

Housing and Employment Growth Topic Paper 2017

Hartlepool Borough Council

Final Report

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1. Introduction

Background and objectives

- 1.1 This document provides further evidence to support the findings of the Strategic Housing Market Assessment (SHMA) Addendum 2016 which updated the evidence base relating to Objectively Assessed Housing Need (OAN) presented in the 2015 SHMA. The overall purpose of this document is to consider the relationship between housing and employment growth in Hartlepool Borough and to provide further justification for the preferred jobs growth scenario used to derive the OAN figure. The document addresses the questions raised by the Planning Inspector with respect to the forthcoming Local Plan inquiry.

Local market context and the functional economic areas

- 1.2 The 2016 SHMA Addendum document presented evidence regarding the housing market area with reference to migration and commuting patterns. Hartlepool is a highly self-contained housing market area, with a supply-side containment of 86.8% and a destination containment of 87%¹ based on 2011 census migration data. Regarding travel to work, 67.1% of residents in employment live and work in Hartlepool and 73.5% of residents in employment who work in Hartlepool also live in the Borough. This evidence would confirm that Hartlepool is an appropriate housing market area for the purposes of Local Plan policy making. Hartlepool Borough is also positioned within a wider Tees Valley functional economic area and it is appropriate to consider the Tees Valley Strategic Economic Plan when reviewing future economic growth in the Borough.

Objectively assessed housing need conclusions

- 1.3 The 2016 SHMA Addendum document established an OAN for Hartlepool Borough. The Objectively Assessed Housing Need for Hartlepool over the Plan Period 2016-2031 was 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

¹ **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

over the Plan Period be added as a backlog, equating to a cumulative total of 290 dwellings each year.

- 1.4 The 2016 SHMA Addendum concluded that the Objectively Assessed Need figure for Hartlepool was 290 dwellings each year. This took account of the need to deliver more housing for an increasing number of households and supports economic growth. The full Objectively Assessed Housing Need over the Plan Period 2016-2031 (15 years) is therefore a minimum of 4,300 dwellings.

2. Employment assumptions and the OAN

- 2.1 A key component of the OAN process is to assess the impact of job numbers on future housing need.

Employment trends and the Strategic Economic Plan (SEP)

- 2.2 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’. As reported in the 2016 SHMA Addendum, TVCA have considered the following jobs forecasts for Hartlepool:
- the Tees Valley Strategic Economic Plan target of 290 jobs each year (which represents Hartlepool’s agreed 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 1,500 of those within the Plan Period)
- 2.3 The Council considered the SEP target to be an appropriate base for assessing OAN as this presents a more aspirational economic trajectory for the Borough which is supported by TVCA. The SEP target also takes account of sectoral growth, encourages education and training in the Borough and helps to retain younger residents. The SEP covers the period 2016-2026 and it has been refreshed to ensure that it includes all of the latest priorities to diversify and accelerate growth in the local economy. Its overarching objectives are to enhance productivity and improving lifetime opportunities through the provision of more and better jobs. Its ambition is for the Tees Valley to become a high value, low carbon, diverse and inclusive economy and focuses on six thematic building blocks: business growth; research, development, innovation and energy; education, employment and skills; place; culture; transport and infrastructure. A central tenet of the refreshed SEP is the ‘circular economy’ which seeks to reduce waste during processes, promotes the local sourcing of materials and production of sustainable energy supplies.

- 2.4 The SHMA Addendum document presented evidence from the TVCA regarding the population needed to support the jobs growth forecasts. This was carefully evaluated using a range of assumptions that considered economic activity rates, unemployment, commuting and in-migration (summarised in Table 2.1). TVCA have provided further detail of the assumptions used in their modelling which is presented at Appendix A.

Table 2.1 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	Adjustments made to ONS 2014-based population projections	Annual dwelling requirement
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					c70% residents, 15% commuters and 15% new residents	240
E1	2016 rate (9.7%) fixed		Fixed at 1.1 (net out commute)	New residents are needed for all jobs	350	
E2				c70% residents, 15% commuters and 15% new residents	220	
E3	ELR 100 jobs growth each year		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, commuters and new residents	220
E5			2016 rate (9.7%) reducing to 8% by 2021 then fixed	Fixed at 1.1 (net out commute)	Combination of existing residents and new residents	300
F1			Zero jobs growth	2016 rate (9.7%) fixed	Fixed at 1.1 (net out commute)	New residents are needed for all jobs

Commentary on the scenario assumptions

- 2.5 Scenarios D1, E1 and F1 are discounted as 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 maintain the same number of jobs across the Plan Period by off-setting the falling labour force size, in the main caused by large cohorts moving into retirement and the cohorts replacing them being smaller.
- 2.6 Scenarios 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. Scenario E5 considers the impact of the unemployment rate reducing to 8% by 2021 and fixed thereafter, although this is still considered to be ambitious based on recent unemployment trends. Furthermore, this model is predicated on net in-migration of c400 each year which is unrealistic. Due to this scenario assuming less existing residents will fill the jobs, the remaining jobs are filled by greater in-migration.
- 2.7 Scenario D2 is the most realistic as it assumes some net in-migration to support jobs growth based on the SEP. To assist economic development and planning, the proportion of Tees Valley residents, commuters and new residents taking up the SEP targeted 25,000 jobs was created. The 2014 SEP Delivery Plan had a target of halving unemployment in Tees Valley and returning to the highest total economic activity rate previously reached. By creating 25,000 jobs, it is also assumed that there would be balanced net commuting rather than an outflow from Tees Valley. Based upon these assumptions around 70% of the 25,000 jobs could be filled by Tees Valley residents and 15% by the change in commuting. Therefore inward migrants would be needed to fill the remaining 15% of the jobs. Scenario D2 is based upon these proportions being applied to Hartlepool; i.e. in-migration from the rest of the UK has been uplifted (by 94)² to fill 15% of the jobs growth of 290³ per year. Scenario D2 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

² Forecasting scenario was based upon the 94 coming from elsewhere in the UK. Thus the age profile of the 94 are based upon those previously moving to Hartlepool.

³ This was the share of the 2500 jobs, by sector, annually across the Tees Valley agreed that Hartlepool would create.

- and national moves. 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. It is also important to note that the jobs split was agreed with the neighbouring authorities which has resulted in no objections being received from neighbouring authorities during the consultation periods on the Local Plan.
- 2.8 Scenario E2 is arguably an alternative to D2 but this is based on the ELR jobs growth forecast.
- 2.9 It should also be noted that the forecasts have been set to have any new residents coming from elsewhere in the UK due to very small international migration flows into Hartlepool. For example, in the year to mid-2015 from the moves into Hartlepool, 2,150 were estimated to be from within the UK and 250 from overseas. The largest number of internal flows were with Stockton, County Durham, Middlesbrough, Newcastle, Sunderland and London.
- 2.10 Net migration over the last 10 years has been almost balanced, with slight growth from international net migration and small losses from internal migration. The largest net inflow was 250 in the year to mid-2013 and the largest net outflow was 260 in the year to mid-2014. The SNPP project migration at 115 per year and 10 year migration at 140 per year.
- 2.11 Unemployment in Hartlepool Borough has not fallen below 9.6% in the period to December 2016, so scenarios based on a reducing level of unemployment are also ambitious. That said, there are encouraging reductions in the youth unemployment rate (covering the 15-29 age group), which has fallen from 17.6% in 2011 to 2.3% in March 2017

Summary of employment trends

- 2.12 This section has summarised material prepared by TVCA which considers the labour force and employment growth outcomes of the demographic scenarios and considered the scale of jobs growth under recent economic forecasts.
- 2.13 The 2016 SHMA addendum concluded that 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.
- 2.14 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).
- 2.15 Scenarios D1, E1 and F1 are discounted because they require new residents for all jobs. E4 is not recommended as this results in a reducing commuting ratio (although neighbouring authorities have not raised concerns regarding this scenario). E5 requires higher migration than other scenarios.
- 2.16 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. Scenario D2 is the most reasonable assumption and therefore the dwelling requirement to take account of employment growth is confirmed at 240 dwellings each year.

3. Concluding comments

- 3.1 The purpose of this topic paper has been to consider the alignment between housing and economic growth.
- 3.2 Regarding the local context for growth, Hartlepool Borough is an appropriate housing market area for the purposes of Local Plan policy making. Hartlepool Borough is also positioned with a wider Tees Valley functional economic area and it is appropriate to consider the Strategic Economic Plan when reviewing future economic growth in the Borough.
- 3.3 In an analysis of objectively assessed housing need, consideration must be given to economic growth and the impact this may have on future dwelling need. Work by the TCVA has produced a range of scenarios that consider alternative economic growth trajectories.
- 3.4 The preferred scenario, D2, takes into account the jobs trajectory associated with the Tees Valley Strategic Economic Plan which is the Council's preferred basis for forecasting future jobs in the Borough. The reasons for discounting alternative economic scenarios considered as part of the OAN calculation have been clearly articulated.
- 3.5 The report confirms that there has been thorough consideration of jobs growth as part of the OAN calculation and the impact this may have on dwelling need. There is therefore alignment of housing and employment growth.
- 3.6 The annual OAN figure is confirmed as 290 and further work by the Council to take account of demolitions and a 20% buffer (as recommended by the HBF during the Preferred Options consultation) has confirmed that the annual housing requirement for the Borough should be 410 dwellings per annum as set out in the Publication Local Plan.

Appendix A: Jobs-led scenarios

Scenario			Adjustments made to ONS 2014-based population projections	Additional comments, including details on the constraint used	Dwelling change PA (2016-31)
D1	Future population needed for growth of 290 jobs per year (SEP target - Hartlepool's share of Tees Valley target of 2,500 additional jobs per year)	- where new residents are needed for all jobs	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are unemployed), and commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to remain constant over plan period.	530
D2	Future population needed for growth of 100 jobs per year	- using estimated breakdown of jobs to new residents (15%)	A scenario estimating the proportion of Tees Valley residents (70%), commuters (15%) and new residents (15%) taking up the SEP targeted 25,000 jobs was created to assist economic development & planning. This was the result of assumptions that unemployment would half, employment rate would be slightly above record rate, and the trend of net commuting outflow from the Tees Valley would reverse. This scenario is based upon these proportions being applied to Hartlepool; i.e. in-migration from the rest of the UK has been uplifted (by 94) to fill 15% of the jobs growth of 290 per year.	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are	240
E1	Future population needed for growth of 100 jobs per year	- where new residents are needed for all jobs	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are	350

Scenario			Adjustments made to ONS 2014-based population projections	Additional comments, including details on the constraint used	Dwelling change PA (2016-31)
	(1,700 additional jobs in 2031 compared with 2014 - ELR job forecast)			unemployed), and commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to remain constant over plan period.	
E2		- using estimated breakdown of jobs to new residents (15%)	Same method used as for D2. In-migration uplifted (by 43) to fill 15% of the jobs growth of 100 per year.		220
E3		- with unemployment reaching back to pre-recession lows by 2021	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are unemployed) are set to reach the pre-recession low of 5.7% (Apr05-Mar06) by 2021 and then remain at this level. Commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to remain constant over plan period.	240
E4		- with commuting becoming balanced by 2021 from the net outflow seen in Census 2011	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are unemployed) have been set to remain constant over plan period. Commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to reduce from 2011 so that the flows are balanced by 2021	220

Scenario			Adjustments made to ONS 2014-based population projections	Additional comments, including details on the constraint used	Dwelling change PA (2016-31)
				and then remain at that level.	
E5		- with unemployment reducing to 8% by 2021	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are unemployed) are set to reach 8.0% by 2021 and then remain at this level, this is still ambitious compared with recent unemployment rates. Commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to remain constant over plan period.	300
F1	Zero jobs growth per year	- where new residents are needed for all jobs	None	Jobs constraint used with OBR economic activity rate forecasts. Unemployment levels in 2016 (NOMIS Apr 2015-Mar 2016: 9.7% of 16+ economically active are unemployed), and commuting ratio from Census 2011 (1.10 = net flow outwards) have been set to remain constant over plan period. The number of jobs in 2031 is forecasted to be 860 lower in 2031	250

	Scenario		Adjustments made to ONS 2014-based population projections	Additional comments, including details on the constraint used	Dwelling change PA (2016-31)
				than 2016 based upon the ONS 2014-based projected population. This scenario assumes new residents will fill all these jobs and therefore the dwelling need is higher than some of the other scenarios.	

Note: OBR forecasts for economic activity rates have been used due to highly unlikely that they will remain static