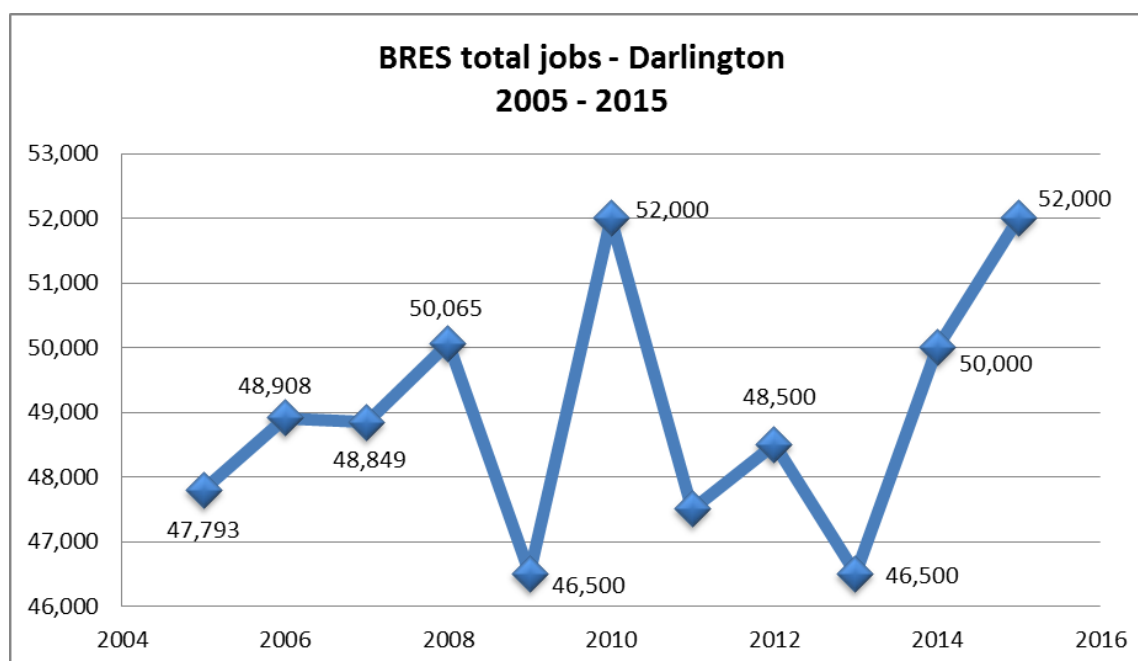

DARLINGTON FUTURE EMPLOYMENT NEEDS REPORT SEPTEMBER 2017

ECONOMIC FORECASTS

1. In August 2017 Darlington Borough Council commissioned Oxford Economics to revise previously calculated economic forecasts for Darlington to support the development of our local plan.
2. The Oxford Economics forecast covers a period up to 2037 (Annex 1) and break down demographic data such as population, employment levels as well as number of jobs by sector and the economic contribution of those jobs and indeed Darlington to the national economy.
3. The revised dataset for Darlington produced in 2017 opposed to the previous version we commissioned in 2015 (Annex 2) now takes into account likely economic impacts of a *hard Brexit*. This *hard Brexit* stance means the data in the 2017 model provides a worst case scenario.
4. The Oxford Economics model uses Office for National Statistics official datasets to provide past performance data which their model then uses to calculate anticipated future trends. As such the data has been subject to considerable peaks and troughs throughout that period. Depending on the period in question the annual growth rate can vary quiet considerably, this coupled with further uncertainty over the UK's future economic performance in light of Brexit adds credence to the conservative nature of the forecasts provided by Oxford Economics.
5. All economic forecasts, such as Oxford Economics, Cambridge Econometrics and Experian, take into account global market signals by sector and try to reflect anticipated future challenges and opportunities each sector faces. Providing a more accurate picture of growing and declining sectors nationally.
6. A key document that identifies future employment trends is the 2014 UK Commission of Employability & Skills; Working Futures report which anticipates job creation and replacement demand in the UK by sector up to 2024. (Annex 3)
7. The employment jobs data included in the forecast, particularly the breakdown of total job numbers and by sector uses Office for National Statistics BRES (Business Register and Employment Survey) data as the initial source which is then projected forward and weighted to assumptions on future growth or decline by sector.
8. It must be noted that BRES data (Annex 4) is volatile due to being an annual survey conducted nationally and then weighted to calculate local area performance. Subsequently at a local authority level this creates significant fluctuations in Darlington's total job numbers from one year to the next evident in the graph below.



*Note the 2016 BRES data will only be released at the end of September 2017.

OXFORD ECONOMICS FORECAST FOR DARLINGTON 2016 - 2036

9. Oxford Economics revised forecasts anticipate a smaller population growth of 1,000 additional people living in the borough (106,000) by 2036 compared to the 2015 dataset which forecasted 109,600 total residents by 2032.
10. The revised forecast also anticipates a larger decline in working age population than previously anticipated. By 2036 Darlington's working age population (aged 16-64) will have decreased by - 8%, from 65,000 people to 57,000.
11. This suggests Darlington will have 8,000 less people in the labour market to fill local jobs.
12. Albeit national government policy such as rises to the pension age coupled with people living and working longer make it difficult to calculate an accurate figure for those removed from the labour force by 2036, as it is widely recognised most people will work beyond the age of 64, thus extending the age profile of the working age population.
13. In addition to this the forecast identifies that by 2036, Darlington will have 2,500 residents net commuting outside of the borough representing 4.4% of the working age population. This figure seems dramatically different to the 2011 census data which showed 71.2% of Darlington residents as working in the borough and 28.8% commuting out.
14. The 2011 census also showed 35.3% of Darlington jobs are filled by in commuters.

Planning policy consideration: While this is a high level of in commuters which as a 'policy on' we may wish to reduce, actively planning to dramatically change this to something more like 4% as the forecast suggests detrimental impact to other local authority areas and as such may cause complications in terms of Darlington being defined as a housing market area.

15. This is not an issue unique to Darlington and is supported by national demographics but nevertheless proves problematic when calculating Darlington's future employment needs.

Planning policy consideration: What impact will national policy changes such as increases to pension age have? More people will likely be in the workplace beyond 64. What is the anticipated age profile of Darlington residents by 2036 - question will revised ORS report provide this? Worth seeking advice from ATLAS RE: How to plan for this.

16. The 2017 Oxford Economics report forecasts that by 2036 Darlington will have a total of 57,000 employee jobs; this is -1,300 than the 2016 level of 58,300.
17. This is a change from the 2015 Oxford Economics report which forecasted Darlington would create 100 new jobs by 2032. Furthermore, previous economic forecasts carried out on behalf of Darlington Borough Council in 2012 by Experian and TBR also both showed a net increase of 100 jobs by 2032.
18. The significant change in the outcome of the forecasts can be attributed to the Hard Brexit assumptions now being adopted, which anticipates a detrimental impact on the UK economy.

Planning policy consideration: What are the wider impacts of this on the plans demographic assumptions such as population and number of dwellings needed?

19. The 2017 data provides a breakdown of job numbers by sector which reveal the following sectors will see the largest loss in total jobs; Manufacturing (-1,500), Public administration & defence (-600), Education (-400) and Wholesale and retail trade, repair of motor vehicles (-400).
20. The 2017 projections also anticipate jobs growth in the following sectors; Professional, scientific and technical activities (+600); Administration and support services (+500), Information and Communications (+300), Human health and social work (+200) as well as those linked to Culture (+300).
21. The table below shows the forecasted jobs growth / decline in Darlington by 2036 compared to 2016.

Employment sectors	Difference in jobs 2016 - 2036
A: Agriculture, forestry and fishing	No change
B: Mining and quarrying	-100
C: Manufacturing	-1,500
D: Electricity, gas, steam and air conditioning supply	No change
E : Water supply; sewerage, waste management and remediation activities	-100
F : Construction	+100
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	-400
H : Transportation and storage	-100
I : Accommodation and food service activities	+100
J : Information and communication	+300
K : Financial and insurance activities	-300
L : Real estate activities	No change
M : Professional, scientific and technical	+600

activities	
N : Administrative and support service activities	+500
O : Public administration and defence; compulsory social security	-600
P : Education	-400
Q : Human health and social work activities	+200
R : Arts, entertainment and recreation	+100
S : Other service activities	+100
Total	-1,300

25. Interestingly of the sectors identified above for facing the largest decline in jobs across the plan period, Wholesale and retail trade, repair of motor vehicles has one of the largest anticipated GVA growth of all Darlington sectors by 2036 of £74.9 million into the economy showcasing although there may be less employment in this sector there will be significant productivity gains through the introduction of new technology and processes making Darlington a more cost effective business location. Similarly Manufacturing is also anticipated to see GVA growth across the plan period as the sector moves away from traditional manufacturing methods and applies more advanced manufacturing processes which will result in less jobs but those that remain will be efficient and of a higher economic value.
26. Broader than just the sectors identified for anticipated jobs decline, the forecast actually provides a positive productivity outlook for the borough with an anticipated increase of £779.9 million added back to the national economy through Darlington's business / employee base. This represents an increase of 29.9% across the plan period 2016 - 2036.
27. The sectors that will see the highest economic growth through value added by 2036 are; Information and communications (+£234.1M); Human health and social work (+£90.5M), Professional, scientific and technical (+£89.7M). The table below shows the total increase in GVA between 2016 and 2036, broken down by all sectors;

Employment sectors	Difference in GVA 2016 - 2036
A: Agriculture, forestry and fishing	+£0.5M
B: Mining and quarrying	No change
C: Manufacturing	+£6M
D: Electricity, gas, steam and air conditioning supply	No change
E : Water supply; sewerage, waste management and remediation activities	+£5.1M
F : Construction	+£13.9M
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	+£74.9M
H : Transportation and storage	+£25.4M
I : Accommodation and food service activities	+£32.8M
J : Information and communication	+£234.1M
K : Financial and insurance activities	+£60M
L : Real estate activities	+£84.2M
M : Professional, scientific and technical activities	+£89.7M
N : Administrative and support service activities	+£66.4M
O : Public administration and defence; compulsory social security	-£17.3M
P : Education	+£1.4M
Q : Human health and social work activities	+£90.5M
R : Arts, entertainment and recreation	+£3.1M

S : Other service activities	+£8.5M
Total	+£779.9M

28. The contrasting forecasts produced by Oxford Economics for employment and GVA in Darlington are predicted on recent changes in the balance of the economy and suggest that in order for the future economic performance to be as positive as possible the focus must be on bringing higher value jobs to Darlington.

TEES VALLEY COMBINED AUTHORITY JOBS TARGETS

30. In July 2016 Tees Valley Combined Authority (TVCA) published the Tees Valley Strategic Economic Plan, the Industrial Strategy for Tees Valley 2016 - 2026 (Annex 5).
31. This document precedes the previous Tees Valley Strategic Economic Plan (SEP) 2014 - 2024 published by Tees Valley Unlimited (TVU), the areas local enterprise partnership (Annex 6).
32. The 2016 refresh of the Tees Valley SEP reflects changes and new powers and funding that has been unlocked through the Tees Valley devolution deal and reflects the establishment of the Tees Valley Combined Authority as well as taking into account achievements and changes locally since the 2014 SEP was produced.
33. Both the 2014 and the revised 2016 documents outline an ambition for Tees Valley to create an additional 25,000 new jobs across the plan period. This is in addition to the replacement demand needs of Tees Valley Businesses of 115,900 which will also occur due to current Tees Valley employees across all sectors reaching retirement age and leaving the labour market.
34. The 25,000 jobs figures are recognised in both documents as being ambitious targets, the 2016 - 2026 document goes on to explain that based on national UK growth rates, if Tees Valley were to match national anticipated growth rates over the next ten years the number of employees would actually increase by just under 11,000, 14,000 less than the ambitious target set.
35. The rationale behind the 25,000 jobs target was identified in a 2014 report McCreadie produced on behalf of TVU (Annex 7). Essentially the 25,000 jobs were calculated to raise Tees Valleys in employment figure up to the national average. To do this it was identified we would need an additional 25,000 jobs to ensure enough jobs per working age population to ensure Tees Valley meets its economic potential.
36. The revised 2016 Tees Valley Strategic Economic Plan (SEP) refresh reassessed the employment growth target to consider if the targets should be changed, while the total new jobs figure remains the same as the 2014 - 2024 figure there has been changes in anticipated jobs figures by sector as the table below demonstrates.

Net Job Creation, 2016–2026	Original	Revised
Low Carbon / Process, chemical and energy	+2,500	+2,000
Advanced Manufacturing	+2,500	+1,500
Other Manufacturing	-5,000	-4,000
Construction	+4,000	+3,000
Professional and business services	+8,000	+7,000
Logistics	+2,000	+3,000
Digital	+2,000	+3,000
Higher Education	+1,000	+1,000
Health and social care	+4,000	+3,500
Services	+4,000	+2,000
Culture and leisure	-	+3,000
Total	+25,000	+25,000

37. While Tees Valley Combined Authority are yet to break down the Tees Valley job targets in the SEP refresh to local authority level previous work by TVU to the 214 targets indicated a proposed split by local authority and sector. (Annex 8)
38. TVU estimated Darlington's share of the ambitious 25,000 Tees Valley jobs target would equate 5,990 additional Darlington based jobs by 2024. This was calculated by looking at each local authority's current sector split and recent economic growth.
39. It is anticipated much of the new jobs in Darlington will be within the Professional & Business services, Health and Social care and Construction sectors. The table below identifies the sector break down of these jobs.

	Darlington
Advanced Manufacturing & Low Carbon	900
<i>Other manufacturing</i>	<i>-700</i>
Construction	1000
Professional & Business Services	1800
Logistics	500
Digital	500
Higher Education	100
Health & Social Care	1400
Other services	490 (-210)
Total	5,990 (-300)

40. While the refreshed 25,000 Tees Valley jobs target has not been broken down to local authority level yet it is anticipated that Darlington's share will remain at a similar level of approx. 6,000 additional jobs created over a ten year period up to 2026.
41. If we were to take the TVCA figure of 6,000 jobs by 2026 and project that forward to 2036 that would suggest we will create an additional 12,000 jobs over the 20 year plan period.

42. If you then add this to the most recent (2015) BRES total employee jobs for Darlington that would mean by 2036 Darlington will have a total of 64,000 jobs.

Planning policy consideration: Having a jobs number higher than the working age population and current commuting ratio would have a significant impact on the entire local plan as Darlington could no longer be considered a contained housing market area for plan purposes. Darlington won't have enough workers to fill the jobs so we will have to rely on either increased in commuting, taking working age residents from neighbouring authorities to meet our jobs needs or increased migration of workers to move here to fill the jobs. Both of these scenarios will prove problematic in terms of duty to cooperate as well as gaining approval from the inspectorate, leaving Darlington in a similar position as Durham whose plan was rejected by the Secretary of State for being unrealistic by saying they would house people but rely on other authorities, specifically Sunderland, to provide jobs for their residents. For context our current ONS migration data taken in June 2013 shows we have 3,627 people coming into Darlington to live from within the UK and 3,653 leaving to move elsewhere so we are actually losing 30 people a year to migration.

HISTORICAL DARLINGTON EMPLOYMENT TRENDS

44. Employment jobs figures for local authorities are available from two key sources, Census data and the Office of National Statistics BRES (Business Register and Employment Survey) data released annually. The limitations of the BRES data at a local authority level have previously been discussed in points 7 and 8 of this report; we also believe both the 1991 & 2001 census data was incorrect for Darlington having undercounts as evidenced in (Annex 9).

45. However we know from recent Inspectorate responses including Cornwall & Cambridge, the Inspectorate consider the latest national available statistics to be the most reliable. To demonstrate this see extract below from the inspectorates written response to Cornwall;

“3.4 A number of representations indicate that past projections for Cornwall by the Office for National Statistics (ONS) and Department of Communities and Local Government (DCLG) over-estimated future growth compared with what actually happened and that therefore they are not a reliable basis for planning. ***Since the Census of 2011, ONS has undertaken considerable updating and correcting of the data that is used for population/household projections to ensure that projections are as robust as possible. I have not seen evidence to demonstrate that past projections were so out of step with what occurred in Cornwall compared with elsewhere or that such large variations would occur in the future to justify a departure from national policy/guidance on their use as the demographic starting point.***”

46. With this in mind, the table below identifies the change in jobs numbers in Darlington across a range of ten year periods. The table also identifies the official national source for the data and whether the period in question was that of sustained growth, prolonged recession or indeed a period of both economic growth and decline.

Timeframe	Source	Period of Growth	Period of Recession	Job change
1998 – 2008	BRES	✓		6134
1991 - 2001	CENSUS	✓	✓	5965
2001 - 2011	CENSUS	✓	✓	6223
2002 - 2012	BRES	✓	✓	3269
2005 - 2015	BRES	✓	✓	4207

47. While the table above demonstrates the fluctuations in historic trends across a range of periods, given the inspectorates view that most recent national statistics should be used, we can historically prove that across a ten year period of both recession and growth Darlington businesses created +4,207 FTE jobs.

SUMMARY

48. The Oxford Economic projections for Darlington are far too low and although they provide useful insight into the likely economic impact of a 'hard Brexit' the figure of -1,300 jobs in Darlington by 2036 is not something we can plan for as it doesn't support the governments ambitions for growth which have to be accounted for in the local plan making process. The oxford economic projections are also not an approach council would support. Furthermore, given Darlington's recent economic successes including being the 7th fastest growing economy in the UK of 238 local authority areas in 2015 based on GVA and on a range of positive indicators we can make a valid case for why the projections are unreliable.

49. There are several concerns with using the TVCA ambitious jobs target figure as Darlington's future employment needs figure for several reasons;

- (a) The TVCA jobs targets are clearly stated as ambitious. As such they far exceed UK growth forecasts nor do they consider the likely impact of Brexit on economic growth. Even if the UK doesn't perse a 'hard Brexit' ongoing uncertainty will impact on business investment decisions, there will also be a significant reduction in funding to support economic growth.
- (b) The 25,000 jobs figure was initially calculated to bring Tees Valley's 'in employment' level to the national average. Darlington's economy is different to our Tees Valley neighbours and as such we have continued to have an 'in employment' figure, higher than the Tees Valley, North East and national levels. Currently Darlington's 'in employment' rate is 75%, compared to 68.7% for Tees Valley, 69.8% for the North East and a 74.2% for the national average. While we still have unemployment in the borough of 6.4% and are keen to support all residents in achieving economic prosperity, we have to be realistic when considering the level our 'in employment' figure could rise to.
- (c) If Darlington council chooses to adopt the TVCA jobs target and project that forward to cover our entire plan period of an additional 12,000 jobs or a total of 64,000 employee jobs in the borough by 2036. As any increase in the jobs figure will need to be within the working

age population projections to align this and ensure we are not stating we will need to create even more dwellings or take workers from other areas (as this was an issue in Durham).

- (d) As mentioned previously in this report Darlington has an ageing population and it is anticipated this will mean by 2036 less residents will be of working age (16-64), while increases in the pension age may extend the working age population beyond 64, it is highly unlikely Darlington will be able to maintain its current working age population of 65,000. Even if we still had 65,000 residents in the labour market, working to the TVCA job target would mean Darlington's 'in employment' level by 2036 would be 98.5% otherwise we would be expecting increases in the number of in commuters.
50. Therefore I feel the best option for us to use as our revised employment need comes from projecting the most recent trend on actual number of jobs created in the borough available from national statistics (BRES 2005 – 2015) forward by twenty years to cover the plan period.
51. That would suggest we can look to achieve 8,414 FTE jobs across the plan period at a reasonable level of growth. Using this approach would also fit with what the inspectorate deemed adequate in both the Cornwall and Cambridge responses as they recommend only using historic data going back 10 years otherwise it is too inaccurate.
52. From this we can take off the number of Darlington residents that are now 'in employment' that has occurred since the 2015 BRES data was produced, as evidenced through the most recent ONS annual population survey (April 16 – March 17), which equates to 1,900 residents that are now 'in employment'.
53. This would then suggest across a twenty year period of realistic growth Darlington will create an additional 7,034 FTE jobs by 2036.
54. The table below provides further detail on Darlington current job numbers and changes by sector since 2012 until 2015. 2012 has been used as this is when Darlington's economic strategy became adopted and provides a useful picture in terms of most recent market trends.

Sector	Number of Darlington Jobs	% Darlington's total jobs	Change in job number since 2012
Manufacturing (C, D & E)	4,000	7.7	+1000
Construction (F)	1,500	2.9	-2,500
Wholesale and retail trade; repair of motor vehicles and motorcycles	7,000	13.5	No change
Transportation and storage (Logistics)	2,500	4.8	No change
Accommodation and food service activities	3,500	6.7	+500
Information and communication	3,000	5.8	No change
Professional & Business services	11,250	21.7	+2,900
Public administration and defence	3,000	5.8	No change
Education	5,000	9.6	+2,000
Human health and social work activities	9,000	17.3	No change
Arts, entertainment and recreation	800	1.5	-200
Other service activities	800	1.5	+100

55. The table below anticipates the sector split of the additional 7,034 FTE jobs haven taken into account anticipated future sector performance reflected in the UKCES Working futures document (Annex 3) as well as recent trends in job creation in the table above.

Sector	Anticipated job change 2016 – 2036
Manufacturing (C, D & E)	+500
Construction (F)	+1,294
Wholesale and retail trade; repair of motor vehicles and motorcycles	-200
Transportation and storage (Logistics)	+600
Information and communication	+500
Professional & Business services (K, L, M & N)	+2,500
Public administration and defence	-200
Education	+90
Human health and social work activities	+1,400
Culture & Leisure (I, R & S)	+550
Total	7,034

56. The table below then breaks down these anticipated job numbers to estimated floor space requirements which can be considered as part of the HEELA process. Note: the data has been calculated using publicly available guidance from HCA contained within the [Homes & Communities Agencies Employment Densities guide: 3rd edition released in 2015](#) (Annex 9).

Sector	Anticipated job change 2016 - 2036	Use Class	Use Type	Area per FTE (sqm)	Sq. meters required
Manufacturing (C, D & E)	500	B2	Industrial & Manufacturing	36	18,000 sqm
Construction (F)	1,294	n/a as construction will mainly be on building sites etc			
Wholesale and retail trade; repair of motor vehicles and motorcycles	-200				
Transportation and storage (Logistics)	600	B8	Regional Distribution centre	77	46,200 sqm
Information and communication	500	B1a	General office	12	6,000 sqm
Professional & Business services (K, L, M & N)	2,500	A2	Financial & Professional services	16	40,000 sqm
Public administration and defence	-200				
Education	90	B1 a	Public Sector	12	1,080 sqm
Human health and social work activities	1,400	B1 a	General office	10	14,000 sqm

Culture & Leisure (I, R & S)	550	D2	Visitor & Cultural Attractions	40	22,000 sqm
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PLANNING POLICY CONSIDERATION:**REGENERIS GLADMAN APPEAL**

As part of the Gladman appeal Regeneris stated that oxford economics reported a 5,000 jobs growth over the plan period (which we now know to be incorrect).

They also justified some of this looking at the compound growth rate for jobs of 0.5%, in context the national compound growth rate is 0.7% and North East is 0.2%.