuting patterns which could benefit Darlington.

Implications of the standard method

5.6 The first scenario models the labour market implications of Darlington delivering only 177 dpa between 2016 and 2036 (ie the level of housing growth implied by the standard method). In this scenario, the restricted housing supply places a limit on the number of migrants who can move to Darlington. This affects the size and the demographic profile of the population, which in turn reduces the size of the workforce available to Darlington employers.

5.7 The results of this scenario are shown in Table 5.1. It shows that the economically active population would fall by c. 1,800 between 2016 and 2036. **This constrained labour supply would result in a fall in employment in Darlington of c. 900 jobs.** This shows the position for Darlington if there was no change in the other factors which affect labour supply (unemployment, commuting patterns etc).

5.8 This scenario does raise important concerns about the implications of the standard method for economic growth in Darlington. With unemployment rates at record low levels, there is limited capacity in Darlington's workforce to support future jobs growth. Therefore there is a significant risk that growth would be constrained, or that Darlington would need to attract a growing number of commuters from other areas, thus undermining the economic growth of neighbouring authorities.

5.9 We also believe delivering this level of housing growth would be inconsistent with NPPF which states "s*ignificant weight should be placed on the need to support economic growth".*

Table 5.1 Labour market implications of delivering 177 dpa in Darlington

	2016	2036	Change
Population	107,900	110,600	2,800
Working age population	63,400	56,000	-7,400
Econ Active Population	54,100	52,300	-1,800
Jobs	54,500	53,600	-900

Source: Hatch Regeneris

Implications of the minimum housing requirement

5.10 This model shows the labour market implications of the scenario we developed in Chapter 3 as an alternative to the standard method (i.e. based on the number of households increasing by 359 dpa). The higher level of population growth combined with increasing economic activity rates results in the economically active population increasing by 2,200. This growth in the local workforce combined with continued in-commuting to Darlington is **enough to support jobs growth of 3,200 between 2016 and 2036 (160 jobs per annum).** This is a significant improvement on the standard method scenario above, but still lower than past rates of jobs growth in Darlington.

Table 5.2 Labour market implications of delivering 359 dpa			
	2016	2036	Change
Population	107,900	117,100	9,200
Working age population	63,400	60,500	-2,900
Econ Active Population	54,100	56,300	2,200
Jobs	54,500	57,700	3,200

Source: Hatch Regeneris

Jobs growth of 352 p.a.

5.11 This scenario models the increase in housing required to support jobs growth of 352 p.a. in Darlington. This was the level of jobs growth assumed by ORS in its jobs led scenario for the 2017 SHMA Update. This found that Darlington would need to deliver 459 dpa to support this level of jobs growth.

5.12 We believe this jobs growth assumption is justified on the following grounds:

- **It is broadly in line with past trends in Darlington**. The level of historic jobs growth is highly dependent on the period chosen. However our best-fit analysis in Chapter 4 showed that the number of jobs has been growing by around 400 jobs per annum since the early 1990s.
- **It is consistent with the assumptions underpinning Darlington's employment land assessment**. Although it is no longer a formal requirement of PPG for housing and employment land assessments to use the same jobs growth assumptions, this is still considered to be best practice as it ensures a coherent and consistent approach to land use planning.

5.13 Table 5.3 shows the population and housing implications of this level of jobs growth based on the assumptions we set out above. We estimate that Darlington would need to plan on the basis of an additional 9,560 households (478 pa) or 9,850 dwellings (492 dpa).

5.14 This is a higher than ORS's estimate, which is due to their demographic forecasts assuming a higher rate of growth among working age people than our 10 year trends based scenario. As a result their scenario requires fewer in-migrants to fill the same number of jobs.

Table 5.3 Housing requirement to meet jobs growth of 352 jobs p.a.				
	2016	2036	Change 16-36	Change p.a.
Population	107,870	123,540	15,660	783
Households	48,400	57,960	9,560	478
Dwellings	49,860	59,700	9,850	492

Source: Hatch Regeneris

Jobs growth of 400 p.a.

5.15 The final scenario models the housing required to support jobs growth of 400 jobs p.a. (the long term average growth rate in Darlington). Table 5.4 shows this would give rise to an increase of 10,100 households (505 p.a.) and 10,400 dwellings (520 dpa).

Table 5.4 Housing requirement to meet jobs growth of 400 jobs p.a.				
	2016	2036	Change 16-36	Change p.a.
Population	107,870	124,790	16,920	846
Households	48,400	58,500	10,100	505
Dwellings	49,860	60,260	10,400	520

Source: Hatch Regeneris

Conclusions

5.16 This chapter has investigated the relationship between economic growth and housing supply in Darlington. The key conclusions are as follows:

- Delivering the quantity of housing implied by the standard method would give rise to significant barriers to growth in Darlington by restricting the labour supply available to Darlington employers. While it is still possible that the number of jobs could grow, this could only realistically be achieved by attracting more commuters from neighbouring areas or achieving a significant improvement in economic activity rates.
- Our alternative demographic scenario, which identified a minimum housing requirement for Darlington, would support jobs growth. However this would not be sufficient to meet past trends or the economic aspirations of Darlington Borough Council. It would also be inconsistent with the council's policy on employment land which is based on a higher level of jobs growth.
- In order to support future economic growth, and to ensure a consistent approach to its employment land policies, Darlington will need to provide a **minimum of 492 dpa**. This is the level of housing needed to support jobs growth of 352 jobs pa. which is consistent with the Council's employment land assumptions. However this is at the bottom end of what we consider to be realistic. In order to support growth of 400 jobs p.a. we recommend a housing requirement of **520 dpa**.

6. Older people in residential institutions

6.1 The 2017 SHMA Update made one further adjustment to the housing requirement to address the need for bedspaces in Class C2 dwellings.

6.2 This was based on the earlier PPG (March 2014, ID 3-037) which stated "*local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement*". The latest version of PPG also states: "*Plan-making authorities will need to count housing provided for older people against their housing requirement. For residential institutions, to establish the amount of accommodation released in the housing market, authorities should base calculations on the average number of adults living in households, using the published Census data*" (June 2019, ID 63-016a).

6.3 This is necessary because some councils include C2 bed spaces as part of their available supply. The adjustment is required to ensure that housing for older people is counted on the demand as well as the supply side.

6.4 We have therefore made an additional adjustment to account for this. Based on our revised demographic projections, the number of people living in residential institutions in Darlington would increase by 1,007 between 2016 and 2036. This is based on the proportion of adults over 75 living in residential institutions at the time of the 2011 Census as recommended by PPG. Using CLG household formation rates, we can estimate that an increase of 1,007 persons living in residential institutions would release 833 dwellings over the 20 year plan period 2016 to 2036.

6.5 The 2017 SHMA Update showed that care home occupancy rates are around 88%. This implies that 1,144 additional bedspaces would be required to accommodate an additional 1,007 people. On this basis, providing 1,144 care home bedspaces would equate to 833 dwellings in the housing market – a ratio of 1.37 bedspaces per dwelling.

6.6 Therefore it is appropriate to add the 833 dwellings, equivalent 1,144 bedspaces to the overall housing requirement for Darlington. This equates to an additional 42 dwellings per annum. Bedspaces in care homes would then be able to be counted towards the housing requirement, on the basis of 1 dwelling being counted for every 1.37 bedspaces provided.

6.7 This increases the overall housing requirement to between **534 and 562 dpa** (depending on the scale of the economic adjustment).

7. Conclusions

7.1 This report has reviewed the need for housing in Darlington over the plan period 2016 to 2036 in light of recent changes to NPPF and PPG. The revised policy and guidance sets out a standard method which should be used by plan makers to determine the minimum level of housing needed in their area. Applying the standard method in Darlington would result in a minimum requirement of 177 dpa.

7.2 This report has shown there are strong grounds for Darlington Borough Council to set a higher housing requirement than that implied by the standard method. This is for the following reasons:

- The population projections underpinning the standard method are flawed and based on underestimates of recent population growth in Darlington.
- The standard method only provides the minimum requirement. PPG also requires plan makers to consider whether circumstances exist which mean future housing need is likely to be higher than past trends. If so, then a further adjustment to the housing requirement is appropriate.
- We believe these circumstances exist in Darlington. In particular, the council's employment land target is based on a level of jobs growth which could not be supported by such a low level of housing provision.
- It is therefore appropriate to make a further adjustment to ensure a balanced approach to housing and employment land policies.

7.3 In order to support future economic growth, and to ensure a consistent approach to its employment land policies, we estimate Darlington would need to deliver between **492 and 520 dpa** between 2016 and 2036.

7.4 We also recommend a further adjustment based on the increased demand for bedspaces in residential institutions among over 75s, which PPG recommends should be counted against the housing requirement. This adds a further 42 dwellings per annum, giving a total requirement of between **534 and 562 dpa**.

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