



Independent Examination of the Hartlepool Local Plan – Inspectors Matters, Issues and Questions for Examination (August 2017)

Client: Cecil M Yuill Ltd

Proposal: Response to Matter 3 – Housing Needs

Date: September 2017

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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)

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

- 1.1 Regeneris Consulting has assessed housing need on behalf of Cecil M Yiu Ltd. They agree with the conclusion that Hartlepool forms its own housing market area (HMA) and consider the evidence to be robust. Census data shows that over 80% of Hartlepool residents who moved in the year before the Census had done so within the district. This is well above the threshold identified by CLG for an area to be self-contained. The area also has high levels of self-containment for commuting. We would also note that the definition is consistent with the HMAs emerging from the Strategic Housing Market Assessments (SHMAs) of neighbouring authorities, including Stockton-on-Tees and Middlesbrough.
- 1.2 For this reason, the objective assessment of need (OAN) should not rely on in-commuters from neighbouring areas (outside the HMA) to contribute towards meeting future jobs growth (see paragraph 1.15 below).

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

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?

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?

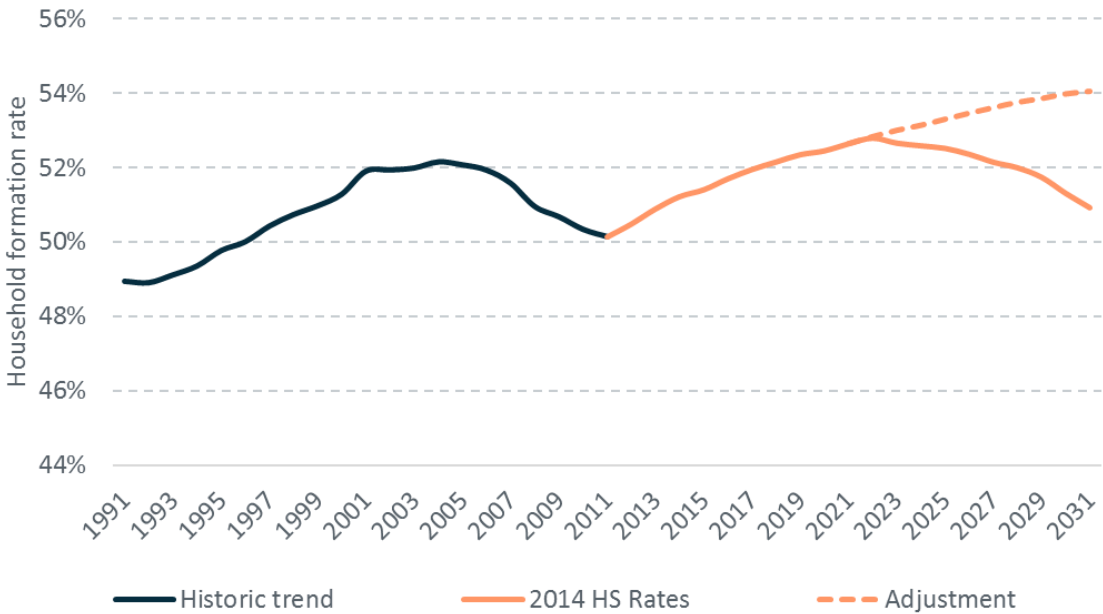
- 1.3 We agree that the 2014-based CLG household projections provide the most suitable starting point for establishing the OAN. This is stated clearly in PPG (Paragraph: 015 Reference ID: 2a-015-20140306). We also agree that the SHMA Addendum is correct to make an adjustment to account for long term trends in migration.
- 1.4 However we disagree with the decision not to make any adjustments to the 2014 household formation rates for younger people. CLG data shows household formation among 25 to 34 year

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olds fell during the late 2000s after a long period of increasing. There are a number of possible reasons for this, including a constrained housing supply, worsening affordability, tighter restrictions on credit and more challenging economic conditions during the economic downturn. The sharp drop off after 2006 does suggest that the recession played a major role.

1.5 Although the 2014-based household projections do assume a recovery in household formation rates, this only lasts until 2021 at which point it begins to decline. By 2031 (the end of Hartlepool Borough Council’s plan period), household formation is still forecast to be well below the level it was at in 2005. We believe a sensible adjustment would be to assume that household formation rates of 25 to 34-year olds continue on the upward trend they are on between 2011 and 2021 (see the dotted line in Figure 1.1). This would also be more consistent with longer term trends. We estimate this would result in an increase of around 320 dpa over the plan period (20 dpa), increasing the starting point to 230 dpa.

Figure 1.1 Past and Future Trends in Household Formation Rates for 25 to 34 year olds



Source CLG 2014 Household Projections

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?

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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?

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?

1.6 The data presented in Tables 3.1 and 3.2 of the 2016 SHMA Addendum suggest the case for a market signals uplift in Hartlepool is not as strong as other parts of the UK or the North East. The one indicator where there is a case for an adjustment is rates of past development, which have consistently been below the previous target set by the Council. The 2016 SHMA Addendum makes an adjustment for this by adding 700 dwellings to the OAN to take account of past under-delivery. This is equivalent to a 22% uplift to the demographic starting point, which we believe is reasonable and justified.

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

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?

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?

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?

1.7 The 2016 SHMA Addendum considers two sets of jobs growth assumptions, ranging from 1,600 to 4,640 jobs over the plan period (100 to 290 jobs per annum). We agree with the decision to base the OAN on the higher of these two figures, since it represents a positive and ambitious approach which aligns with the Tees Valley Combined Authority's aspirations for growth and to NPPF.

1.8 However, we fundamentally disagree with any suggestion that the Council has aligned its OAN with this level of growth. This is because of the assumption made about 70% of future jobs growth (3,250 jobs) being taken by existing residents, many of whom are likely to become

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economically inactive over the plan period. We believe there is no evidence to justify this assumption and that it is highly unrealistic.

- 1.9 Neither the 2016 SHMA Addendum nor the Housing and Employment Growth Paper (EX/HBC/24) provide any explanation of how this level of local job retention could be achieved. Given that the working age population of Hartlepool is forecast to decline by 3,400 people over the plan period, this could only come about through either:

1.0 economic activity rates increasing, for instance by more local residents choosing to delay retirement and stay in work longer, thus offsetting the fall in the working age population.

2.0 unemployment rates falling, so those local people who are not in work would access the jobs which are created.

- 1.10 Yet the Council's own Housing and Employment Growth Paper (EX/HBC/24) rules out both of these happening on the scale required to achieve a 70% local retention rate. For instance, Table 2.1 states that the OAN is based on economic activity rates increasing in line with the Office for Budget Responsibility (OBR) forecasts. These are based on reasonable assumptions about people staying in work longer, driven in part by changes to the state pension age. Even after allowing for these increases, we estimate the economically active population would fall by over 800 people and would therefore not be enough to offset the decline in the local workforce or support any future jobs growth.

- 1.11 Table 2.1 also states that the unemployment rate has been fixed at 9.7%, and makes a number of statements about future falls in unemployment being ambitious, including:

3.0 "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" – paragraph 2.6

4.0 "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" – paragraph 2.11

- 1.12 There is therefore a **major unexplained gap** in the Council's assumptions. If neither falling unemployment nor increasing economic activity explains how 70% of the jobs will be taken by local residents, then how could it come about? This is not considered or explained in any of the Council's evidence.

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- 1.13 We have carried out our own modelling of the fall in unemployment which would be required for local people to access 70% of future jobs growth, assuming economic activity rates increased in line with OBR forecasts. In doing so we have also made an allowance for replacement demand to take account of the fact that workers leaving the workforce due to retirement will need to be replaced¹.
- 1.14 According to ONS’s model based estimates, there were 4,100 unemployed residents in Hartlepool in March 2017. For 3,810 of the jobs to be taken by local residents, unemployment would need to fall to just 290 people by 2032 (4,100-3,810). The unemployment rate (the percentage of economically active people who are unemployed) would need to fall from its current level of 10.1% to 0.9%. To put this in to context, the unemployment rate has not fallen below 6% at any time since 2004 (the earliest date for which robust data is available). While we agree that there is likely to be a fall in unemployment we believe a fall of this magnitude is without precedent anywhere in the country and is therefore clearly unrealistic.
- 1.15 We also believe that the assumption that 15% of future jobs growth will be met from in-commuting is flawed, unjustified and inconsistent with neighbouring authorities’ housing evidence bases. This assumption is in direct conflict with the conclusion that Hartlepool forms its own housing market area. If this is the case, then the OAN should not rely on in-commuters from neighbouring areas (outside the HMA) to contribute towards meeting its need. It clearly raises duty-to-cooperate issues because it implies that Hartlepool would draw upon the labour supply of neighbouring areas, thereby potentially undermining their housing plans. The purpose of defining HMAs and undertaking collective assessments for these areas is precisely to deal with these sorts of issues.
- 1.16 Guidance issued by the Planning Advisory Service² (PAS) warns against making assumptions about changes in commuting unless this has been agreed with the neighbouring authorities that it affects: *“another risky approach is to plan for recalling commuters, so the ratio of workplace jobs to resident workers – and hence to population and number of dwellings – is assumed to*

¹ We have assumed 70% of the 800 workers who become economically inactive will need to be replaced by local workers (560 in total). This means Hartlepool would need 3,810 residents to meet the demand for labour over the plan period (3,250 through jobs growth plus 560 through replacement demand)

² Planning Advisory Service: Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015

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rise over the plan period. Like increasing activity rates, this assumption means that more jobs can be accommodated for a given number of dwellings, or a given number of jobs needs fewer dwellings. But the expected shift in commuting should be believable, and acceptable to the other local authorities affected by it. Strategies of recalling commuters should not be adopted unilaterally; they require cross-boundary agreement in line with the Duty to Cooperate". To our knowledge, the assumption has not been agreed with neighbouring authorities and it has certainly not been factored in to their OANs.

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?

- 1.17 The submitted plan for Hartlepool Borough Council is based on an OAN of 290 dpa. We do not believe there is a robust evidence base for this. We believe the evidence is based on unrealistic and unjustified assumptions about how Hartlepool employers will recruit the workforce they need for future growth. The scale of the economic adjustment is therefore insufficient to meet future jobs growth and fails to meet the requirements of PPG.
- 1.18 We believe the true OAN could be determined through a slight variant of scenario D1 and D2, in which the unemployment rate reduces over time to a level which is more consistent with where it was at in the mid-2000s (around 7%). Our high-level modelling suggests this would arrive at a jobs led housing requirement of around 400 dpa. This puts it between scenario D1 (530 dpa based on no fall in unemployment) and scenario D2 (240 dpa based on an extreme and implausible fall in unemployment).
- 1.19 After making a further adjustment for the historical backlog (47 dpa), this would take the OAN to **447 dpa**.

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?

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?

- 1.20 The 20% buffer to support delivery of affordable housing appears to be based on a judgement made by the authors of the 2016 SHMA Addendum rather than any specific evidence. However

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we agree with the authors where they state that there is no arithmetical way of combining the calculations for the OAN and affordable housing need in to a joined up assessment of overall housing need.

- 1.21 The 20% buffer is applied as a policy-on approach for the Council rather than being part of the full OAN. This is consistent with PPG which states “*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*” (029 Reference ID: 2a-029-20140306).
- 1.22 In this context, whilst we believe a 20% adjustment in the Local Plan is sound and would help the Council meet its affordable need as well as reducing the risk of under-delivery against the full OAN (due to delays in sites coming forward etc), the 20% would only be effective if it was applied to the gross housing target of 600 dpa, as highlighted below.

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

- 1.23 As stated above, we believe an appropriate OAN would be 447 dpa. It would then be necessary to make the same adjustments as the Local Plan to arrive at a gross housing target:

- *An additional 65 dwellings to replace demolished stock, taking the gross housing requirement to 512 dpa*
- *A 20% buffer (applied to the net housing target) equating to a further uplift of 89 dpa*

- 1.24 We therefore conclude that an appropriate gross housing target for the Local Plan would be **600 dpa**.

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?

- 1.25 Cecil M Yuill Ltd are of the view that there will be no negative (unsustainable) effects of the allocation of additional housing on land adjoining the western boundary of Hartlepool. Indeed, as has been highlighted in response a response to Matters 2, 7 and 8, the allocation of 450 dwellings on land at Quarry Farm 3 will accord, in full, with the 3 themes of sustainable development advocated by the NPPF.

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

1.26 Whilst reference is made in para 10.8 to the Council's housing provision requiring a 'minimum total of 6,135 dwellings', this should be stated explicitly in Policy HSG1: New Housing Provision in order to accord with the provisions of the NPPF and the need for plans to be positively prepared and boost significantly the supply of housing.