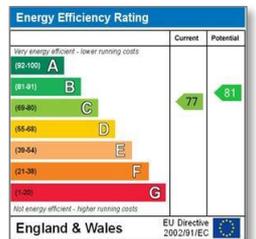




# Middlesbrough

## Strategic Housing Market Assessment: Update 2018 to Consider Jobs Uplift

Report of Findings  
8<sup>th</sup> February 2017





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# Jobs Uplift

## Middlesbrough SHMA 2016

1. In 2016, Opinion Research Services (ORS) was commissioned by Middlesbrough Borough Council to carry out a Strategic Housing Market Assessment (SHMA) to establish the Objectively Assessed Need (OAN) for housing based on the most up-to-date information now available. This report was published in March 2017.
2. The SHMA calculated the OAN based on demographic projections and assessed these against Market Signals to determine if a higher rate of housing delivery is necessary to address housing market problems. It took account of household growth based on CLG 2014-based projections (the starting point); adjusted for long-term migration trends; responded to suppressed household formation (through providing for the growth of concealed families); and took account of vacant and second homes in line with the 2011 Census vacancy rate of 4.9%. Figure 1 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing.

Figure 1: Full Objectively Assessed Need for Housing for Middlesbrough 2016-34

Stage		Households	Dwellings
<b>Demographic starting point</b> CLG household projections 2016-34		<b>4,481</b>	<b>4,713</b>
<b>Adjustment for local demographic factors and migration trends</b> Correcting issues in the trend-based data and adopting 10-year migration trends		+2,373	+2,495
<b>Baseline household projections taking account of local circumstances</b>		<b>6,854</b>	<b>7,208</b>
<b>Adjustment for suppressed household formation rates</b> Concealed families and homeless households		+332	+341
<b>Baseline housing need based on demographic projections</b>		<b>7,186</b>	<b>7,549</b>
<b>Further adjustments needed...</b>	<b>In response to balancing jobs and workers</b> Projected growth in workers exceeds forecast jobs growth and planned jobs growth therefore no further adjustment needed	0	0
	<b>In response to market signals</b> No uplift to dwellings needed in addition to the 341 dwellings for concealed families and homeless households	0	0
<b>Combined impact of the identified adjustments</b>		<b>7,186</b>	<b>0</b>
<b>Full Objectively Assessed Need for Housing 2016-34</b>		<b>7,186</b>	<b>7,549</b>

3. CLG Household projections suggested a growth of 4,481 households in Middlesbrough over the 18-year Plan period 2016-34; however, this is based on short-term migration trends. Demographic projections based on 10-year migration trends provide a more reliable and appropriate basis for establishing future housing need. The SHMA has identified an increase of 6,854 households over the 18-year Plan period 2016-34.
4. The evidence from planned jobs and workers identified that there will be sufficient extra workers for the forecast increase in jobs, so there is no need to increase housing delivery to provide any additional workers.

5. The SHMA therefore identified the Full Objective Assessed Need for Housing in Middlesbrough to be 7,600 dwellings over the 18-year period 2016-34, equivalent to an average of 422 dwellings per year.

## CLG Consultation

6. On September 14<sup>th</sup> 2017, Department of Communities and Local Government (CLG) published a consultation on potential revisions to the NPPF, including a standardised methodology for calculating objectively assessed housing needs (OAN) at a local authority level. This contained a number of key proposals with the aim to introduce the changes by the end of March 2018:
7. The standard methodology is based on the CLG 2014-based household projections for the 10-year period 2016 to 2026 with an upward adjustment based on the ONS median workplace-based affordability ratio for 2016. It is proposed that the upward adjustment is capped at a maximum of 40%.
8. Furthermore, for areas with housing targets in up-to-date local plans (adopted within the last 5 years), the standard methodology proposes that the housing need is no more than 40% higher than the previously adopted housing target. By implication, this applies a constraint to the assessment of housing need in all areas where this adjustment applies.
9. The consultation included an estimated OAN for each local planning authority in England and the figure for Middlesbrough was 267 dwellings per annum. This is clearly much lower than the figure identified in the SHMA of 422 dwellings per annum.
10. An important consideration in the consultation is that it allows very little room for any adjustments to demographic projections beyond using the CLG 2014-based household projections which in turn will be superseded by the ONS 2016 based household projections in 2018. Therefore, the demographic adjustments proposed in the Middlesbrough SHMA 2016 would typically not be accepted as part of the standardised methodology.
11. However, planning authorities are allowed to consider a higher OAN figure if it accords with the wider economic strategy. Therefore, for example, they will be allowed to identify a greater housing need if more homes are required to balance jobs and workers.
12. On this basis, Middlesbrough wish to consider two scenarios for their future employment growth, namely:

### **Baseline Scenario**

This scenario is based on an econometric forecast supplied by Oxford Economics (September 2016) and projects that the number of jobs in Middlesbrough will increase by 540 between 2016 and 2034.

### **Growth Scenario**

This scenario is based on the Tees Valley Strategic Economic Plan (SEP). The SEP sets a target of 25,000 additional jobs in Tees Valley between 2016 and 2026. The Employment Land Study estimates that 6,325 of these jobs will be within Middlesbrough. The SEP target is aspirational and, as such, it is considered appropriate to use a growth scenario of 6,325 jobs spread across the full plan period 2016 to 2034.

## Jobs and Workers Balance

13. As noted in Figure 25 of the Middlesbrough SHMA 2016, the economically active population of Middlesbrough is likely to increase by 6,246 persons over the 18-year period 2016-34. However, this figure specifically relates to the demographic projections which underwrite the OAN of 422 dwellings per annum, or 7,600 dwelling over 18 years. However, the standardised methodology from CLG proposes to use the data for Middlesbrough from the sub-national population projections (SNPP) 2014 based and from CLG household projections 2014 based.
14. Using SNPP 2014 based figures for Middlesbrough on the same economic activity rates as were applied in the Middlesbrough SHMA 2016 provides for a total 1,761 additional workers in the local authority area. Therefore, if the Council were to provide a total of 267 dwellings per annum, it is estimated that this will generate an additional 1,761 extra workers. Therefore, while the number of dwellings has fallen from the SHMA figure of 422 per annum to the CLG consultation figure of 267 per annum, the number of projected workers has dropped dramatically from 6,246 to 1,761.
15. There are two main explanations for this. Firstly, if no additional dwellings were to be provided at all then the economically active population of Middlesbrough would be projected to drop as the effects of the ageing population see more people leave the labour force than join it. The second factor in the change is that the population adjustments which underwrote the Middlesbrough SHMA 2016 included a disproportionate increase in the working age population. Therefore, the Middlesbrough SHMA 2016 not only included a larger assumed population than SNPP 2014, but this population was also younger.
16. A figure of 1,761 additional workers would clearly be more than sufficient to fill the baseline scenario figure of 540 jobs over the period 2016-34, but represents nowhere near enough workers to fill the Tees Valley Strategic Economic Plan (SEP) target of 6,325 additional jobs over the same period.
17. In line with the requirements of the CLG consultation on the standardised methodology it is therefore necessary to assess how many homes will be needed in Middlesbrough to accommodate workers to fill 6,325 additional jobs.
18. As shown above, it should be remembered that there isn't a straightforward relationship between dwelling provision and workers as the provision of no additional dwellings would see the economically active population fall. It is also important to recognise that the target of 6,325 additional jobs includes full-time and part-time work, and some workers may have more than one job. Allowing for a 4.3% double jobbing rate, consistent with the figures used by Oxford Economics and the Middlesbrough Employment Land Review 2016, it would require 6053 extra workers to fill 6,325 more jobs [ $6325 = 6,053 / (1 - 0.043)$ ]. There are also a number of factors which should be considered when relating jobs to workers, particularly the issue of commuting:

**In-commuting:** at the time of the 2011 Census, 48.3% of jobs in Middlesbrough were filled by people travelling in from other authorities. Therefore, a growth of 6,053 additional workers over the period 2016-34 is likely to draw in 2,924 (48.3%) additional in-commuters; leaving 3,129 extra jobs that need to be filled by workers living in the area (again assuming no change in commuting patterns).

**Out-commuting:** Based on 2011 Census commuting flows, 60.5% of working residents in Middlesbrough are also employed in the local area. This implies that 39.5% commute to jobs outside the area. Therefore, on the basis of 3,129 additional workers being required to work locally, this would require a total of 5,172 additional workers to allow 2,043 workers (39.5%) to out-commute from

Middlesbrough. On this basis, we have assumed that the number of workers that out-commute from Middlesbrough will increase by 2,043 over the 18-year period 2016-34.

19. Overall, this leaves Middlesbrough with a need for 5,172 additional resident workers over the period 2016-34 if it is to fill the 6,325 additional jobs. If all of the additional workers were to be met by increased net migration to attract or retain more workers to live in Middlesbrough an additional 7,207 dwellings or 400 dwellings per annum would be required over the period 2016-34. While this figure is slightly lower than the SHMA 2016 figure of 7,600 dwellings over the period 2016-34 or 422 dwellings per annum it is much closer to that figure than the CLG Standardised methodology consultation proposes.
20. As noted above, we have assumed that all of the jobs and workers imbalance is addressed through changes to net migration to Middlesbrough. In practice there could be further changes to further changes to economic active rates, unemployment levels and commuting rates which may reduce the need for changes to net migration.
21. As an example of the possible implication of changing commuting flows, we have also analysed the consequences of Middlesbrough seeking to accommodate the workers for all 6,325 additional jobs in their own area. This would require a reduction in commuting rates as more workers live and work in Middlesbrough and an increase in net migration to accommodate more people and workers.
22. In terms of the above calculation this would require 6,053 additional workers to live and work in Middlesbrough, compared to the 5,172 assumed above. The impact of the additional 881 workers living in Middlesbrough would require a further 603 dwellings to accommodate the net impact on migration, taking the total from 2016 to 7,810 dwellings (434 dwellings a year)