

## Matters Statement

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**Our ref** 22987/03/MHE/JN  
**Date** 11 September 2017

**Subject** **Hartlepool Borough Council Local Plan Examination Matter 3 - Housing Need**

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**1.0 Issue 1 – Is the Council’s objectively assessed housing need of 4,305 soundly based (justified, effective and consistent with national policy) and supported by robust and credible evidence? (NPPF paragraph 159)**

**The Housing Market Area**

**Q1 Is the evidence that Hartlepool Borough is its own housing market area (albeit within a wider functional economic area) robust?**

- 1.1 Paragraph 2.5 of the Strategic Housing Market Area (SHMA) refers to 74% containment. The analysis provided by Arc4 defines that Hartlepool is a self-contained Housing Market Area (HMA). We agree with this evidence.

**Demographic Starting Point**

**Q2 Do the 2014-based projections provide the most suitable starting point for establishing the OAN?**

- 1.2 The SHMA Addendum utilises the 2014-based SNPP which aligns with the approach identified in Planning Practice Guidance (PPG). Planning Practice Guidance (PPG) is clear that the most up to date projections should form the starting point for any objective assessment of need.
- 1.3 The ONS 2014-based SNPP provide the most up-to-date population projections at a local authority level, including the number of births, deaths and levels of migration during the projected period. The 2014-based SNPP anticipate that the population of Hartlepool will increase by 2,638 people, equivalent to 176 persons per year. This is considered in detail at paragraphs 3.4-3.12 of appendix 1.

**Q3 Does the OAN appropriately consider the likelihood of past trends in migration and household formation continuing in the future? Are the assumptions justified? (What is the period on which the 10 year migration scenario (Table 4.1 in SHMA addendum) based?**

- 1.4 Yes this is agreed, it is understood that the ten year period is 2003/04 to 2013/14.

**Q4 Is there evidence that household formation rates (notably younger households) have been suppressed by historic undersupply (including recessionary period) and issues of affordability? If yes, what is the evidence and what would be a sensible adjustment and why?**

- 1.5 The work undertaken by Peter Brett Associates (PBA), referenced in the SHMA Addendum, has no statutory standing and therefore no weight can be attached to this in respect of the consideration of household formation rates.. The Government’s Planning Practice Guidance (PPG) is clear that Local Planning Authorities should be using the information provided in that guidance. Indeed, PPG is clear that the household projections do not take account of policy interventions by Government or previous under delivery. It would therefore be inappropriate to ignore policy interventions by government, set against its mandate to significantly boost the supply of housing.
- 1.6 In demographic modelling, Lichfields advocates an approach of partially accelerating headship rates to 2037. It is widely acknowledged that recessionary factors (such as reduced supply and mortgage availability) have disproportionately affected household formation amongst younger age groups. Research by NHPAU found that cohorts who are less able to access home ownership early in their housing career due to ‘boom’ or recession factors impacting on affordability are nevertheless able to ‘catch up’ – 80% of the gap at age 30 is ‘caught up’ by the age of 40. There is every reason to believe that this finding is broadly analogous to household formation, and supports the resumption to long term trends and increased household formation as the ‘pent up’ demand (particularly in younger age groups) is released.
- 1.7 The PCU methodology uses 2014 as the starting point and increases headship rates to make up 50% of the difference between the 2014-based and 2008-based household projections to 2033 amongst the 15-34 year olds. This approach has been endorsed by a number of Planning Inspectors recently included at a recent Planning Appeal at Dunsville, Doncaster (APP/F4410/W/16/3158500 – Land of Westminster Drive, Dunsville, Doncaster, South Yorkshire) where the Inspector stated:
- “...the PPG recognises that household projections are based on an estimate of need and may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. Recent trends in Doncaster of falling rates in household formation and a slowing in the decline of household size supports this approach. I therefore consider that a PCU as applied by the appellant is appropriate to take account of the needs of these younger people.”*
- 1.8 We would suggest that a partial catch up of household formation for younger households is applied in Hartlepool, applied as an upwards adjustment to the demographic baseline.

### **Market Signals**

**Q5 Does the OAN take appropriate account of ‘market signals’? Do Tables 3.1 and 3.2 of 2016 SHMA Addendum point to any need to make an adjustment for market signals?**

- 1.9 The SHMA Addendum undertakes an assessment of the market signals identified in the PPG.
- 1.10 The comparison of market signals set out in the SHMA Addendum and Lichfields analysis shows consistent under-delivery in respect of past housing delivery. Assessment of the other market

signals identified in the PPG shows there is minimum market stress in Hartlepool. On the basis of this we consider that it is not appropriate to make an adjustment in respect of market signals.

**Q6 How does the OAN reflect issues of housing affordability in the area? Has there been express consideration of affordable housing needs in accordance with relevant case law?**

- 1.11 With reference to two High Court judgments that go to the heart of addressing affordable housing within the identification of OAN (Satnam and Kings Lynn), it would be appropriate for the Council to consider the level of housing required to deliver 144 net affordable units per annum at 18% of all new housing supply. On this basis, 800 net new homes per annum would be required in Hartlepool. It is on this basis that an informed decision can be made in respect of whether uplift is required to the demographic baseline to meet affordable needs. This is covered in more detail at paragraphs 2.28-2.34 of appendix 1. However, it is evidenced that there is an upward pressure on the OAN in order to help deliver affordable housing.
- 1.12 Furthermore, Table 3.1 of the SHMA (p12) refers to a household register of 41,000. It is assumed that this figure is an error and it should refer to reflecting the Council's total housing stock. It is therefore clear that the Arc4 analysis is incorrect, and this should be reviewed and amended.

**Q7 Should there be a proportional uplift to the adjusted OAN of 210dpa for market signals as opposed to the 700dpa for backlog? For those advocating the uplift approach, what is the empirical evidence and what resultant adjustment should be made?**

- 1.13 This is considered a matter for the Council to address.

**Future Jobs**

**Q8 What are the assumptions regarding future jobs growth and are they justified? Is the OAN appropriately aligned with forecasts for jobs growth?**

- 1.14 It is understood that the SHMA and the Addendum consider two economic-led scenarios:
- Jobs-led 1 – which assumes a growth of 2,900 jobs, based on the Tees Valley Strategic Economic Plan (SEP); and
  - Jobs-led 2 – which assumes 1,700 jobs created are all taken by new residents.
- 1.15 The Addendum considers a range of sensitivities in respect of these main employment-led scenarios including:
- Unemployment – fixed rate at 9.7% compared to a reduction to a pre-recession low of 5.7% in 2021 (fixed thereafter);
  - Commuting – fixed commuting ratio 1.1; and
  - Employee assumption – this is stated as ranging from all new residents required to fill new jobs created, 70% new residents/15% commuters/15% new residents and a combination of existing and new residents. It is not clear how this has been modelled.

- 1.16 All of the scenarios are based on the Office of Budgetary Responsibility (OBR) future economic activity rates, the same approach utilised by Lichfields. However, it is not clear in the SHMA or Addendum how and if these have been adjusted locally to the Hartlepool context.
- 1.17 Table 4.2 of the SHMA (page 22) comprising of scenario D2 covers the increase in commuting in order to meet the target of increased job growth.
- 1.18 The figure of 5.7% unemployment is incorrect in that it is higher and was a higher figure pre-recession. The proposed increase in commuting is not reasonable and should be constant over time.
- 1.19 Table 4.1 of the Lichfields Hartlepool Modelling Scenarios 2016-2031 sets out the following scenario outputs:

Table 1.1 Summary of Lichfields Hartlepool Modelling Scenarios 2016 - 2031

	Population Change	Jobs	Households	Dwelling Change	Dwelling pa (2031)
Scenario A: 2014 SNPP/SNHP Baseline	+2,645	-280	+2,810	+2,957	+197
Scenario Bi: 2014 SNHP/MYE 2016	+3,217	-71	+3,149	+3,315	+221
Scenario Bii: 2014 SNHP/MYE 2016 PCU	+3,217	-71	+3,573	+3,761	+251
Scenario Ci: Past Trends	+1,457	-829	+2,441	+2,569	+171
Scenario Cii: Past Trends PCU	+1,457	-829	+2,853	+3,003	+200
Scenario Di: Economic Led 100 jobs pa	+6,730	+1,500	+4,591	+4,832	+322
Scenario Dii: Economic Led 100 jobs pa PCU	+6,730	+1,500	+5,042	+5,307	+354
Scenario Ei: Economic Led 290 jobs pa	+13,243	+4,350	+7,248	+7,629	+509
Scenario Eii: Economic Led 290 jobs pa PCU	+13,243	+4,350	+7,746	+8,154	+544

Source: Lichfields using PopGroup

- 1.20 The analysis undertaken and the table above clearly shows that Hartlepool needs more housing in order to meet the growth in jobs. Whilst we agree it is appropriate for an OAN to be based upon job growth, the SHMA working undertaken by Arc4 approach to the OAN through job growth is very unclear.
- 1.21 We consider it important that the analysis undertaken for the OAN is based on robust evidence and adjusted to reflect the inaccuracies highlighted above.

**Q9 Does the Council’s Housing and Employment Growth Paper (EX/HBC/24) provide sufficient clarity on the adjustment that has been made for likely changes in job numbers?**

- 1.22 The preferred approach has been taken by Hartlepool which states that there has been an adjustment to ensure that future housing growth is aligned with jobs growth. However, it has been implemented in a way which is flawed in how the information has been translated.

1.23 In Table 4.2 of the 2016 SHMA Addendum, jobs-led scenarios D2 and E2 have used identical assumptions, other than the different jobs growth supported by each scenario (D2 – 290 jobs per annum, E2 – 100 jobs per annum). The outcome of the modelling shown in Table 4.2 of the SHMA Addendum shows the additional 190 jobs per annum requires an additional 20 houses to meet the increase in jobs. In our experience of modelling this seems a small increase in housing to support an additional 190 jobs per annum.

1.24 Ultimately, this highlights a number of concerns in the robustness of the Council's modelling work. The implication is that the figures generated from the modelling in the SHMA Addendum are not considered a robust basis to identify the OAN for Hartlepool.

**Q10 Is the assumption of 70% of all jobs being taken up by existing residents reasonable? Allied to this, is applying the assumption from the 2014 SEP Delivery Plan to halve unemployment justified?**

1.25 This is considered to be a policy choice made by the Council. We would consider it may be challenging for the Council to achieve this given the implications of Brexit and other economic uncertainties. To identify a housing requirement based on this could constrain the level of housing required to meet future needs.

**Q11 Are the assumptions relating to 15% in-commuting from elsewhere and 15% from wider regional in-migration justified and do they raise duty to cooperate issues? Are other authorities in the Tees Valley area applying similar to meet SEP jobs forecasts?**

1.26 This is a reasonable assumption regarding in-migration and in-commuting to the Borough.

**Backlog in provision**

**Q12 Is the backlog of c.700 units identified at Table 3.3 of the SHMA addendum an appropriate figure?**

1.27 It is considered this is a matter for the Council to address.

**Conclusions on OAN**

**Q13 Taking all these factors into account is there a robust evidence base for the OAN in Hartlepool as set out in the submitted Plan? Is there a sound basis to arrive at an alternative full OAN?**

1.28 The OAN is too low. As set out at appendix 1, there is a sound basis to arrive at an alternative full, objectively assessed housing need in Hartlepool the period 2016 to 2031 of between 354 and 544 dwellings per annum. Taking into account future population and household growth, market signals, a mid-point between economic led needs set out in the SEP and the ELR together with consideration of economic past trends and an uplift to help meet affordable housing needs in Hartlepool, an OAN of 449dpa is reasonable and realistic for Hartlepool.

## 2.0 Issue 2 - Translating the OAN into a housing requirement

**Q14 How has the 20% buffer for affordable housing been formulated? Is it clearly identified as a policy-on approach that is part of the housing requirement rather than the full OAN? Will the adjustment be effective?**

- 2.1 The 20% upwards adjustment to meet affordable housing needs is identified within the SHMA Addendum, this should be an adjustment made in identifying the OAN for Hartlepool.
- 2.2 The Local Plan seems to conflate the 20% adjustment for affordable housing and the buffer required to allow flexibility for supply.
- 2.3 The affordable housing allowance of 20% is identified as a policy-on approach in the Local Plan. However, this is an adjustment which should be made in identifying the true OAN in Hartlepool and not a policy-on adjustment to the OAN to identify the housing requirement.
- 2.4 An additional 20% buffer should then be made in respect of housing supply land; which is the method of helping to increase housing supply in Hartlepool

**Q15 Would this buffer be effective in ensuring a supply of housing to meet the OAN and reducing the risk of under-delivery against the full OAN?**

- 2.5 The NPPF expects local authorities to provide flexibility appropriate to local circumstances. A 20% buffer is required in Hartlepool in respect of future supply which would provide some flexibility in Hartlepool to meet needs. However, Hartlepool seems to have conflated the 20% uplift for affordable housing and the 20% buffer of flexibility in respect of housing land supply.

**Q16 Having regard to Policy HSG10 (Housing Market Renewal) is allowance for net loss through demolitions robust over the plan period? In light of the representation from the Park Residents Association**

- 2.6 If the Council's demolition position is found sound, then an additional 65dpa would need to be added to the Lichfields stated OAN for Hartlepool to identify the housing requirement in the Local Plan.

**Q17 Should the housing requirement be increased or decreased? If so, to what level and on what basis?**

- 2.7 The housing requirement should be increased to an Objectively Assessed Need of 449 homes per annum, as clearly set out in the Lichfields Hartlepool Objectively Assessed Needs report (dated July 2017) on behalf of our client Taylor Wimpey. A figure of this level would go further towards meeting affordable needs in Hartlepool and ensure future housing is provided to meet economic growth ambitions.
- 2.8 An additional 65dpa should be added to the OAN of 449dpa to allow for the net loss through demolitions, should the Council's evidence on demolitions be found sound.

**Q18 Has the Council's sustainability appraisal of the housing requirement assessed reasonable alternatives? How has sustainability appraisal been used to support the scale of housing provision in the Plan? [Are there negative (unsustainable) effects of lower or higher housing provision?]**

- 2.9 No comment.

**Q19 Is the housing requirement, reflective of the full OAN, clearly expressed in the Plan and identified as a minimum?**

- 2.10 The housing requirement goes beyond the OAN identified in the SHMA Addendum. The housing requirement is identified as a minimum in housing provision. However, we consider it to be too low to meet future housing needs in Hartlepool.

**3.0 Issue 3 - Meeting specific housing needs**

**Q20 Explain how the needs of different groups in the community have been addressed in the SHMA and then the Plan, such as, but not limited to, families with children, older people, people with disabilities and people wishing to build their own homes. What conclusions does the 2014 SHMA reach in terms of the scale and mix of housing type needed, including in terms of tenure and size? (NPPF paragraph 159) How does the Plan reflect the findings?**

- 3.1 The Local Plan sets out broad wording in respect of future housing mix required in Hartlepool. It states the need to increase the provision of family homes, bungalows, elderly person's accommodation and executive houses in the Borough. It also references the need to make sufficient provision within housing sites to meet the demand for custom and self-build housing.
- 3.2 More detail is provided in respect of Local Plan sites/allocations.

**Q21 Is there evidence for the Plan make specific provision for accommodation for elderly persons either as part of the housing mix (Policy HSG2) or specific allocations for sheltered and supported accommodation?**

- 3.3 Yes, the plan makes reference to the requirement for elderly persons as part of the housing mix, however this is subject to the viability of any future proposal coming forward.

**Q22 Is the Plan justified in seeking the provision of executive housing? Is this necessary to create a balanced housing market? Is the definition at Table 10 on plan 87 of the Plan reasonable?**

- 3.4 There is clearly a need to diversify the housing offer in Hartlepool in order to create a balanced housing market. In doing so, it should be clearly evidenced.

**Appendix 1: OAN Critique and Lichfields OAN July 2017**



# **Hartlepool EiP Housing Evidence**

## **Hartlepool Objectively Assessed Needs**

Taylor Wimpey

July 2017

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## 1.0 Introduction

- 1.1 This report has been prepared by Lichfields to review the objectively assessed housing need (OAN) evidence that underpins the Publication Draft Hartlepool Local Plan.
- 1.2 This report reviews the Council's evidence base on housing need and establishes the scale of need and demand for housing in Hartlepool based on a range of economic and demographic factors, utilising Lichfields HEaDROOM Framework. This is Lichfields bespoke framework for identifying locally generated housing needs and since its conception in July 2010 has been applied in over 200 studies across the Country.

## Policy Context

### National Planning Policy Framework

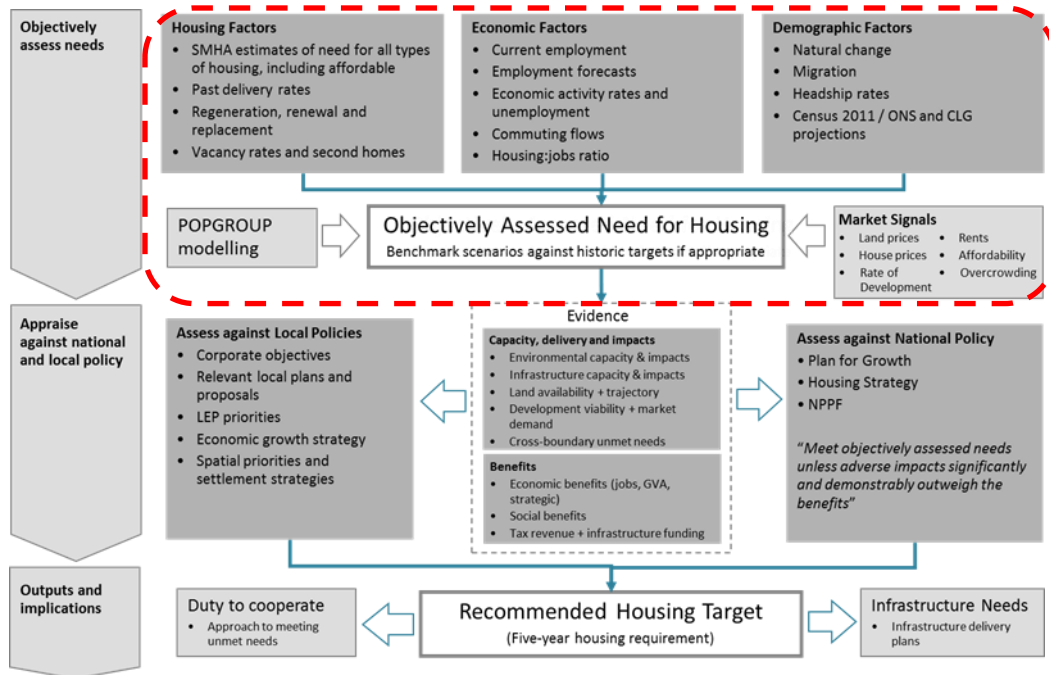
- 1.3 The National Planning Policy Framework (NPPF) outlines that Local Planning Authorities (LPAs) should positively seek opportunities to meet the development needs of their area (paragraph 14) and that in order to 'boost significantly' the supply of housing that they should:
- "use their evidence base to ensure that their Local Plan meets the full objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this framework..." (Paragraph 47).*
- 1.4 The NPPF outlines the evidence required to objectively define housing needs within an area, setting out that Local Planning Authorities should (paragraph 159);
- "Prepare a Strategic Housing Market Assessment to assess their full housing needs...identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which;*
- *Meets household and population projections, taking account of migration and demographic change;*
  - *Addresses the needs for all types of housing, including affordable housing...; and*
  - *Caters for the housing demand and the scale of housing supply necessary to meet this demand."*
- 1.5 Furthermore, the core planning principles set out in the NPPF indicate that a planned level of housing to meet objectively assessed housing needs (OAN) must respond positively to wider opportunities for growth and should take account of market signals, including housing affordability (paragraph 17).

### HEaDROOM Framework

- 1.6 At the present time there is no commonly agreed or prescribed approach for Local Planning Authorities (LPAs) and other bodies to follow in setting local housing requirements. In response to the need to structure the approach to setting local housing requirements NLP developed an analytical framework for defining an objective assessment of need and the quantum of housing that should be planned for through Local and Neighbourhood Plans. The HEaDROOM framework (so-called due to the Housing, Economic and Demographic factors that feed into it) provides the basis for assembling and presenting evidence on local housing requirements in a transparent manner.
- 1.7 A central component of the framework is an understanding of the role of housing in ensuring that the future population of a locality can be accommodated (taking account of the dynamics of

housing markets and other material factors) and the extent to which housing plays a crucial role in securing the economic growth and housing needs of a local area, meeting the requirements of the NPPF. HEaDROOM therefore closely follows the advice contained within the PPG.

Figure 1.1 HEaDROOM Framework



Source: Lichfields

## Report Structure

1.8 This report is set out under the following headings:

- Section 2.0 – this section reviews Hartlepool’s evidence on housing needs, including comparing this with policy and guidance;
- Section 3.0 –sets out Lichfields objective assessment of housing need for Hartlepool, taking into account demographic factors, market signals, economic-led housing needs and affordable housing needs; and
- Section 4.0 – this section presents overall conclusions.

## 2.0

## Review of Objectively Assessed Need

## 2.1

The evidence for housing needs in Hartlepool is contained within the Strategic Housing Market Assessment (2015) (“the SHMA”) and the Strategic Housing Market Assessment Addendum (2016) (“the Addendum”).

## 2.2

The SHMA concluded on an OAN for Hartlepool of 300 to 325dpa over the period 2016-2031. Within the Addendum, it concludes the OAN for Hartlepool is 290dpa. A comparison of the OAN for Hartlepool in the SHMA and the Addendum is shown in Table 2.1.

Table 2.1 Comparison of Hartlepool OAN Outcomes from SHMA and Addendum

Component	Assessment and Conclusion	dpa	Assessment and Conclusion	dpa
Starting-point projections	2012-based projections incl. 4% vacancy/second home rate	194	2014-based projections including 4% vacancy/second home rate	200
Demographic-led need	2012-based projections with alternative scenarios: 1. 10 year migration – 231dpa 2. Zero net migration – 167dpa	~	2014-based projections Alternative scenarios: 1. 2012-based SNHP rates for 2014-based projections – 180dpa 2. 2008-based SNHP rates for 2004-based projections – 230dpa 3. Zero net migration – 140dpa 4. 10 yr trends (2003/4 to 2013/14) –210 dpa	210
Economic Growth	Jobs-led 1 – assumes 2,900 jobs created (SEP)/70% absorbed by Hartlepool residents/15% new commuters/15% new residents – 246dpa Jobs-led 2 – assumes 1,700 jobs created are all from new residents – 311dpa	311	Jobs-led 1 – assumes 2,900 jobs created (SEP)/70% absorbed by Hartlepool residents/15% new commuters/15% new residents – 240dpa Jobs-led 2 – assumes 1,700 jobs created are all from new residents – 350dpa  OBR economic activity rate forecasts	240
Market Signals	No upwards adjustment required	n/a	No upwards adjustment required	n/a
Affordable Housing		n/a	144 net affordable need per annum. Suggests 20% buffer over an above the OAN to meet current and future affordable need	c. 60
Concluded Hartlepool OAN	<b>300-325 dpa</b>		<b>290 dpa</b>	

Source: Hartlepool SHMA and SHMA Addendum

## 2.3

This illustrates that, despite the starting point increasing between the two assessments, the overall conclusion on OAN has reduced.

## Assessing needs across the HMA

- 2.4 The NPPF at para 159 requires local authorities to have “a clear understanding of housing needs in their area” and to do this through “a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries”.
- 2.5 The SHMA and Addendum consider; house prices and rates of change, household migration and search patterns and travel to work patterns to define the housing market area for Hartlepool. The analysis identifies:
- 86.8% containment ratio for origin migration;
  - 87% containment ratio for destination migration; and
  - 73.5% of residents who work in Hartlepool also live in the district.
- 2.6 This data confirms that Hartlepool is a single housing market area for the purposes of Local Plan policy.

## The Starting Point and Demographic-led Needs

- 2.7 The Addendum updates the SHMA, by taking into account the most up-to-date 2014-based sub national population projections (SNPP) and 2014-sub national household projections (SNHP). The SHMA and Addendum are based on assessing need across the 15 year period 2016 to 2031.
- 2.8 The Addendum identifies that over the plan period the 2014-based SNPP and SNHP there is a need for 200 dwellings per annum (dpa) (including a 4% vacancy (Census 2011)),
- 2.9 The Addendum goes on to consider four alternative demographic scenarios including two based on alternative scenarios identified by the Tees Valley Combined Authority (TVCA). The alternative scenarios tested are:
- 1 2012-based SNHP rates for 2014-based projections;
  - 2 2008-based SNHP rates for 2004-based projections;
  - 3 Zero net migration which assumes balanced migration, with total inflow equalling outflow; and
  - 4 10 year migration in which 10 year average age-specific migration rates for in and out internal migrants have been used (2003/04 to 2013/14).
- 2.10 A summary of the scenarios are identified in table 2.2.

Table 2.2 Annual household change and dwelling requirements under alternative scenarios and headship rates 2016-2032

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

Source: SHMA Addendum (2016), Lichfields

- 2.11 The Addendum goes on to discount the alternative headship rates from household projections prior to 2014, acknowledging that these are the most up-to-date government projections. The Addendum concludes that the 2014-based headship rates should be used to underpin the OAN



and identifies the '10 year migration' scenario is the adjusted demographic baseline, equivalent to 210dpa.

- 2.12 Neither the SHMA or the Addendum test any adjusted headship rates particularly in respect of whether the household formation rates of younger households have been impacted upon by the recession and access to finance as a consequence of the recession. The PPG states (ID 2a-015)
- “The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.”*
- 2.13 The impact of recessionary factors (such as reduced supply and mortgage availability) has disproportionately affected household formation amongst younger age groups (i.e. males and females aged 15-34). Research by NHPAU found that cohorts who are less able to access home ownership early in their housing career due to 'boom' or recession factors impacting on affordability are nevertheless able to 'catch up' – 80% of the gap at age 30 is 'caught up' by the age of 40. There is every reason to believe that this finding is broadly analogous to household formation, and supports the resumption to long term trends and increased household formation as the 'pent up' demand (particularly in younger age groups) is released.
- 2.14 Therefore, it is appropriate to consider increasing household formation rates for younger households, when adjusting the demographic baseline modelling given the likelihood of a continued economic recovery and the Government's very clearly stated intention to significantly boost the supply of housing.

## **Market Signals**

- 2.15 The PPG requires that the housing need figure be adjusted to take into account market signals. These include; land and house prices, rents, affordability, overcrowding, homelessness and the rate of development (PPG ID 2a-019). It indicates that comparisons should be made against the national average, the housing market area and other similar areas, in terms of both absolute levels and rates of change. Worsening trends in any market signal is identified by PPG to demonstrate the need for uplift on the demographic-led needs (ID 2a-019). In addition, the PPG highlights the need to look at longer term trends due to the potential volatility in some indicators (ID 2a-020).
- 2.16 The SHMA undertakes a review of the housing market signals identified in the PPG (ID 2a-020) (Table 4.3 of the SHMA). This highlights there are no particular issues in respect of market stress which warrant an uplift to the demographic baseline.
- 2.17 The Addendum updates the assessment of market signals but focuses primarily on past trends in housing delivery. The Addendum states that:
- “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” (SHMA Addendum Page 15)*
- 2.18 However, Table 3.3 of the Addendum shows that performance has been mixed, with 5 out of 10 years falling below the 309dpa target. A position which does not suggest Hartlepool has *“consistently failed”* to meet its target.
- 2.19 The Addendum goes on to conclude, aligned with the SHMA, that the assessment of market signals does not suggest the need for any adjustments to be made to the demographic baseline.

However, in respect of past delivery it states a 694 shortfall which “needs to be acknowledged in establishing the OAN”<sup>1</sup>.

2.20 Given the trends identified through Lichfields assessment of market signals in compliance with the PPG, Lichfields concludes there is no upwards adjustment required to the demographic baseline.

## **Economic-led Needs**

2.21 With regards to considering the need to uplift a housing figure to take account of the economic potential of the local authority, NPPF sets out the following:

“The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. Planning should operate to encourage and not act as an impediment to sustainable growth. Therefore significant weight should be placed on the need to support economic growth through the planning system.” (paragraph 19)

2.22 The PPG requires that assessments of likely job growth are made, looking at past trends in job growth and/or economic forecasts, whilst also considering growth in the working age population (ID 2a-018). The potential job growth should be considered in the context of potential unsustainable commuting patterns, and as such plan-makers should consider how the location of new housing could help address this (ID 2a-018).

2.23 The SHMA and the Addendum consider two economic-led scenarios:

- Jobs-led 1 – which assumes a growth of 2,900 jobs, based on the Tees Valley Strategic Economic Plan (SEP); and
- Jobs-led 2 – which assumes 1,700 jobs created are all taken by new residents.

2.24 The Addendum considers a range of sensitivities in respect of these main employment-led scenarios including:

- Unemployment – fixed rate at 9.7% compared to a reduction to a pre-recession low of 5.7% in 2021 (fixed thereafter);
- Commuting – fixed commuting ratio 1.1; and
- Employee assumption – this is stated as ranging from all new residents required to fill new jobs created, 70% new residents/15% commuters/15% new residents and a combination of existing and new residents. It is not clear how this has been modelled.

2.25 All of the scenarios are based on the Office of Budgetary Responsibility (OBR) future economic activity rates, the same approach utilised by Lichfields. However, it is not clear in the SHMA or Addendum how and if these have been adjusted locally to the Hartlepool context.

2.26 The outcomes of the employment-led scenarios and sensitivities are shown in Table 2.3. In terms of the ‘employee assumptions’ it is unclear how the Addendum has applied these within the modelling. However, it is clear that the sensitivities under ‘employee assumptions’ serve to reduce the future dwelling requirement to meet the level of jobs growth identified by the two economic-growth scenarios.

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<sup>1</sup> SHMA Addendum Page 16 paragraph 3.17

Table 2.3 Annual dwelling requirements under alternative scenarios and headship rates 2016-2032

Jobs-led Scenario	Economic Forecast	Economic Activity Rate	Unemployment	Commuting Ratio	Employee Assumptions	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					c. 70% residents, 15% commuters and 15% new residents	240
E1	Fixed at 1.1 (net out commute)			New residents are needed for all jobs	350	
E2				c. 70% 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 and new residents	220
F1			Zero jobs growth	Fixed at 1.1 (net out commute)	New residents are needed for all jobs	250

Source: SHMA Addendum, Lichfields



- 2.27 Scenarios D1, E1 and F1 are all discounted in the Addendum as being ‘extreme’. D2 is identified as the preferred scenario and the most reasonable in terms of the assumptions underpinning it. It assumes around 30% of the additional jobs created will be taken by people from outside of Hartlepool who will either commute into the borough or move into the borough. Scenario D2 forms the basis upon which the Addendum concludes its OAN.

## **Affordability**

- 2.28 The Addendum identifies an affordable housing need in Hartlepool of 144 affordable dwellings per annum. The Addendum goes on to include commentary from the Planning Advisory Service Guidance ‘Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition’ (July 2015). This suggests that it is not possible to combine calculations of OAN with identified affordable needs.
- 2.29 Despite relying on the commentary from the PAS Guidance, the Addendum recognises that affordable housing delivery can be increased through an uplift in the delivery of private sector housing, but concludes:
- “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” (SHMA Addendum Page 24 paragraph 4.28)*
- 2.30 NPPF (para 47, 159), is clear that Local Planning Authorities should;
- “...use their evidence base to ensure their Local Plan meets the full, objectively assessed needs for market and affordable housing...”*
- “Local Planning Authorities should...prepare a SHMA which...addresses the need for all types of housing, including affordable.”*
- 2.31 The PPG sets out an approach to identifying affordable housing needs (ID 2a-022 to ID 2a-029), and states that total affordable housing need should be;
- “...considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments...an increase in the total housing figures included in the plan should be considered where it could help deliver the required number of affordable homes.”*
- 2.32 Two High Court judgments go to the heart of addressing affordable housing within the identification of OAN. ‘Satnam’ establishes that affordable housing needs are a component part of OAN, indicating that the “proper exercise” is to identify the full affordable housing needs and then ensure this is considered in the context of its likely delivery as a proportion of mixed market/affordable housing development. ‘Kings Lynn’ (CD14.11) builds on ‘Satnam’ identifying that identified affordable housing needs (para 36) “should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.” It is clear that affordable housing needs are a substantive and highly material driver of any conclusion on full OAN.
- 2.33 In accordance with the PPG it would be appropriate for the Council to consider the level of housing required to deliver 144 net affordable units per annum at 18% of all new housing supply. On this basis, 800dpa net new homes per annum would be required per annum in Hartlepool.

2.34 Lichfields consider it would be on this basis upon which an informed decision could be made in respect of whether uplift is required to the demographic baseline to meet affordable needs.

### **Hartlepool Conclusion on OAN**

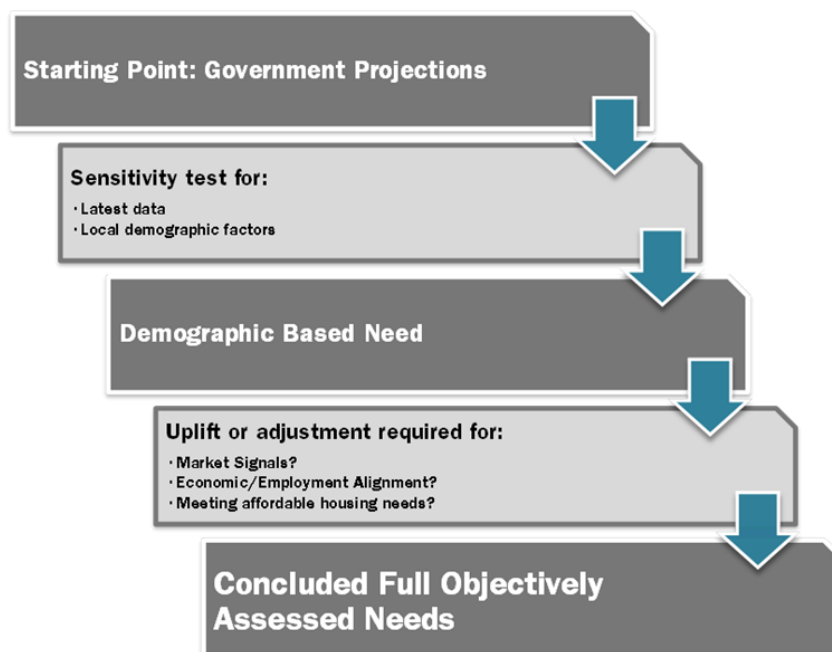
2.35 The Addendum concludes on the OAN in Hartlepool based on the following:

- 1 Adjusted demographic baseline of 210 dpa;
- 2 A further uplift required to support economic growth – 240dpa;
- 3 Additional 700 dwellings over the plan period to be added as backlog, equating to a cumulative total of 290dpa; and
- 4 An OAN of 290dpa for Hartlepool over the period 2016 to 2031, a minimum of 4,300 total dwellings.

## 3.0 An Objective Assessment of Housing Need

3.1 The following section sets out Lichfields approach to identifying the OAN for Hartlepool. It is clear that the approach taken to planning for housing delivery must be grounded in the background evidence of need and demand within an area. This evidence must be sound and robust to inform strategy making and, where appropriate, the decision making process. The necessary approach has been summarised by Lichfields in Figure 3.1 and provides the framework against which the OAN for Hartlepool has been identified.

Figure 3.1 NPPF and PPG Approach to Objectively Assessing Housing Needs



Source: Lichfields based on NPPG/PPG

3.2 The NPPF places great emphasis on ensuring objectively assessed development needs are met across housing market areas and this is enshrined in the presumption in favour of sustainable development (paragraph 14). To ensure housing needs are met through Local Plans, it is imperative for LPAs to have a robust estimate of OAN for their area and plan positively to meet it, including providing sufficient flexibility within any housing trajectory.

### Approach to the Assessment

3.3 As identified previously, the NPPF requires local planning authorities to apply up-to-date, relevant evidence in order to establish their OAN. Consideration must be given to the key recent datasets which relate to population and household formation, which have a direct bearing upon future housing needs. Of particular relevance in this regard are:

- a The ONS 2014-based Sub National Population Projections (SNPP) (released 25 May 2016), which provide the most up-to-date population projections at a local authority level, including the numbers of births, deaths and levels of migration during the projection period;
- b The ONS Mid-Year Sub-National Population Estimates (MYE), the latest of which (2015) post-dates the base date of the SNPP; and,

- c The CLG 2014-based Sub National Household Projections (SNHP) (released 12 July 2016), which provide the most up-to-date Government projections of the number of households at a local authority level, including the household formation rates underpinning the projections.

### **ONS 2014-based SNPP**

- 3.4 The SHMA Addendum utilise the 2014-based SNPP, this aligns with the approach identified in the PPG.
- 3.5 The 2014-based SNPP anticipate that the population of Hartlepool will increase by 2,638 people, equivalent to 176 persons per annum.

### **2015/2016 Mid Year Population Estimates**

- 3.6 Since the 2014-based SNPP were published in 2016, Mid Year Estimates (MYEs) for 2015 and 2016 have been published. These show a lower number of people living in Hartlepool in 2015 and 2016 than projected under the 2014-based SNPP.

Table 3.1 Comparison of MYEs and SNPP for Hartlepool

	<b>2015</b>	<b>2016</b>
2014-based SNPP	92,717	92,899
MYE	92,493	92,817

Source: ONS MYE and 2014-based SNPP

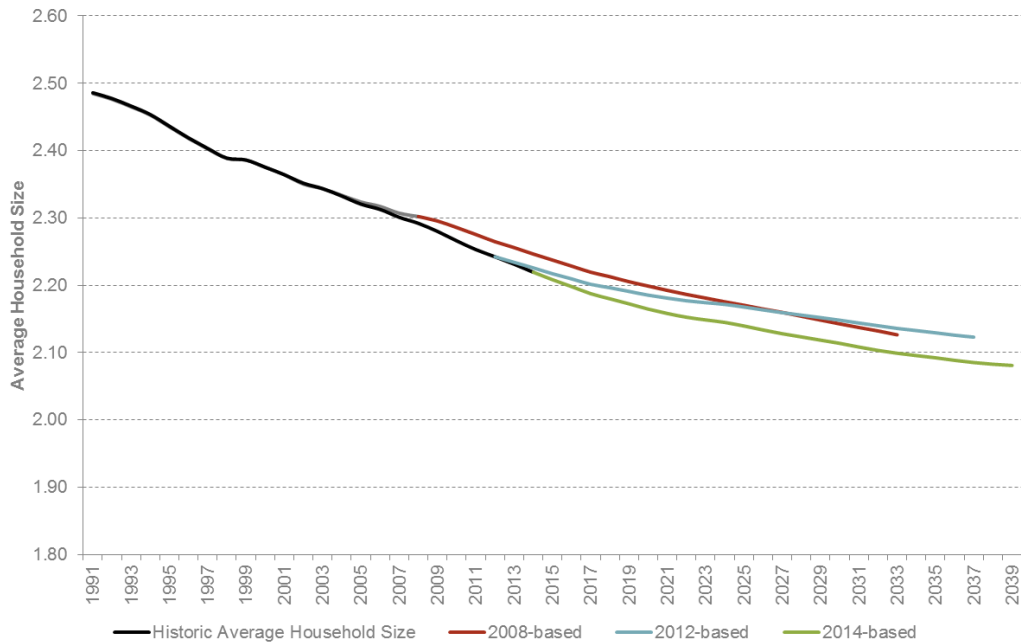
- 3.7 Population in Hartlepool has grown between 2015 and 2016, driven mainly by net in-migration.

### **CLG 2014-based SNHP**

- 3.8 The CLG household projections identify the change in the number of households that would be expected in the event that past trends in household formation continue. They are based on and are consistent with the population change provided within the ONS SNPP and are calculated using trends in household formation since 1971, but with a greater weight being applied to more recent trends for the younger (15-34) age cohorts.
- 3.9 The 2014-based SNHP anticipate an additional 2,851 households in Hartlepool between 2016 and 2031. This represents a 6.8% increase, equivalent to 190 households per annum.
- 3.10 The SNHP anticipates that the average household size in Hartlepool will fall from 2.22 in 2014 to in 2.10 2034. This is a similar change as projected by previous projections.



Figure 3.2 Projected average household size in Doncaster

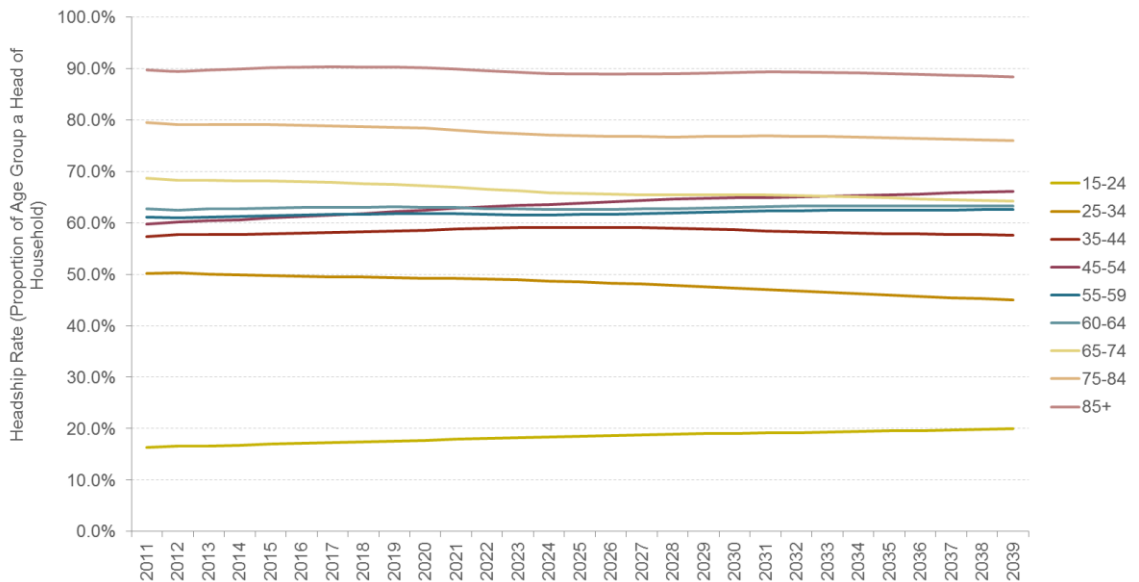


Source: DCLG sub national household projections

3.11

The 2014-based SNHP anticipate a different level of change in headship rates for different age cohorts as set out in Figure 3.3.

Figure 3.3 Change in headship rate by age cohort - Hartlepool



Source: CLG 2014-based Sub National Household Projections

3.12

The different household formation rates by age cohort reflects the fact that very few people aged between 25 to 34 are likely to be able to establish their own households. The 15-24 age cohort in Hartlepool face less pressures than 25 to 34 year olds. Headship rates of older households are expected to increase over the plan period.

## Assumptions

- 3.13 A range of scenarios have been adopted to establish the future housing need in Hartlepool, using the PopGroup demographic modelling tool, which are based on a variety of demographic, economic and housing-related factors summarised below.
- 3.14 A detailed description and summary of these assumptions and how they are applied in each scenario is provided in Appendix 1.

## Base Year

- 3.15 A base year of 2016 has been adopted to reflect the plan period in Hartlepool. The MYE 2015 has also been used in the modelling to reflect the updated population estimates published since the 2014-based SNPP have been released.

## Fertility and Mortality Rates

- 3.16 I have applied the Total Fertility Rates (TFR) and Standard Mortality Rates (SMR) from the 2014-based SNPP for the years 2016 to 2031.

## Unemployment

- 3.17 The unemployment rates uses an International Labour Organisation (ILO) base definition using data from the ONS Annual Population Survey (APS) estimate of economically active people aged 16+ that are not in employment. The unemployment rates between 2004 and 2016 are set out in Table 3.2.

Table 3.2 Unemployment Rate in Hartlepool 2004-2016

	Unemployment Rate (%)
2004	7.7
2005	6.7
2006	8.6
2007	8.6
2008	9.4
2009	12.4
2010	11.4
2011	14.6
2012	13.9
2013	14.2
2014	11.3
2015	9.4
2016	9.0
<b>Average 2004-2008</b>	<b>8.2</b>

Source: ONS Annual Population Survey (January to December for each year)

- 3.18 The published unemployment rates have been used for 2016 and it has been assumed by 2021 that unemployment will have returned to its long term pre-recession average (8.2%) and will then remain constant for the remainder of the modelling period.

## Commuting Patterns

3.19 Net commuting rate is applied throughout the modelling using a Labour Force ratio which is worked out using the formula:

*(A) Number of employed workers living in an area / (B) Number of workers who work in the area (number of jobs)*

3.20 This has been calculated for 2015 using Job Density Data (2015 is the most up to date data published) and applied 2016 at a constant rate across the plan period, this assumes the existing out-commuting pattern will be maintained.

Table 3.3 Commuting ratios for Hartlepool 2015

	Number of Workers	Number of Jobs	Commuting Ratio
ONS	37,508	35,000	1.07

Source: ONS

## Economic Activity

3.21 Lichfields utilise age and gender specific economic activity rates, based on the economic activity rate projections that were published by the Office of Budgetary Responsibility (OBR) in January 2017.

3.22 The OBR projections take account of anticipated changes in future economic activity rates by age and gender to 2060. However, given their initial purpose (to inform the June 2015 Fiscal sustainability report); they only consider economic activity at a national level. Therefore an adjustment has been applied, based upon data contained within Annual Population Survey and Mid-Year Estimates in 2015 to reflect the local position within Hartlepool.

3.23 This approach has recently been endorsed by the Inspector in an appeal at Longbank Farm in Redcar & Cleveland, Plantation Road Boreham, Flatts Lane in Redcar and Cleveland and Dunsville in Doncaster.

3.24 The approach taken by Lichfields is similar to that utilised by Hartlepool in their SHMA Addendum. However, no details are provided in the Addendum in respect of any adjustments made locally to the OBR economic activity rates.

3.25 In the Longbank Farm case, the appellant had applied the OBR forecasts, whilst the consultant that had undertaken the Council's SHMA had relied upon Experian's economic activity rates. The Experian Data Guide (June 2015) states in Appendix D that "*the participation rate is an endogenous variable in all our models. It is not a fixed assumption*". This means that the Experian model creates and adjusts its own economic activity (and unemployment) to align with both population and employment figures.

3.26 In expressing his preference for, and applying "*greater weight to the OBR projections*" (paragraph 21), the Inspector into the Longbank Farm inquiry recognised that, although its economic activity rates do not have the status of 'official projections' confirmed by the UK Statistics Agency, the OBR was established in 2010 to provide independent economic forecasts to central government and that it has a duty to report on the sustainability of public finances under the National Audit Act 2011. The Inspector also accepted the point made in closing by the appellant that "*OBR figures are used by the Government in the most important activities of the State*" (paragraph 20). Referring to paragraphs A25 to A30 of the Fiscal Sustainability Report, the Inspector noted that the OBR forecasts appear to have taken account of the following social and other changes that had been identified in a paper entitled 'Employment Activity and the Ageing Population' that was prepared by Experian:

*“A continued rise in healthy life expectancy will enable people to work for longer, as will the increasing trend for the UK economy to become more service oriented. Social changes mean that younger generations, or cohorts, of women will have a higher propensity to work” (paragraph 17).*

3.27 The robustness of the OBR forecasts gave the Inspector “*cause to seriously doubt the markedly higher activity rates assumed by Experian, in the absence of a more cogent and robust explanation for those markedly higher rates*”. (Paragraph 21).

3.28 The Inspector at Plantation Road came to the same conclusion and endorsed the use of OBR rates in preference to those that had been produced as part of the economic forecasts. In paragraph 32, he concluded that:

*“In my view, as in the Ormesby case, the OBR projections give good reason to doubt the EAR rates assumed by the Council; a conclusion which is supported in this case by the EU and KCC projections as well as by past EEFM projections. I have not found anything within what I have read and heard during the appeal process that gives me good reason to justify reliance on the Council’s significantly higher rates in the face of this evidence. Consequently, I consider that the EEFM predictions are likely to be unrealistic and that greater weight should be attached to the EU, KCC and OBR evidence”.*

3.29 This decision was subsequently the subject of judicial review, but Dove J found that the inspector had acted entirely properly in drawing these conclusions.

### **Population not in Households**

3.30 The population not in households (i.e. in institutional accommodation) is taken from the CLG 2014-based household projections. These are used as absolute numbers up to age 74, and above this age the numbers are converted into a percentage which is applied to the population. This allows for changes in the numbers of older people in institutional care where there is a change in the population over age 75. I have not assumed any change from the levels identified by CLG.

### **Household Formation Rates**

3.31 The core scenarios modelled by Lichfields apply the household headship rates derived from the 2014-based SNHP.

3.32 The 2014-based SNHP draw upon on longer term trends since 1971, but the methodology applied by CLG means that they have a greater reliance upon trends experienced over the last 10 years than those experienced over the longer term. The implication of this “recency bias” is that the latest household projections continue to be affected by the period of suppressed household formation associated with the economic downturn, constrained mortgage finance and past housing under-supply, as well as the preceding time of increasing unaffordability which also served to suppress headship rates.

3.33 The 2014-based Detailed Methodological Report sets out that different trend curves are applied to the projections; a simple trend and a dampened trend. The S-Curve gives greater weight to more recent figures and also more weight to the S-Curve trend for 15-34 year olds than for the 35+ age group (15-29 year olds an 80:20 weight is applied for the simple trend to the dampened trend, for 30+ year olds the ratio is 60:40.

3.34 The projections do not take any account of the impact of future government or local policies, changing economic conditions or other factors that might have an impact upon demographic behaviour or household consumption.

### Partial Catch-Up in Household Formation Rates

- 3.35 Given that the 2014-based SNHP for Hartlepool carry forwards constrained levels of household formation particularly for the 24-34 age cohort, it is appropriate to consider the extent to which headship rates in Hartlepool might be expected to increase in the future.
- 3.36 The PPG (ID 2a-015) states that up-to-date household projections published by DCLG should provide the starting point estimate of overall housing need. However, the PPG goes on to state (ID 2a-017) that “plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates”.
- 3.37 In accordance with the PPG, Lichfields has sought to sensitivity test these new household projections for each modelled scenario. This approach applies the 2014 SNHP household formation rates for a period of 3 years (until 2017) and then assumes that headship rates in the 15-34 age cohorts will return to a level in line with longer term trends, such that by 2033, half of the difference between the 2008-based and 2014-based projections is made up.
- 3.38 This “partial catch-up” test results in average household size declining at a slightly faster rate than the baseline 2014 projection, as a higher proportion of younger people form households. Research by NHPAU found that cohorts who are less able to access home ownership earlier in their housing career due to “boom” or “recession” factors impacting on affordability are nevertheless able to “catch-up” later on – 80% of the gap at the age of 30 is “caught-up” by the age of 40. This finding supports the resumption of long term household formation trends.
- 3.39 The test applied includes a partial catch-up amongst the youngest age cohort (15-24), even though the headship rates for this group are very low and in Hartlepool are not so impacted upon by household formation constraints. However, it follows that those within this age cohort that are seeking to form new households are likely to face the same pressures as those within the 25-34 age cohort in terms of affordability and access to finance, and so there is clear logic in including this cohort within the analysis.
- 3.40 It is accepted that not all of the reduction in household formation rates should be attributed to the condition of the economy and the housing market. However, the impact of the housing market upon the decline in headship rates should not be entirely overlooked. It is for this reason that a partial catch-up to 50% (rather than 100%) of the difference between the 2008-based and 2014-based projections has been applied.

### Second Homes / Vacancy Rates

- 3.41 In line with accepted practice, an allowance has been applied for vacant and second homes to the number of households in order to identify the future level of housing that will be required.
- 3.42 This allowance is based upon an assessment of Council Tax Base (CTB) Data<sup>2</sup> between 2011 and 2016, as set out in Table 3.4.

Table 3.4 Second homes and vacant dwellings in Hartlepool

	Second home/vacancy rate
2015	5.1%
2016	4.8%
Average 2012 to 2016	4.42%

<sup>2</sup> This totals data from the CTB in lines 11, 12, 14 and A to L for 2011 and 2012; data from lines 11, 16, B and D to L for 2013; and data from lines 11, 15, B and D to L for 2014 and 2015.

Source: DCLG Council Tax Base (CTB) Data

- 3.43 Lichfields has applied the annual second home / vacancy rates for the first year of the plan period and then the average rate (4.42%) for the remainder of the modelling period.

## 4.0 Lichfields Objective Assessment of Housing Need in Hartlepool

4.1 Lichfields, based on the assumptions identified in Section 3 of this report, has adopted a number of scenarios to establish the need for housing in Hartlepool using the HEaDROOM framework.

### Demographic Scenarios

- 1 Scenario A : 2014-based SNPP – based on the 2014-based SNPP, incorporating headship rates from the 2014-based SNHP, plus an allowance for vacant/second homes;
- 2 Scenario B: 2016-MYE – based on the 2016 MYE, incorporating headship rates from the 2014-based SNHP, plus an allowance for vacant/second homes; and
- 3 Scenario C: Long Term Migration Trends – based on past migration trends as observed over the last 10 years (to 2015) in Hartlepool.

### Economic Scenarios

- 4 Scenario D: jobs growth forecast for Hartlepool taken from the Strategic Economic Plan (SEP), 290 jobs each year across the Tees Valley; and
- 5 Scenario C: jobs growth identified in the Hartlepool Employment Land Review which considers jobs growth of 100 jobs per annum over the period 2014 to 2031.

### Housing Scenarios

4.2 I have also considered the housing delivery which would be required to achieve the level of affordable need in Hartlepool of 144 dpa (SHMA Addendum).

### Scenario Outputs

4.3 The results of these scenarios are set out in Table

Table 4.1 Summary of Lichfields Hartlepool Modelling Scenarios 2016 - 2031

	Population Change	Jobs	Households	Dwelling Change	Dwelling pa (2031)
Scenario A: 2014 SNPP/SNHP Baseline	+2,645	-280	+2,810	+2,957	+197
Scenario Bi: 2014 SNHP/MYE 2016	+3,217	-71	+3,149	+3,315	+221
Scenario Bii: 2014 SNHP/MYE 2016 PCU	+3,217	-71	+3,573	+3,761	+251
Scenario Ci: Past Trends	+1,457	-829	+2,441	+2,569	+171
Scenario Cii: Past Trends PCU	+1,457	-829	+2,853	+3,003	+200
Scenario Di: Economic Led 100 jobs pa	+6,730	+1,500	+4,591	+4,832	+322
Scenario Dii: Economic Led 100 jobs pa PCU	+6,730	+1,500	+5,042	+5,307	+354
Scenario Ei: Economic Led 290 jobs pa	+13,243	+4,350	+7,248	+7,629	+509
Scenario Eii: Economic Led 290 jobs pa PCU	+13,243	+4,350	+7,746	+8,154	+544

Source: Lichfields using PopGroup

**Scenario A : 2014-based SNPP – based on the 2014-based SNPP**

- 4.4 The 2014-based SNPP projects a growth of 2,645 over the period 2016 to 2031 in Hartlepool; 1,730 of net migration and 916 as a consequence of natural change. Based on the 2014-based SNHP, there is projected to be household growth of 197 dpa including a second home/vacancy rate.

Scenario Ai: 197 dwellings per annum

**Scenario Bi/Bii: 2014 SNHP/2016-MYE – based on the 2016 MYE with the 2014-based SNHP**

- 4.5 The 2016 MYEs provide an updated picture of the population in Hartlepool in 2016. For Hartlepool it shows that the population in 2016 was slightly lower than projected in the 2014-based SNPP. However, there has been a greater population growth between 2015 MYE and 2016 MYE compared to the growth projected in the 2014-based SNPP for the same years.
- 4.6 Incorporating this into the modelling shows a need for 221 dpa or 251 dpa based on partial catch-up rates, taking into account second homes/vacancy rates.
- 4.7 The level of projected growth under this scenario would result in a declining labour force, due to the aging population and an inability of the indigenous population to support the current levels of jobs across the local authority area.

Scenario Bi: 221 dwellings per annum

Scenario Bii: 251 dwellings per annum

**Scenario Ci/ii: Long Term Migration Trends – based on past migration trends as observed over the last 10 years (to 2015) in Hartlepool**

- 4.8 Utilising past trends of migration 2005 to 2015, a population growth of 1,457 people is projected over the plan period. This would require 171dpa or 200dpa based on the partial catch up of younger households.
- 4.9 The level of population growth expected by this level of growth would result in a decline in the labour force by c.1400 people, resulting in the indigenous population being unable to support current levels of jobs in Hartlepool.

Scenario Ci: 171 dwellings per annum

Scenario Cii: 200 dwellings per annum

- 4.10 The adjusted demographic baseline for Hartlepool is Scenario Bii, 251 dpa.

**Market Signals**

- 4.11 The NPPF sets out the central land-use planning principles that should underpin both plan-making and decision-taking. It outlines twelve core principles of planning that should be taken account of, including the role of market signals in effectively informing planning decisions (NPPF Para 17);



*“Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.”*

4.12 The PPG indicates that once an assessment of need based upon household projections is established, this should be adjusted to reflect appropriate market signals and indicator of the balance between demand and supply of housing. The guidance explicitly sets out six market signals:

- 1 Land Prices;
- 2 House Prices
- 3 Rents;
- 4 Affordability;
- 5 Rate of development; and,
- 6 Overcrowding/Homelessness.

4.13 It goes on to state that appropriate comparison of these should be carried out with an upward adjustment made where any such market signals indicate an imbalance between supply and demand, and a need to increase housing to meet demand and tackle affordability issues is identified (ID 2a-020);

*“This includes comparisons with longer terms trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally. Divergence under any of these circumstances will require upwards adjustment to planned housing numbers compared to those based solely on household projections...*

*In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints...the larger the additional supply response should be.”*

4.14 The guidance sets out a clear and logical ‘test’ for the circumstances in which objectively assessed needs (including meeting housing demand) will be in excess of demographic projections.

4.15 In the context of the NPPF and PPG, the housing market signals have been reviewed to assess the extent to which they indicate a supply and demand imbalance in Hartlepool, and therefore indicating that upward adjustment should be made on the demographic-led needs identified.

### **Land Prices**

4.16 The most readily available data on residential land prices is available from CLG Land Value Estimates<sup>3</sup>. This provides estimates (per hectare) of post-permission residential land however does not provide readily available information on the price premium associated with such land (an indicator of supply and demand). This shows that the average cost per ha of residential land in Hartlepool is £1m, compared to £2m across England (outside of London).

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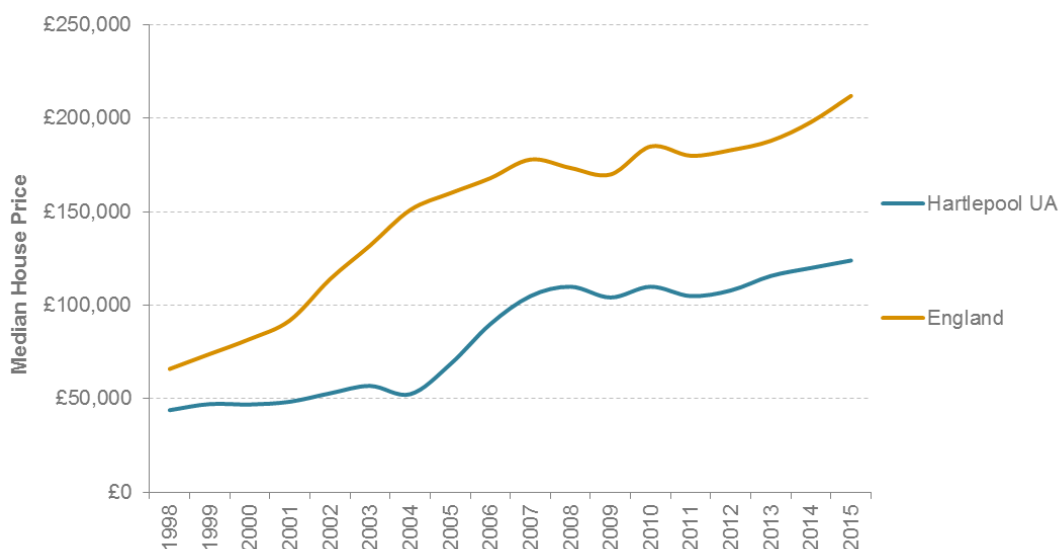
<sup>3</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/407155/February\\_2015\\_Land\\_value\\_publication\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/407155/February_2015_Land_value_publication_FINAL.pdf)

## House Prices

- 4.17 The PPG identifies that longer term change in house prices may indicate an imbalance between the demand for and the supply of housing. It suggests using mix-adjusted house prices, however these are not available at the Local/Unitary Authority level, hence price paid data is considered the most appropriate indicator (this is now published by ONS).
- 4.18 In the 12 months to December 2015, the average price paid for housing in Hartlepool was £124,000. This compares to £212,000 nationally.
- 4.19 Over the last 15 years, house prices in Hartlepool have risen by 164%, equivalent to a rise of £77,000. Nationally, house prices have risen 159% since 2000, less than the growth in Hartlepool. However, the national increase was equivalent to £130,000. Hartlepool has significantly lower house prices than nationally, despite the overall increase being greater than the national rate of growth over the last 15 years.

Figure 4.1 Median House Price Increases



Source: ONS House Price Statistics

Table 4.2 Average House Prices and Changes

	2000	2015	% Change	Absolute Change
England	£82,000	£212,000	159%	£130,000
Hartlepool	£47,000	£124,000	164%	£77,000

Source: ONS House Price Statistics

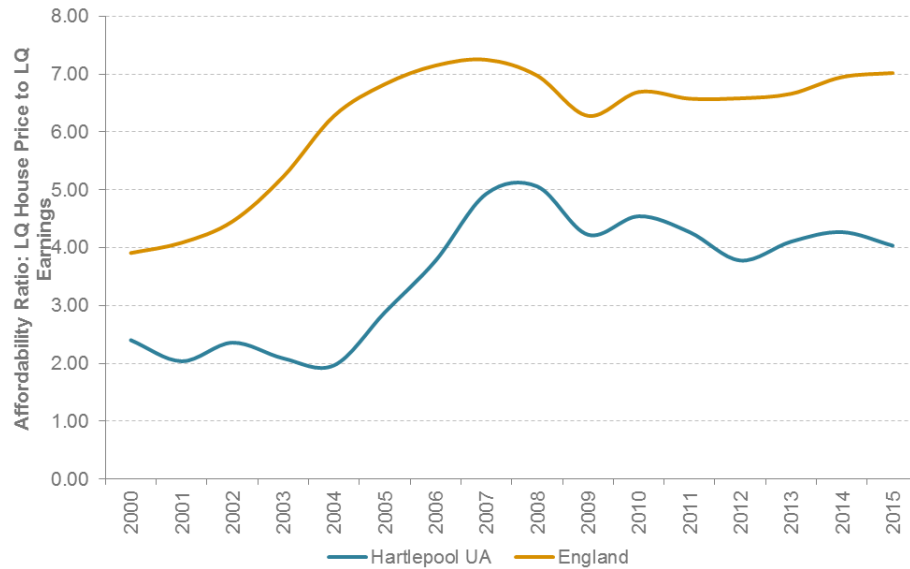
- 4.20 It is clear that despite a greater change over the last 15 years, the cost of housing in Hartlepool is significantly lower than average house prices in England.

## Affordability

- 4.21 Assessing affordability involves comparing the cost of housing against the ability to pay. The relevant indicators for this are lower quartile house prices and lower quartile earnings (which together form an affordability ratio which can be tracked over time). This indicator provides an assessment of how affordable housing is in an area, taking into account local earnings (rather than just considering house prices in isolation).

4.22 As of 2015, the affordability ratio in Hartlepool was 4.03, ie. lower quartile house prices were over 4 times lower quartile earnings. Across England, lower quartile house prices are 7 times earnings. Over the last 15 years, Hartlepool been consistently more affordable than nationally. This is shown in Figure 4.2 and Table 4.3.

Figure 4.2 Affordability Ratio 2000 - 2015



Source: CLG Live Table 576

**Note** - CLG Live Table 576 was revised in 2016, and the methodology for 2013-15 differs to that in previous years. However, analysis of the ratios in 2013 in the old/new dataset suggests changes were minimal and not likely to have a significant impact on affordability analysis.

Table 4.3 Affordability Ratio and Change

	2000	2015	%Change	Absolute Change
England	3.91	7.02	80%	3.11
Hartlepool	2.40	4.03	68%	1.63

Source: CLG Live Table 576

## Rents

4.23 Similar to house prices, another indicator of housing market pressure is increasing costs of rents. Series data for monthly rental costs from VOA statistics are only available from Q2 2011 to Q1 2016, however trends in rental costs are still clear.

4.24 In the 12 months to Q1 2016, the average (median) monthly rent across England was £650. This represents a 14% or £80 increase in rents compared to the rents in the 12 months to Q2 2011, which were £570. In Hartlepool rents as of Q1 2016 were £450, considerably lower than the national average.

## Rate of Development

4.25 The rate of development is a supply-orientated indicator which assesses past completions against the relevant planned supply. With regards to past undersupply of development the PPG (ID 2a-019) sets out that;

“...if the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.”

- 4.26 The existing Local Plan in Hartlepool (2006) identifies a housing target of 309dpa. Over the 10 year period 2006/07 this would require delivery of 3,090 dwellings, in comparison total net delivery has been 2,396 dwellings, representing an undersupply of 694 dwellings (see Table 4.4).

Table 4.4 Dwelling completions 2006/07 to 2015/16

	Completions	Demolitions	Total (Net)	Local Plan (2006) Target	Over/Undersupply
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	356	56	309	309	0
2011/12	290	65	225	309	-84
2012/13	269	147	122	309	-187
2013/14	213	120	84	309	-225
2014/15	376	~	376	309	67
2015/16	574	46	528	309	219
Total (10 years)	3,691	1,295	2,396	3,090	694
Annual average	369	130	240	309	-69

Source: Hartlepool Annual Monitoring Returns

- 4.27 Table 4.4 highlights that there has been a mixed picture of delivery in Hartlepool over the last 10 years, with high levels of demolitions in some years impacting on net delivery. In recent years delivery has been increasing with net delivery at its highest since 2008/09. This suggests that a housing target which is higher than the past Local Plan target would not represent a figure which is unrealistic and is unlikely to occur, particularly given that in the last year a total of 528 net new dwellings were completed.

### Overcrowding and Homelessness

- 4.28 Overcrowding, shared households and homelessness are further indicators that there is an unmet housing need in an area. The PPG sets out (ID 2a-019) that “...[long term increases] might be a signal to consider increasing planned housing numbers”. The Censuses provide data on overcrowded households and concealed families (a proxy for sharing households), and data on homelessness can be obtained from CLG which publishes data on an annual basis.

### Overcrowding

- 4.29 Overcrowded households are identified by the Census as households with fewer rooms (or bedrooms) than required, based on a standard formula which takes into account the number of people in a household and their relationships.
- 4.30 Table 4.5 shows the rates of overcrowding in Hartlepool, North East and England. As of 2011 there were 3,199 overcrowded households in Hartlepool 1,744 representing 4.31% of all households in the Borough. This is a decline of 15.8% in the number of households which were overcrowded in 2001. The rate of overcrowding in Hartlepool is lower than nationally (8.7%).

Table 4.5 Rate of Overcrowding and Change - 2001-11

	2001		2011		% Change in Rate of Overcrowding
	Overcrowded Households	As % of all Households	Overcrowded Households	As % of all Households	
<b>England</b>	<b>1,457,512</b>	<b>7.1%</b>	<b>1,928,596</b>	<b>8.7%</b>	<b>22.7%</b>
<i>Hartlepool</i>	1,915	5.12%	1,744	4.31%	-15.8%
North East	54,616	5.12%	57,273	5.07%	-1.0%

Source: Census 2001/Census 2011

### Concealed Families

4-31 Concealed families occur when a household is made up of more than one family; in the Census, each family is assigned a 'family reference person', and where that family reference person is not the overall household representative, that family is considered to be concealed. An example of a concealed family would be a young couple (with or without children) living with parents, albeit a similarly single person in the same position would not be recorded as a concealed family.

4-32 As of 2011 there were 334 concealed families in Hartlepool which represented 1.25% of all families in the Borough. This is a similar rate of Hartlepool has increased over the ten year period between 2001 and 2011 (31.26%), however this was not as severe as increases seen in across the wider North East (49.49%) or England (59.2%).

Table 4.6 Rate of Concealed Families and Change - 2001-2011

	2001		2011		% Change in Rate of Concealed Families
	Concealed Households	As % of all Households	Concealed Households	As % of all Households	
<b>England</b>	<b>161,254</b>	<b>1.2%</b>	<b>275,954</b>	<b>1.9%</b>	<b>59.2%</b>
<i>Hartlepool</i>	244	0.79%	334	1.25%	31.26%
North East	6,127	0.85%	9,493	1.27%	49.49%

Source: Census 2001/ Census 2011

### Homelessness

4-33 CLG to provide data on the number of households in each Local Authority District which are accepted as being homeless and in priority need as well as the number of households who are in temporary accommodation.

4-34 In Hartlepool, the number of homeless households has fallen from 296 to 27 over the last 11 years. As of 2014/15, 8 households per 1,000 in Hartlepool were in priority need. Nationally, the rate of homelessness has fallen from 5.73 to 2.40 in 2014/15, or a decline of 58.2%.

Table 4.7 Homelessness - Numbers accepted as being homeless and in priority need

	2004/05		2014/15		Change in Rate
	Total	Per 1,000 households	Total	Per 1,000 households	
England	120,860	5.73	54,430	2.40	-58%
Hartlepool	296	8.00	27	0.66	-92%
North East	7,940	7.28	1,396	1.22	-83%

Source: CLG Live Table 784 (P1e Returns)

4-35 In terms of households in temporary accommodation, Hartlepool has no households in temporary accommodation in 2014/15, with only one household in 2004/05.

Table 4.8 Homelessness – Households in Temporary Accommodation

	2004/05		2014/15		Change in Rate
	Total	Per 1,000 households	Total	Per 1,000 households	
England	101,070	4.79	64,710	3.85	-40.5%
Hartlepool	1	0.03	~	~	~
North East	910	0.83	148	0.13	-84.5%

Source: CLG Live Table 784 (P1e Returns)

4.36 Hartlepool has performed relatively well in respect of comparison of trends in respect of overcrowding and homelessness. The rate of concealment has increased but overcrowding and homelessness indicators have declined over the last 10 years.

### Comparison of Market Signals

4.37 In order to draw meaningful conclusions about the extent to which these market signals indicate housing market stress in Hartlepool, the PPG suggests comparing these to other neighbouring authorities and those with similar demographic/economic areas and nationally. For the purpose of this assessment, Hartlepool has been assessed against the other authorities in the Tees Valley, as well as similar authorities. These neighbouring authorities have similar demographic/economic characteristics and fall under the same OAC Supergroup Classification<sup>4</sup> as Hartlepool. These areas are:

- Barnsley; and
- Sunderland.

4.38 A higher ranking in these tables indicate a worse performance in respect of the market signals and a lower ranking a better outcome.

<sup>4</sup> <http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/ns-area-classifications/ns-2011-area-classifications/maps/index.html>

Table 4.9 Market Signals Comparison - Cost of Housing

Rank	House Prices			Affordability			Rents		
	Median (2015)	% Change (2000-2015)	Absolute Change (2000-2015)	Ratio (2015)	% Change (2000-2015)	Absolute Change (2000-2015)	Median (Q1 2016)	% Change (Q2 2011-Q1 2016)	Absolute Change (Q2 2011-Q1 2016)
1	England	Middlesbrough UA	England	England	Redcar and Cleveland UA	England	England	England	England
2	Stockton-on-Tees UA	Hartlepool UA	Middlesbrough UA	Redcar and Cleveland UA	Middlesbrough UA	Redcar and Cleveland UA	Stockton-on-Tees UA	Middlesbrough UA	Stockton-on-Tees UA
3	Darlington UA	Barnsley	Stockton-on-Tees UA	Stockton-on-Tees UA	England	Stockton-on-Tees UA	Sunderland	Stockton-on-Tees UA	Middlesbrough UA
4	Middlesbrough UA	Sunderland	Darlington UA	Sunderland	Barnsley	Middlesbrough UA	Redcar and Cleveland UA	Barnsley	Barnsley
5	Redcar and Cleveland UA	England	Hartlepool UA	Barnsley	Sunderland	Sunderland	Hartlepool UA	Hartlepool UA	Hartlepool UA
6	Hartlepool UA	Redcar and Cleveland UA	Redcar and Cleveland UA	Darlington UA	Hartlepool UA	Barnsley	Middlesbrough UA	Sunderland	Sunderland
7	Sunderland	Darlington UA	Sunderland	Middlesbrough UA	Stockton-on-Tees UA	Hartlepool UA	Darlington UA	Redcar and Cleveland UA	Redcar and Cleveland UA
8	Barnsley	Stockton-on-Tees UA	Barnsley	Hartlepool UA	Darlington UA	Darlington UA	Barnsley	Darlington UA	Darlington UA
Source:	ONS HPSSA	ONS HPSSA	ONS HPSSA	CLG Live Table 576 (2016 Update)	CLG Live Table 576 (2016 Update)	CLG Live Table 576 (2016 Update)	VOA Private Rental Market Statistics	VOA Private Rental Market Statistics	VOA Private Rental Market Statistics

Table 4.10 Market Signals Comparison - Overcrowding and Homelessness

Concealed Families			Households in Temporary Accommodation			Land Prices	
Concealed Families, % (2011)	Change (%) (2001-2011)	Change (percentage points) (2001-2011)	Households in Temporary Accommodation, per 1,000 Households (2014/15)	% Change (2004/05-2014/15)	Absolute Change (2004/05-2014/15)	Bulk Residential (£/Ha) (2014)	Change (%) (~)
Middlesbrough UA	Middlesbrough UA	Middlesbrough UA	England	England	England	England	
England	Sunderland	England	Stockton-on-Tees UA	Stockton-on-Tees UA	Stockton-on-Tees UA	Sunderland	
Sunderland	England	Sunderland	Redcar and Cleveland UA	Redcar and Cleveland UA	Redcar and Cleveland UA	Stockton-on-Tees UA	
Stockton-on-Tees UA	Stockton-on-Tees UA	Stockton-on-Tees UA				Barnsley	
Hartlepool UA	Redcar and Cleveland UA	Redcar and Cleveland UA				Middlesbrough UA	
Redcar and Cleveland UA	Barnsley	Barnsley				Hartlepool UA	
Barnsley	Hartlepool UA	Hartlepool UA				Darlington UA	
Darlington UA	Darlington UA	Darlington UA					
Census 2011	Census 2001, Census 2011	Census 2001, Census 2011	CLG Live Table 784 (P1e Returns)	CLG Live Table 784 (P1e Returns)	CLG Live Table 784 (P1e Returns)	CLG Land Value Estimates	~



### **Uplift on Demographic-led Needs**

- 4.39 The PPG states that such factors mean consideration should be given to additional housing supply, over and above that solely required by demographic change in order to address affordability issues and reverse worsening market trends. The amount that supply should be increased by is not definitive, although PPG is clear that the more significant the affordability pressures, the larger the improvement needed and therefore the larger than supply response should be (ID 2a-020).
- 4.40 Tables 4.9 and 4.10 highlight Hartlepool has a low ranking in respect of market signals, apart from in respect of percentage change in house prices. However, average house prices in Hartlepool remain considerably lower than the England average.
- 4.41 Lichfields assessment of market signals suggests that no adjustment is required in Hartlepool above the demographic baseline in respect of market signals.

### **Economic-led Needs**

- 4.42 The next component of the HEaDROOM framework is based on an understanding of the relationship between housing and employment. This involves a complex number of issues however, there are some simple metrics that can explore the alignment of employment, demographic and housing change, notably the amount of housing needed to sustain a given labour force assuming certain characteristics of commuting and employment levels.
- 4.43 The challenge of meeting employment needs is given weight by the NPPF which states that planning should “do everything it can” to support economic growth. The PPG further clarifies that (ID 2a-018):
- “Where the...labour force supply is less than the projected job growth, this could result in unsustainable commuting patterns...and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing...could help address these problems.”*
- 4.44 To model this demographically, the POPGROUP model constrains or inflates migration to a level (reflecting the age profile specific to Hartlepool) which, alongside natural change in the population, produces a labour force sufficient to support the given level of employment taking account of commuting. Within the modelling, Lichfields has made an allowance for unemployment returning to their pre-recession levels in the longer-term, however has assumed that the relative balance of commuting in Hartlepool will remain constant.
- 4.45 As with the demographic scenarios, all scenarios have been modelled twice; once using 2014-based household formation rates (as published by DCLG) and once using partial catch-up headship rates.
- 4.46 Both of the employment –led scenarios have been based on the economic scenarios considered in the SHMA and Addendum.

### **Scenario Ci/ii: jobs growth identified in the Hartlepool Employment Land Review which considers jobs growth of 100 jobs per annum over the period 2014 to 2031.**

- 4.47 To support the jobs growth identified in the Hartlepool Employment Land Review, 100 jobs per annum, there would need to be a population growth of 6,730 and a household growth of 4,591 and 5,042 using partial catch-up headship rates. This would generate a need for between 322dpa and 354dpa (partial catch-up rates).

4.48 This level of jobs growth is above long term past trends experienced in Hartlepool which on average, based on ONS Job Density data; show a growth of 67 jobs per annum over the previous 15 year period.

Scenario Ci: 322 dwellings per annum

Scenario Cii: 354 dwellings per annum

**Scenario Di/ii: jobs growth forecast for Hartlepool taken from the Strategic Economic Plan (SEP), 290 jobs each year across the Tees Valley**

4.49 To support the jobs growth identified in the Tees Valley SEP, 290 jobs per annum, there would need to be a population growth of 13,243 and a household growth of between 7,630 and 8,155 using partial catch-up rates. This would generate a need for between 509dpa and 544dpa (partial catch-up rates).

4.50 The level of jobs growth identified in the SEP for Hartlepool is significantly higher than the jobs growth considered within Hartlepool’s Employment Land Review. The expected growth is

Scenario Di: 509 dwellings per annum

Scenario Dii: 544 dwellings per annum

**Affordable Housing Needs**

4.51 Lichfields has not sought to carry out its own full assessment of affordable housing needs, drawing on the evidence identified in the SHMA and Addendum which states an affordable need of 144 dwellings per annum.

4.52 The PPG states (OD 2a-029) that:

*“The total affordable housing need should then 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.”*

4.53 The Hartlepool Local Plan Publication Version states in Policy HSG 9 that the Council will seek the provision of 18% affordable housing on all sites above 15 dwellings. If affordable housing in Hartlepool were to be delivered in line with policy expectations, then 800 dwellings per annum would be needed.

4.54 It is evidence from the affordable needs that there is upwards pressure on the OAN in order to help deliver affordable housing.

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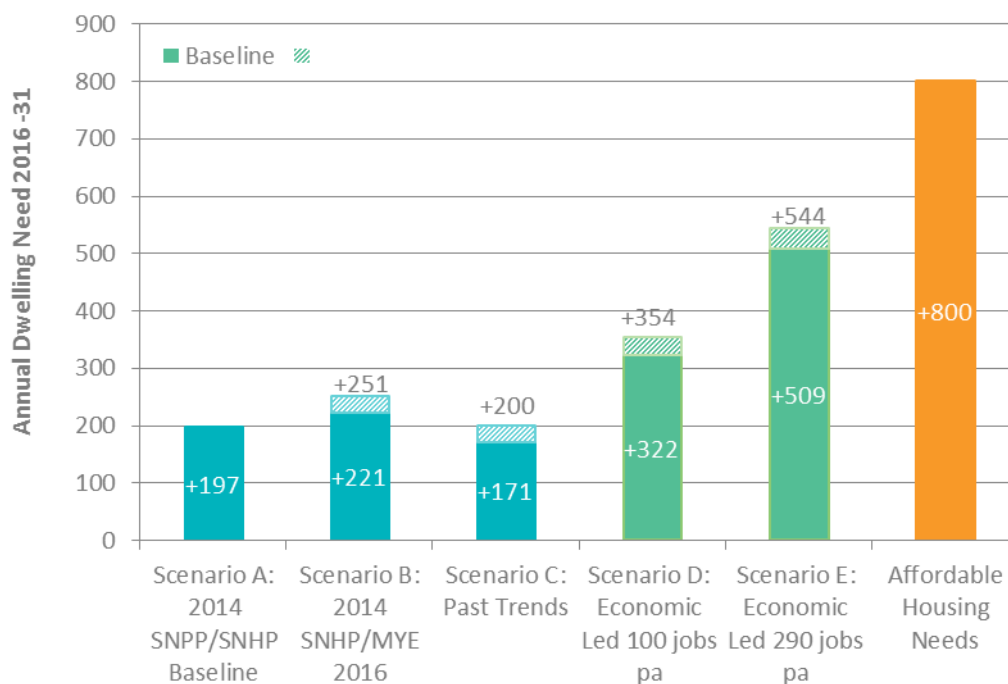
<sup>5</sup> Based on ONS Job Density Data

## 5.0 Objectively Assessed Housing Need

5.1 The NPPF sets out that an objective assessment of housing need and demand must be one that meets household and population projections, taking account of migration and demographic change (the demographic-led scenarios), meets need for all types of housing including affordable (the SHMA based affordable housing need housing-led scenario) and must cater for housing demand and the scale of housing supply necessary to meet this demand (demographic-led, economic-led and housing-led demand, including that indicated through market signals, such as house prices).

5.2 Figure 5.1 summarises the demographic, economic, and affordable housing needs scenarios assessed by Lichfields. The analysis identifies that full, objectively assessed housing need in Hartlepool over the period 2016 to 2031 is between 354 and 544 dwellings per annum. How this figure has been concluded is in accordance with the requirements of the NPPF and PPG and is set out below.

Figure 5.1 Summary of Outputs - Dwellings per annum 2016-2031



Source: Lichfields Analysis

### The Starting Point and Demographic-led Needs

5.3 The latest 2014-based DCLG Household Projections project household growth of 197 dpa in Hartlepool over the plan period 2016 to 2031, which takes into account second home/vacancy rates.

5.4 In line with the PPG, it is necessary to consider whether there is a demographic evidence which suggests adjustments should be made to the official projections. In Hartlepool, it is considered that two adjustments should be made; firstly to address continued suppression in household formation and secondly to take account of the Mid-Year population estimates 2016.

5.5 Applying these adjustments would result in the demographic baseline for Hartlepool being 251 dwellings per annum.

5.6 An assessment of market signals in Hartlepool highlights minimal market pressures in Hartlepool and no requirement to make an upwards adjustments to the demographic baseline.

### **Is there a need to increase housing supply to help meet the economic potential of the Borough?**

5.7 The Council have considered two economic scenarios within the SHMA and SHMA Addendum, these have been taken forward by Lichfields in our modelling.

5.8 The SEP jobs growth scenario would require 544 dpa to support jobs growth of 290 jobs per annum, this compares to the jobs growth scenario in the Employment Land Review which would require 354dpa to support a future jobs growth of 100 jobs per annum.

5.9 Historically Hartlepool has had mixed economic performance, long terms jobs growth has been on average 60 jobs per annum, compared to a considerably stronger economic performance since 2011, where growth has been on average 600 jobs per annum. In order to support these two jobs growth scenarios between 354 and 544dpa would be required.

### **Is there a need to increase housing supply to aid the delivery of affordable housing supply?**

5.10 On the basis of the affordable need identified in the SHMA and SHMA Addendum, 144 net affordable dwellings per annum, at the 18% affordable housing target identified in the Local Plan Publication Draft, 800 dwellings would be needed to meet the full affordable housing needs.

5.11 In line with the King's Lynn decision, the affordable housing needs should have a strong influence on the final OAN figure and as much provides further justification for adopting an OAN which supports economic growth ambitions and goes further towards meeting affordable need in Hartlepool.

### **Conclusion**

5.12 Taking into account all of the factors required as per NPPF and PPG, it is concluded that 449 dwellings per annum represents the full OAN for Hartlepool, taking into account future population and household growth, market signals, a mid point between economic-led needs set out in the SEP and the ELR together with consideration of economic past trends and an uplift to help meet affordable housing needs identified in Hartlepool. In line with the PPG, which states scenarios should be those which could be 'reasonably expected' to occur, this is considered a reasonable and realistic scenario for Hartlepool.



**Bristol**  
0117 403 1980  
bristol@lichfields.uk

**Cardiff**  
029 2043 5880  
cardiff@lichfields.uk

**Edinburgh**  
0131 285 0670  
edinburgh@lichfields.uk

**Leeds**  
0113 397 1397  
leeds@lichfields.uk

**London**  
020 7837 4477  
london@lichfields.uk

**Manchester**  
0161 837 6130  
manchester@lichfields.uk

**Newcastle**  
0191 261 5685  
newcastle@lichfields.uk

**Thames Valley**  
0118 334 1920  
thamesvalley@lichfields.uk