

Strategic Housing Market Assessment

Addendum

2016

Hartlepool Borough Council

Final Report
October 2016

Main Contact: Michael Bullock
Email: Michael.bullock@arc4.co.uk
Telephone: 0191 386 0026
Website: www.arc4.co.uk

© 2015 arc⁴ Limited (Company No. 06205180)



Table of Contents

1. Introduction	4
2. Defining the Housing Market Area	5
Introduction.....	5
Migration and self-containment.....	6
Commuting patterns	8
Concluding comments	9
3. Housing market signals	10
Introduction.....	10
Market Signals.....	10
Price indicators	10
Quantity indicators	11
Comparator areas.....	13
Past trends in housing delivery	15
Concluding comments	16
4. Objectively Assessed Housing Need and Housing Requirement.....	16
Introduction.....	16
Establishing the Housing Market Area.....	17
Demographic starting point.....	17
Adjusting the projections	18
Employment trends.....	20
Market signals and past trends in delivery.....	23
Affordable need and housing provision targets.....	23
Objectively Assessed Housing Need.....	24

List of Tables

Table 2.1	Flows of residents (all moves)	7
Table 2.2	Containment ratios.....	7
Table 2.3	Craven 2011 census workplace and place of residence: workers (aged 16-74)	8
Table 3.1	Housing Market Signals	12
Table 3.2	Housing market signals in comparator districts, region and England.....	14
Table 3.3	Dwelling completions 2006/07 to 2015/16	15
Table 4.1	Annual household change and dwelling requirements under alternative scenarios and headship rates 2016-2031	19
Table 4.2	Annual household change and dwelling requirements under alternative scenarios and headship rates 2016-2032	22

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

arc⁴ Limited accepts no responsibility or liability for, and makes no representation or warranty with respect to, the accuracy or completeness of any third party information (including data) that is contained in this document.

1. Introduction

Background and objectives

- 1.1 A comprehensive Strategic Housing Market Assessment (SHMA) for Hartlepool Borough Council (the Council) was endorsed in March 2015 which provided an up-to-date evidence base to inform the development of the Council's Local Plan and other strategies.
- 1.2 The SHMA satisfied the requirements of the National Planning Policy Framework (NPPF) and the February 2014 National Planning Policy Guidance (NPPG) which replaces previous guidance including the DCLG Strategic Housing Market Assessment guidance (Version 2, 2007).
- 1.3 The SHMA also included a review of the Housing Market Area definition, Objectively Assessed Housing Need, Housing Market Signals and Duty to Co-operate matters.
- 1.4 Since the SHMA was published, the Office for National Statistics have released 2014-based population projections and these have been used to prepare 2014-based household projections. To accord with Planning Practice Guidance, the Council's OAN should be based on up-to-date information. The purpose of the SHMA Addendum 2016 is to update the evidence base relating to Objectively Assessed Housing Need and in so doing represents data relating to the Housing Market Area definition and updates housing market signal information.

2. Defining the Housing Market Area

Introduction

- 2.1 NPPG (para 8) states that housing needs should be assessed in relation to the relevant functional area i.e. Housing Market Area and this may identify smaller sub-markets with specific features and it may be appropriate to investigate these specifically in order to create a detailed picture of local need. It is also important to recognise that there are 'market segments' i.e. not all housing types have the same appeal to different occupants.
- 2.2 NPPG defines a Housing Market Area as *“a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap”*.¹
- 2.3 NPPG comments that Housing Market Areas can be broadly defined by using three different sources of information as follows:
- House prices and rates of change in house prices;
 - Household migration and search patterns;
 - Contextual data (for example travel to work area boundaries, retail and school catchment areas).
- 2.4 Former CLG guidance² suggested that a housing market is self-contained if upwards of 70% of moves (migration and travel to work) take place within a defined area. However the Guidance cautions that:
- HMAs are inherently difficult to define. They are a geographic representation of people's choices and preferences on the location of their home, accounting for live and work patterns. They can be defined at varying geographical scales from the national scale to sub-regional scale, down to local and settlement specific scales.
 - HMAs are not definitive. As well as a spatial hierarchy of different markets and sub-markets, they will inevitably overlap.
- 2.5 Hartlepool Borough is located within the Tees Valley in North East England. The resident population of Hartlepool Borough is 92,000³. The Borough is bounded to the North and West by County Durham and Stockton on Tees to the South. The main population centre is Hartlepool town which is surrounded by an arc of smaller villages.
- 2.6 In establishing the extent to which Hartlepool Borough is a Housing Market Area, the SHMA considered the general housing market context of Hartlepool Borough and its inter-relationships with other areas. Further analysis of migration and travel to work is presented in this addendum.

¹ National Planning Practice Guidance paragraph 10

² DCLG Identifying Sub-Regional Housing Market Areas Advice Note, 2007

³ 2011 Census

Migration and self-containment

2.7 In relation to migration, PPG paragraph 11 states:

'Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.'

2.8 That said, previous CLG guidance recognised that 'rural areas typically have less locally self-contained migration patterns, reflecting the influence of long-distance movers who are opting for lifestyle change or retirement'⁴

2.9 Data reported in the 2011 Census provides evidence from which the degree of self-containment of Hartlepool can be derived. PAS guidance recommends that migration data are tested against the PPG criterion for self-containment, that at least 70% of all migration excluding long-distance migration should be contained within the HMA. A suitable test are two migration containment ratios:

Supply side (origin): moves within the area divided by all moves whose origin is in the area, excluding long-distance moves

Demand side (destination): moves within the area divided by all moves whose destination is in the area, excluding long-distance migration

2.10 Table 2.1 presents relevant data for Hartlepool and Table 2.2 summaries the containment ratios derived from the data. Table 2.1 illustrates that 80.2% of all residents moving in the year preceding the Census originated from within Hartlepool. Table 2.4 also summarises the origins of moving residents based on 2011 Census data. Of the 8,808 moving residents, 78.8% originated in Hartlepool, 5.4% from elsewhere in Tees Valley, 3.5% from County Durham. 2.8% from elsewhere in the North East and 9.4% from elsewhere in the UK.

2.11 Table 2.2 summaries the containment ratios that apply to the origin and destination of moving residents. In line with PPG guidance, this excludes long-distance migration (which is taken as moves from outside the North East). The origin containment ratio is 86.7% and the destination is 87% which confirms that Hartlepool is a self-contained housing market area in terms of migration.

⁴ DCLG Advice Note: Identifying sub-regional housing market areas 2007

Table 2.1 Flows of residents (all moves)						
Origin/ Destination	Supply Side (Origin)			Demand Side (Destination)		
	All Moves		Excluding Long Distance Moves	All Moves		Excluding Long Distance Moves
	Number	%	%	Number	%	
Hartlepool	6,945	80.2	86.7	6,945	78.8	87.0
Stockton-on-Tees	246	2.8	3.1	264	3.0	3.3
Elsewhere Tees Valley	254	2.9	3.2	210	2.4	2.6
County Durham	354	4.1	4.4	312	3.5	3.9
Elsewhere in North East	207	2.4	2.6	251	2.8	3.1
Elsewhere UK	659	7.6		826	9.4	
TOTAL	8,665	100.0	100.0	8,808	100.0	100.0
Base (excluding long-distance moves)			8,006			7,982

Source: 2011 Census

Table 2.2 Containment ratios			
Origin	Moves within the area	Moves originating in the area	Containment Ratio
	6,945	8,006	86.8%
Destination	Moves within the area	Moves whose destination is in the area	Containment Ratio
	6,945	7,982	87.0%

Source: 2011 Census

Note:

Supply Side (origin): moves within the area divided by all moves whose origin is in the area, excluding long-distance moves

Demand side (destination): moves within the area divided by all moves whose destination is in the area, excluding long-distance migration

- 2.12 The household survey carried out as part of the SHMA identified around 7,000 households planning to move in the next 5 years. Of these households, 81% intend on remaining in Hartlepool Borough and 19% intend to move out which supports the high level of self-containment evidenced in the 2011 census.

Commuting patterns

- 2.13 The 2011 Census provides an analysis of travel to work patterns and the extent to which residents in Hartlepool travel to other areas, together with details of how many people commute into the District area. Table 3.3 presents this data and indicates that 67.1% of people who live in Hartlepool work in Hartlepool; and 73.5% of workers in Hartlepool also live in the district.

Table 2.3 Craven 2011 census workplace and place of residence: workers (aged 16-74)			
Where do people who live in Hartlepool work?			
Live	Work	Number	%
Hartlepool	Hartlepool	23283	67.1
	Stockton on Tees	3865	11.1
	Middlesbrough	1,591	4.6
	Elsewhere Tees Valley	967	2.8
	County Durham	2,269	6.5
	Other	2,741	7.9
Workers		34,716	100.0
Where to people who work in Hartlepool live?			
Live	Work	Number	%
Hartlepool	Hartlepool	23283	73.5
Stockton on Tees		2590	8.2
Elsewhere Tees Valley		1,814	5.7
County Durham		2,665	8.4
Other		1,310	4.1
Jobs		31,662	100.0

Source 2011 census and Edge Analytics Table 2

- 2.14 In terms of defining market areas, NPPG does not suggest an appropriate self-containment figure. However, the ONS provides a definition of Travel to Work areas as:

'The current criterion for defining TTWs is that generally at least 75% of an area's resident workforce in the area and at least 75% of the people who work

in the area also live in the area...however, for areas with a working population in excess of 25,000, self-containment rates as low as 66.7% are accepted⁵

- 2.15 On this basis, it can be concluded that Hartlepool is self-contained in terms of travel to work.

Concluding comments

- 2.16 The purpose of this analysis has been to consider the general housing market context of Hartlepool and its inter-relationships with other areas. This reflects the requirements of PPG Paragraph 2a-011. By reviewing house prices (see 2014 SHMA and the market signals chapter of this addendum), migration and travel to work patterns, the extent to which Hartlepool is a self-contained housing market area can be determined. PPG establishes that areas within which a relatively high proportion of household moves (typically 70%) are contained.
- 2.17 Regarding migration, analysis of the 2011 census identifies containment ratios of 86.8% (origin) and 87% (destination). Hartlepool is therefore a self-contained housing market area. Regarding travel to work, 67.1% of residents live and work in Hartlepool and 73.5% of residents who work in Hartlepool also live in the District. It can also be concluded on this basis that Hartlepool is a self-contained area.
- 2.18 Evidence would therefore confirm that Hartlepool District is an appropriate Housing Market Area for the purposes of Local Plan policy making.

⁵<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/commutingtoworkchargetotraveltoworkareas/2001to2011>

3. Housing market signals

Introduction

- 3.1 PPG Paragraph 2a-19 states that ‘the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for, and supply of, dwellings. PPG Paragraph 2a-20 suggests that *‘in broad terms, the assessment should take account both of indicators relating to price (such as house prices, rents, affordability ratios) and quantity (such as overcrowding and rates of development).’*

Market Signals

- 3.2 PPG Paragraph 2a-20 comments that ‘market signals are affected by a number of economic factors and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with the principles of sustainable development, should be expected to improve affordability, and monitor the response of the market over the plan period.’
- 3.3 In line with PPG Paragraph 2a-19, Table 5.1 considers a range of Housing Market Signals for Hartlepool for the period 2005 to 2015. These include house prices, rents, affordability and overcrowding.

Price indicators

- 3.4 In terms of price/transaction indicators, a key message from Table 5.1 is that market prices increased 2005-2008 and then have been subject to a degree of variation, with lower quartile prices ranging between £65,000 and £75,000 and median prices between £105,000 and £120,000. Between 2014 and 2015, lower quartile prices fell by 16% and median prices by 10%. The number of property purchases declined considerably from a peak of 2,360 in 2006 to 804 in 2009 and has since recovered to 1,341 in 2015.
- 3.5 Two measures of affordability are reported in Table 5.1: a House Price Ratio (HPR) which considers median price to median earnings; and a Rental Affordability Ratio (RAR) which considers lower quartile prices to lower quartile rents. The HPR has averaged 4.4 over the period 2005 to 2015 although fell to 4.1 in 2015. The RAR has averaged 24.9% over the period 2005 to 2015 and was 21.7% during 2015.
- 3.6 Regarding land values, there is no trend-based data available, however it is suggested that there are no particular issues with land values which would affect development potential across Hartlepool.

Quantity indicators

- 3.7 In terms of quantity indicators, there has been an increase of 1,825 dwellings over the period 2005 to 2015. Vacancy rates have averaged 4.3% during this period and were 4% which compares with an English average of 2.7%. Assuming the English average as a 'target' vacancy rate (which would suggest a target of 1,158 vacant dwellings, compared with actual vacancies of 1,718), it could be suggested that in 2015 there were around 560 surplus vacant dwellings across Hartlepool. The current vacancy rate allows for a greater degree of household mobility within dwelling stock compared to the English average.
- 3.8 According to the 2011 Census, 2.8% of households were overcrowded. This compares with 3.1% across England. The scale of housing need as measured by the Housing Register has ranged between 2,180 and 3,794 over the 2005-2015 period and in 2015 was 3,034.

Price/transaction indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Lower Quartile House Prices	£45,000	£60,000	£74,000	£76,000	£70,000	£73,000	£70,000	£72,000	£75,000	£77,000	£65,000
Median House Prices	£68,000	£89,950	£104,950	£110,000	£104,950	£110,000	£105,000	£108,000	£115,748	£120,000	£108,000
Lower Quartile Rents (per calendar month)						£373	£377	£407	£399	£390	£368
Median Rents (per calendar month)						£446	£446	£455	£455	£451	£433
House Price Ratio (Median Price to Median Earnings)	3.2	4.3	4.9	4.7	4.2	4.6	4.3	4.2	4.8	4.8	4.1
Rental Affordability Ratio (Lower quartile rents to lower quartile earnings)						25.9	25.8	25.7	25.6	25.0	21.7
No. Property sales	2,105	2,360	2,158	1,109	804	882	872	868	952	1,182	1,341
Quantity indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total dwelling stock (at 1 April)	41,075	41,293	41,535	41,223	41,594	41,770	42,100	42,330	42,440	42,530	42,900
Total vacant dwellings (at October)	1,846	1,925	1,725	1,808	1,879	1,889	1,986	1,976	1,513	1,554	1,718
Total vacancy rate (at October)	4.49%	4.66%	4.15%	4.39%	4.52%	4.52%	4.72%	4.67%	3.57%	3.65%	4.00%
Long-term vacant dwellings (at October)	1,051	664	607	789	859	889	789	780	762	727	727
Long-term vacancy rate (at October)	2.56%	1.61%	1.46%	1.91%	2.07%	2.13%	1.87%	1.84%	1.80%	1.71%	1.69%
Overcrowding (2011 census)						2.80%					
Change in total dwelling stock	3,222	2,920	2,968	3,696	3,794	2,385	2,824	2,180	2,563	2,615	3,034
No. of households on the housing register (at 1st April)	41,075	41,293	41,535	41,223	41,594	41,770	42,100	42,330	42,440	42,530	42,900

Sources: Land Registry Price Paid Data; Zoopla Rental Data; Annual Survey of Hours and Earnings; Local Authority Housing Statistics and Housing Strategy Statistical Appendix; CLG Dwelling/Vacancy statistics; 2011 census

Note: Private rental data for 2005-2009 not available

Comparator areas

- 3.9 Table 3.2 considers how key price and quality market signals observed in Hartlepool over the more recent period 2010 to 2015 compare with neighbouring districts and with regional and national trends.
- 3.10 The fall in lower quartile house prices experienced in Hartlepool have exceeded those experienced across the North East and all neighbouring areas with the exception of County Durham. Regionally and nationally, median prices have increased but the slight reduction in median price in Hartlepool has been less dramatic than in County Durham.
- 3.11 Regarding rents, lower quartile and median rents have fallen slightly but not to the same degree as in neighbouring areas
- 3.12 The House Price Ratio in 2015 was one of the lowest compared with the neighbouring districts and lower than regional and national ratios. The Rental Affordability Ratio (RAR) was the lowest compared with neighboring districts and lower than regional and national data.
- 3.13 The proportion of vacant dwelling stock in Hartlepool during 2015 was generally higher than comparator districts and higher than the regional and national figure. Similarly, the proportion of long term vacants in 2015 was higher than most neighbouring districts and higher than regional and national data.

Comparator	Hartlepool	Neighbouring districts			North East	England
		County Durham	Middlesbrough	Stockton-on-Tees		
Lower Quartile House Price change 2010-2015	-11.0%	-15.6%	1.1%	-6.3%	-5.0%	8.3%
Median House Price change 2010-2015	-1.8%	-7.0%	11.9%	1.6%	2.5%	16.4%
Lower Quartile Rents (per calendar month) change 2010-2015	-1.3%	-4.3%	-17.5%	-4.7%	-6.1%	0.0%
Median Rents (per calendar month) change 2010-2015	-2.9%	-4.7%	-8.7%	-5.0%	-0.8%	12.1%
HPR 2015	4.1	4.0	4.8	4.9	5.0	7.5
RAR 2015	21.7%	24.5%	25.3%	27.7%	26.0%	36.4%
% Vacant 2015	4.0	4.3	3.9	2.8	3.4	2.5
% Long Term Vacant 2015	1.7	2.0	1.1	0.9	1.7	0.9

Past trends in housing delivery

- 3.14 PPG Paragraph 2a-19 refers to the rate of development as a market signal.
- 3.15 Bearing in mind the changes to establishing and meeting robust housing targets since the withdrawal of the Regional Spatial Strategies it is assumed that the 2006 Hartlepool Local Plan provides the most robust housing target for the Borough of Hartlepool. Since the Adoption of the current Local Plan in 2006 the Council has consistently failed to provide the housing to meet the housing target of 309 dwellings per year; this has resulted in a historical under-supply since 2006. Table 3.3 below illustrates how the housing target advocated by the 2006 Local Plan has been met and the subsequent extent of the backlog which needs to be considered in the OAN.

Year	Completions	Demolitions	Total (Net)	2006 Local Plan Average Housing Target	Backlog to be Met
2006/07	283	58	225	309	84
2007/08	329	575	-246	309	555
2008/09	540	74	466	309	-157
2009/10	452	145	307	309	2
2010/11	365	56	309	309	0
2011/12	290	65	225	309	84
2012/13	269	147	122	309	187
2013/14	213	129	84	309	225
2014/15	376	0	376	309	-67
2015/16	574	46	528	309	-219
Total (10 yrs)	3691	1295	2396	3090	694
Annual average	369	130	240	309	69

Source: Council Annual Monitoring Returns

- 3.16 Based on the current situation the Council cannot demonstrate a 5 year supply of deliverable housing sites going forward; this has led to numerous deliverable greenfield housing sites being granted planning permission which accord with Paragraph 14 in the NPPF in the last few years. These deliverable sites have started to develop and subsequently stimulate the wider housing market in the Borough resulting in healthy housing completions in 2014/15 and 2015/16 over and above the 2006 Local Plan housing requirement. Table 3.3 identifies the current cumulative total of housing provision backlog which needs to be considered in the OAN going forward over the next 15 years.

Concluding comments

- 3.17 In conclusion, a review of Market Signal data would suggest there are no indicators prompting a need for adjusting the housing dwelling need on the basis of Market Signals. These should be monitored on a regular (at least annual) basis and the scale of dwelling delivery should be adjusted where the Council believes it is appropriate to do so. Regarding past delivery against existing targets, there is an overall shortfall of 694 which needs to be acknowledged in establishing the OAN.

4. Objectively Assessed Housing Need and Housing Requirement

Introduction

- 4.1 The National Planning Policy Framework requires that Local Planning Authorities (LPAs) identify Objectively Assessed Housing Need (OAN) and that Local Plans translate those needs into land provision targets. Paragraph 159 of the NPPF recognises that the objective assessment of housing need must be one that meets household and population projections, taking account of migration and demographic change; meets the need for all types of housing including Affordable, and caters for housing demand and the scale of housing supply necessary to meet that demand. PPG recognises that '*establishing future need for housing is not an exact science*' (para 014 2a-014-20140306), although it should be informed by reasonable and proportionate evidence.
- 4.2 The purpose of this chapter is consider the latest evidence in establishing an OAN for Hartlepool for the plan period 2016-2031 (15 years). It draws upon material elsewhere in the SHMA, 2016 Addendum and demographic analysis prepared by Tees Valley Unlimited during October 2016. The chapter is structured in accordance with the approach set out in PPG and also considers further guidance which supports PPG, namely the Planning Advisory Service *Objectively Assessed Need and Housing Targets Technical Advice Note*, Second Edition, July 2015; and the *Local Plan Experts Group report Local Plans: report to the Communities Secretary and the Minister of Housing and Planning*, March 2016.
- 4.3 The analysis of OAN draws extensively upon demographic analysis prepared by Tees Valley Combined Authority. They have produced an updated range of scenarios using the latest demographic statistics considering:
- The 2014-based population and household projections for Hartlepool;

- Alternative migration impacts/assumptions; and
 - Jobs forecasts.
- 4.4 In order to establish Objectively Assessed Need, PPG recommends a logical progression of steps which form the structure of this chapter:
- Establishing the Housing Market Area;
 - Make use of DCLG household projections as the starting point estimating the OAN;
 - Consider sensitivity testing specific to local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates;
 - Take account of employment trends;
 - Take account of market signals;
 - Consider an increase in the total housing figures where it could help deliver the total number of affordable homes.

Establishing the Housing Market Area

- 4.5 PPG Paragraph 2a-010 states a requirement to establish the relevant functional area to assess needs. For housing need, this is the Housing Market Area. Chapter 3 reviewed the evidence relating to defining the market area. This demonstrated that Hartlepool exhibits a high degree of self-containment, with 80.2% of moving households relocating within Hartlepool and 67.1% in employment working in the Borough. The chapter concluded that Hartlepool Borough can be described as a self-contained housing market on the basis of migration, and although it is largely self-contained in terms of workplace, it is part of a wider functional economic area including Tees Valley and County Durham. On the basis that over 70% of households moving within Hartlepool originated from within Hartlepool Borough, and over 70% of households planning to move intend to stay in the Borough, it is proposed that Hartlepool is considered to be a self-contained Market Area for the purposes of Local Plan policy making.

Demographic starting point

- 4.6 PPG Paragraph 2a-015 states that plan makers should make use of the household projections published by DCLG as the starting point estimate of housing need. The latest official population and household projections (2014-based) have been used in accordance with PPG Paragraph 2a-016. Over the 2016-2031 plan period, the 2014-based household projection model suggests an increase of 2,851 households, which equates to 190 households and 200 dwellings each year (using a 4% vacancy from the 2011 Census)

Adjusting the projections

- 4.7 The PPG recommends adjustments are made to the household projections with reference to local demographic trends, future jobs, past delivery and market signals and other local circumstances not captured by past trends. Each of these is now considered in turn.

Local demographic trends

- 4.8 Whilst the official 2014-based ONS population and DCLG household projections will form the 'starting point' of the assessment of housing need, the PPG states that it is appropriate to consider '*alternative assumptions in relation to the underlying demographic projections and household formation rates*' of the local area (PPG Paragraph 2a-017).
- 4.9 In line with the PPG, TVCA have developed a range of alternative demographic scenarios using alternative Government projections, migration and employment assumptions. The 2014-based population projections from ONS provide the official 'benchmark' scenario, with household growth assessed using household headship rate assumptions from the 2014-based DCLG household projection model. For comparison with this official benchmark, TVCA have prepared the following scenarios:

Demographic

- 2012-based SNHP rates for 2014-based projections;
- 2008-based SNHP rates for 2004-based projections;

Migration

- Zero net migration which assumes balanced migration, with total inflow equalling total outflow;
- 10 year migration in which 10 year average age-specific migration rates for in- and out- internal migrants have been used (2003/4 to 2013/14)

- 4.10 Alternative headship rates have been applied under the three demographic scenarios (2014-based, 2012-based and 2008-based).
- 4.11 PAS guidance recommends that when starting on a new housing assessment or updating an earlier one, plan-makers should set aside headship rates that pre-date CLG 2012 (which were the latest available projections when the guidance was published). It is therefore implied that the latest headship rates are used as a basis for calculating OAN.
- 4.12 Table 4.1 summarises the range of scenarios and dwelling requirements under alternative headship rate assumptions in line with PPG. These outputs also assume a 4% dwelling vacancy rate.

Table 4.1 Annual household change and dwelling requirements under alternative scenarios and headship rates 2016-2031

Scenario	Households	Dwellings
2014-based	190	200
2012-based	175	180
2008-based	221	230
Zero net migration	138	140
10 year internal migration	206	210

4.13 Having reviewed the latest demographic and household projections and considered alternative assumptions relating to migration and headship rates in line with PPG, it is recommended that:

- I. the baseline dwelling requirement is 200 based on the latest (2014-based) projections which accords with PPG Paragraph 2a-016.
- II. That an adjustment is made to reflect alternative assumptions in relation to the underlying demographic projections and household formation rates of the local areas which accords with PPG paragraph 2a-017. This requires a consideration of migration assumptions and alternative headship rates.
- III. Regarding migration assumptions, the 10 year migration scenario is taken as the appropriate adjustment based on migration. This takes account of long-term patterns of internal migration into Hartlepool and has the benefit of covering several economic cycles.
- IV. Regarding alternative headships rates, these have been tested using 2014-based, 2012-based, 2008-based data. The 2014-based rates are the Government's most recent estimate of future growth and dwelling requirement are show a higher level of dwelling requirement compared with 2012-based projections. PAS guidance para 6.41 makes a particular comment that 'CLG 2008 rates are no longer helpful because they are based on very old evidence and anyway may not reflect the true long-term trend'. This is borne out in research⁶ which concludes that the 2008-based rates never did provide a robust view of long-term trends and are now irrelevant, because societal change is slowing down historical rise in Household Representative Rates and resulting fall in household sizes. In line with PPG and PAS guidance, it is therefore recommended that the latest 2014-based projections and headship rates are used to inform the OAN calculation.

⁶ L Simpson, Wither household projections? In Town and Country Planning , December 2014

- V. In conclusion, an analysis of *'alternative assumptions in relation to the underlying demographic projections and household formation rates'* of the local area results in a recommendation of a need for 210 dwellings each year over the plan period 2016-2031 which takes account of the baseline demographic starting point and an adjustment to reflect long-term migration trends.

Employment trends

- 4.14 PPG paragraph 2a-018 states that 'plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area'. TVCA have considered the jobs forecasts for Hartlepool:
- the Strategic Economic Plan target of 290 jobs each year (which represents Hartlepool's share of jobs each year across the Tees Valley extrapolated over the plan period);
 - the Employment Land Review jobs forecast of 100 each year (resulting in 1,700 additional jobs between 2014-2031 with 1500 in plan period)
- 4.15 The population needed to support the jobs growth forecasts has been carefully evaluated using a range of assumptions which consider economic activity rates, unemployment, commuting and in-migration. These are summarised in Table 4.1.
- 4.16 Scenarios D1, E1 and F1 are discounted as are extreme examples. They were created as an indicator of an upper limit of dwelling need if new residents i.e. in-migrants, are needed for all new jobs, resulting in large population growth in comparison to the number of jobs. F1 was created to show that additional residents (if there were no changes in unemployment, commuting, or further changes in economic activity) would still be needed to just maintain the same number of jobs across the plan period to offset the falling labour force size, in the main caused by large cohorts moving into retirement and the cohorts replacing them being smaller. .
- 4.17 Scenario E3 and E4 give an indication of housing need if some of the new jobs were filled by existing residents (E3 – assumes unemployment will decrease to the pre-recession low), or by changes in commuting patterns (E4 – balanced commuting rather than the current net outflow of workers (1.10 in Census 2011)). Both scenarios would still need additional new residents to meet the job targets / forecasts. E4 is being discounted as it is unlikely that the commuting ratio would change so dramatically for a number of factors, including certain industries being located in specific locations
- 4.18 Scenario D2 is the most realistic as it assumes some net in-migration to support jobs growth. It assumes that not all additional jobs will be filled by the existing residents and that approximately 30% will come from outside the Borough by virtue of 15% being daily commuters (or this may be from more Hartlepool residents working in the borough rather than working outside) and 15% being

inward migrants. It is assumed that the 15% daily commuters will not have a direct impact on additional housing need. Similarly, because overall the in migration level is so small (15%), it is not practicable to make an exact assumption on where the migrants will be coming from i.e. specifically from a defined Local Authority area. It is therefore assumed that the 15% inward migration will be drawn from regional, national and international areas. Further to this it is assumed that an element of households planning to move outside of the Borough as identified within Table 3.7 of the March 2015 SHMA will be retained.

Summary of employment trends

- 4.19 This section has summarised material prepared by TVU which considers the labour force and employment growth outcomes of the demographic scenarios and considered the scale of jobs growth under recent economic forecasts.
- 4.20 Having considered the potential change in labour force capacity and future economic forecasts, it can be concluded that:
- I. Scenario D2 is the most reasonable in terms of assumptions. This uses the SEP jobs forecasts and establishes a need for 240 dwellings each year. Scenario E2 uses the ELR jobs growth and results in a slightly lower dwelling requirement of 220 each year. Scenario E3 results in a similar dwelling requirement but this assumes a lower level of jobs growth. Similar population growth is needed for smaller jobs growth due to less of the jobs being filled by existing residents (due to smaller improvements in employment rates) or by commuters (due to no changes in the commuting ratio);
 - II. In summary, an assessment of the *'likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area'* would suggest that a further adjustment is required to take account of reasonable jobs-growth assumptions.
 - III. Therefore, the dwelling requirement to take account of employment growth is 240 dwellings each year.

Table 4.2 Annual household change and dwelling requirements under alternative scenarios and headship rates 2016-2032						
Jobs-led scenario	Economic Forecast	Economic Activity Rate	Unemployment	Commuting ratio	Employee assumptions	Annual requirement dwelling
D1	SEP 290 jobs growth each year	OBR economic activity rate forecasts	2016 rate (9.7%) fixed	Fixed at 1.1 (net out commute)	New residents are needed for all jobs	530
D2			2016 rate (9.7%) fixed		c70% residents, 15% commuters and 15% new residents	240
E1	ELR 100 jobs growth each year		2016 rate (9.7%) fixed	Fixed at 1.1 (net out commute)	New residents are needed for all jobs	350
E2			2016 rate (9.7%) fixed		c70% residents, 15% commuters and 15% new residents	220
E3			2016 rate (9.7%) reducing to pre-recession low of 5.7% by 2021 then fixed	Fixed at 1.1 (net out commute)	Combination of existing residents and new residents	240
E4			2016 rate (9.7%) fixed	Reducing from 1.1 (net out commute) to 1.0 by 2021 then fixed	Combination of existing residents and new residents	220
F1	Zero jobs growth		2016 rate (9.7%) fixed	Fixed at 1.1 (net out commute)	New residents are needed for all jobs	250

Market signals and past trends in delivery

- 4.21 Chapter 3 presented information on market signals and past trends in delivery. This considered signals relating to price and quantity and compared Hartlepool with neighbouring districts, the region and England. PPG does not specify the mechanism for uplift but the LPEG report recommends uplift from the demographic starting point based on two measures of affordability: House Price Ratios and Rental Affordability Ratios. For Hartlepool, the ratios are: HPR 4.1 and RAR 21.7%). Uplifts are recommended by LPEG when the HPR exceeds 6.3 and/or the RAR 25% and therefore no uplift is required.
- 4.22 Regarding past trends in delivery, there has been a significant historical under delivery of additional housing when compared to the housing targets at that time as illustrated in table 3.3; as since 2006 housing supply has been constrained by a lack of deliverable housing sites. This situation continued until in recent years when a range of deliverable greenfield housing sites were granted planning permission which accord with Paragraph 14 in the NPPF. These deliverable sites have since started to develop and subsequently stimulate the wider housing market in the Borough resulting in healthy housing completions in 2014/15 and 2015/16 over and above the 2006 Local Plan housing requirement. The historical undersupply cannot be ignored and therefore needs to be provided going forward over the next plan period and this equates to an additional requirement of approximately 700 additional dwellings.
- 4.23 Regarding market signals and past trends in delivery:
- IV. It is recommended that the OAN is not adjusted upwards to take account of market signals relating to affordability; and
 - V. An adjustment of an additional 700 dwellings is necessary to take account of past delivery.

Affordable need and housing provision targets

- 4.24 PPG Paragraph 2a-029 advises on how housing needs assessments should take account of affordable housing need: 'the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing-led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes'.
- 4.25 The analysis of housing need in the SHMA suggests there is an annual imbalance of 144 affordable dwellings each year. This figure expresses the overall need from household survey evidence compared with the current supply of affordable housing. In reality, households in need who cannot access the market can pay proportionately more for their housing above suggested

- affordable thresholds, people can share dwellings to reduce housing costs, and the private rented sector can accommodate households in need.
- 4.26 PAS⁷ guidance provides helpful guidance in interpreting affordable need in the context of objectively assessed need. Paragraph 9.6 states ‘in practical terms, there is no arithmetical way of combining the two calculations set out in PPG to produce a joined-up assessment of overall housing need. We cannot add together the calculated OAN and the calculated affordable need, because they overlap: the OAN of course covers both affordable and market housing, but we cannot measure these components separately, because demographic projections – which are the starting point for the OAN – do not distinguish between different sectors of the housing market. Para 9.7 continues ‘In summary, it seems logically clear that affordable need, as defined and measured in paragraphs 22-29 of the PPG, cannot be a component of the OAN. The OAN does have an affordable component – which cannot be measured separately but will normally be much smaller than the affordable need discussed at paragraphs 22-30. When paragraph 47 of the NPPF says that plans should meet in full ‘the need for market and affordable housing’, it is referring to that component rather than the separately calculated affordable need.
- 4.27 The increased delivery of affordable housing can be stimulated and accelerated through an increase in private sector house building in the Borough whereby these sites provide an element of affordable housing alongside the market housing. The Local Plan should include a buffer of 20% additional housing over and above the OAN in order to help meet the current and future affordable housing need in the Borough over the plan period
- 4.28 In summary:
- VI. No further adjustment is necessary to take account of additional affordable housing delivery. However it is recommended that the Local Plan should include a buffer of 20% additional housing over and above the OAN in order to help meet the current and future affordable housing need in the Borough over the plan period.

Objectively Assessed Housing Need

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

⁷ Planning Advisory Service Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015

- 4.30 The challenge for the Council is to deliver an appropriate and proportionate level of dwelling growth that supports economic growth and carefully takes into account the current demographic profile of the District.
- 4.31 It is proposed that the Objectively Assessed Housing Need for Hartlepool over the plan period 2016-2031 is established from a baseline of 200 (using the latest 2014-based SNPP), with an upward adjustment to take account of past migration trends to 210 dwellings. A further uplift is recommended to support jobs-growth in the Borough to 240 dwellings each year. A further uplift to the baseline demographic requirement to take account of market signals is not recommended. However, in order to take into account historical under delivery against housing targets it is recommended that an additional 700 dwellings over the plan period be added as a backlog, equating to a cumulative total of 290 dwellings each year.
- 4.32 In conclusion, the Objectively Assessed Need figure of 290 takes account of the need to deliver more housing for an increasing number of households and supports economic growth. The full objectively assessed dwelling need over the Plan Period 2016-2031 (15 years) is therefore a minimum of 4,300 dwellings.

From an OAN to a housing requirement

- 4.33 Having established an up to date OAN, it is necessary to translate this into a growth target for the purposes of future plan-making. This is referred to as the 'housing requirement'. The housing requirement should, in normal circumstances, reflect the objectively assessed need but can be adjusted either upwards or downwards. An OAN could be adjusted downwards due to development constraints or upwards to support economic or other growth ambitions. The OAN is in effect a 'policy off' need for housing over the plan period. Once policy considerations have been applied to the OAN figure, the result is a 'policy on' figure for the housing requirement. The housing requirement figure will be the target against which housing supply will normally be measured.