

PBA's Objectively Assessed Housing Need Supplementary Report

1.1 This note has been prepared by Barton Willmore (BW) in response to the Objectively Assessed Housing Need Supplementary Report prepared by PBA on behalf of Birmingham City Council and published on 20th March 2015 (EXAM145). Our response is made on behalf of:

- Church Commissioners for England
- Bovis Homes
- Richborough Estates
- Gladman Developments
- Bloor Homes Midlands
- Barratt & David Wilson Homes (Mercia)
- The Gilmour Family
- Himor Group

Introduction to EXAM145

1.2 EXAM145 was prepared by PBA in order to address the Inspector's Interim Findings (EXAM131). For the purposes of assessing housing need, EXAM131 asked that the Council carry out further work as regards:

- Whether the 'index' method of Household Representative Rates is considered appropriate in the Greater Birmingham context
- The consequences of excluding Unattributable Population Change from the household projections, particularly for the Birmingham City Council area
- Future employment and Past provision and market signals
- Affordable housing
- All of the above to be reviewed in light of the 2012-based household projections as required

1.3 In response EXAM145 is structured under the following main headings

- Household Representative Rates (Greater Birmingham)
- Unattributable Population Change (Greater Birmingham)
- Future Employment (Birmingham City)

- Past Provision and Market Signals (Birmingham City)
- Affordable Housing (Birmingham City)

Scope of Barton Willmore Response

- 1.4 Barton Willmore has previously made representations to the effect that the interim 2011-based household formation rates were suppressed. In summary that is because they reflect the consequences of worsening affordability that arose from chronic undersupply during the last decade, compounded by constraints on household formation brought about by the more recent economic downturn.
- 1.5 It is the treatment of household formation rates that accounted for the difference between Barton Willmore's FOAN of 111,760 (5,588 pa) for Birmingham and PBA's 89,020 (4,451 pa). Both assumed exactly the same population change, that of the 2012-based sub national population projections (SNPP).
- 1.6 Accordingly, this response addresses the issue of household formation only, including the implication of the 2012-based household projections.

Household Representative Rates

- 1.7 EXAM145 concludes that whilst it was right to adjust the interim 2011-based household representative rates (HR rates) to take account of suppressed need it is not right to adjust the 2012-based HR rates.
- 1.8 PBA pass judgement on the 2012-based projections without reference to the 2012-based HR rates by age group and gender for Birmingham and the wider HMA. 2012-based HR rates were published on 10th March 2015, which may have been after PBA prepared their report.
- 1.9 In Barton Willmore's opinion, examining the 2012-based HR rates for Birmingham and the wider HMA is fundamental to assessing housing need and lead to the conclusion that like the interim 2011-based rates, they should not be adopted uncritically because they evidently suppress need.
- 1.10 Paragraphs 1.11 to 1.19 summarise the main points made by PBA with Barton Willmore's response at 1.20 to 1.23 supported by a detailed account of the 2012-based HR rates from 1.24 onwards.

PBA on the interim 2011-based HR Rates

- 1.11 In order to support the 'index' approach to the interim 2011-based household formation rates, PBA makes reference to two academic studies. Both address household formation at the national level and were published before the 2012-based household projections were released by CLG.
- 1.12 Whilst both academics agree that the economic downturn of the late 2000s has played a part in the reduced household formation rates assumed by the 2011-based interim household projections, one (Holman) makes the case that international migration is also a factor, whilst the other (Simpson) opines that other societal changes – including economic factors – are fundamental considerations.
- 1.13 Neither study sheds any light on how the balance of economic and other factors might be assessed at sub national level. They appear to have been put forward by PBA to support the 'index' approach to household formation in response to the interim-2011 based household projections only.
- 1.14 PBA acknowledge that other approaches are available and confirm that the Derbyshire Dales Inspector favoured a 'full return' to the 2008-based household formation rates. Derbyshire Dales is presented as anomalous and, rather audaciously, PBA speculate that had the 'index' approach been in front the Derbyshire Dales Inspector, he might well have applied it.
- 1.15 Despite attempting to brush Derbyshire Dales under the carpet, PBA make plain that addressing suppressed household formation is the proper course of action when dealing with the interim 2011-based household projections and that as a result, headship rates should be adjusted.
- 1.16 They simply disagree about the extent of any adjustment, bringing the debate back to 'index' to the 2008-based rate of formation rate change after 2021, versus 'full return' to the 2008-based formation rates by the end of the plan period.

PBA on the 2012-based HR Rates

- 1.17 In contrast to their approach to the interim 2011-based household projections, PBA decide that no formation rate adjustment is necessary when dealing with the 2012-based household projections. Presumably a decision made without having examined 2012-based projected household formation in Birmingham and the wider HMA and certainly without any reference to it.
- 1.18 PBA conclude that the 2012-based household projections should not be adjusted because PBA believe them to be endorsed by PPG and in light of the fact that PBA's ONS/PBA 2012 (interim

2011-based 'index' approach to HR rates) projection for 4,317 households per annum is broadly comparable the 2012-based household projection for 4,288 households per annum.

- 1.19 But PPG does not endorse the 2012-based projections as full OAN. The household projections are still the starting point for assessing overall housing need and the caveat remains that household formation rates might be suppressed and if so, they should be adjusted (ID2a-015).

Barton Willmore Response

- 1.20 DCLG published district level formation rates by age and gender on 10th March 2015, presumably after PBA prepared EXAM145. Barton Willmore has now analysed the published 2012-based HR rates for Birmingham (see paragraph 1.24 onwards) and find they suppress household formation, in light of which, we are strongly of the opinion that HR rates should be adjusted so that the suppression is removed; because that is what the PPG methodology requires (2a-015).
- 1.21 After adjusting the 2012-based household projections for suppressed household formation, Barton Willmore finds that there is housing need in Birmingham for between 99,680 and 114,630 dwellings (4,980 to 5,730 per annum) compared with the unadjusted projection for 88,250 dwellings (4,410 per annum).
- 1.22 Barton Willmore's range of 99,680 to 114,630 dwellings is the result of adjusting the HR rates for Birmingham, leaving the household population projection as published. 99,680 dwellings is the result of returning the HR rate for men and women aged 25 to 34 to the 2008-based HR rate by 2031, with all other age group rates following the published 2012-based HR rates. Whereas 114,630 is the result of returning the HR rates of all age groups, male and female, to the 2008-based HR rates by 2031.
- 1.23 On the basis that household formation is evidently suppressed in the 25 to 44 age range, from which new entrants to the housing market emerge, Barton Willmore recommends that Birmingham should plan for at least 108,350 dwellings (5,420 per annum) which assumes a full return to the 2008-based HR rates in the 25 to 44 age group but retains the 2012-based rate in all other age groups.

The 2012-based Household Projections for Greater Birmingham

- 1.24 For ease of reference, only the districts assessed both by Barton Willmore and PBA have been compared. Accordingly North Warwickshire, South Staffordshire and Stratford on Avon are excluded from the Barton Willmore analysis and East Staffordshire and Wyre Forest is excluded from the PBA analysis.
- 1.25 On 27 February 2015 DCLG published the 2012-based household projections for local authorities within England. The release of these projections updates the evidence base that PPG recommends should be used to provide the starting point estimate of housing need for an area.
- 1.26 New projections do not alter the fact that in order to arrive at full objectively assessed housing need, consideration needs to be given to whether household formation is suppressed, the implications of local demographic evidence, employment growth and market signals.
- 1.27 Table 1 compares the 2012-based household projections with the previous 'interim' 2011-based and 2008-based household projections. DCLG 2012-based household projections project a higher annual net housing need for the Birmingham HMA as a whole than was shown in the previous interim 2011-based household projections and the 2008-based household projections (9,397 households per annum compared to 8,177 and 8,991 respectively).

Table 1: Comparison of annual household growth from CLG household projections

	DCLG 2012-based	DCLG Interim 2011-based	DCLG 2008-based
	2011-2031 annual household growth	2011-2021 annual household growth	2011-2031 annual household growth
Birmingham	4,288	3,668	4,077
Bromsgrove	283	305	364
Cannock Chase	284	232	274
Dudley	606	536	683
Lichfield	322	406	428
Redditch	195	211	214
Sandwell	1,297	1,043	919
Solihull	593	633	679
Tamworth	206	248	221
Walsall	770	416	520
Wolverhampton	553	480	613
Total	9,397	8,177	8,991

Source: CLG

- 1.28 Annual household growth is higher for Birmingham City from the 2012-based household projections compared to both the interim 2011-based and 2012-based series. However, there are variations for other local authority areas within the Birmingham HMA.
- 1.29 Although the 2012-based household projections project higher household growth for the Birmingham HMA, it is important to understand that the 2012-based household projections are underpinned by the ONS 2012-based Sub National Population Projections (SNPP).
- 1.30 The ONS 2012-based SNPP underestimate population growth because they are underpinned by the 2012-based National Population Projections which are based on the assumption of 165,000 net international migrants to the UK per annum over the next 25-years.
- 1.31 However, the latest migration statistics report by the ONS puts net international migration to the UK at 298,000 people in the year ending September 2014. This underestimate in projected population growth directly affects the DCLG household projections, and it is therefore considered that the 2012-based household projections underestimate household growth.

The New Household Projections and PBA's Assessment of Need

- 1.32 Table 2 compares the annual household growth over the period 2011-2031 from the 2012-based household projections alongside the growth suggested by the PBA trends 2001-2011 and PBA ONS 2012 Indexed scenarios – PBA's preferred scenarios promoted by them at the Examination hearing last year. The results of the Barton Willmore ONS 2012 Indexed and Full Return scenarios are also presented. To enable comparison, only those authorities within both the Barton Willmore and PBA HMA definition are included.
- 1.33 Table 2 shows that the latest DCLG 2012-based household projections project lower growth than the PBA trends 2001-2011 scenario for the PBA Birmingham HMA area (9,397 annual household growth compared to 10,837). However, the PBA trends scenario includes Unattributable Population Change (UPC) within the migration estimates it is based on. ONS recommend that UPC should be excluded from migration trends. The PBA trends 2001-2011 scenario is therefore considered to be based on a high migration estimate.

Table 2: Comparison of annual household growth from PBA scenarios compared to DCLG household projections and Barton Willmore 2014 OAN

	2011-2031 annual household growth				
	DCLG 2012-based	PBA trends 2001-2011	PBA ONS 2012 Indexed	BW ONS 2012 Indexed	BW ONS 2012 Full Return
Birmingham	4,288	5,620	4,317	4,268	5,416
Bromsgrove	283	261	288	293	304
Cannock Chase	284	293	290	276	316
Dudley	606	387	615	605	698
Lichfield	322	338	324	323	394
Redditch	195	286	174	187	263
Sandwell	1,297	1,473	1,259	1,251	1,487
Solihull	593	434	589	605	632
Tamworth	206	111	204	230	255
Walsall	770	882	699	682	846
Wolverhampton	553	752	499	555	665
Total	9,397	10,837	9,258	9,275	11,276

Source: CLG, PBA

- 1.34 The 2012-based household projections project higher annual household growth for the Birmingham HMA than the PBA ONS 2012 'indexed' scenario (9,397 households per annum compared to 9,258). The PBA ONS 2012 'indexed' scenario uses the ONS 2012-based SNPP but converts to households using the interim 2011-based headship rates, indexed to the 2008-based rates post 2021.
- 1.35 PBA adopted this approach because the DCLG 2012-based household projections were not available at the time. Barton Willmore took the same approach to produce the BW ONS 2012 Indexed scenario.
- 1.36 The fact that the 2012-based household projections are broadly in line with both the PBA and Barton Willmore 'indexed' projections raises the question as to whether they suppress household formation, in contrast to Barton Willmore's 'full return' projection which clearly does not suppress need.
- 1.37 Prior to the publication of the 2012-based household projections, Barton Willmore promoted the 'full return' projection, for 11,276 households per annum (5,416 households per annum in Birmingham), as the basis for full OAN for because it addressed suppressed household formation in the interim 2011-based household projections.
- 1.38 The extent to which the problem of suppression infects the recently published 2012-based household projections, and if so what the remedy should be, is considered below.

Analysis of the 2012-based Household Formation Rates

- 1.39 For the purpose of assessing housing need, PPG advises that the household projection-based (starting point) household formation rates may require adjustment if they have been suppressed historically by under-supply and worsening affordability. That adjustment should be based on evidence of the extent to which household formation is or has been constrained (ID2a-015).
- 1.40 Household representative (HR) rates are used by DCLG to convert household population growth projections into household growth projections. For the purposes of this exercise, HR rates are the same as the household formation rates referred to in PPG. The HR rate for any given point in time is an estimate of how likely it is, by gender and age group that each individual will 'represent' a household (formerly referred to as head of household).
- 1.41 Like the population projections, HR rate projections are trend-based, taking their bearings from Census data. At the time of writing, the 2012 based household projections provide the most up to date HR rate projections.
- 1.42 This does not mean that the 2012-based rates are unconstrained, or that they should be adopted uncritically. They simply take their most recent mark from a more accurate fix on household numbers and sizes in 2011 than the previous projections because they are informed by data from the 2011 Census data that was not available when the interim 2011-based projections were published (which relied on Labour Force Survey data instead).
- 1.43 The 2011 Census recorded household numbers and sizes at a time of economic uncertainty and restraint for many families and revealed fewer households than expected, because exceptional circumstances were preventing household formation. Census 2011 data on households informs the 2012-based household projections and is responsible for the constrained HR rate trend that they adopt.
- 1.44 To illustrate the nature of that constraint, Figure 1 shows a comparison of projected household formation rates from the 2012-based, the 2011-based and the 2008-based series for Birmingham males and females aged 25 to 44 by 5 year age group. For completeness, Figure 2 presents the complete HR rates picture for all persons aged over 15 and by 10 year age group.
- 1.45 Deterioration of the 2012-based rate compared to the 2008-based rate is most evident across the 25 to 44 age range and is indicative of suppressed household formation amongst persons who are typically seeking entry into the housing market for the first time (including first time buyers), but are prevented from doing because of adverse market conditions arising from chronic undersupply.

- 1.46 In deviating from the norm, the 2012-based HR rates are characteristic of the interim 2011-based HR rates that they have now replaced. Both effectively assume that the ability of the household population to form separate households would be constrained relative to the norm.
- 1.47 Deterioration in the 2012-based HR rate relative to the long run trend (1971 to 2001) must be viewed in the context of deteriorating affordability of housing, undersupply and the economic downturn since 2001. Locally, the national context plays out in light of worsening market signals across the Birmingham HMA identified in our Birmingham Development Plan EiP Hearing Statements.
- 1.48 It is fair to conclude that the 2012-based HR rate projections embody suppressed demand or unmet housing need. If that is the case, then they should not be relied upon as a basis for predicting household formation in the future, because to do so would lead to the under provision of housing, undermining the planning systems social role and the social dimension of sustainable development (NPPF, paragraph 7).

Updated Full OAN for Birmingham

- 1.49 After adjusting the 2012-based HR rates for suppressed household formation, Barton Willmore finds that there is housing need in Birmingham for between 99,680 and 114,630 dwellings (4,980 to 5,730 per annum) compared with the unadjusted projection for 88,250 dwellings (4,410 per annum).
- 1.50 Barton Willmore's updated range of 99,680 to 114,630 dwellings is the result of adjusting the recently published 2012-based HR rates for Birmingham and applying them to the published 2012-based household population projection. Note that the published 2012-based household population projection is broadly in line with that used in Barton Willmore's original 'indexed' and 'full return' projections.
- 1.51 99,680 dwellings is the result of returning the HR rate for men and women aged 25 to 34 to the 2008-based HR rate by 2031, with all other age group rates subject to the published 2012-based HR rates. Whereas 114,630 is the result of subjecting all age groups, male and female, to the 2008-based HR rates by 2031 (from the 2012-based HR rates in 2011).
- 1.52 On the basis of the evidence, which reveals suppressed household formation in the 25 to 44 age group from which new entrants to the housing market emerge, a return to long run trend 2008-based HR rates, across the 25-44 age range by 2031 is merited for the purposes of assessing full overall housing need in Birmingham, where it would give rise to an assessment of need for 108,350 dwellings (5,420 dwellings per annum).**

FIGURE 1: Analysis of Household Representative (HR) Rates

Comparison of HR rates for males and females aged 25-29, 30-34, 35-39 and 40-44 is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line). The left hand panel shows male rates and the right hand panel shows female rates. From top to bottom, both panels are set in ascending order of age group. Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.4 or 40%) so that like for like comparison can be made. By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

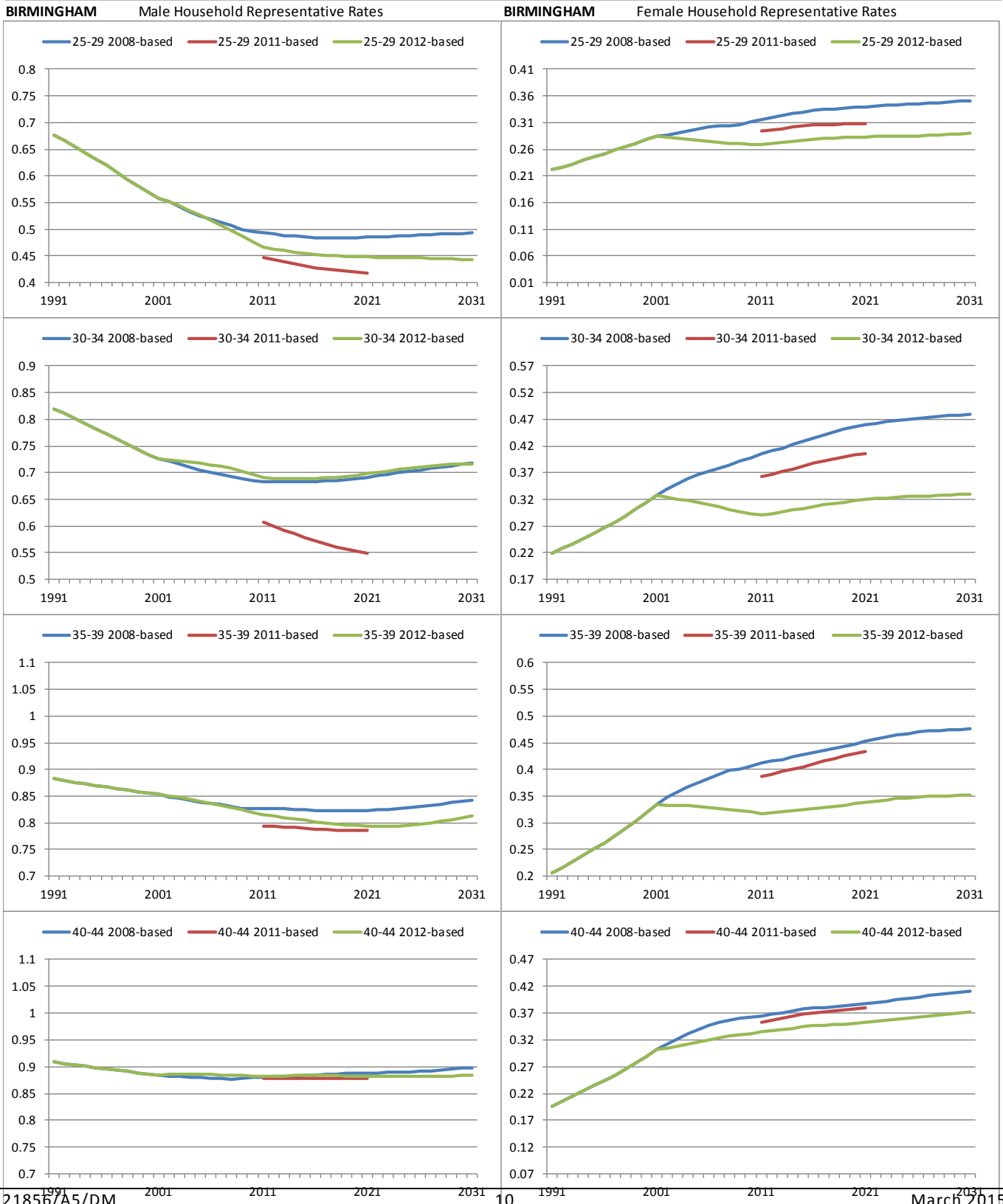


Figure 2: Analysis of Household Representative (HR) Rates, All Ages

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

Local Authority: **Birmingham**

