



Association of Black Country Authorities
Dudley, Sandwell, Walsall and Wolverhampton

Our Ref:
Date: 9 April 2015
Please ask for: Simon Neilson
Direct Line: 01922 6520004

Ian Kemp
Programme Officer

BY EMAIL

Dear Mr Kemp,

Birmingham Development Plan Examination – PBA Supplementary OAN Report

Thank you for your email of 24 March 2015 requesting comments on the above. I am responding on behalf of the four Black Country authorities.

The Black Country authorities have been working closely with Birmingham City Council and other local authorities within the GBSLEP culminating in the joint commissioning of PBA to prepare a strategic housing needs study for the appropriate HMA. The Birmingham OAN Supplementary Report is effectively an extension of this with a particular focus on Birmingham Development Plan issues as identified by the Inspector. Some of the issues raised in this document relate to the wider Housing Market Area and as such are of consequence to the Black Country. Our views on the relevant issues are set out below.

The PBA report seeks to address four issues raised by the Inspector in his interim findings following the hearing sessions.

- i Detailed explanation of why the 'index' method of projecting household representative rates (HRRs) is considered appropriate in the Greater Birmingham context;
- ii Further consideration of the consequences, in terms of accuracy, of excluding Unattributable Population Change (UPC) from the household projection, particularly for Birmingham City;
- iii Future employment scenarios that align with the preferred demographic projections in the Greater Birmingham, Solihull and Black Country Strategic Housing Needs Study (SHNS); and analysis of past provision and market signals, to determine any uplift that should be made to the demographic projections in line with National Planning Practice Guidance (PPG); and
- iv The conclusions on affordable housing in the Birmingham City Strategic Housing Market Assessment 2012 ('the SHMA').

Comments

For **issues i and ii**, the Black Country Authorities consider that the index method offers a more reliable indication of future trends than the 'full return' method. The Black Country draws the Inspector's attention to paragraph 2.47 of the PBA report, which suggests that accepting the full return projection would likely result in a large overprovision of land against likely demand and need.

However, even the index method may produce household projections that exceed what will actually happen. Both the index and full return methods assume that household sizes will eventually revert to the long term tendency to become smaller. The full return method would suggest that Household Representation Rates will not only assume their pre-recession characteristics in the future, but also exceed them to "catch up" with the pre-recession trend.

The submitted PBA document draws on detailed objective research and analysis which suggest that the changes in HRR have been influenced by longer term societal trends, which became apparent before the recent recession. In particular, we would note the quotation from Simpson in paragraphs 2.15 and 2.16:

"In the 2000s there was a sustained increase among young people not leaving home, and in those returning home. The increased number living with their parents began at the turn of the millennium; the increase did accelerate after 2008.

"The introduction of student fees from 1998, and the increase in precarious employment, including the rapid growth of part-time work, could both change in the future. But they appear at the moment as fixed circumstances of the policy and economic environment

"The societal changes that created smaller households in Britain since the 1960s have now affected 50 years of those reaching adulthood. However, the experience of the past two decades, and not just the economic crisis of the late 2000s, does suggest that we are not in a position to expect further increases in household formation rates of the same kind. Household size in England cannot continue to reduce indefinitely, although it has not reached a limit and is not as low as elsewhere in Northern Europe. The future in the UK is likely to be a continuation of precarious household formation. It will probably be lower than once projected and carry more uncertainty until further structural shifts occur."

PBA note that the academic studies pre-date publication of the 2012-based household projections. They refer briefly to inconsistencies in these latest projections. The Methodology Report for these latest projections published by CLG ¹ provides a more detailed explanation. Section 1 states

"As with the previous projections, the methodology is split into two stages: Stage One produces summary household numbers based on long-term demographic trends and Stage Two gives a more detailed breakdown of household type. The Release on 27th February 2015 presents results from Stage One only. Stage Two

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408233/Household_Projections_2012-based_Methodology_Report-final-a.pdf¹

outputs will follow as soon as possible. Further work will investigate including more detailed analysis of Census 2011 data on household formation.”

For Stage One, the Methodology Report states that *“The projections methodology uses time-series modelling which weights together simple and dampened logistics trends. Cohort modelling is not used.”*

The household representative rate, as explained in section 2d of the CLG report, is *“the probability of anyone in a particular demographic group being classified as being a household representative and can take any value between 0 and 1”*. As such, it only represents the situation at a particular point in time.

Trend-based projections, such as the 2012-based ones, only show how the numbers in a particular age group are likely to change over time. The individual members of that group will change. For example, the projections show a change in the number of households headed by someone aged 30-34 between 2011 and 2021. However, individuals who are aged 30-34 in 2011 will be aged 40-44 in 2021 and so will not appear as part of the 30-34 age-group in the 2021 data.

The household representative rate only shows the total number of existing households headed by a particular group. For the purpose of calculating need, it should be more important to identify the number of individuals who are likely to want to form a new household over the period being studied (since very few people are actually homeless at any time), rather than the total number of households.

In our view it follows from the academic citations that the accuracy of household projections would be improved if they incorporated longitudinal modelling of population cohorts. This would show what happens over time to those young people who were forced to live with their parents or who were affected by the introduction of student fees in the early 2000's, as well as the generations after them. There are two possible scenarios:

- a) The fall in household formation by young people since the early 2000's is a temporary effect, and the formation rate will return to the long-term trend for people of this age group in the future
- b) The fall in household formation by young people is permanent and will continue to apply to future generations in this group.

Scenario a) is effectively the index method favoured by PBA. However, the index method does not take account of what will happen to those young people who did not form households in the early 2000's, as they get older. Most if not all of them are likely to form households later in life, however by this time many of them will be able to occupy homes vacated by older people as they die or move into care homes. The total demand for new homes will therefore be less than if past indices are reinstated in the future.

Scenario b) would mean that past trends should be ignored, in the first few years for young people and then in later years for older people as well as the generation initially affected by the changes of the early 2000's ages. In view of the discontinuity caused by the recession we are inclined to think that this is the more realistic scenario, unless there is dramatic change in economic policy by Government, for example an end to student fees and a return to pre-1990's levels of employment security.

In contrast, the full return method advocated by Barton Willmore would require a dramatic increase in household formation to levels exceeding those experienced over the last 50 years that form the basis of the trends used as the basis of the CLG projections. Such an increase would be necessary to compensate for the low formation rates of the last 10 to 15 years. We do not believe such an increase is feasible.

The UPC issue was originally raised in the Strategic Housing Needs Study - Phase 2. (Exam 90). The Supplementary Report has examined UPC within the Greater Birmingham HMA in greater detail and has found that there is no basis on which to adjust the projections to seek to take account of UPC. At national level the ONS has decided against such adjustment, and CLG in the 2012- based household projections have followed suit. The recent amendment to the PPG endorses these projections and thus supports the ONS's decision. In the light of this the Black Country Authorities are of the view that there is no practical, reliable and consistent way for the impacts of UPC to be disaggregated locally. Attention is also drawn to the fact that no participants at the relevant hearing sessions sought an adjustment for UPC.

For **issue iii**, Birmingham has traditionally been a net importer of jobs, with many people commuting from outside to work in the city. However, the numbers of jobs and population are set to balance across the housing market area.

We would support PBA's analysis of past housing provision and market signals. Figure 5.3 is similar to the two figures in the statement from ABCA for Matter A to the Examination, which show prices rising in the early 2000's before a slight decline and then a flat line following the recession.

For **issue iv**, it is noted that, as with all tenures, the number of affordable homes proposed in the city would not meet the objectively assessed need. This could increase pressure in other local authority areas. Given that those in need of affordable housing are usually on low incomes and reliant on public transport, it is particularly important that affordable housing is located where there is good access to jobs and services. The high number of jobs in relation to population, and generally good public transport, means that the city might be the preferred location for a high proportion of affordable housing. It is noted that this preference is reflected in the proposal that 38% of the dwellings to be provided in the city should be affordable.

The argument in paragraph 6.8 of the PBA report about the constraint on delivery levels would also apply to any affordable housing that is redistributed to other local authority areas. However, we would support the argument in paragraph 6.4 about the creation of balanced communities.

Conclusions

On **issue i**, we consider the index method that forms the basis of the 2012-based household projections published by CLG is the most appropriate method to use. This is endorsed by paragraph 016 of the National Planning Practice Guidance. However, although these projections are towards the low end of various figures identified previously, even these may be too high if the economic circumstances that have affected household formation rates for young people in particular over the last 10 to 15 years continue.

On **issue ii**, we support the view of PBA and the City Council that there is no basis on which to make an adjusted projection. We note that Barton Willmore have taken the same view.

On **issues iii and iv**, we would again support the conclusions of PBA.

We hope these comments are useful.

Yours sincerely

A handwritten signature in black ink that reads "Paul Sheehan". The signature is written in a cursive, flowing style.

Paul Sheehan
Chief Executive of Walsall Council
and Secretary of the Association of Black Country Authorities

