Opinion Research Services

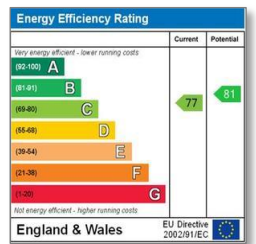*Excellent research for the public, voluntary and private sectors*

APPENDIX 1

Darlington Strategic Housing Market Assessment Update 2017

Report of Findings

October 2017

Opinion Research Services | Darlington Strategic Housing Market Assessment Update 2017 – Report of Findings   **October 2017**

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Introducing the Study
Background to the Project

Project Overview

1.1 Opinion Research Services (ORS) was commissioned by Darlington Borough Council in 2015 to undertake a Strategic Housing Market Assessment to establish the Objectively Assessed Need (OAN) for housing.

1.2 That study calculated an OAN of 446 dwellings per annum for Darlington over the period 2011-36. Since the time of that study, the Department of Communities and Local Government (CLG), have published new 2014 based household projections, two more years of mid-year population estimates have been released by the Office for National Statistics (ONS) and Darlington Council are proposing to move ahead with a plan from 2016-36, not 2011-36.

1.3 All of these changes have resulted in the need to update the OAN for Darlington. The aim of this study is to establish the OAN for housing for Darlington for the period 2016-36.

1.4 It is important to recognise that the information from this document should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. This document does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework. It should also be recognised that this document only seeks to update limited parts of the Darlington SHMA 2015 and therefore much of that document still remains as the most recent evidence based for Darlington.

2. Household Projections
The Starting Point for Objectively Assessed Need

Establishing the Housing Need for Darlington

2.1 Modelling future need and demand for housing requires a consideration of the future housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered. Further, it needs to be produced in a way that is consistent, strategic and robust.

Process for Establishing Objectively Assessed Need

2.2 The Objective Assessment of Need identifies the total amount of housing needed. This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).

2.3 The OAN is based on a wide range of information collated from many sources, including:

» Secondary data and official statistics from a wide range of local, regional and national sources; and

» Existing policy documents and supporting information published by the Local Authority and their partners.

2.4 The process for developing OAN is now a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to embed the need in the real world.
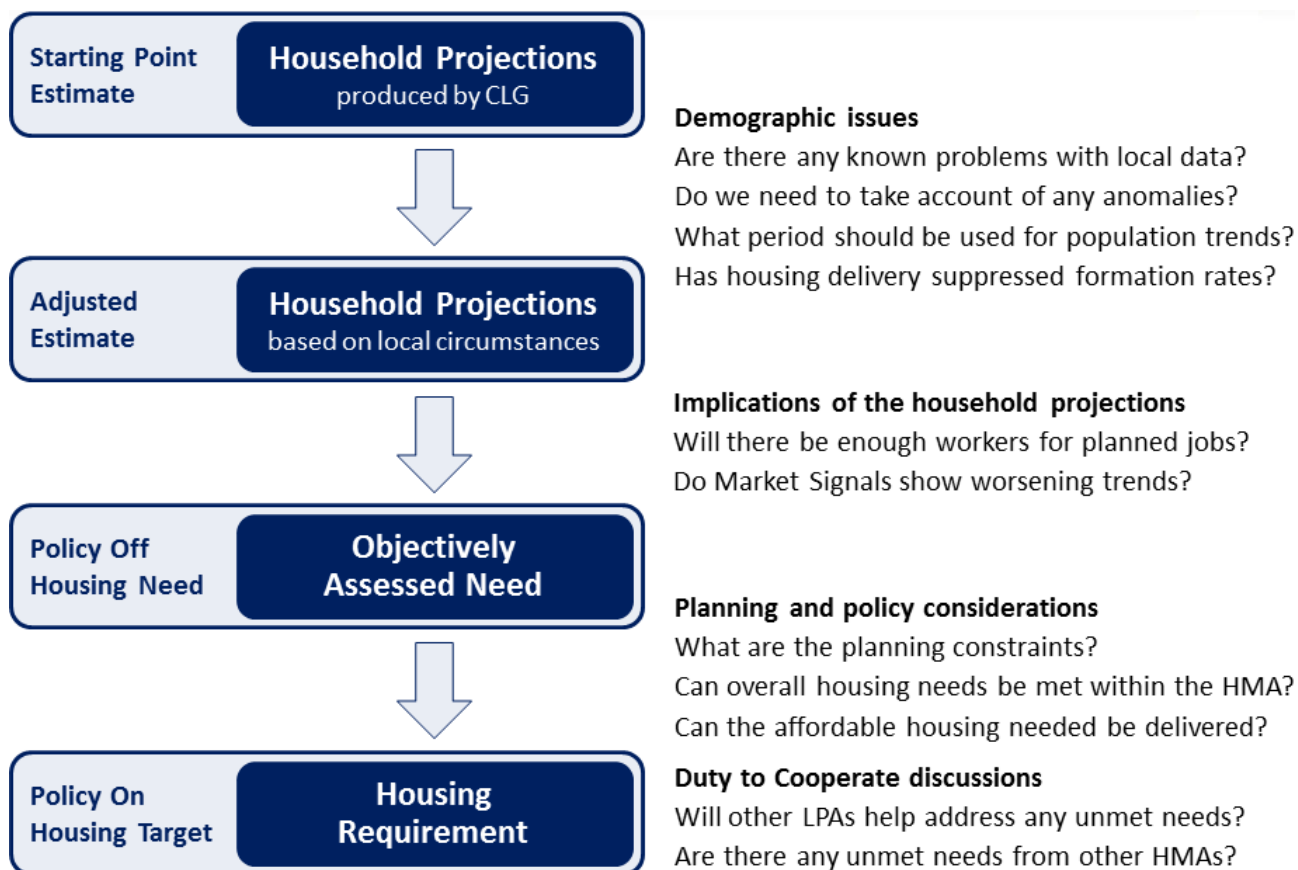
Official Population and Household Projections

2.5   Planning Practice Guidance places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections, but has yet to be updated to reflect the publication of the 2014-based Household Projections.

> *"Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*
>
> *The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics."*
>
> **Planning Practice Guidance 2014, paragraph 15**

> *"The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth."*
>
> **Planning Practice Guidance 2015, paragraph 16**

2.6   Given this context, Figure 2 sets out the 2014-based household projections together with previous household projections that CLG has produced for Darlington. It is clear that the projections have varied over time, with the projected increase in households in Darlington ranging from 150 up to 400 additional households each year. Each set of household projections will be influenced by a wide range

of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

Figure 2: **CLG Household Projections for Darlington (Source: CLG Household Projections)**

CLG Household Projections	10-year period			25-year period		
	Period	Total Change	Annual Average	Period	Total Change	Annual Average
2008-based	2008-18	4,000	400	2008-33	10,000	400
Interim 2011-based	2011-21	3,000	300	-	-	-
2012 based	2012-22	2,100	210	2012-37	4,500	180
2014 based	2014-24	1,700	170	2014-39	3,700	150

2.7 The CLG 2014-based household projections show an increase of 150 households each year over the 25-year period 2014-39, and a marginally higher rate (170 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede the 2012-based household projections (which projected a household growth of 180 per year from 2012-37). These differences are largely due to changes in the ONS population projections (Figure 3).

Figure 3: **ONS Mid-Year Estimates and Sub-National Population Projections for Darlington (Source: ONS)**
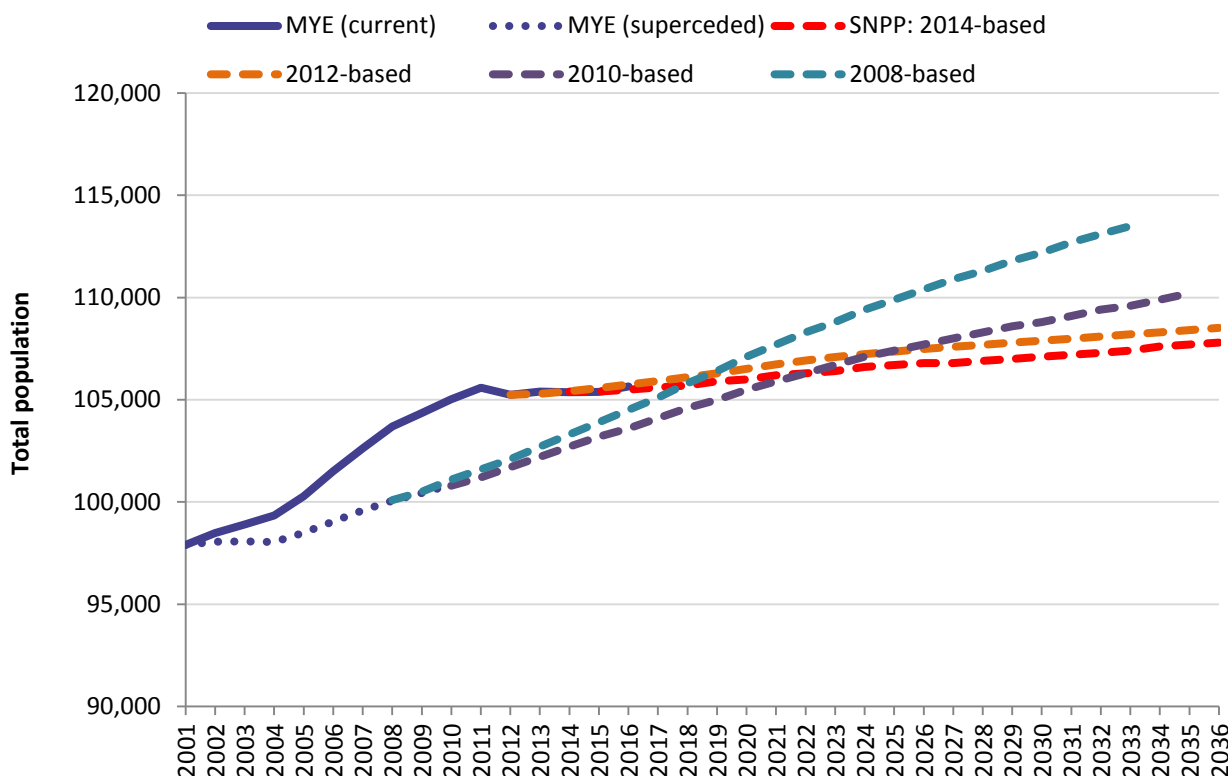
2.8 Figure 3 shows the outputs from the latest (2014-based) SNPP together with the previous projections that have informed the various CLG household projections (although note that CLG did not produce household projections based on the 2010-based SNPP). It is evident that both the 2014 and 2012-based projections follow a lower trajectory to the 2010-based projection, but from a higher baseline population which reflects the revisions to the Mid-Year Estimates following the 2011 Census.

2.9   Differences in the projected increase in population between the different projections are largely associated with the assumed migration rates, which are typically based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth.

Population and Household Projections based on Local Circumstances

2.10   Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *"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. Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates*
>
> *Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence."*
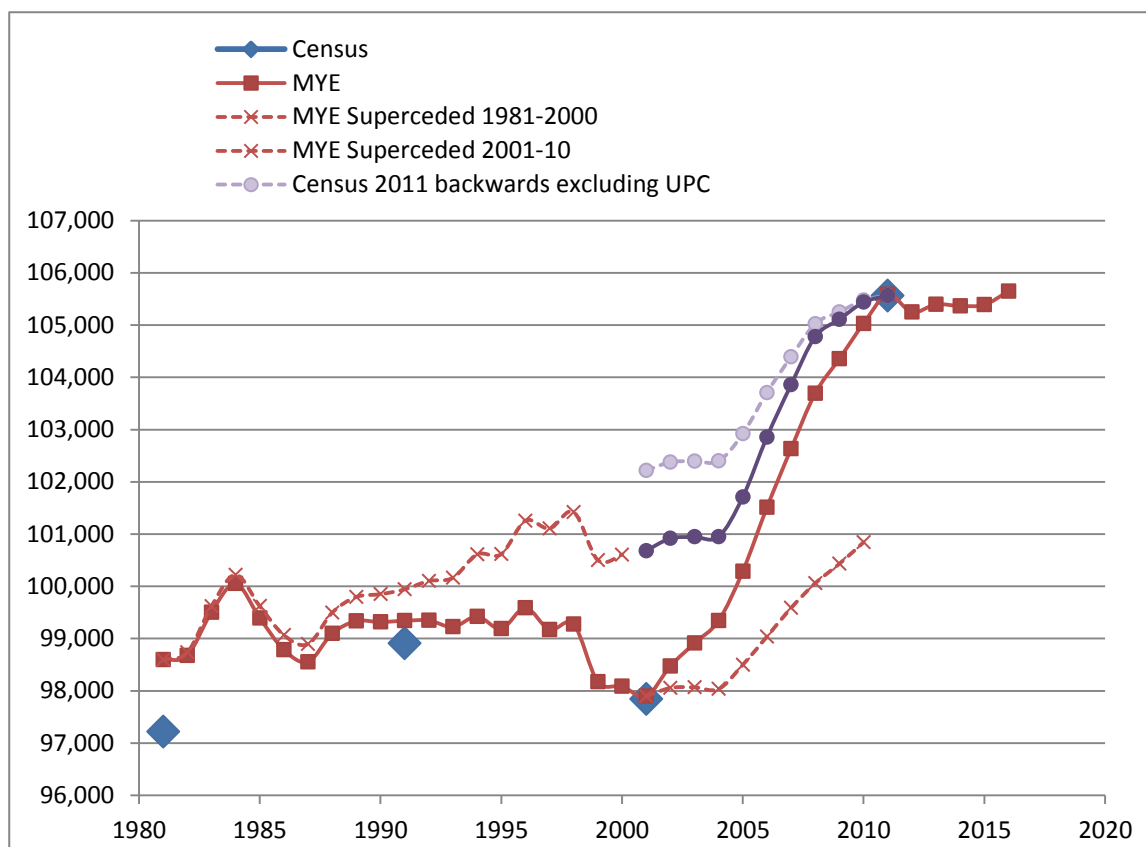>
> **Planning Practice Guidance 2014, paragraph 17**

2.11   Migration scenarios based on 5-year averages have the potential to roll-forward short-term trends that are unduly high or low, so they do not provide a robust basis for long-term planning. 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that are unlikely to be repeated. Therefore, on balance, we favour using 10-year migration trends as the basis for our analysis.

2.12   This document has therefore produced additional projections using a range of scenarios that have been derived as part of the analysis. It is important to recognise that no one scenario will provide a definitive assessment of the future population; but taken collectively the different scenarios can help determine the most likely range of projections.

Official Population Estimates

2.13   Figure 4 shows the current and historic mid-year population estimates and Census estimates for Darlington over the period since 1981. The data suggests that the local authority's population fell between 1991 and 2001, but then rose sharply between 2001 and 2011. ONS Mid-Year Estimates for the period 1991 to 2001 saw the population of Darlington as rising, while the 2001 Census indicated that it had fallen. Since 2001, the ONS Mid-Year Estimates assumed that growth had occurred at a lower rate (Figure 4), but the 2011 Census suggested that there were nearly 5,000 more people living in the local authority than had previously been estimated. The ONS therefore revised upwards the previous estimates to reflect the Census data, but the estimates since 2011 show almost no change in population over the period 2011-16 despite housing development continuing in Darlington and much higher past rates of growth.

2.14   A summary of the data from the last three Censuses is shown in Figure 5. This shows that:

   » Between 1991 and 2001, the Census shows a growth of 4,100 dwellings, but a loss of 1,100 people.

   » Between 2001 and 2011 the growth in dwellings was 4,500 and population growth was 7,700 people.

   » The growth in dwellings between 2001 and 2011 was higher than Council Tax records which show a rise of 4,013 dwellings in the same time period.

   » There was almost no change in vacant and second homes rates between the Censuses, so little of the changes can be ascribed to changes from the share of dwellings being occupied.

Figure 5: **Population and Household Numbers for Darlington in 1991, 2001 and 2011 (Source: UK Census of Population 1991, 2001, 2011)**

Census Year	Population	Dwellings	Vacant and Second Homes Percentage
1991	98,906	40,222	4.6%
2001	97,839	44,310	4.4%
2011	105,564	48,761	4.2%

2.15   There also appear to be significant issues with the ONS data for Darlington since 2011. Net population change between 2011 and 2016 from the MYE has seen the population of Darlington rise by only 60 people. This is in sharp contrast to an average annual rise between the 2001 and 2011 Census of around 770. Even allowing for under-enumeration in the 2001 Census, using 1991 Census information

indicates that the population of Darlington grew by an annual average of around 330 people per annum between 1991 and 2011.

2.16 Alongside the Mid-Year Estimates published in mid-2016, the ONS published a quality assurance pack which provided a range of comparative data from administrative sources. Whilst this administrative data does not provide a direct estimate of population, they provide a useful triangulation point. Figure 6 shows the mid-2011 and mid-2016 population estimates together with the administrative data for the same years across the relevant age cohorts.

2.17 In summary, over the 5-year period:

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

» The mid-year estimates suggest an increase of 230 children aged 5-14, while there has been an increase of 567 on the school census; and

» The mid-year estimates suggest an increase of 2,300 people aged 65+, while there has been an increase of 2,380 people receiving state pension (not all persons over 65 years claim the state pension).

Figure 6: **Mid-Year Population Estimates and Administrative Data 2011 and 2016 for Darlington (Source: ONS, Department for Education)**

Age	Mid-Year Estimate		Patient Register		School Census		State pensions	
	2011	2016	2011	2016	2011	2016	2011	2016
Aged 0 – 4	6,570	6,340	6,470	6,230				
Aged 5 – 9	6,150	6,440	6,140	6,590	5,876	6,470		
Aged 10 – 14	6,190	6,130	6,170	6,280	6,031	6,004		
Aged 15 – 19	6,440	5,870	6,510	5,970				
Aged 20 – 24	6,030	5,430	6,360	5,990				
Aged 25 – 29	6,540	6,370	6,660	6,900				
Aged 30 – 34	6,430	6,330	6,650	6,900				
Aged 35 – 39	6,740	6,450	7,000	6,900				
Aged 40 – 44	7,630	6,660	7,980	7,080				
Aged 45 – 49	8,040	7,620	8,290	8,130				
Aged 50 – 54	7,270	7,960	7,550	8,300				
Aged 55 – 59	6,330	7,090	6,580	7,400				
Aged 60 – 64	6,670	6,100	6,840	6,340				
Aged 65 – 69	5,290	6,330	5,200	6,510			5,160	6,300
Aged 70 – 74	4,480	4,880	4,500	4,880			4,350	4,860
Aged 75 – 79	3,580	3,950	3,490	3,900			3,530	3,820
Aged 80 – 84	2,620	2,930	2,660	2,850			2,590	2,850
Aged 85+	2,590	2,770	2,520	2,710			2,570	2,750
TOTAL	105,590	105,650	107,570	109,860	11,907	12,474	18,200	20,580
Increase 2011-16		+60		+2,290		+567		+2,380
MYE Total for same age cohorts	105,590	105,650	105,590	105,650	12,340	12,570	18,560	20,860
Increase 2011-16	+60		+60		+230		+2,300	

2.18 It is evident that the administrative data sources that ONS identified for validating the population estimates suggest that the population is increasing in Darlington while the MYE is effectively unchanged from 2011-16. It therefore isn't appropriate to adopt this data uncritically.

2.19 It is important to recognise that there has been no change in the ONS methodology for establishing the MYE since the mid-2011 estimates were produced – so any systematic error that existed at that time will continue to impact on more recent estimates, and therefore cannot be ignored. Whilst the ONS will not have a robust basis for correcting this data until the results of the 2021 Census are available (and therefore no correction can yet be made).

2.20 The administrative data clearly justifies the continued need for an adjustment with the evidence being that there has been very little change in the growth rate of the population post 2011 than there was before 2011. Given the evidence that the population of Darlington has continued rising after 2011 at a faster rate than show by MYE data, this indicates that SNPP 2014 based will be under-estimating trend growth rates and that, when published in 2018, SNPP 2016 based are likely to be an even larger under-estimate of projected population growth and could show negative projected population growth.

2.21 This leads to a set of conclusions which make deriving population and household projections for Darlington extremely difficult:

» 2014 based SNPP and current MYE identify that the population growth which occurred between 2001 and 2011 has now stopped and that the population of Darlington has only grown by 60 persons since 2011. This is very unlikely and imply that any projections based on data produced since 2011 are likely to be under-estimating the projected population growth.

» The population and household growth figures from 1991 to 2001 and then from 2001 to 2011 are both unlikely to be correct. Instead, the indications are that, along with many other areas such as Luton and Southend on Sea, the 2001 Census under-estimated the number of households and population of Darlington. This would imply that using data trended between the official 2001 and 2011 Census figures would over-estimated the projected growth in population.

2.22 The most common approach adopted by ORS, in producing population projections, bases migration data on the observable patterns between a 10 year period such as the 2006 and 2016 MYE. However, if there is a problem with the population data in either 2006 or 2016 then this process is more difficult. In this case, the likely underestimate population in 2016 would see the population projections use too low a growth rate in migration. We cannot revert back to official ONS estimates such as the 2014 based SNPP or use mid-year estimate data for Darlington because these appear to be flawed. Therefore, we have chosen to derive three new models for Darlington based upon a range of scenarios. These are:

» Using the official population and migration estimates from the 1991 and 2011 Censuses to derive 20 year trends and projecting these forward.

» Using a model which rebases the 2001 Census and then uses MYE without UPC and the Patient Register to derive growth to 2016.

» Using a model to re-estimate the population of Darlington based upon average household sizes changing steadily over time. This model therefore rebases the 2001 Census population, assumes that the 2011 Census is correct and assumes that changes in household six have been consistent over time until 2016.

2.23   Figure 7 shows that modelled population for Darlington based upon the three scenarios set out above. They all show much more stable and steady population growth between 2006 and 2016, in contrast to the MYE data for Darlington which shows very erratic growth.

Figure 7:   Estimated Population Trends for Darlington 2006-16 Based upon a Range of Models (Source: ONS, Department for Education)
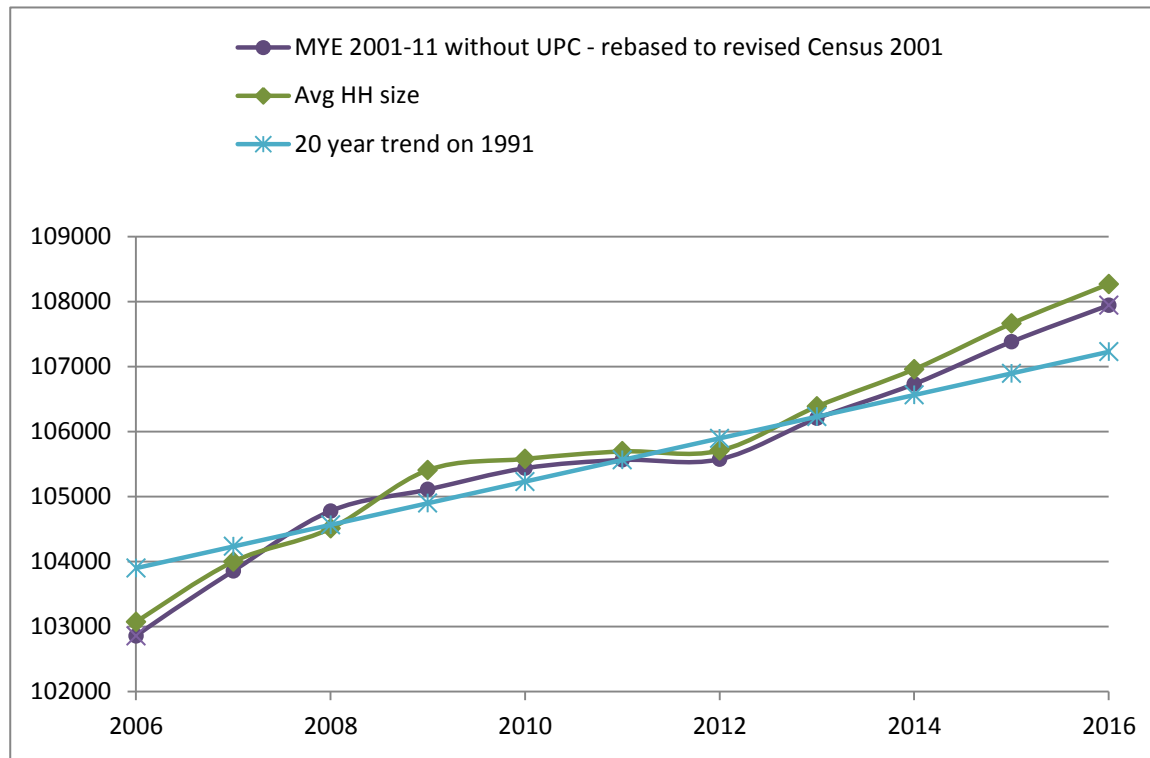
Components of Population Change

2.24   Changes in the population can be broadly classified into two categories: natural change in the population (in terms of births and deaths) and changes due to migration, both in terms of international migration and also moves within the UK. In addition to these changes, the ONS Mid-Year Estimates include adjustments for other changes, the largest of which is often "Unattributable Population Change". This is an accountancy adjustment that enables the final population estimate to be constrained to external data sources which are normally more reliable, such as the Census.

Figure 8:   Components of population change (Source: ONS Mid-Year Population Estimates, revised)
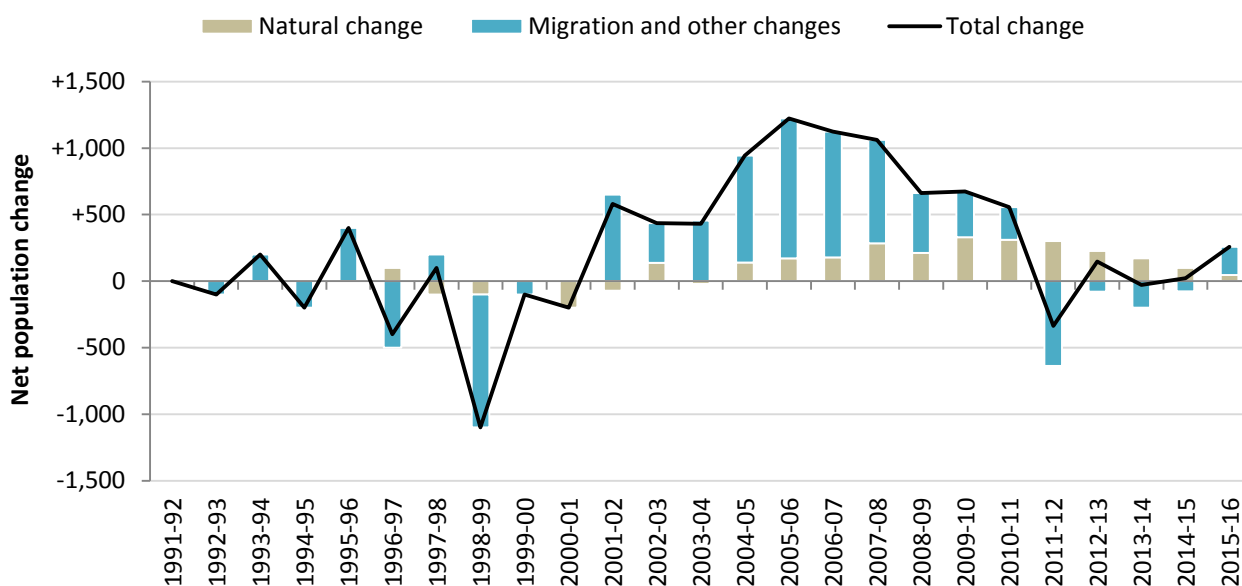
2.25   It is evident from Figure 8 that natural change remained relatively consistent over the period 1991-2004, averaging a loss of 20 persons each year. Nevertheless, it is worth noting that rates over the period 2004-2014 were consistently higher with an average increase of 230 persons each year; with a higher number of births and fewer deaths recorded. Rates since 2014 have been reducing. Migration and other changes vary much more – ranging from a net loss of 1,000 persons recorded for 1998-99 up to a net gain of more than 1,000 persons recorded for 2005-06; with an annual average loss of 100 persons each year over the period 1991-2001 and a gain of 600 persons per annum in the period 2001-2011 due to migration and other changes based on ONS Mid-Year Population Estimates. However, we would stress that these figures should be treated with caution and also that the migration data for 2011-12 in particular appears to be highly implausible given the figures from previous years.

2.26   Whilst it is relatively straightforward to measure natural population change, it is much more difficult to measure migration. Furthermore, the number of migrants can vary substantially from year to year; and relatively small changes in gross flows can have a significant impact on overall net migration, and it is recognised that the impact of international migration has been particularly difficult to measure; and although current estimates have been improved, some historic data can be unreliable.

2.27 Figure 9 presents the underlying data from the components of annual population change over the period 1991 to 2016.

Figure 9: **Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Population Estimates, revised. Note: "Other Changes" includes adjustments for prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)**

p	Births	Deaths	Natural Change	UK Migration		International Migration		Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out			
1991-92	1,400	1,400	**0**	-	-	-	-	-	**0**	0
1992-93	1,300	1,300	**0**	-	-	-	-	-	**-100**	-100
1993-94	1,300	1,400	**0**	-	-	-	-	-	**+200**	+200
1994-95	1,200	1,200	**0**	-	-	-	-	-	**-200**	-200
1995-96	1,200	1,200	**0**	-	-	-	-	-	**+400**	+400
1996-97	1,300	1,200	**+100**	-	-	-	-	-	**-500**	-400
1997-98	1,100	1,200	**-100**	-	-	-	-	-	**+200**	+100
1998-99	1,200	1,300	**-100**	-	-	-	-	-	**-1,000**	-1,100
1999-00	1,200	1,200	**0**	-	-	-	-	-	**-100**	-100
2000-01	1,000	1,200	**-200**	-	-	-	-	-	**0**	-200
2001-02	1,102	1,173	**-71**	3,815	3,521	209	252	+400	**+651**	+580
2002-03	1,185	1,048	**+137**	3,653	3,657	206	305	+403	**+300**	+437
2003-04	1,175	1,197	**-22**	3,767	3,683	219	296	+447	**+454**	+432
2004-05	1,249	1,110	**+139**	3,618	3,449	389	173	+420	**+805**	+944
2005-06	1,273	1,102	**+171**	3,740	3,424	583	289	+441	**+1,051**	+1,222
2006-07	1,236	1,057	**+179**	3,834	3,672	543	185	+424	**+944**	+1,123
2007-08	1,332	1,048	**+284**	3,862	3,743	606	369	+422	**+778**	+1,062
2008-09	1,328	1,115	**+213**	3,645	3,708	501	402	+412	**+448**	+661
2009-10	1,345	1,014	**+331**	3,474	3,528	324	386	+458	**+342**	+673
2010-11	1,317	1,006	**+311**	3,484	3,708	326	319	+462	**+245**	+556
2011-12	1,337	1,036	**+301**	3,565	3,943	252	559	+48	**-637**	-336
2012-13	1,304	1,078	**+226**	3,627	3,653	238	309	+19	**-78**	+148
2013-14	1,225	1,054	**+171**	3,780	3,758	275	523	+26	**-200**	-29
2014-15	1,234	1,135	**+99**	3,743	3,779	347	407	+19	**-77**	+22
2015-16	1,198	1,152	**+46**	3,712	3,652	342	252	+61	**+211**	+257

Establishing Population Projections for Darlington

2.28 In establishing future population projections, it is important to recognise the importance of migration and other changes; in particular the way in which the numbers can vary significantly from year-to-year as previously noted. These differences are partly due to changes in the underlying trends, but can also be associated with uncertainties in measuring the flows.

2.29 For this reason, when preparing population projections we consider migration trends averaged over longer periods of time. The appropriate period will vary depending on the purpose of the projection – but longer-term projections typically benefit from longer-term trends. Therefore, we have developed scenarios based on three migration periods: a 10-year period based on ONS unadjusted MYE data 2001-2011 and patient register data, a 20 year model based on 1991-2011 Census information and a 10 year model based upon changes to average household sizes. The scenarios take ONS MYE or

Census data and adjust the figures to consider higher and lower levels of migration. This is a standard demographic technique.

2.30 Having established this range of different scenarios, we have derived population projections based on the different migration rates. Figure 10 shows the overall population projections for the migration trend-based scenarios over the period 2016-36. The projections range from 117,500 to 120,400 persons, which represent 20-year increases of 9,500 persons and 12,400 persons respectively.

2.31 Clearly the models based upon average household sizes and 10 year migration trends generate almost identical outcomes. As our central trend model we have chosen to focus on the 10 year migration trend model to maintain consistency with the approach we have adopted across the country.

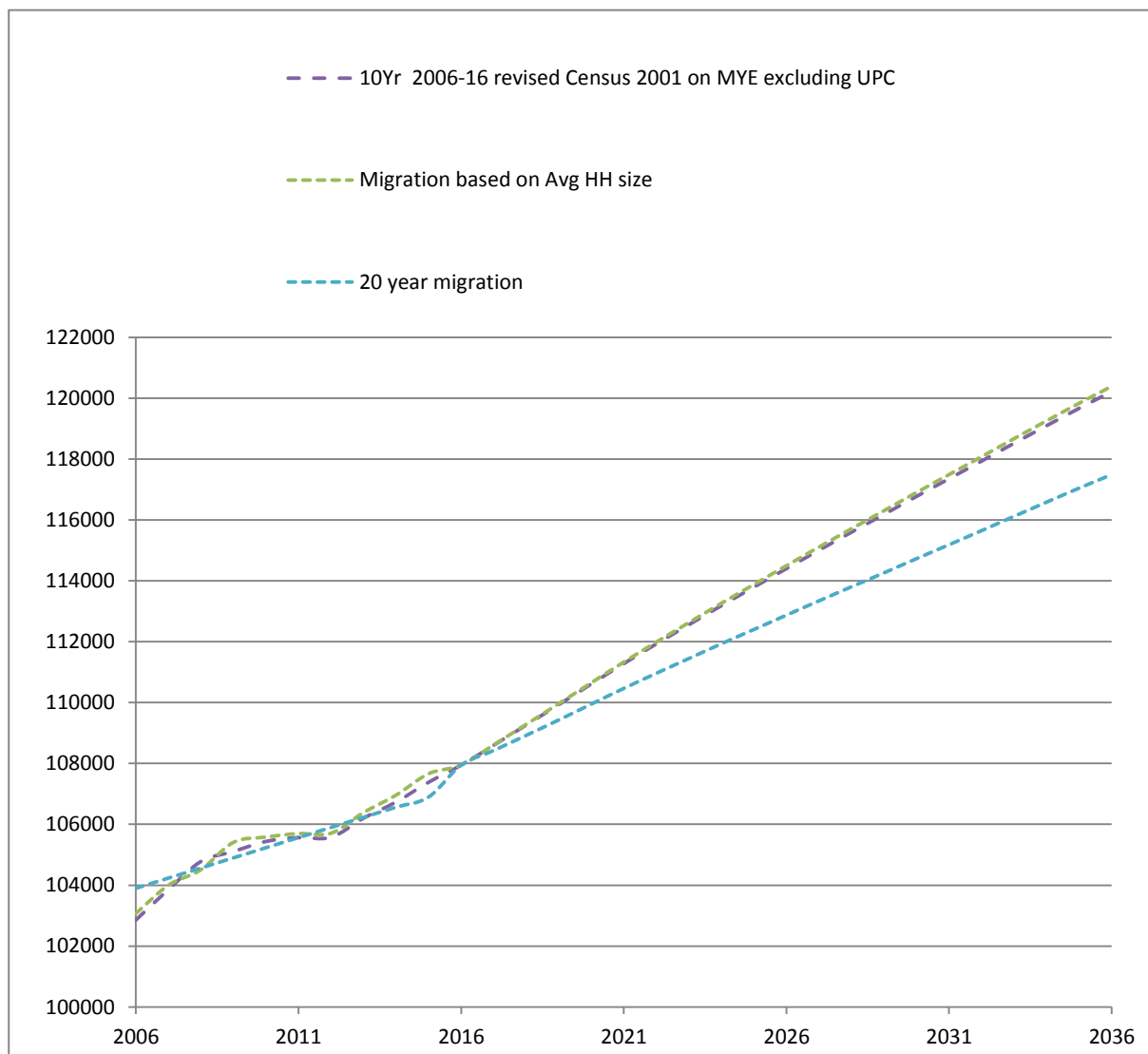**Figure 10: Population projection based on migration trends**

Figure 11: Population projections 2016-36 by gender and 5-year age cohort based on Alternative Trend Migration Scenarios (Note: All figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)

Age	2016			2036 10-years 2006-2016 Avg Household size			2036 20-years 1991-2011			2036 Unadjusted MYE rebased and adj 2016 pop		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	3,280	3,070	**6,350**	3,432	3,311	**6,743**	3,201	3,317	**6,517**	3,425	3,305	**6,729**
Aged 5-9	3,390	3,312	**6,701**	3,443	3,325	**6,768**	3,217	3,332	**6,549**	3,437	3,318	**6,755**
Aged 10-14	3,242	2,970	**6,213**	3,465	3,366	**6,831**	3,268	3,364	**6,632**	3,459	3,360	**6,819**
Aged 15-19	3,001	3,021	**6,022**	3,321	3,221	**6,541**	3,138	3,237	**6,374**	3,316	3,216	**6,531**
Aged 20-24	2,937	2,959	**5,896**	3,004	3,117	**6,121**	3,020	2,916	**5,937**	2,999	3,111	**6,110**
Aged 25-29	3,157	3,431	**6,588**	3,581	3,711	**7,292**	3,587	3,471	**7,057**	3,574	3,703	**7,278**
Aged 30-34	3,360	3,483	**6,844**	3,409	3,405	**6,815**	3,284	3,296	**6,580**	3,403	3,398	**6,801**
Aged 35-39	3,327	3,342	**6,669**	3,519	3,532	**7,051**	3,405	3,398	**6,803**	3,512	3,525	**7,037**
Aged 40-44	3,361	3,562	**6,924**	3,758	3,770	**7,527**	3,650	3,637	**7,288**	3,751	3,763	**7,513**
Aged 45-49	3,837	3,946	**7,784**	3,613	3,758	**7,371**	3,662	3,510	**7,172**	3,607	3,753	**7,359**
Aged 50-54	3,979	4,026	**8,004**	3,440	3,637	**7,077**	3,561	3,356	**6,917**	3,435	3,633	**7,068**
Aged 55-59	3,433	3,682	**7,116**	3,214	3,409	**6,624**	3,350	3,147	**6,497**	3,210	3,406	**6,616**
Aged 60-64	3,029	3,050	**6,079**	3,180	3,482	**6,662**	3,429	3,124	**6,553**	3,177	3,478	**6,655**
Aged 65-69	3,081	3,282	**6,363**	3,518	3,796	**7,313**	3,744	3,464	**7,209**	3,515	3,793	**7,307**
Aged 70-74	2,385	2,500	**4,885**	3,435	3,728	**7,163**	3,685	3,391	**7,076**	3,432	3,725	**7,157**
Aged 75-79	1,770	2,140	**3,910**	2,744	3,165	**5,909**	3,133	2,714	**5,847**	2,742	3,163	**5,905**
Aged 80-84	1,238	1,643	**2,881**	2,028	2,392	**4,420**	2,370	2,009	**4,379**	2,027	2,391	**4,418**
Aged 85+	953	1,766	**2,719**	2,637	3,525	**6,162**	3,488	2,614	**6,102**	2,636	3,523	**6,158**
Total	**52,761**	**55,185**	**107,945**	**58,742**	**61,649**	**120,390**	**60,192**	**57,297**	**117,489**	**58,655**	**61,562**	**120,217**

Projecting Future Economic Activity for Darlington

2.32 Forecasting future economic activity rates is a challenge: the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. However, the performance of the labour market in future years (and especially the impact of changing employment patterns) is an important factor which affects demand for housing.

2.33 The results of this calculation are shown in Figure 12 which shows the estimated economic activity rates for 2016 and the projected rates for 2036 based on Census data for Darlington and the Office of Budget Responsibility (OBR) labour market participation projections.

Figure 12: Economic activity rates in 2016 and 2036 by age and gender based on OBR Labour Market Participation Projections
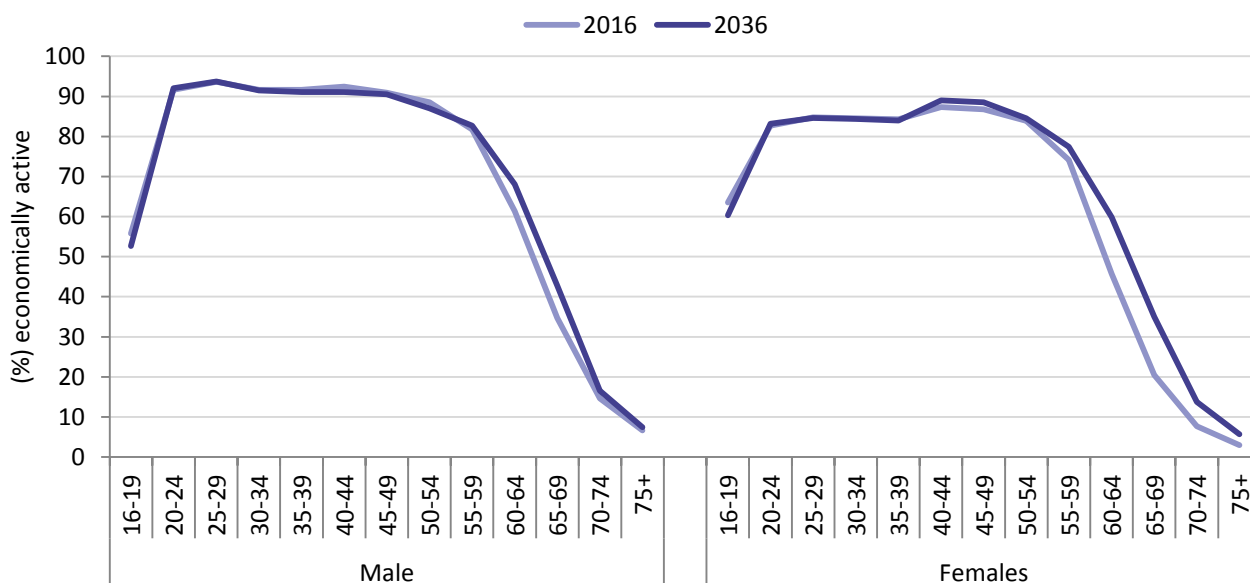
2.34 Participation rates for men under 60 are not projected to change, except for a very small decline in activity by those aged 16-19. There is increased participation projected for men aged 60 and over, but these changes are relatively marginal.

2.35 Participation rates for women are projected to change due to cohort effects. The rates for those aged under 35 are relatively stable (as there is no increased participation assumed for women born after the 1980s), but there are increased participation rates projected for all older age groups. Figure 13 shows the estimated economically active population for Darlington in 2016 and the projected economically active population in 2036 based on the range of Unadjusted MYE rebased population projections previously produced.

Figure 13: Projected economically active population 2016-36 (Note: All figures presented unrounded for transparency)

Age	2036 Unadjusted MYE rebased and adj 2016 pop		
	M	F	Total
Aged 16-19	1,379	1,529	2,909
Aged 20-24	2,761	2,588	5,349
Aged 25-29	3,349	3,135	6,484
Aged 30-34	3,112	2,867	5,979
Aged 35-39	3,199	2,960	6,159
Aged 40-44	3,418	3,351	6,768
Aged 45-49	3,264	3,322	6,586
Aged 50-54	2,989	3,070	6,059
Aged 55-59	2,656	2,636	5,292
Aged 60-64	2,164	2,081	4,245
Aged 65-69	1501	1327	2,828
Aged 70-74	569	511	1,080
Aged 75+	552	519	1,071
Total	**30,912**	**29,897**	**60,809**
Total Change 2016-2036	**+1,301**	**+2,181**	**+3,482**

2.36 The economically active population is likely to increase by 3,500 persons over the 20-year period 2016-36. This is a rounded figure.

Establishing Household Projections for Darlington

Household Population and Communal Establishment Population

2.37 Prior to considering household projections, it is necessary to identify the household population and separate out the population assumed to be living in Communal Establishments.

2.38 The 2011 Census identified 1,458 persons living in Communal Establishments in the Darlington area. This is broadly consistent with the 1,470 persons identified by the CLG 2012-based household projections. Consistent with the CLG approach, the projections assume that the number of people aged under 75 living in Communal Establishments will remain constant over the projection period; however, it is the proportion of people aged 75 or over that is held constant by gender for each relationship status.

2.39 Figure 14 shows the breakdown between the household population and the population living in Communal Establishments for each of the three scenarios.

Figure 14: **Population projections 2016-36 by gender and 5-year age cohort based on High-, Mid- and Low-Trend Migration scenarios (Note: Communal Establishment population held constant for population aged under 75 (light blue cells), and held proportionately constant for each relationship status for population aged 75 or over (orange cells))**

Age	2016			2036 10-years 2006-2016 Avg Household size			2036 20-years migration 1991-2011			2036 Unadjusted MYE rebased and adj 2016 pop		
	HH	CE	Total	HH	CE	Total	HH	CE	Total	HH	CE	Total
Aged 0-4	6,342	8	**6,350**	6,735	8	**6,743**	6,509	8	**6,517**	6,721	8	**6,729**
Aged 5-9	6,693	8	**6,701**	6,760	8	**6,768**	6,541	8	**6,549**	6,747	8	**6,755**
Aged 10-14	6,189	24	**6,213**	6,807	24	**6,831**	6,608	24	**6,632**	6,795	24	**6,819**
Aged 15-19	5,954	68	**6,022**	6,473	68	**6,541**	6,306	68	**6,374**	6,463	68	**6,531**
Aged 20-24	5,857	39	**5,896**	6,082	39	**6,121**	5,898	39	**5,937**	6,071	39	**6,110**
Aged 25-29	6,544	44	**6,588**	7,248	44	**7,292**	7,013	44	**7,057**	7,234	44	**7,278**
Aged 30-34	6,792	52	**6,844**	6,763	52	**6,815**	6,528	52	**6,580**	6,749	52	**6,801**
Aged 35-39	6,630	39	**6,669**	7,012	39	**7,051**	6,764	39	**6,803**	6,998	39	**7,037**
Aged 40-44	6,883	41	**6,924**	7,486	41	**7,527**	7,247	41	**7,288**	7,472	41	**7,513**
Aged 45-49	7,740	44	**7,784**	7,327	44	**7,371**	7,128	44	**7,172**	7,315	44	**7,359**
Aged 50-54	7,959	45	**8,004**	7,032	45	**7,077**	6,872	45	**6,917**	7,023	45	**7,068**
Aged 55-59	7,088	28	**7,116**	6,596	28	**6,624**	6,469	28	**6,497**	6,588	28	**6,616**
Aged 60-64	6,034	45	**6,079**	6,617	45	**6,662**	6,508	45	**6,553**	6,610	45	**6,655**
Aged 65-69	6,318	45	**6,363**	7,268	45	**7,313**	7,164	45	**7,209**	7,262	45	**7,307**
Aged 70-74	4,811	74	**4,885**	7,089	74	**7,163**	7,002	74	**7,076**	7,083	74	**7,157**
Aged 75-79	3,786	124	**3,910**	5,697	212	**5,909**	5,638	210	**5,847**	5,693	212	**5,905**
Aged 80-84	2,696	184	**2,881**	4,147	273	**4,420**	4,109	270	**4,379**	4,145	273	**4,418**
Aged 85+	2,155	564	**2,719**	5,002	1,160	**6,162**	4,954	1,148	**6,102**	4,999	1,159	**6,158**
Total	**106,469**	**1,476**	**107,945**	**118,142**	**2,249**	**120,390**	**115,257**	**2,232**	**117,489**	**117,969**	**2,248**	**120,217**

Class C2 Usage

2.40   It is important to recognise the growth of population aged 75 or over living in communal establishments when considering the OAN for housing. Planning Practice Guidance for Housing and Economic Land Availability Assessment Paragraph: 037 states the following in relation to calculating land supply:

> *"How should local planning authorities deal with housing for older people?*
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan."*
>
> **Planning Practice Guidance for Housing and Economic Land Availability Assessment 2014, paragraph 37**

2.41   Households needing Class C2 usage would be considered as part of the communal establishment population and therefore any people living in this type of accommodation would not be included in the household projections. Given that the projections identify a growth of around 772 persons aged over 75 years living in communal housing over the 20-year period 2016-36 (based on migration trends 2006-16), this represents an increased need for Class C2 usage dwellings as each person would require a bedspace.

2.42   On this basis, for the Council to count the supply of additional C2 bedspaces towards their overall housing delivery, it is also necessary to count this increase in communal establishment population aged 75 or over as an additional component within the assessed OAN.

Household Representative Rates

2.43   Household Representative Rates (HRRs) are a demographic tool used to convert population into households and are based on those members of the population who can be classed as "household representatives" or "heads of household". The HRRs used are key to the establishment of the number of households and, further, the number of households is key to the number of homes needed in future.

2.44   The proportion of people in any age cohort who will be household representatives vary between people of different ages, and the rates also vary over time. HRRs are published as part of the household projections produced by CLG. The 2011 Census identified that the CLG 2008-based household projections had significantly overestimated the number of projected households. Nevertheless, this had been anticipated and the methodology report published to accompany the 2008-based projections acknowledged (page 10):

> *"Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census … this can only be truly assessed once the 2011 Census results are available."*

2.45   The CLG 2012 based household projections technical document confirmed the findings (page 24):

> *"At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the*

Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census."

2.46   Prior to the publication of CLG 2012-based household projections, Inspectors had been keen to avoid perpetuating any possible "recessionary impact" associated with the lower formation rates suggested by the interim data. Nevertheless, the interim 2011-based household projections were prepared before the necessary Census data was available and it has become evident that some of the historic household representative rates were estimated inaccurately. The 2012-based household projections published in February 2015 incorporated far more data from the 2011 Census which has now been incorporated into the 2014-based household projections, which provide data for the 25-year period 2014-39 based on long-term demographic trends. The household representative projections use a combination of two fitted trends through the available Census points (1971, 1981, 1991, 2001 and 2011).

2.47   Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) considered the CLG household projections in an article published in Town and Country Planning (December 2014):

"Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011."

2.48   It is possible to understand the impact of the new household representative rates through applying the 2012-based rates and the 2008-based and interim 2011-based rates to the same population. Using the household population data in the 2012-based projections for the 10-year period 2011-2021 (the only years where household representative rates are available from all three projections), the 2012-based rates show an annual average growth of 218,600 households across England. This compares to 241,600 households using the 2008-based rates and 204,600 households using the interim 2011-based rates. Therefore, the 2012-based rates yield household growth that is 7% higher than the interim 2011-based rates and only 10% lower than the 2008-based rates. At a local level, a third of local authorities have 2012-based rates that are closer to 2008-based rates than the interim 2011-based rates.

2.49   The 2014-based household projections supersede the 2012-based projections (which in turn superseded both the 2008-based projections and the interim 2011-based projections). The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reasons that we also consider market signals when determining the OAN for housing.

Household Projections

2.50   We then considered the projected number of additional households based on CLG 2014-based household representative rates.

2.51   The projected increase in households across the various scenarios is summarised in Figure 15.

Figure 15: Projected households and dwellings over the 20-year period 2016-36 based on alternative population estimates and headship rates (Note: Dwelling numbers all assume 4.2% vacancy and second home rate)

Scenario	2014 Headship Rates	
	Household change	Dwellings
20-year change 2016-36		
2014-based Sub-National Population Projections	3,058	3,192
10-years 2006-2016 Avg Household size	7,422	7,747
20-years 1991-2011	6,227	6,500
Unadjusted MYE rebased and adj 2016 pop	7,350	7,673
Annual average change		
2014-based Sub-National Population Projections	153	160
10-years 2006-2016 Avg Household size	371	387
20-years 1991-2011	311	325
Unadjusted MYE rebased and adj 2016 pop	**368**	**384**

Conclusions

2.52   It is evident from the data that the principal projections (based on unadjusted MYE population and migration in Figure 15) suggests an increase in household numbers which is higher than the 2014-based SNPP (160 households), mainly due to a higher projected increase in population. The 2014-based SNPP suggests an increase of 2,300 people over the 20-year period 2016-36, whereas our principal projection identifies notably higher increases over the same period of 12,300 persons (Figure 11).

2.53   On this basis, it is therefore appropriate to increase the housing need estimate from the CLG starting point to a figure of 368 households, or 384 dwelling per annum including a 4.2% vacancy and second home rate. The figure is consistent with past delivery in the area and it is the CLG 2014 based household projections which are dramatically out of line with past evidence for Darlington.

3. Objectively Assessed Need
Analysing the Evidence to Establish Overall Housing Need

3.1 The primary objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area over future plan periods. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered before establishing the final Housing Requirement.

"The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."

Planning Practice Guidance (PPG), paragraph 4

3.2 Figure 16 sets out the process for establishing OAN. It starts with a demographic process to derive housing need from a consideration of population and household projections, as set out in Chapter 2 of this report. To this, external market and macro-economic constraints are applied ('market signals'), in order to embed the need in the real world.
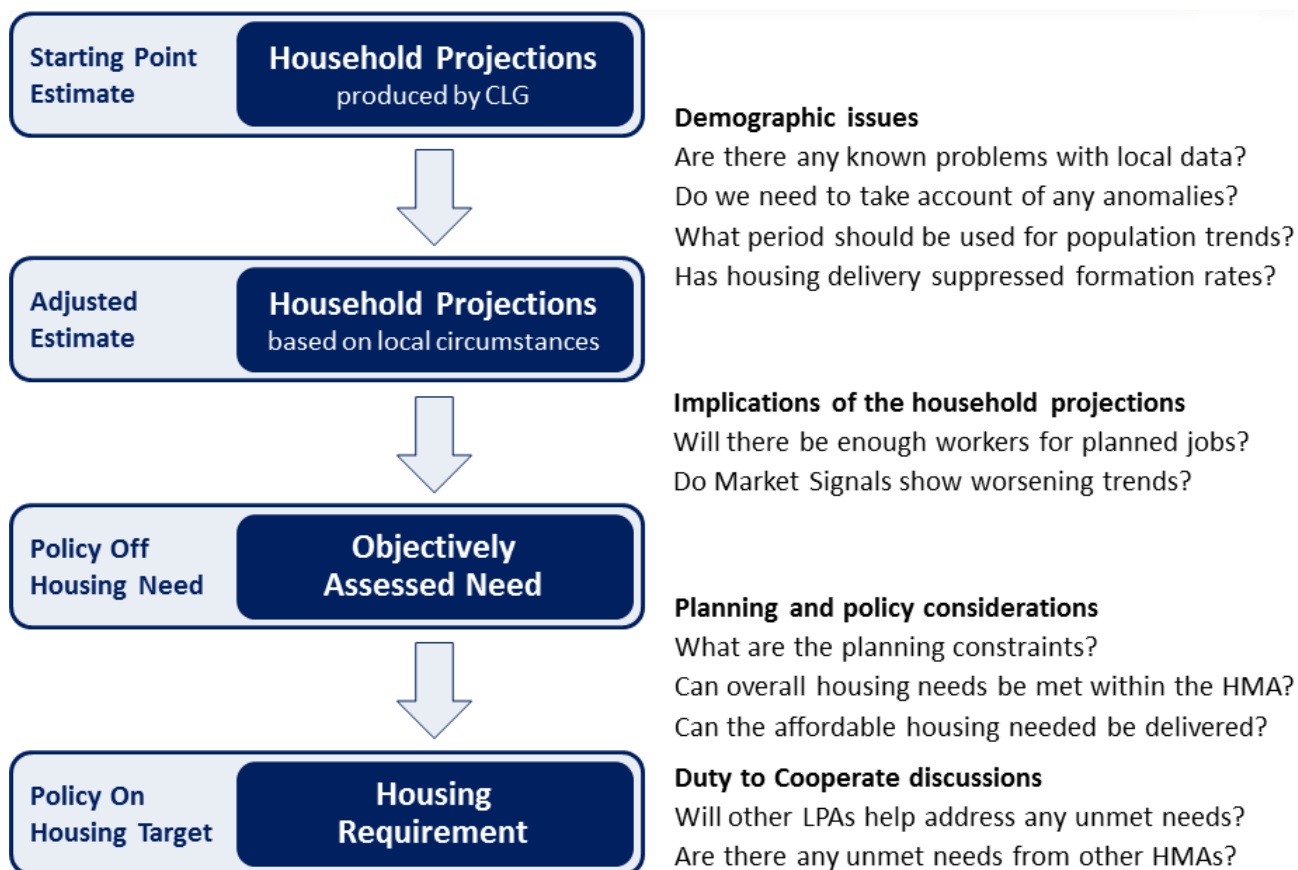
Establishing Objectively Assessed Need for Darlington

3.3   Our approach for this section follows the format of the OAN calculation with specific reference to Darlington. Essentially, therefore, this section is concerned with:

» CLG 2014-based household projections (the starting point);

» Migration adjustments for longer-term migration trends and population issues;

» Market signals, including an uplift for concealed families;

» Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.

3.4   In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers.

CLG Household Projections

3.5   The "starting point" estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 3,058 over the 20-year period 2016-36, an average of 153 per year.

3.6   However, the notes accompanying the CLG Household Projections explicitly state that:

*"The 2014-based household projections are linked to the Office for National Statistics 2014-based sub-national population projections. **They are not an assessment of housing need** or do not take account of future policies, they are an indication of the likely increase in households given the **continuation of recent demographic trends**."*

3.7   The ONS 2014-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2009-2014. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households.

Migration Adjustments

3.8   ORS has calculated household projections showing that household numbers across the study area would increase by an average of 368 per year over the 20-year period 2016-36 based on long-term migration trends. Providing for an annual increase of 368 households yields a housing need of 384 dwellings each year.

3.9   This scenario gives the most reliable and appropriate demographic projection for establishing future housing need.

Market Signals

3.10   While demographic trends are key to the assessment of OAN, it is also important to consider current market signals and how these may affect housing needs. PPG identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (Paragraph 019)*
>
> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (Paragraph 020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

3.11   The Market Signals include:

»   Land and house prices;

»   Rents and affordability;

»   Rate of development; and

»   Overcrowding.

3.12   Furthermore, there are other issues that should be considered, for example the macro-economic climate. Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

3.13   PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

> *"Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally." (Paragraph 020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

3.14   To identify areas with similar demographic and economic characteristics to Darlington, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. The outcome of this analysis was that Darlington shares similar demographic and economic characteristics with **Hartlepool, Pendle** and **Chesterfield**. Therefore, in considering market signals, we have considered these borough council areas as appropriate comparators and compared them against Darlington.

House Prices

3.15   House prices in the UK have been relatively volatile in the past 10 years. Prices increased by 8.7% in the 12 months to June 2016[1]; prices rose fastest in the East of England (14.3%), London (12.6%), and the South East (12.3%).

3.16   The average UK house price was £214,000 in June 2016 compared to the peak of the previous high of £190,000 in the three months August to October 2007, which was overtaken in 2014. Average house price trends 2006 - 2016 as demonstrated by the House Price Index (HPI) show the price divergence between London and the rest of the UK.

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[1] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2016

Figure 17: **Annual house price rates of change, UK all dwellings 2004-2016 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)**
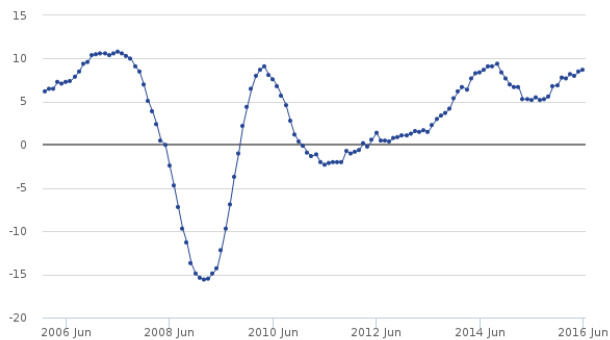
Figure 18: **UK and London House Price Index 2008-2016 (Source: ONS)**
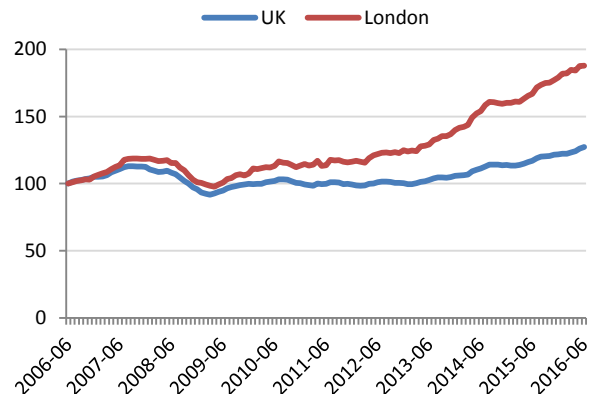
3.17   The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery. In his speech at the Mansion House in June 2014, the Governor of the Bank said:

> *"The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly. Since we are not able to build a single house, I welcome the Chancellor's announcement tonight of measures to increase housing supply.*
>
> *To be clear, the Bank does not target asset price inflation in general or house prices in particular.*
>
> *It is indebtedness that concerns us.*
>
> *This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion's share of UK banks' domestic lending.*
>
> *It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole."*

3.18   These concerns remain. The Financial Policy Committee (FPC) Financial Stability Report July 2016[2] states:

> *"**The FPC is alert to risks arising from household indebtedness**. Survey evidence on the housing market has been difficult to interpret in recent months because of the impact of the pre-announced increase in stamp duty, which boosted activity in March and has dampened activity in April and May. Nevertheless, in advance of the referendum, there was evidence that uncertainty about the outcome was contributing to a slowdown in housing activity. For example, the May RICS survey of chartered surveyors reported a sharp decline in new buyer enquiries … to their lowest level since 2008. In the period since the referendum, the average share price of the largest home construction firms has declined by 25%, compared with a 2% rise in the FTSE All-Share index"*

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[2] http://www.bankofengland.co.uk/publications/Pages/fsr/2016/jul.aspx

3.19   The FPC also states concern about the effects of rapid growth in the buy-to-let sector:

"The stock of buy-to-let lending grew by 12.3% in the year to 2016 Q1. Activity fell off sharply in April, such that buy-to-let mortgage lending for house purchase was 85% lower than in March."

3.20   The risk centres on the possibility of buy-to-let investments "*amplifying cycles in the housing market as a whole*" which "*could put upward pressure on household indebtedness in an upswing and have an impact on consumption and broader economic activity in a downturn.*"

3.21   The RICS UK Residential Market Survey[3] is updated monthly. While there are many uncertainties following the June 2016 referendum, the July 2016 Survey gives an early indication of the direction of prices in the short to medium term, and reports an increase in optimism among respondents:

"the net balance of those expecting prices to increase over the year ahead rising from zero to +23%. Even so, this still represents a significant softening compared to six months ago, when +66% more surveyors anticipated rising prices. For the second month running, the regional breakdown shows London and East Anglia are the only areas in which prices are expected to fall over the year ahead."

3.22   Overall respondents to the Survey expect prices to rise over the medium term, with higher rises in London compared to the UK:

"London exhibits amongst the strongest projections over the medium term (three-month average), with respondents pencilling in around 4% growth, per annum, over the next five years. On the same basis, prices are expected to rise by close to 3% nationally."

3.23   The Survey suggests that, currently, an "*acute shortage of property for sale*" could be underpinning prices.

Local House Prices

3.24   House price trends (2001-2016) are shown in Figure 19 and Figure 20 shows lower quartile house prices adjusted for the impact of inflation. Therefore, the prices reflect real changes which have occurred since 2001 when removing the impact of background inflation. We have used lower quartile house prices, rather than median house prices, as lower quartile prices better reflect the entry level housing market prices.

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[3] http://www.rics.org/uk/knowledge/market-analysis/rics-residential-market-survey/

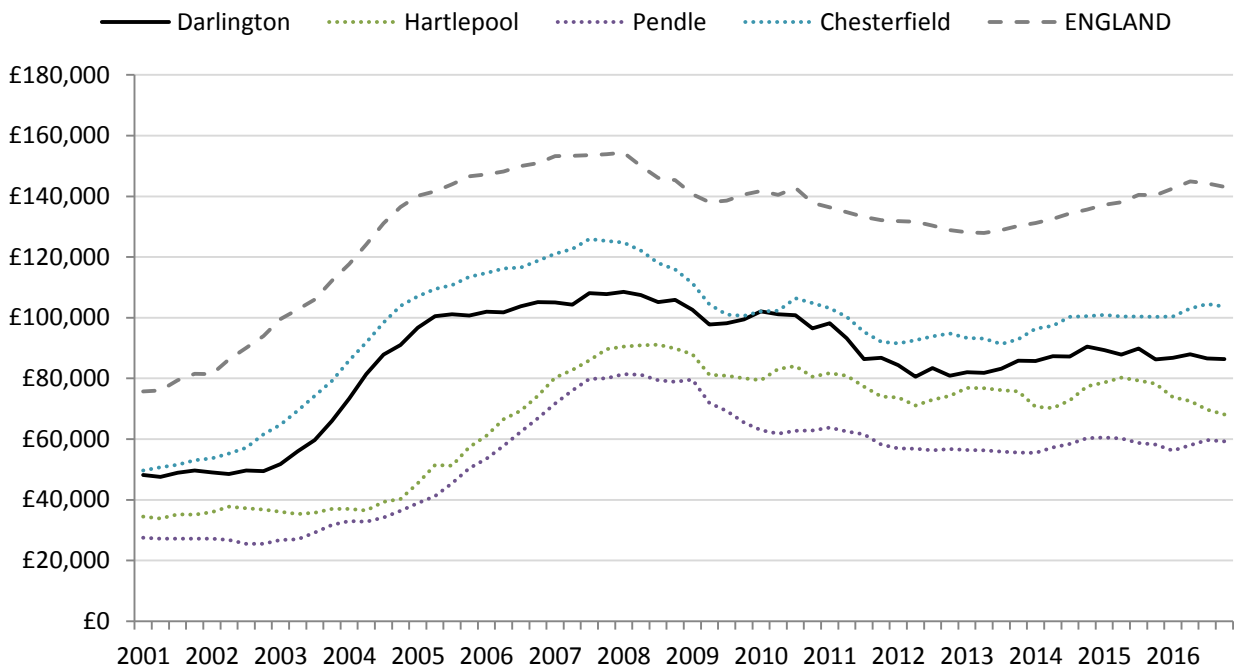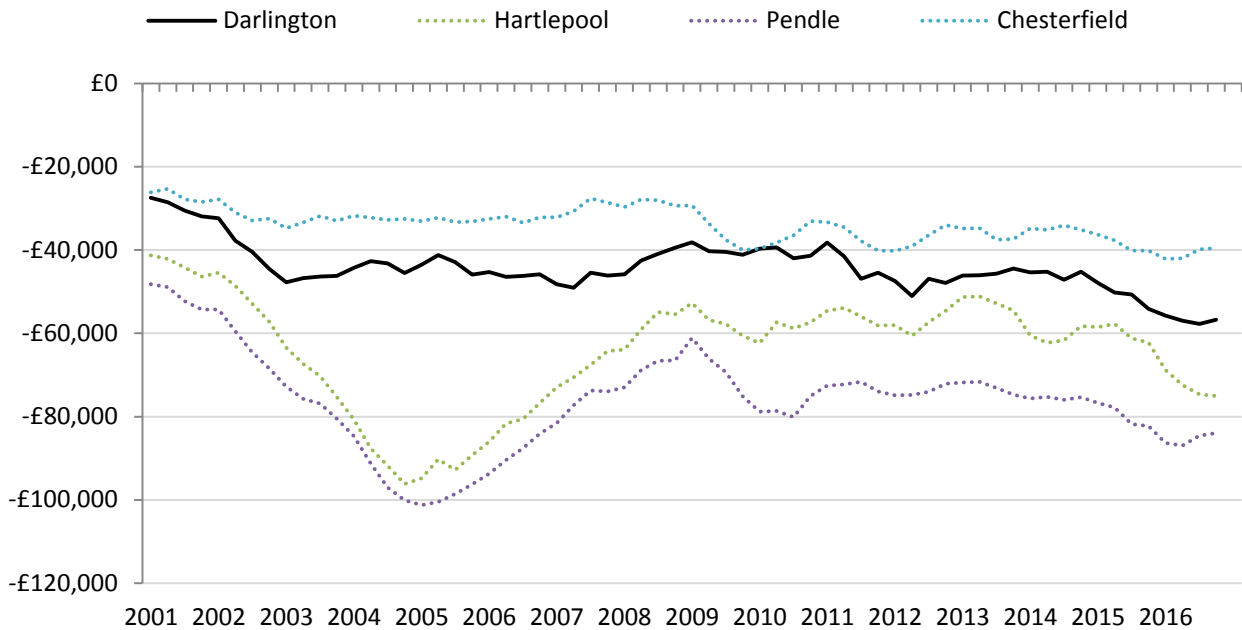**Figure 19: House Price Trends: Lower Quartile Prices (Source: ONS)**
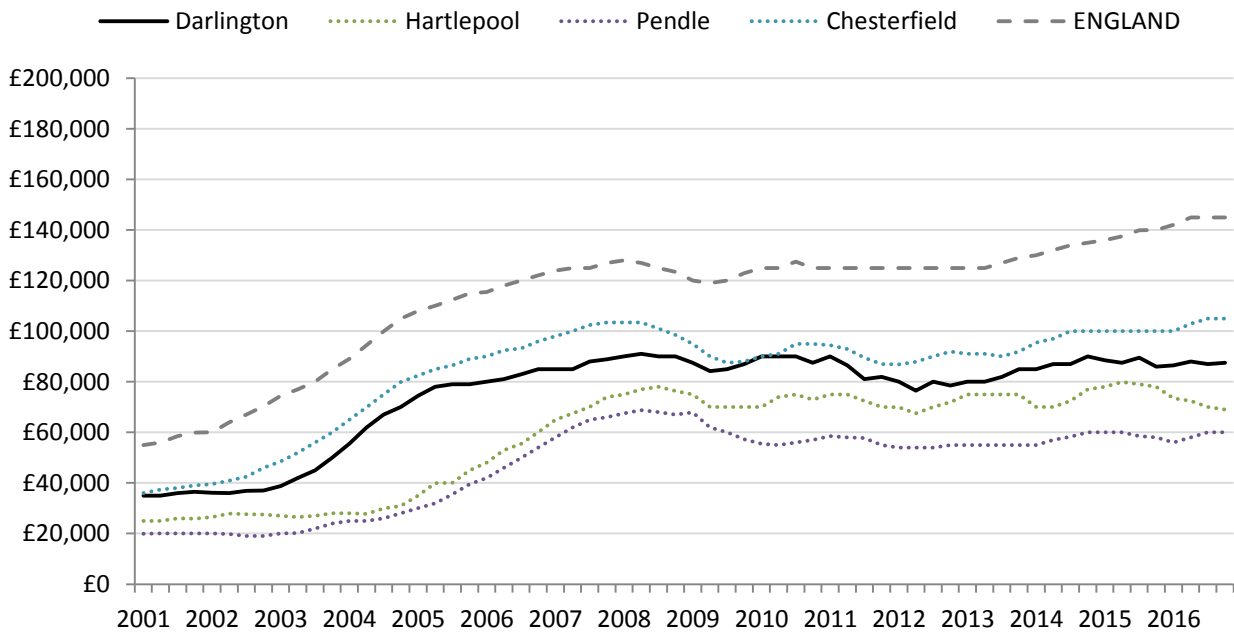
Figure 20: Real House Price Trends: Lower Quartile Prices adjusted to 2016 values using CPI (Source: ONS; Bank of England)

3.25   It is clear that real house prices in Darlington rose sharply between Quarter 1 2001 and Quarter 1 2008 (from £48,200 to £108,600 at 2016 values, a real increase of more than 125%), but they have progressively reduced since that time with real prices at £86,800 in Quarter 1 of 2016 (at 2016 values) which is 20% below their peak.

3.26   Figure 21 shows how real house prices in Darlington and the comparator areas have varied when compared with the English average (shown as £0 variance on the chart). This shows that real house price change in Darlington has been relatively similar to the English average over the period since 2001, with a marginal downward trend over the period. Comparator areas Hartlepool and Pendle have seen more volatility in price trends.

Figure 21: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2016 values using CPI (Source: ONS; Bank of England)

Affordability

3.27   Figure 22 shows the ratio of lower quartile house price to lower quartile workplace-based earnings in Darlington and the comparator areas between 2001 and 2016. This long term trend for the HMA is similar to comparator authorities; while worsening in the period 2001-06 (when there was an increase in real house prices), the multiplier declined over the period 2006-09 and has remained relatively stable since.

3.28   Of course, it is also important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

Figure 22: Ratio of Lower Quartile House Price to Lower Quartile Workplace-Based Earnings (Source: ONS)
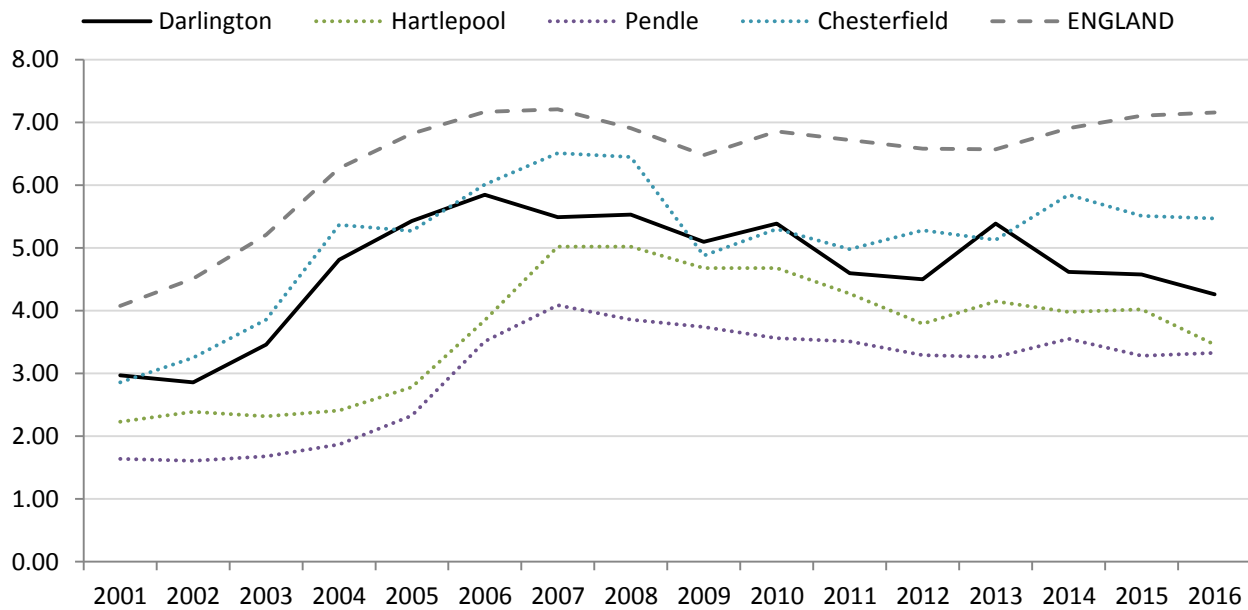
Housing Development

3.29   Census data shows that the number of dwellings in Darlington increased from 44,300 to 48,800 over the 10-year period 2001-11. This represents an increase of 4,500 dwellings, equivalent to 10.0% of the stock. Over the same period, the number of dwellings in England increased from 21.2 million to 23.0 million, equivalent to around 8.3% of the stock. As noted earlier, Council tax data indicates a lower rate of growth with an additional 4,000 dwellings between 2001 and 2011 and therefore the more accurate growth rate in dwellings is likely to be just below 10%. This still implies that housing development in Darlington has been higher in percentage terms than development across England over the last decade.

3.30   Figure 23 compares the data from the Census against housing completions recorded in the Council's Annual Monitoring Report (AMR) and data on housing completions published by CLG. The AMR data suggests an annual average of 390 additional dwellings over the period 2001-11 whilst the CLG data suggests an annual average of 320 additional dwellings over the period 2002-11 (the data for 2001/02 was not available). Therefore, it appears to be the case that Darlington has been delivering more dwellings than official CLG statistic indicate. The 2011 Census showed a growth of 450 dwellings per annum since 2001.   It is likely that at least some of the difference will be associated with the conversion of existing dwellings that have not been recorded by the planning system.

Figure 23: Annual Housing Completions for Darlington (Source: Darlington Annual Monitoring Report; CLG Live Tables; Census 2001 and 2011)
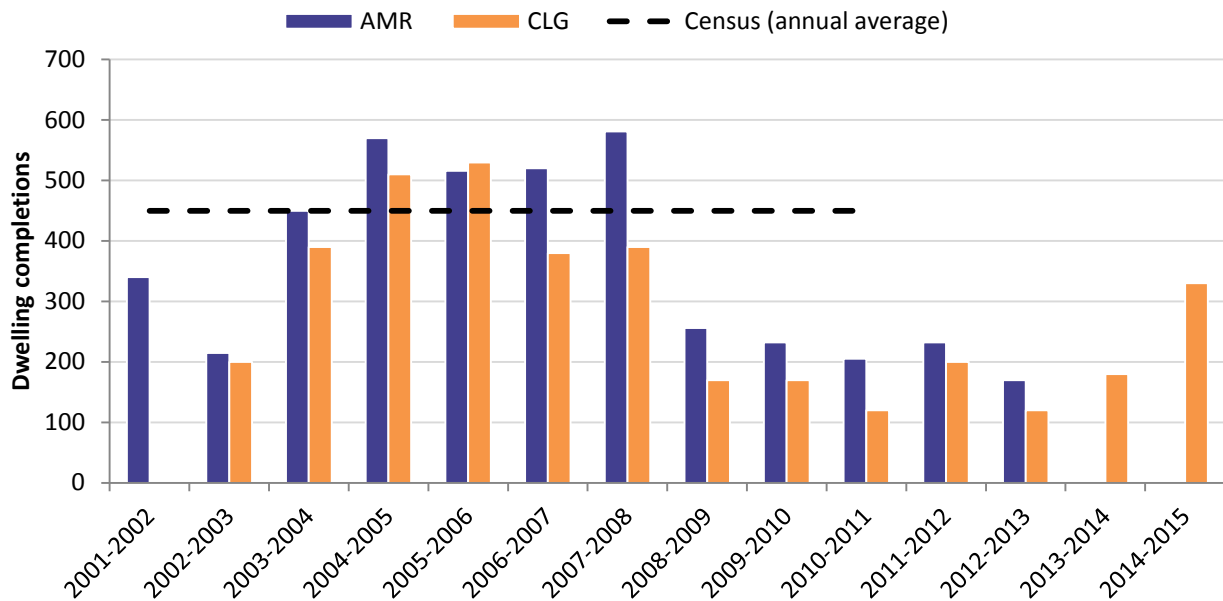
3.31   Figure 24 shows average annual housing completions based on rolling 5-year periods, which illustrates the changes in underlying trends. The AMR and CLG data show that completion rates have fallen sharply since 2008.

Figure 24: Trends in 5-year Average Annual Housing Completions for Darlington (Source: Darlington Annual Monitoring Report; CLG Live Tables; Census 2001 and 2011)
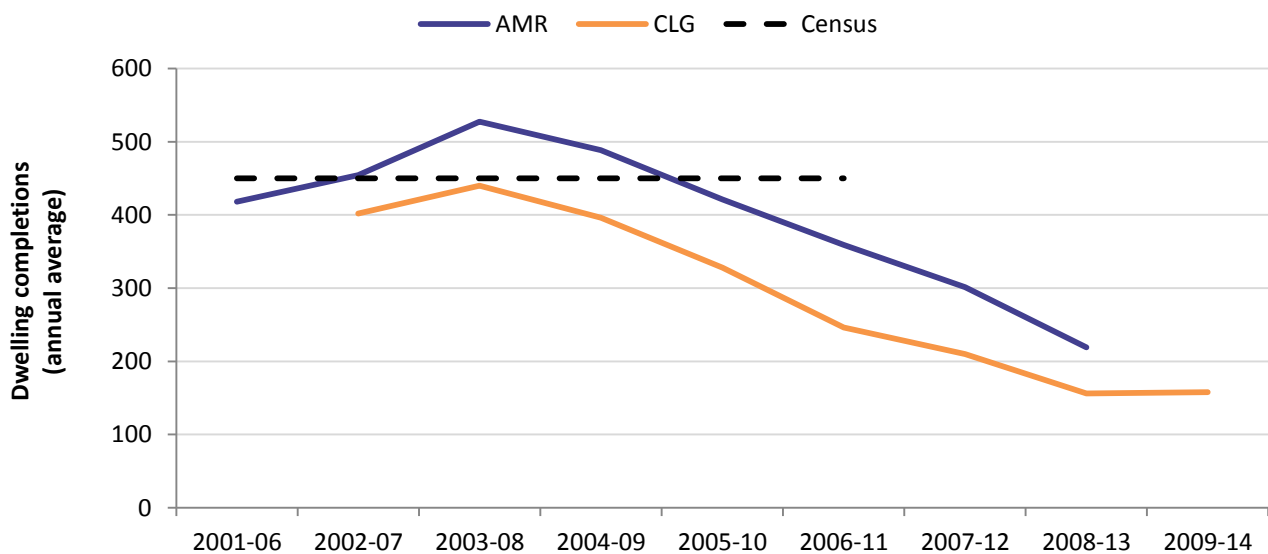
Overcrowding

3.32   Overcrowding was considered in the SHMA 2015 in detail when establishing the need for affordable housing, and based on the bedroom standard, we estimated that 780 households were overcrowded in Darlington including 260 owner occupiers, 247 households renting privately and 273 households in the social rented sector.

3.33   PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing (paragraph 19):

> *"Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers."*

3.34   These were also considered in the Darlington SHMA 2015 when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

Summary of Market Signals

3.35   In terms of headline outputs in Guidance (PPG Paragraph 019), the market signals when compared to relevant comparator areas show:

Figure 25:   Summary of Market Signals (Source: ONS for house prices and affordability; VOA for rents. UK Census of population 2001 and 2011 for overcrowding and rate of development)

		Darlington	Hartlepool	Pendle	Chesterfield	England
INDICATORS RELATING TO PRICE						
House prices						
Lower quartile house price	2015- 16 value	£86,500	£73,500	£56,000	£100,000	£142,000
	Relative to England	-39%	-48%	-61%	-30%	-
	2010-11 value	£90,000	£75,000	£58,500	£94,500	£125,000
	5-year change	-4%	-2%	-4%	+6%	+14%
Rents						
Average monthly rent	2016- 17 value	£472	£457	£458	£509	£852
	Relative to England	-45%	-46%	-46%	-40%	-
	2011-12 value	£465	£462	£438	£477	£705
	5-year change	+2%	-1%	+5%	+7%	+21%
Affordability						
Lower quartile house price to earnings	2016 ratio	4.3	3.5	3.3	5.5	7.2
	Relative to England	-41%	-52%	-53%	-24%	-
	2011 ratio	4.6	4.3	3.5	5.0	6.7
	5-year change	-7%	-19%	-5%	+10%	+7%
INDICATORS RELATING TO QUANTITY						
Rate of development						
Increase in stock	2001-11 change	9.8%	7.1%	2.4%	7.2%	8.3%
	Relative to England	+17%	-15%	-71%	-13%	-
Overcrowding						
Overcrowded households	2011 proportion	4.6%	4.3%	5.5%	4.7%	8.7%
	Relative to England	-48%	-51%	-37%	-46%	-
	2001 proportion	4.4%	5.1%	6.1%	3.6%	7.1%
	10-year change	+4%	-16%	-9%	+32%	+23%

3.36   As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

» **House Prices:** lower quartile prices are lower than the national average, with a lower quartile price of £86,500 compared to England's £142,000 (based on 2015-16 values). The current price in Darlington is higher than in Pendle and Hartlepool, but lower than Chesterfield;

» **Rents:** for average private sector rents in 2016-17, Darlington is lower than the national average but similar to all comparator areas. Neither the average rent in Darlington nor any of the comparator areas have changed significantly over the last 5 years – however the national average increased by 21% over the same time period;

» **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 'better' in Darlington than across England as a whole (4.3x cf. 7.2), and the rate in Darlington is also better than in Chesterfield, although not as 'good' as Pendle and Hartlepool.

» **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Darlington has been slightly higher than in England (9.8% cf. 8.3%). This rate is higher than all comparator authorities, but it should be remembered that the 2001 Census was probably an under-estimate for Darlington. Of course, these figures will inevitably be influenced by local constraints as well as individual policies;

» **Overcrowding** (in terms of Census occupancy rates) shows that 4.6% of households in Darlington are overcrowded based on an objective measure, which is lower than England (8.7%). The proportion of overcrowded households has increased by 4% over the last 10 years. Overcrowding fell in Hartlepool and Pendle, but increased sharply in Chesterfield.

3.37   On the whole, market signals do not indicate any need for an upward adjustment to the housing number: changes in house prices, rents and affordability trends are typically in line with or better than the equivalent rates for England and the comparator areas, while the rate of development has been higher than the England average.

3.38   Nevertheless, there has been a clear increase in concealed families over the period 2001-11, especially families aged 25-34 which are likely to demonstrate un-met need for housing; and a number of homeless households were also identified. We have increased the growth in concealed households between 2001 and 2011 by a further 50% to reflect the potential growth until the start of the new plan period in 2016. Addressing these needs increases projected household growth by 108 over the period 2016-36.

3.39   Taking account of household growth from the latest CLG 2014-based projections (the starting point); adjusting for longer-term migration trends; taking account of the market signals uplift for concealed families and homeless households; and allowing for vacant and second homes yields an average housing need for Darlington of 389 dwellings (384 dwellings for demographic growth and 5 for concealed and homeless households) each year. This is the average number of dwellings needed every year over the 20-year period 2016-36.

Employment Trends

3.40   While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

"Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."

Planning Practice Guidance 2014, paragraph 18

Oxford Economics Forecasting Model

3.41   Darlington Council purchased economic projections from Oxford Economics to provide evidence for future employment growth in the area. For the period 2016 to 2036 it forecasted that there will be negative jobs growth in Darlington. However, this figure was underwritten by population projections based upon 2014 based SNPP which show almost no population growth and a decline in the working age population of Darlington. Therefore, the projection of negative jobs growth is driven by a decline in working age persons available to fill jobs.

3.42   Depending upon the period chosen the actual jobs growth for Darlington has average between 200 and 600 jobs per annum. For their Local Plan 2016-36, the Council are currently planning for an aspirational jobs growth of 7,034 jobs, or 352 jobs per annum. Given that this is an aspirational figure, it does not directly impact on the OAN for Darlington, but may affect the housing requirement as a policy on response to the jobs growth. Therefore, an important question is whether the demographic projections are able to support up to 7,034 more jobs in Darlington over the period 2016-36, and if they cannot how many additional dwellings would be required to meet the needs of the additional workers required.

3.43   As previously noted, the demographic analysis identified that on the basis of providing the 389 dwellings per annum over 20 years, it is likely that the economically active population would increase by 3,482 people (around 174 per year on average).

3.44   It is important to recognise that the Local Plan jobs target of 7,034 additional jobs includes full-time and part-time work, and some workers may have more than one job. Allowing for a 4% double jobbing rate, consistent with the figures used by Oxford Economics, it would require 6,763 extra workers to fill 7,034 more jobs. This figure is clearly much higher than the 3,482 additional workers forecasted to exist.

3.45   However, there are a number of factors which should be considered when relating jobs to workers, particularly the issue of commuting:

» **Out-commuting**: Based on 2011 Census commuting flows, 68.9% of working residents in Darlington are also employed in the local area. This implies that 31.1% commute to jobs outside the area. Therefore, of the additional 3,482 workers, we would expect 1,082 (31.1%) would commute outside of the area (assuming no change in commuting patterns). On this basis, we

have assumed that the number of workers that out-commute from Darlington will increase by 1,082 over the 20-year period 2016-36.

» **In-commuting:** at the time of the 2011 Census, 35.3% of jobs in Darlington were filled by people travelling in from other authorities. Therefore, a jobs growth of 6,763 over the period 2016-36 is likely to draw in 2,385 (35.3%) additional in-commuters; leaving 4,379 extra jobs that need to be filled by workers living in the area (again assuming no change in commuting patterns).

3.46   In addition, the number of unemployment benefit claimants recorded by DWP reduced by 171 over the period 2016-17, therefore jobs growth from 2016 onwards has been at least partially accommodated by falling unemployment and it is therefore important to factor these workers into the analysis. Whilst it is possible that further jobs growth will also further reduce unemployment, we have not made any allowance for this and have assumed that unemployment does not fall from the level recorded in 2017. However, we have also assumed that there will be no additional unemployed people as a result of population growth.

3.47   Overall, this leaves Darlington with a shortfall of 1,808 workers (7,034 jobs – 3,482 additional economically active persons - 271 jobs filled by double jobbing + 1,082 additional out-commuters - 2,385 additional in-commuters – 171 unemployment reduction).

3.48   We therefore have a short fall of 1,808 workers which potentially could be filled by further changes to economic active rates, unemployment levels, commuting rates or through changes to migration patterns.

3.49   If all of the additional workers were to be met by increased migration to attract more workers to live in Darlington an additional 1,400 dwellings or 70 dwellings per annum would be required. This would increase the housing requirement from the OAN of 389 dwellings per annum to a total of 459 dwellings per annum over the period to a total of 9,186 dwellings per annum over the period 2016-36.

Conclusions on Jobs and Workers

3.50   While demographic projections form the starting point for OAN calculations it is necessary to ensure a balance between future jobs and workers. On the basis of a planned jobs growth of 7,034 jobs over the period 2016-36, Darlington is likely to have a shortfall of workers of 1,808. If all of this shortfall was to be met by increased dwelling deliver to increase in-migration, this would require an additional 1,400 dwellings, taking the housing requirement for Darlington from 7,786 to 9,186 dwellings, or 459 dwellings per annum.

Older People in Residential Institutions (Use Class C2)

3.51   The identified OAN of 7,786 dwellings in Darlington does not include the projected increase of institutional population, which represented a growth of 772 persons over the 20-year Plan period 2016-36. This increase in institutional population is a consequence of the CLG approach to establishing the household population1, which assumes "*that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s*" on the basis that "*ageing population will lead to greater level of population aged over 75 in residential care homes*".

3.52   Whilst these additional 772 persons aged 75 or over living in communal establishments are not counted as part of the OAN; an allowance is made for the dwellings that would be vacated by many of these people. Not all would vacate dwellings, as some will have a partner or other family remaining in the home; but further analysis of the data (assuming no growth in the institutional population) shows that housing need based on the household projections would be 657 dwellings higher if the additional bedspaces were not provided – so it is important to take account of these needs.

3.53   When considering housing supply, PPG states the following in relation to housing for older people:

> ***How should local planning authorities deal with housing for older people?***
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*
>
> **Planning Practice Guidance (March 2014), ID 3-037**

3.54   On this basis, given that housing provided for older people in Use Class C2 should be counted against the housing requirement, it is important that this need is also factored in when establishing the housing requirement. Furthermore, as older people are living longer, healthier lives, and the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible, it does not necessarily follow that all of the increase in institutional population should be provided as additional bedspaces in residential institutions in Use Class C2; specialist older person housing such as Extra Care may be more appropriate for the needs of some of these older people.

3.55   Therefore, when establishing housing requirement, it is necessary to take account of those dwellings that were assumed to be vacated by people moving into care. This would allow the supply of bedspaces in residential institutions in Use Class C2 to be counted against the housing requirement; providing that this was calculated on the basis of the number of dwellings likely to be vacated in the housing market.

3.56   Based on the SHMA analysis, an increase of 772 persons in the institutional population living in care would have released 657 dwellings over the 20-year Plan period 2016-36. Recent market analysis by Knight Frank[2] suggests care home occupancy rates at around 88%, which would imply that 887 additional bedspaces would be needed to accommodate an increase of 772 persons. On this basis, providing 887 care home bedspaces would release 657 dwellings in the housing market – a ratio of 1.35 bedspaces per dwelling.

3.57   Given this context, it may be appropriate to include the 657 dwellings assumed to be vacated by people moving into care as part of the housing requirement in addition to the OAN. This equates to an additional 33 dwellings per annum. Bedspaces in care homes would then be able to be counted towards the housing requirement, on the basis of 1 dwelling being counted for every 1.35 bedspaces provided. Alternatively, the Council may choose to establish a separate target for bedspaces in Use Class C2 and monitor the associated supply of bedspaces provided.

Conclusions

3.58   While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to assess market signals to determine if a higher rate of housing delivery is required in the housing market area to address housing market problems.

3.59   On the basis of the Market Signals, we can conclude that the Objectively Assessed Need for Darlington needs to be increased. Therefore the SHMA identifies an Objectively Assessed Need for 7,786 dwellings over the 20-year period 2016-36, or 389 dwellings per annum.

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[2] http://content.knightfrank.com/research/548/documents/en/2015-3267.pdf

3.60   Darlington also has an ambitious and aspirational jobs growth target of 7,034 additional jobs over the plan period. To meet the need for additional workers to fill these jobs may require a further increase in the housing requirement above the OAN of 70 dwellings per annum, taking the total housing requirement to 459 dwellings per annum,

3.61   Darlington may also wish to consider adding a further 657 dwelling to their housing requirement to address the need for bedspaces in Class C2 dwellings. This equates to a further 33 dwellings per annum to the housing requirement taking the total to 492 dwellings per annum.

Appendix A
Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the National Planning Policy Framework 2012

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the **2001 Census.**

Communal Establishment is an establishment providing managed residential accommodation. Managed means full-time or part-time supervision of the accommodation, such as care homes, prisons and halls of residence.

ECO underpins the Green Deal and places obligations on energy companies to facilitate installation of energy efficiency measures in homes. ECO fits within the Green Deal framework where Green Deal finance alone is not enough.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

Green Deal is a market led framework that will allow individuals and businesses to make energy efficiency improvements to their buildings at no upfront cost. Finance needed for the improvements is repaid, in instalments, attached to an electricity bill.

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or **Registered Provider** is an independent not-for-profit body that primarily provides low-cost "social or affordable housing" for people in housing need.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

House in Multiple Occupation are currently defined by the Housing Act 2004 as:

> » an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;

> » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;

> » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and

> » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low cost home ownership or **Shared ownership** is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Social Landlord/Registered Provider see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low Cost Home Ownership.

Social rented housing is provided by social landlords and rented for less than would be paid if renting privately.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

ASHE	Annual Survey of Hours and Earnings
BME	Black and Minority Ethnic
CACI	Private sector company providing modelled data
CORE	The Continuous Recording System (for Housing Association and Local Authority lettings)
DEFRA	Department for Environment, Food and Rural Affairs
DWP	Department of Work & Pensions
GIS	Geographical Information Systems
HBF	House Builders Federation
HMO	House in Multiple Occupation
IMD	Indices of Multiple Deprivation
LA	Local Authority
LDF	Local Development Framework
LDP	Local Development Plan
LHA	Local Housing Allowance
NHSCR	National Health Service Central Register
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
ORS	Opinion Research Services
POPPI	Projecting Older Person Population Information
REIT	Real Estate Investment Trust
RSL	Registered Social Landlord
SAR	Share Accommodation Rate
SHMA	Strategic Housing Market Assessment
UDP	Unitary Development Plan

Appendix B
Table of figures