

This response is limited to material contained in EXAM145 in response to the following paragraphs from the Inspector’s interim findings letter dated 05/January/2015.

The Inspector’s **summary of further work required on the objective assessment of housing need** is set out in the frames below.

**Paragraph 20: *These are the elements that I wish to see covered in the further work:***

- **detailed explanation of *why the “index” method of HRRs is considered appropriate in the Greater Birmingham context, including a review of the recommendations of the Derbyshire Dales inspector [paras 12-14 above];***
- **further consideration of *the consequences, in terms of accuracy, of excluding UPC<sup>a</sup> from the household projections, particularly for the Birmingham City Council [BCC] area [para 15 above];***

a – (UPC): Unattributable Population Change [Our emphasis]

**Paragraph 22: *Should the 2012-based DCLG household projections themselves be published before this further work is complete, I would expect relevant sections of SHNS<sup>b</sup> Stage 2 and the further work to be reviewed as necessary.***

b – (SHNS): The GBSLEP Joint Strategic Housing Needs Study – Stage 2 Report [Our emphasis]

## Synopsis

- 1 Now that the DCLG’s 2012-based household projection is available we suggest this should be the starting point for estimating household growth rates / the Objectively Assessed Need (OAN) for housing in Birmingham and within its Housing Market Area (HMA).
- 2 The “*index*” method is no longer required since, with the publication of the 2012-based projection, it is no longer necessary to speculate how HRRs have changed since the 2008-based projection was compiled or guess what HRRs should be applied in the period 2021–2031 (after the 2011-based “*interim*” projection period ends but before the plan period ends).
- 3 We concur with the views of Birmingham City Council and Peter Brett Associates<sup>1</sup> that a household projection, which makes no explicit adjustment for the Unattributable Population Change (UPC), is the best measure of housing need.
- 4 Compared to the 2008-based projection, the 2012-based projection shows no significant change in rates of household formation. This is true for Birmingham and for its Housing Market Area. Prior to publishing its latest projection the DCLG Expert Panel<sup>2</sup> reviewed the available evidence (including 11 quarters of housing data since the recession ended in Q3/2009 and consumer expectations at Q2/2012) and found no compelling evidence to increase projected household growth rates above the 2008-based levels. The available evidence shows that higher than projected population growth continues to be reflected in larger households not more households. We concur with the conclusions drawn by the DCLG Expert Panel.
- 5 Our view is that, over the period 2011–2031, the SHNS area (as a proxy for the Housing Market Area) has an OAN for housing of circa 200,000 homes, with Birmingham having an OAN of circa 86,000 homes. Housing targets should be expressed as a minimum and the Birmingham Plan should be subject to early review on the same basis as Birmingham requested of its neighbouring authorities.

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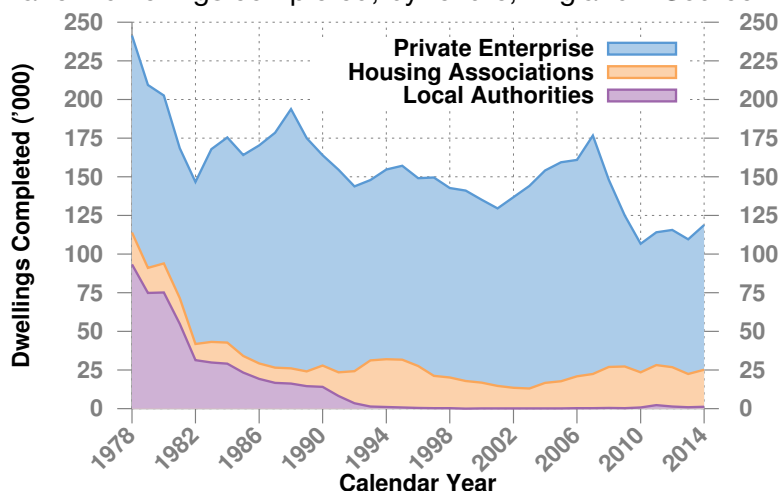
<sup>1</sup>EXAM145 paragraph 3.22

<sup>2</sup> Housing Markets and Planning Analysis Expert Panel

Deriving Household Representative Rates (HRRs) via the “index” method

- 6 The DCLG’s 2012-based household projection, has eliminated the need to rely on the “index” method to derive Household Representative Rates (HRRs). These are required to translate population growth rates into household growth rate. The DCLG’s 2012-based household projection now provides the most credible and up to date and basis for translating population change into household growth.
- 7 Planning policy guidance<sup>3</sup> states that the “household projection-based estimate of housing need *may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends*. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.” [Our emphasis]
- 8 We agree that policy changes / strong economic growth can boost household formation rates. If above-the-trend rates of household growth are being justified by credible changes to policy / improvements in the economic outlook, then the evidence should be placed before the Examination. We note the following observation from the Kerslake review: “The [i.e. Birmingham’s] economy has underperformed - not just compared to London and the South-East but compared to Greater Manchester, Liverpool and Sheffield. Birmingham is an outlier on its low employment rate and the low skills of its population”<sup>4</sup>. We agree. In our view the reason for low HRR’s / high occupancy rates go beyond the last recession. So it is unclear why PBA should be so much more optimistic than the DCLG’s housing experts (refer Figure 2 below). One potential area where policy could boost household formation is where private enterprise fails to provide e.g. social housing financed by councils and housing associations. This has been a persistent problem across England (see Figure 1 below) and in the West Midlands, including Birmingham.

**Figure 1:** Permanent dwellings completed, by tenure, England – Source: ONS Table 213



- 9 The Inspector’s interim findings state “the previous full set of projections is 2008-based and is largely based on pre-recession trends that are *unlikely* fully to reflect current circumstances”<sup>5</sup>. [Our emphasis]
- 10 Indeed – unlikely but not impossible. As shown below in Figure 2, the SHNS Study Area’s aggregate household growth rate has been remarkably stable over the last three DCLG projections (2008-based, 2011-based and 2012-based). This conflicts with the expectations of many of the experts, who said the end of the recession (Q3/2009) would release pent up demand for housing and result in a surge in household formation / house building. This did not happen. Further analysis are set out in paragraphs 16 to 19 below.

<sup>3</sup>PPG Ref 2a-015-20140306

<sup>4</sup>Paragraph 3, Executive Summary, The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council Sir Bob Kerslake

<sup>5</sup>Inspector’s interim findings (05/Jan/2015), paragraph 10

Impact of excluding the Unattributable Population Change (UPC) from household projections

- 11 **Definition of Unattributable Population Change (UPC):** It is the difference between the observed population at the last census (2011) and the rolled forward population change over the inter-censal period (2001-2011), i.e. it is the change in population which cannot be explained by natural change (births minus deaths), net migration and changes in methodology.
- 12 We concur with the views of Birmingham City Council and PBA<sup>6</sup> that that a household projection, which makes no explicit adjustment for the UPC is the best measure of housing need. Our reasoning is as follows:
- 13 We agree with PBA that limitations in the quality of migration data are the probable cause of a large proportion of the UPC in Birmingham and within the region. Within the SHNS study area as a whole UPC is likely to be less significant (in proportion to the unadjusted household growth trend) simply because migration data errors involving movement between the study areas local authorities will cancel out. This means that, whatever the conclusion regarding the need to adjust Birmingham's housing need for an UPC, this adjustment cannot simply be added to the aggregate housing need for the Housing Market Area.
- 14 A UPC adjustment to Birmingham's / the HMA's household growth trajectory is only justifiable if it can be demonstrated that this represents a bias in the trend data that will continue over the Plan period (2011-2031). For a number of reasons we do not believe this will be the case, namely:
- The 2011 census revealed enumeration errors in the 2001 census, in the order of 100,000 persons. This occurred in Birmingham and the Black Country. This may well have contributed to the UPC at 2011, but it cannot be described as a source of continuing bias in household formation rates.
  - Since 2006 a cross-departmental initiative has improved the range and quality of administrative data sources available to the migration statistics unit at the ONS. Over time the UPC should reduce.
  - Due to the political sensitivity (e.g. pressure on local services) of international migration, the quality of data available can be expected to improve.
- 15 Finally, before an UPC can be legitimately used it to inflate household growth rates, it must pass through a sequential filter as follows: UPC → exclude % not usually resident → exclude % not living in household e.g. communally → exclude % living in household who do not contribute to headship rates e.g. children. We don't believe that the UPC within the SHNS study area is significant enough to justify an explicit adjustment to trend based household formation rates.

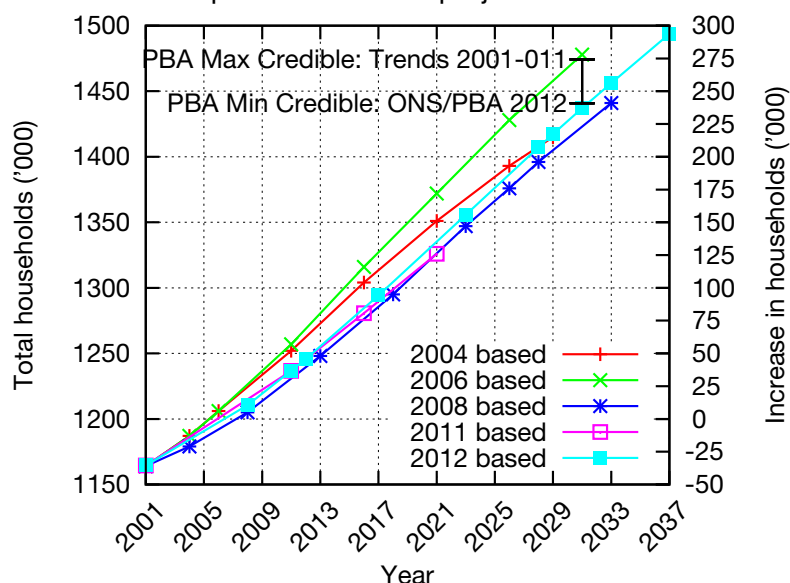
2012-based DCLG household projection vs. Strategic Housing Needs Study (SHNS) stage 2 report

- 16 The area covered by the GBSLEP Joint Strategic Housing Needs Study (SHNS) comprises the local authorities in the Black Country + GBSLEP members. Aggregate household growth projections have been remarkably stable since the DCLG's Housing Markets and Planning Analysis Expert Panel ("*DCLG Expert Panel*") altered the model to include forward looking data (via the Labour Force survey) to complement historic (trend based) data. This change was first incorporated in the 2008-based projection (refer Figure 2 below). In fact, with the exception of the 2006-based projection which reflected a housing boom, regional household growth rates have shown little variation little since 2004. The 2011 census has validated the accuracy of these trend based household growth projections.

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<sup>6</sup>EXAM145 paragraph 3.22

**Figure 2:** Aggregate Household Growth in the SHNS Study Area per recent DCLG projections



- 17 The black bars on Figure 2 above reflect what the SHNS Phase 2 report describes as the “most credible” projections<sup>7</sup> for the study area (GBSLEP + Black Country local authorities combined). Despite being considered “most credible” by Peter Brett Associates (PBA) they require a significant departure from the assumed consumer behaviour which underpins the last three DCLG projections (2008-based, 2011-based and 2012-based).
- 18 The DCLG Expert Panel computes HRRs by blending past trends with future behaviour. The Labour Force Survey is a statistical analysis of consumers expectations, measured at the projection date (e.g. 30/Jun/2012 for the 2012-based projection). We think any significant departures from the official DCLG projection should be based on compelling evidence. We are concerned that the DCLG Expert Panel, having reviewed the same same raw data as PBA, were not persuaded to significantly alter 2012-based household growth rates compared to the 2008-based or 2011-based projections. This means that changes in HRRs, sufficient to significantly affect household growth rates, could not be observed either in past trends or in consumer intentions. In the absence of credible local evidence to the contrary, we concur with the Expert Panel’s views.
- 19 A more granular analysis of the differences between the SHNS Phase 2 report and the 2012-based household growth projection has been undertaken by the Lichfield Civic Society (Refer Appendix B). We highlight the following salient features:
- Across the SHNS study area, aggregate household growth rates per the 2012-based projection are broadly unchanged from the 2008-based projection<sup>8</sup> and are marginally below the PBA minimum scenario.
  - The household growth rate in Birmingham per the 2012-based projection is also broadly unchanged from the 2008-based projection<sup>9</sup>.
  - The most significant changes in household growth rates between the 2012-based and 2008-based projections is that the former shows higher growth rates in the Black Country, partially offset lower growth rates for GBSLEP authorities (excluding Birmingham)<sup>10</sup>.

<sup>7</sup>SJSS Phase 2 report paragraphs 3.34, 3.40

<sup>8</sup>Table 1, Lichfield Civic Society Analysis (Appendix B)

<sup>9</sup>Table 1 & Figure 4, Lichfield Civic Society Analysis (Appendix B)

<sup>10</sup>Table 1 & Figure 3, Lichfield Civic Society Analysis (Appendix B)