

Main issue: Does the Plan appropriately identify housing needs and does it seek to meet them in accordance with national policy?

Questions:

1) Is the Plan based on an objective assessment of the full needs for market and affordable housing in the housing market area over the Plan period?

- 1.1 No. Paragraph 159 of the National Planning Policy Framework (NPPF) clearly states how local authorities should prepare a Strategic Housing Market Assessment (SHMA) to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. There is no evidence that Birmingham City Council have undertaken this exercise.
- 1.2 The Birmingham City Council SHMA (examination document H2; 2012, revised January 2013), and the 'Housing Targets 2011-2031 Technical Paper' (September 2013, document H1) fail to comply with the requirements of the NPPF to consider overall housing need across the HMA, focusing on Birmingham City in isolation.
- 1.3 From reference to the research of the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University, the Birmingham HMA incorporates Birmingham City Council and 13 surrounding local authorities. This emphasises the inadequacy of the Council's SHMA (H2) and Technical Paper (H1).
- 1.4 Furthermore, although the 'Greater Birmingham & Solihull (GB&S) Housing Needs Study' (document EXAM2E) assesses a wider area than documents H1 and H2, it was commissioned by the Local Enterprise Partnership (LEP). The assessment area therefore relates to the LEP area and not the HMA. Furthermore this evidence has not been formally published and only refers to demographic led need. There is no consideration of economic led need and market signals.
- 1.5 The evidence base of Birmingham City Council therefore fails to comply with the NPPF tests of soundness, in the context of the above to be based on effective joint working on cross-boundary strategic priorities (paragraph 182 of the NPPF).
- 1.6 An objective assessment of overall housing need is a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals and improve affordability. If it cannot be reconciled, then an adjustment should be made.

- 1.7 The extent of any adjustment should be based on the extent to which it passes each test. That is,
- It will at least equal the housing need number implied by the latest demographic evidence,
 - It will at least accommodate projected job demand; and,
 - On reasonable assumptions, it could be expected to improve affordability.
- 1.8 The NPPF and PPG also clearly state how the objective assessment of overall housing need should be underpinned by demographic projections/trends, and economic growth prospects, including up-to-date job growth forecasts. Documents H1, H2, and EXAM2E fail to consider up-to-date employment forecasts in their assessment of overall housing need.
- 1.9 In addition EXAM2E fails to consider market signals, as required by paragraph 158 of the NPPF, and the supporting Planning Practice Guidance (PPG) at paragraph 2a-019:20.
- 1.10 Accordingly the Birmingham City Plan fails to achieve the NPPF test of soundness (paragraph 182) to be 'positively prepared' – to be prepared based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.

2) If not, what alternative objective assessment of housing needs should the Plan be based upon?

- 1.11 Barton Willmore (BW) has produced a full objective assessment of overall housing need for Birmingham City and the surrounding HMA, as defined by CURDS (February 2014), updated with the September 2014 addendum attached to this hearing statement (see Appendix 1).
- 1.12 Read together, the BW Open House report (representation ID bp1816, February 2014) and addendum (September 2014), provide an up-to-date assessment of overall housing need, considering demographic trends/projections, employment trends/forecasts, and relevant market signals. The Open House report and addendum fully comply with NPPF and PPG requirements.
- 1.13 The Plan should be based on this unconstrained, NPPF and PPG compliant assessment of overall housing need for the HMA. In summary, the Addendum demonstrate that **objectively assessed, there is a need for at least 251,680 dwellings in total (12,584 dwellings per annum) across the Birmingham HMA, including need for at least 111,760 (5,588 per annum) in Birmingham itself.**
- 1.14 The assessment presented in this addendum is not directly comparable with the most recent assessments carried out by PBA for Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) (EXAM2E/F). That is because their work is incomplete and insufficient detail has been published thus far.
- 1.15 Nevertheless it is evident that the approach taken by Barton Willmore in this Addendum differs from the approach taken by PBA for GBSLEP as follows (both points are explained in Chapters 2 and 3 of the Addendum):
- PBA assume that there will only be a partial return to the 2008-based headship rates after 2021, and appear to follow the index approach, whereas Barton Willmore assume a full return to 2008-based headship rates by 2031, in order to improve affordability and address other worsening market signals,

- PBA favours adding unattributable population change (UPC) to published estimates of migration in order to project future population change, Barton Willmore does not, on advice from ONS. (UPC is population change between 2001 and 2011 that ONS cannot be account for by *births minus deaths plus net migration*).
- 1.16 The Barton Willmore assessment assumes a full return to the 2008-based headship rates. In the Addendum report we also examine the so-called index approach which has been favoured by the Planning Inspectorate before (South Worcestershire). This approach gives rise to an OAN figure of 88,080 dwellings in total (4,404 dwellings per annum) for Birmingham.
- 1.17 For the avoidance of any doubt, the 111,760 is clearly preferred as it is the long term trend and it would not be appropriate to address housing needs on the basis of trends which have been heavily influenced by the recent very dramatic recessions. The figure of 111,760 is much more likely to ensure that affordability can be improved, which will in turn alleviate worsening overcrowding and concealment which are major problems in Birmingham. The Index Approach is simply offered, given it has been favoured before.

3) Does the Plan meet the full needs for market and affordable housing, as far as is consistent with the policies set out in the National Planning Policy Framework?

- 1.18 No. The Plan fails to meet the full objective assessment of overall housing need for Birmingham City and the surrounding HMA, as the evidence base documents (H1, H2, EXAM2E) fail to fully comply with the NPPF/PPG requirements.
- 1.19 The Birmingham Development Plan proposes 51,100 new dwellings, 2011-2031 (2,555 dwellings per annum). However in responding to Barton Willmore's initial Open House report (February 2014), in examination document 'SUB9' Birmingham City Council state how "*The City Council continues to consider that its Strategic Housing Market Assessment provides an appropriate basis on which to assess Birmingham's housing requirement.*" The 2012 SHMA (H2) states how demographic projections suggest a range of growth between 81,500 and 105,200 new dwellings, 2011-2031 (4,075 – 5,260 dwellings per annum), contradicting the level of housing need proposed in the Plan.

- 1.20 Furthermore document EXAM2E states that *"While the proposed levels of growth appear high it is important to stress that representatives of the development industry (see for example, Barton Willmore, Birmingham Sub-Regional Housing Study 2014, submitted as a response to the Birmingham Development Plan consultation) have published their own assessments with significantly higher results. As an example, for Birmingham, the highest PBA estimate equates to c112,000 household growth 2011-31 whereas the developers estimate the household increase is in a range 135,000-153,000 over the same time period. The Barton Willmore report then proposes a market driven distribution of the housing shortfall across the HMA. This emphasises the importance that the PBA work is brought to a conclusion."* However PBA's assessment of need shown in Appendix 2 of EXAM2E, shows significantly higher growth of 125,940 dwellings, 2011-2031 (6,300 dwellings per annum) for Birmingham City, contradicting this statement.
- 1.21 As we have set out in Section 4 of our attached addendum, our sensitivity testing based on household formation rates, shows how our modelling scenario of short-term net-migration trends (using the indexed approach to household formation rates after 2021) aligns with PBA's highest growth scenario of 6,300 dwellings per annum, showing slightly lower growth of 6,260 dwellings per annum.
- 1.22 To provide a fully up-to-date demographic position, our modelling shows how the 2012-based ONS SNPP requires the provision of 111,760 dwellings in Birmingham City, 2011-2031, (5,588 dwellings per annum); and a cumulative total of 251,686 dwellings, 2011-2031 (12,584 dwellings per annum) across the Birmingham HMA, based on the recent 2012-based ONS sub national population projections (SNPP, 29 May 2014).
- 1.23 Furthermore across the Birmingham HMA, the average job growth forecast from three sources (Experian economics, Oxford economics, and Cambridge econometrics) shows growth of 9,832 jobs per annum, 2011-2031.
- 1.24 Barton Willmore's September 2014 addendum shows how the 2012-based ONS SNPP will result in growth sufficient to support 9,978 new jobs per annum, 2011-2031, assuming a fall in unemployment to 7.7% by 2021 – a level both in line with

Response to Matter A: Housing need and the housing trajectory (BDP policies PG1, TP28 & TP30)

national average (in 2011) and the average for BHMA over the period 2001-2011, and therefore considered realistic.

- 1.25 The level of job growth created by BW's 2012-based ONS SNPP scenario will align with the average job growth forecasts set out above, adding further weight to BW's objective assessment of overall housing need.
- 1.26 Finally, the PPG requires plan makers to respond positively to adverse and worsening market signals. Barton Willmore's September 2014 addendum provides this analysis.
- 1.27 The rate of housing delivery since 2006/07 has averaged 6,011 net additional dwellings per annum across Birmingham HMA, with a sharp fall in completions during the recession. House Prices have tracked below the national average since 1997, but have still increased by more than 150% over this period. At HMA level, affordability (measured in terms of the ratio between lower quartile house prices and earnings) is broadly in line with national average, with a lower quartile-priced property costing 6.2 times the lower quartile income in 2012.
- 1.28 Overcrowding is a significant problem, and the proportion of concealed households has increased substantially between Censuses. Around 15.4% of households where the family reference person is aged under 25 are concealed (compared with 12.8% nationally) – a clear indicator that household formation among younger people in particular is being suppressed by poor affordability.
- 1.29 In light of the identified worsening affordability and overcrowding problems, it will be necessary for future housing supply to significantly exceed delivery rates experienced in the recent past. That is because, as the Barker Review findings illustrate, only a significant increase in supply will have an appreciable impact on affordability in the medium term.
- 1.30 Increasing the level of housing supply at HMA level to 12,584 dwellings per annum in line with Barton Willmore's September 2014 assessment would represent an increase of 109% over delivery rates observed since 2006/07. According to the Barker Review, an increase in supply of 86% would be required to reduce house price inflation to 1.1% (the European average at the time of the research). As

such, it would make a significant contribution towards alleviating these adverse market signals.

1.31 Accordingly it is considered that the Plan fails to achieve consistency with national policy, is not based on proportionate evidence, and is not based on effective joint-working on cross-boundary strategic working. The Plan therefore fails the tests of 'soundness' as set out in paragraph 182 of the National Planning Policy Framework.

4) What proportion of the assessed housing needs should be met outside the Plan area, and by what mechanism should that proportion be distributed to other local planning authorities' areas?

1.32 It is for Birmingham City Council to decide, based on sound evidence regarding land availability and capacity for residential development, the full amount of housing it believes it will be able to deliver over the plan period. Once this decision has been made, the remainder of its Full Objectively Assessed Housing Needs must be accommodated elsewhere. First and foremost, unmet need should be accommodated within the Housing Market Area.

1.33 In the absence of any official indication of how unmet need might be distributed, Barton Willmore developed an objective distribution mechanism in the February 2014 study. This study was supported and endorsed by a consortium of some of the most active housebuilders, developers and land promoters in the West Midlands, and we believe that an approach to distribution that takes account of market factors as well as commuting/migration patterns and growth potential should be applied.

1.34 The mechanism we put forward accounts for Migration, Commuting, Market Signals and Employment Growth in equal measures. The resulting share for each of the HMA local authorities is summarised below:

Response to Matter A: Housing need and the housing trajectory (BDP policies PG1, TP28 & TP30)

Local Authority	Weighted Share
Sandwell	18%
Solihull	16%
Dudley	12%
Walsall	12%
Wolverhampton	9%
Stratford-on-Avon	7%
Bromsgrove	6%
Lichfield	5%
North Warwickshire	4%
Cannock Chase	3%
Redditch	3%
Tamworth	3%
South Staffordshire	2%

- 1.35 We believe that this represents a sound basis for redistribution, and should be used as a starting point in negotiations with these authorities.

**BIRMINGHAM
SUB-REGIONAL HOUSING STUDY
- PART 2 (ADDENDUM)**

APPENDIX TO MATTER A HEARING STATEMENT

BARTON WILLMORE (ON BEHALF OF A CONSORTIUM OF DEVELOPERS)

REPRESENTOR ID: 821373

15 September 2014

BIRMINGHAM SUB-REGIONAL HOUSING STUDY – PART 2 (ADDENDUM)

APPENDIX TO MATTER A HEARING STATEMENTS

**Barton Willmore (on behalf of a consortium of developers)
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CONTENTS

Page No.

1.0	INTRODUCTION	01
2.0	PLANNING POLICY UPDATE	03
3.0	SUMMARY OF BARTON WILLMORE HOUSING NEEDS ASSESSMENT TO DATE	05
4.0	HOUSEHOLD FORMATION RATES POST 2021	07
5.0	FULL OBJECTIVE ASSESSMENT OF BHMA HOUSING NEED	11
6.0	CONCLUSION	20

Annex 1 **Understanding the Latest DCLG Household Projections Toolkit, Version 2, 2014**

Annex 2 **Birmingham HMA Market Signals Paper, Barton Willmore, 15 September 2014**

Annex 3 **Findings of Keith Holland, Examining Inspector for Derbyshire Dales Local Plan, 29 July 2014**

1.0 INTRODUCTION

1.1 This addendum has been prepared by Barton Willmore on behalf of a consortium of developers with land interests across the West Midlands. The consortium includes (in alphabetical order):

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

1.2 The purpose of this addendum is to update the assessment of need presented in the Open House report (February 2014). The update takes account of the latest demographic and economic evidence in order to comply with the Planning Practice Guidance, published on-line in March 2014, and the latest available evidence and experience from recent Local Plan examinations with regard to assessing overall housing need after 2021.

1.3 In summary, we demonstrate that objectively assessed **there is a need for at least 251,680 dwellings in total (12,584 dwellings per annum) across the Birmingham HMA, including need for at least 111,760 (5,588 per annum) in Birmingham itself.**

1.4 The assessment presented in this addendum is not directly comparable with the most recent assessments carried out by PBA for Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) (EXAM2E/F). That is because the work is incomplete and insufficient detail has been published thus far.

1.5 Nevertheless it is evident that the approach taken by Barton Willmore in this Addendum differs from the approach taken by PBA for GBSLEP as follows (both points are explained in Chapters 3 and 4 of this Addendum):

- **PBA assume that there will only be a partial return to the 2008-based headship rates** after 2021, and appear to follow the index approach, whereas Barton Willmore assume a full return to 2008-based headship rates by 2031, in order to improve affordability and address other worsening market signals.

- **PBA favours adding unattributable population change (UPC) to published estimates of migration in order project future population change**, Barton Willmore does not, on advice from ONS. (UPC is population change between 2001 and 2011 that ONS cannot be account for by *births minus deaths plus net migration*)

1.6 The addendum is structured as follows:

- **Planning Policy Update;**
 - o Relevant background from the Planning Practice Guidance, published following Barton Willmore's February 2014 Open House report.
- **Summary of Barton Willmore Housing Needs Assessment to date;**
 - o Summarises the assessment and approach taken by Barton Willmore;
- **Summary Of household formation rate assumptions post 2021;**
 - o Sensitivity testing and comparison with PBA's approach.
- **Full Objective Assessment of BHMA Housing Need;**
 - o Additional demographic modelling and sensitivity analysis based on the latest population projections;
 - o Testing for capacity to deliver sufficient labour;
 - o Testing for potential response to adverse market signals.
- **Summary and Conclusions, including;**
 - o Summary of OAN, including implications for distribution exercise.

2.0 PLANNING POLICY UPDATE

Planning Practice Guidance (PPG, 06 March 2014)

- 2.1 The PPG was issued as a web based resource on 06 March 2014, following Barton Willmore's initial (February 2014) Open House assessment. Guidance on the assessment of housing development needs (PPG ID: 2a) includes the SHMA requirement set out in NPPF.
- 2.2 The assessment of need is introduced as an objective assessment based on facts and unbiased evidence to which constraints should not be applied (2a-004). The area assessed should be the housing market area (2a-008), reflecting the key functional linkages between places where people live and work (2a-010).
- 2.3 The PPG methodology for assessing overall housing need (2a-014:029) commences with identification of a starting point estimate of overall housing need and is summarised below.

Starting Point Estimate

- 2.4 The PPG states how household projections published by the Department for Communities and Local Government (CLG) provide the starting point estimate of overall housing need. CLG household projections are trend based and may require adjustment to address factors, such as unmet or suppressed need, not captured in past trends (2a-015).
- 2.5 The latest household projections (CLG 2011-based interim) only cover the period up to 2021; therefore an assessment of likely trends after 2021 is required to align with development plan periods (2a-016).
- 2.6 Whether an adjustment to the starting point estimate is required depends on the results of three discreet tests.

Test 1 - Adjusting for Demographic Evidence

- 2.7 Adjustments to household projection-based estimates of overall housing need should be made if justified on the basis established sources of robust demographic evidence, such as the latest projections and population estimates published by ONS. Adjustments might include alternative/ updated components of change and household formation rates (2a-017).

Test 2 - Adjusting for Likely Change in Job Numbers

- 2.8 In addition to demographic evidence, job trends and or forecasts should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

Test 3 - Adjusting for Market Signals

- 2.9 The final test is concerned with market signals of quantity and price. A worsening trend in any indicator will require an upward adjustment to the starting point estimate of overall housing need. Particular attention is given to the issue of affordability. The more significant the affordability constraints, the larger the additional supply response should be (2a-019:20).

Overall Housing Need

- 2.10 An objective assessment of overall housing need is therefore a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals and improve affordability. If it cannot be reconciled, then an adjustment should be made.
- 2.11 The extent of any adjustment should be based on the extent to which it passes each test. That is:
- It will at least equal the housing need number implied by the latest demographic evidence,
 - It will at least accommodate projected job demand; and,
 - On reasonable assumptions, it could be expected to improve affordability.
- 2.12 The approach used by Barton Willmore to objectively assess overall housing need follows the methodology set out in PPG 2a-014:20 and summarised above. The result is a policy off assessment of housing need that takes no account of the impact of planned interventions strategies and policies.

3.0 SUMMARY OF BARTON WILLMORE HOUSING NEEDS ASSESSMENT TO DATE

3.1 In this and the following Chapter, the results of Barton Willmore's Open House report (February 2014) are summarised and fundamental building blocks of the assessment explained. That is followed by an explanation of two key assumptions, regarding population change and headship rates. The implications for the Open House assessment of need and their bearing on the updated assessment of need introduced in Chapter 5 are presented, alongside a comparison with the findings from the Greater Birmingham and Solihull Strategic Housing Needs Study (PBA 2014).

Open House Report

3.2 Barton Willmore's Open House Report (February 2014) incorporated an assessment of overall housing need for the Birmingham HMA. In line with the approach taken by ONS and CLG projections, the assessment was based on short term (5 year) migration trends, derived from the latest available official estimates (ONS 2007 to 2012).

3.3 For the City of Birmingham, the result was an assessment of need ranging between 135,100 and 153,100 dwellings in total and an average annual need for between 6,760 and 7,660 dwellings per annum, 2011-2031.

3.4 A range was presented because of ONS uncertainty over population change observed between Census 2001 and 2011. In the case of Birmingham, that uncertainty meant that the sum of natural change and net migration estimates (collectively known as components of change) did not equal - and was significantly below - recorded population in 2011. The ONS recorded that difference as what is termed 'unattributable population change'.

Unattributable Population change

3.5 ONS refers to the difference as 'unattributable population change' (UPC), which over the period between 2001 and 2011 is said to total +25,000 people. Whilst no estimate is completely accurate, ONS do not believe that natural change estimates (births and deaths) contribute significantly to the error. Instead they point to potential miscounts of population in 2001 and or inaccurate migration estimates after 2001, with international migration estimates known to have been most prone to error.

- 3.6 However, even if it was faulty international migration estimates that give rise to UPC, we do not know when the error occurred. Therefore we cannot say with any certainty that our short term (5 year trend based) migration estimate was infected by it.
- 3.7 For that reason, in February 2014 we presented a range of housing need. The lower figure, based on an average rate of net migration calculated from ONS published migration estimates (revised with the 2011 Census). The higher figure, based on an average rate of net migration calculated from published migration estimates *plus* UPC. The latter being PBA's favoured approach.
- 3.8 We now know that a) ONS stand by their estimates of migration and advise that they are not made more accurate by adding UPC; and b) ONS have used their own past estimates of migration and not added UPC to them in order to calculate the short term migration trends (2007-2012) applied to their recently published 2012-based sub national population projections.
- 3.9 In light of the fact that ONS do not take account of UPC in their projections, our preferred approach is to do the same which is consistent with the assumptions underlying the lower range figures presented within the earlier Open House Report (i.e. growth of 135,100 dwellings and 6,760 dwellings per annum within Birmingham City, and 249,800 dwellings and 12,490 dwelling per annum across the housing market area).
- 3.10 The housing forecasts presented within the earlier Open House report were based upon an assumption of a full return to 2008-based household formation (or headship rates) in 2031. Such an assumption is considered entirely appropriate, given the extent to which the 2011-based household formation rates have been suppressed by recessionary factors, and the clear aim of Government to 'boost significantly the supply of housing'. However, Barton Willmore have observed the Planning Inspectorate favouring an approach which seeks to address only part of the full objective assessment of need, by applying a partial return to 2008-based rates through what is termed an 'index approach'. We examine this in further detail in the following chapter.

4.0 HOUSEHOLD FORMATION RATE ASSUMPTIONS POST 2021

- 4.1 Headship rates are required to convert estimates of the projected household population (the total population less the population not in households) into an estimate of the equivalent projected number of households. They are an estimate of how likely, by age group, a person is to form a household of a particular type (single, couple, with dependent children etc.).
- 4.2 Like the population projections, headship rate projections are based on trends. They take their bearings from Census data points and vary over time. At the time of writing, the 2011-based interim household projections provide the most up to date headship rate projections, albeit with a number of fundamental flaws which must be addressed.
- 4.3 The 2011-based interim household projections represent a significant departure from household growth and rates of household formation predicted by the previous, 2008-based, household projections (CLG 2010). The 2008-based household projections extend from 2001 to 2033, and are based on the long run trend of household formation observed through successive Census from 1961-1971 to 1991-2001.
- 4.4 The 2011-based interim projections, therefore, are not just a departure from the previous projections, but represent a departure from a trend that spans four decades. Moreover, they are a departure based on behaviour, shaped by the bleak socio economic context and outlook of post-recession Britain, that preceded Census day (March 27th) 2011.
- 4.5 The 2011 Census recorded household numbers and sizes at a time of economic uncertainty and restraint for many families. Evidence published by RTPI suggests that the position recorded by the 2011 Census is artificially low; a 'forced' change brought about by economic and affordability of housing constraints, rather than the result of a 'free choice' not to form households¹.
- 4.6 The RTPI research observes that most of the shortfall between actual and projected household numbers is in the 25-34 and the 35-44 age groups. It can therefore be concluded that these are the age groups that were most susceptible to economic and affordability constraints on household formation.
- 4.7 In place of household formation, constraints have instead given rise to an increase in young people living with their parents or in shared accommodation, increasing household size and affecting a rise in concealed households and an increase of unmet housing need.

¹ RTPI, 'Planning for housing in England', Research Briefing No. 3, January 2014

- 4.8 The RTPI research concludes that the 2011-based interim household projections are likely to underestimate growth in household numbers, and note the implication that the proportion of 25-34 year olds who set up home on their own will continue to fall below the suppressed level observed in the 2011 Census.
- 4.9 It can therefore be concluded that, to some degree, the 2011-based household projections embody and amplify suppressed demand or unmet housing need. If this 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 (see NPPF, paragraph 7).
- 4.10 The RTPI research also provides a toolkit which enables users to examine the extent to which household formation is suppressed in the 2011-based interim household projections, and provides a basis for making any necessary adjustment.
- 4.11 For Birmingham City, the toolkit (see Annex 1) shows that whereas the population growth envisaged by the 2011-based interim household projections is 13% greater than was the case under the 2008-based projections, corresponding household growth is 11% lower. Birmingham is therefore typical of the 2011-based interim projections, presenting slower household growth than expected.
- 4.12 Furthermore the toolkit shows in the 25-34 age group, the tendency to form households was lower in 2011 than previously expected and that it will fall over the period to 2021, in contrast to expectations, based on the long term trend, that it would rise.
- 4.13 Some of the change in tendency to form households may be attributable to the fact that recent international migrants are observed to form larger households, and the toolkit shows that this may be a factor in Birmingham City. As Appendix 1 shows, the average annual international migration (2001-2011) as a percentage of total population is 1.40% in Birmingham City – above the national average of 1%.
- 4.14 In light of the available evidence, we can therefore conclude that, to a significant degree, the deviation from the long run trend household formation rate arises because the interim 2011-based household projections assumed that worsening affordability and then a bleak economic outlook during the period 2001 and 2011 would not improve between 2011 and 2021.
- 4.15 Analysis of market signals data (see Annex 2) reveals that the number of concealed households has grown significantly between censuses, particularly among younger age

groups. This is likely to be caused by poor affordability; although house prices were shown to be below national average, the ratio between incomes and prices is broadly in line with the national average – a level widely regarded as unacceptable. Similarly private rents (typically the most affordable entry point to the private market) were shown to be less affordable than national average. As a consequence, fewer households have formed.

- 4.16 In reality, the economy has already improved, surpassing its pre-recession peak in 2014 and significantly increasing housing supply will help improve affordability. Therefore, the assumption should be that the constraints faced by 24-35 year olds in particular will be alleviated over the next 20 years.
- 4.17 As such a return to the long run formation rates after 2021, taken from the 2008-based household projections, is merited. It should be noted that a return to the 2008-based rates recently found favour with Keith Holland² who advocates a blended rate, that assumes the 2011 rate until 2020 and the higher 2008 rate thereafter (full note at Annex 3):

“It seems clear that the lower household formation rate in recent years has been, at least in part, a consequence of the economic downturn. With the recovering economic situation it would be prudent to assume that the low 2011 headship rates are unlikely to remain in place over the whole plan period. It would be sensible to work on the basis that the household formation rate will gradually return to higher levels as the economy recovers. I therefore consider that a “blended” rate that assumes the 2011 rate until 2020 and the higher 2008 rate thereafter is appropriate. Whilst this may be a relatively unsophisticated approach, it is a practical one in the light of the uncertainties about future household formation rates. In any event the situation should be monitored and the approach refined if and when necessary.”

Index Approach (Partial Return to the Long Term Trend)

- 4.18 Notwithstanding the fact that we consider a full return to 2008-based headship rates to remain the correct approach, we set out the results of applying indexed 2008-based rates after 2021 to the earlier Open House assessment of need in Table 4.1 below. The purpose of this sensitivity test is to compare the results of two alternative approaches, paraphrased as ‘index’ and ‘full return’ respectively. The ‘index’ approach applies the rate of change in the 2008-based rates post 2021 to the 2011-based rates in 2021. The ‘Index’ approach does not provide for a full return to 2008-based rates.

² Findings of Keith Holland, Examining Inspector for Derbyshire Dales Local Plan, 29 July 2014

Table 4.1: Barton Willmore PopGroup modelling for Birmingham City; Net-migration sensitivity testing including and excluding UPC

Household Formation Rate scenario	Dwellings per annum (Excluding UPC)	Dwellings per annum (Including UPC)
Full return (BW Feb 2014)	6,760	7,660
Indexed	5,440	6,260

UPC: Unattributable Population Change

- 4.19 Following the index approach method, the Open House assessment of need that is based on published estimates of migration reduces to 5,440 dwellings per annum. The Open House assessment of need based on estimates of migration *plus* UPC reduces to 6,260, similar to the PBA 2014 short term migration trend (2007 – 2012) forecast of 6,297 dwellings per annum.
- 4.20 Setting this out also enables like for like comparison with interim findings from the Greater Birmingham and Solihull Strategic Housing Needs Study (PBA 2014). In that study, which is ongoing, PBA make an assessment of need based on the same migration trends (i.e. short term, 2007 to 2012) as the earlier Open House report, but a) only reported on a trend migration *plus* UPC assessment; and b) applied the index headship rate method, or similar variant thereof, after 2021.

Conclusions and implications

- 4.21 The similarity between the *higher* Open House assessment of need and the PBA 2014 assessment of need indicates that the respective assessments approaches were the same, except that the Open House report assumed a full return to 2008-based household formation rates by 2031, whereas PBA used the indexed approach.
- 4.22 However, in addition, whereas PBA 2014 evidently prefer to add migration estimates to UPC in order to calculate migration, Barton Willmore now follows the approach used by ONS in the 2012-based sub national population projections, and base migration trends solely on the published migration estimates.
- 4.23 The Index Approach presented in Table 4.1 also allows for direct comparison with the updated assessment of need summarised in Chapter 5 of this Addendum. Our updated assessment takes no account of UPC and presents a preferred 'full return' assessment (preferred for the reasons given in Chapter 5) alongside the alternative 'index' assessment results.

5.0 FULL OBJECTIVE ASSESSMENT OF BHMA HOUSING NEED

Introduction

- 5.1 In the intervening period since Barton Willmore's Open House report (February 2014), the ONS have released the 2012-based sub national population projections. The 2012-based ONS SNPP were published on 29 May 2014, and replace the 2011-based interim SNPP with a 25 year trend based population projection underpinned by the 2012 mid-year population estimates. It is important to note how the 2012 SNPP are based upon past short term trends in migration and population change, and as such are heavily influenced by the recessionary period (2007-2012).
- 5.2 Furthermore, the 2012 SNPP are constrained to the 2012 national projections published in 2013. Since the publication of the national projections the ONS has released a revised set of international migration estimates for England. However, the ONS do not appear to have updated the national or sub national net international migration assumptions to reflect this. As a consequence at national level the 2012 SNPP assumes net international migration of c.150,000 migrants per annum, whereas the ONS confirmed in its May 2014 Quarterly statistical release that net international migration in 2013 (the first year of the SNPP) totalled 212,000 in England. Furthermore, the 5 year trend of net international migration averages 215,000 migrants per annum. The 2012 SNPP therefore appears to assume significantly lower levels of net international migration across England than trends would suggest. As a consequence, future population growth may exceed these projections.
- 5.3 The implications of the 2012-based ONS SNPP for housing need in Birmingham City and the wider HMA are considered below.

Overall Housing Need based on the 2012-based ONS population projections

- 5.4 The latest population projections, published by ONS in May 2014 are the 2012-based population projections. They are based on updated analysis of demographic change between the 2001 and 2011 Census and comprehensively revise and replace the 2011-based interim population projections that were published by ONS in September 2012 and which underpin CLG's 2011-based interim household projections.
- 5.5 In summary, the 2012-based population projections result in population growth of 7,568 persons per annum in Birmingham City over the period 2012 to 2031, from 1,085,400 people in 2012 to 1,229,200 people in 2031.

- 5.6 Across the remainder of the HMA there is uplift of 9,577 persons per annum from 2,100,334 in 2012 to 2,282,290 in 2031.
- 5.7 For clarity, the population change analysis summarised above is also presented in Table 5.1 below.

Table 5.1, Latest projections of population change for Birmingham City and the HMA

	2012-based SNPP Birmingham City	2012-based SNPP Remainder of HMA	2012-based SNPP HMA
Average annual population change, 2011 to 2031	7,568	9,577	17,145
Population in 2021	1,156,846	2,189,304	3,346,150
Population in 2031	1,229,200	2,282,290	3,511,490

Source; ONS and Barton Willmore

Household Formation Rates

- 5.8 A return to the 2008-based household formation rates by 2031 is considered to represent the most robust scenario to assess overall housing need in Birmingham City and the wider HMA, however for completeness a summary of overall housing growth based on three household formation rate sensitivities are supplied:
- Sensitivity 1 (Full Return): 'Interim' 2011-based CLG household formation rates, 2011-2021; return to 2008-based household formation rates by 2031;
 - Sensitivity 2 (Indexed): 'Interim' 2011-based CLG household formation rates, 2011-2021; annual 2008-based rate of change applied between 2021 and 2031;
 - Sensitivity 3 (2011 trend): 'Interim' 2011-based CLG household formation trend, 2011-2021; continuation of 'interim' 2011-based CLG household formation trend, 2021-2031.
- 5.9 The results of these sensitivity scenarios are summarised for 1) Birmingham City, and 2) the Birmingham HMA in its entirety:

Birmingham City**Table 5.2: Household and dwelling change in Birmingham City, 2011-2031**

	2011 Households (Dwellings)	2031 Households (Dwellings)	Household (Dwelling) Change, 2011-2031	Household (Dwelling) Change per annum, 2011-2031
Sensitivity 1 (Full return)	411,357 (424,447)	519,672 (536,208)	108,315 (111,761)	5,416 (5,588)
Sensitivity 2 (Indexed)	411,357 (424,447)	496,714 (512,519)	85,357 (88,072)	4,268 (4,404)
Sensitivity 3 (2011 trend)	411,357 (424,447)	494,587 (510,324)	83,230 (85,877)	4,162 (4,294)

Source; ONS and Barton Willmore

- 5.10 Table 5.2 shows the significant suppression in household formation that will result from a continuation of the recessionary-based 'interim' 2011-based CLG household formation rates (Sensitivity 3: 2011 trend), post-2021. Furthermore and importantly, the return to the 2008-based rate of change post-2021 (Sensitivity 2: Indexed) will still result in significant suppression of household formation. Table 5.3 (below) sets out the change in household types that will result from the three sensitivity scenarios set out in Table 5.2.

Table 5.3: Household Growth Projections, Change in Household Types, Birmingham City

	Household Types	2011 Households	2031 Households	Change 2011-2031	Annual Average Change (Households)
Sensitivity 1 (Full Return)	One family and singles	304,323	427,351	123,028	+6,151
	Sharing, concealed and other families	107,034	92,321	-14,713	-736
Sensitivity 2 (Indexed)	One family and singles	304,323	360,280	55,957	+2,798
	Sharing, concealed and other families	107,034	136,433	29,399	+1,470
Sensitivity 3 (2011 trend)	One family and singles	304,323	338,912	34,589	+1,729
	Sharing, concealed and other families	107,034	155,675	48,641	+2,432

Source: Barton Willmore analysis using POPGROUP software. Note: figures rounded to nearest 10.

- 5.11 Table 5.3 shows how the **Sensitivity 2 and 3 scenarios will result in an increase in the number of concealed households** in Birmingham City over the Plan period. Planning on the basis of a return to 2008-based rates by 2031 (Sensitivity 1: Full Return) is the only scenario to result in a decline in concealed households.

Birmingham Housing Market Area

- 5.12 Finally, tables 5.4 and 5.5 summarise the data for the HMA as a whole:

Table 5.4: Household and dwelling change; Birmingham HMA, 2011-2031

	2011 Households (Dwellings)	2031 Households (Dwellings)	Household (Dwelling) Change, 2011-2031	Household (Dwelling) Change per annum, 2011-2031
Sensitivity 1 (Full return)	1,268,679 (1,308,253)	1,512,648 (1,559,939)	243,969 (251,686)	12,198 (12,584)
Sensitivity 2 (Indexed)	1,268,679 (1,308,253)	1,469,968 (1,515,882)	201,289 (207,629)	10,064 (10,381)
Sensitivity 3 (2011 trend)	1,268,679 (1,308,253)	1,449,780 (1,495,094)	181,101 (186,841)	9,055 (9,342)

Source; ONS and Barton Willmore

- 5.13 Table 5.4 shows the significant suppression in household formation that will result from a continuation of the recessionary-based 'interim' 2011-based CLG household formation rates, post-2021 (2011 trend), across the HMA. The return to the 2008-based rate of change post-2021 (Indexed) will still result in significant suppression of household formation. Table 5.5 (below) sets out the change in household types that will result from the three sensitivity scenarios set out in Table 5.4.

Table 5.5: Household Growth Projections, Change in Household Types, HMA

	Household Types	2011 Households	2031 Households	Change 2011-2031	Annual Average Change (Households)	
Sensitivity 1 (Full Return)	One family and singles	985,136	1,307,555	322,419	+16,121	+12,198
	Sharing, concealed and other families	283,543	205,093	-78,450	-3,923	
Sensitivity 2 (Indexed)	One family and singles	985,136	1,146,684	161,548	+8,077	+10,064
	Sharing, concealed and other families	283,543	323,284	39,741	+1,987	
Sensitivity 3 (2011 trend)	One family and singles	985,136	1,085,044	99,908	+4,995	+9,055
	Sharing, concealed and other families	283,543	364,737	81,194	+4,060	

Source: Barton Willmore analysis using POPGROUP software. Note: figures rounded to nearest 10.

- 5.14 The pattern seen in Birmingham City and in the remainder of the HMA is apparent when viewing the HMA in its entirety; **only a full return to 2008-based household formation rates will lead to a decline in concealed households across the HMA between 2011 and 2031.**

Adjustment for likely change in job numbers

- 5.15 Employment growth data from three independent forecasting houses have been obtained to provide a robust indication of the likely demand for labour over the plan period. Table 4.6 below summarises the forecasts in terms of average increase in workforce (total) jobs per annum for Birmingham City and the HMA as a whole.

Table 5.6: Comparison of Economic Growth Forecasts

	Cambridge Econometrics	Oxford Economics	Experian Economics	Average
Birmingham City	1,701	2,656	5,830	3,396
BHMA	7,893	7,704	13,900	9,832

Source: Cambridge Econometrics, Oxford Economics, Experian Economics

- 5.16 At HMA level, Cambridge Econometrics and Oxford Economics forecast similar rates of growth for the plan period. Experian Economics, however, forecasts a much higher rate of growth. This is largely due to a much more optimistic outlook for Birmingham City.

- 5.17 An average of the three forecasts has been taken. The extent to which the demographic-led assessments set in the sections above will accommodate this level of employment growth is shown in Table 5.7 below. Note that all three sensitivity scenarios produce the same labour force capacity, so only one is tested below.
- 5.18 It has been assumed that unemployment will fall across the HMA over the plan period. At the time of the 2011 Census, the unemployment rate in BHMA was 10.6%. It has been assumed that unemployment will fall to 7.7% at HMA level by 2021 – in line with national average in 2011.

Table 5.7: Capacity to supply projected labour force (Per Annum)

	Birmingham City	BHMA
Arising Labour Demand		
Total Employment Forecast (per annum)	3,396	9,832
Commuting Ratio	0.84	0.99
Economically Active, Employed population required to meet forecast	2,869	9,738
Arising Labour Supply		
Economically Active, Employed population growth from projection (per annum)	3,695	7,566
Reductions in unemployment over plan period	1,036	2,412
Total Arising Labour Capacity	4,731	9,978
Surplus/Deficit of Labour Capacity (per annum)	1,892 Surplus	240 Surplus

Source; ONS and Barton Willmore

- 5.19 On this basis, the forecast would supply sufficient labour at HMA level to meet demand. In Birmingham City, the SNPP 2012-based forecast would supply sufficient labour to accommodate 94,620 jobs – the vast majority of the 100,000-job ‘policy on’ target proposed by Birmingham City Council.
- 5.20 As such, it is not necessary to carry out further economic-led modelling.
- 5.21 It should be noted that Birmingham City Council propose to create 100,000 new jobs within the authority area over the plan period – an average of 5,000 per annum. This does not feature in the OAN presented here. It will be a matter for the plan making process, reflecting the need to ensure that housing and economic policies align (paragraph 158 of the NPPF) to determine whether a higher requirement is necessary.

Adjustment for market signals

- 5.22 A full assessment of key market signals data has been provided at Annex 2.
- 5.23 The rate of housing delivery since 2006/07 has averaged 6,011 net additional dwellings per annum across the HMA, with a sharp fall in completions during the recession. House Prices across the HMA have tracked below the national average since 1997, but have still increased by more than 150% over this period. At HMA level, affordability (measured in terms of the ratio between lower quartile house prices and earnings) is broadly in line with national average, with a lower quartile-priced property costing 6.2 times the lower quartile income in 2012.
- 5.24 Overcrowding is a significant problem, and the proportion of concealed households has increased substantially between Censuses. Around 15.4% of households where the family reference person is aged under 25 are concealed (compared with 12.8% nationally) – a clear indicator that household formation among younger people in particular is being suppressed by poor affordability.
- 5.25 In light of the identified worsening affordability and overcrowding problems, it will be necessary for future housing supply to significantly exceed delivery rates experienced in the recent past. That is because, as the Barker Review findings illustrate, only a significant increase in supply will have an appreciable impact on affordability in the medium term.
- 5.26 According to Barker, taking the year ending 2003 as the base year, reducing house price inflation to 1.1% from its 2.7% 20 year trend rate would price an additional 5,000 English households into the market by 2011. Such an outcome would only be achieved if 120,000 more (86%) additional homes were completed than there were housing starts in the base year. Whereas reducing house price inflation to 1.8% would only have such an effect by 2021³.
- 5.27 Evidently, it is reasonable to assume that reducing house price inflation to 1.1%, and meeting the benchmark 86% increase in supply through which it was to be achieved, could help to alleviate the affordability problem observed through market signals.
- 5.28 Further, it is clear that the Barker Review findings are of enduring relevance; albeit that more recent assessments find that Barker's '120,000 more starts' has not been achieved, implying that an increase greatly in excess of 86% would be required to reduce house price inflation to 1.1%.

³ Barker, K/ODPM (2004), 'Review of Housing Supply', p.7

- 5.29 First, in March 2014, the Home Builders Federation marked the fact that a decade has passed since the Barker Review was published with an assessment of what it would now take to reduce house price inflation to 1.1%⁴. They found that the situation has deteriorated; implying that **housing starts would need to increase by 178% over the average number of starts recorded between 2003 and 2013**.
- 5.30 Second, Mark Carney, Governor of the Bank of England, referenced the Barker Review during a speech made on 12 June 2014. He stated that '***the underlying dynamic of the housing market reflects a chronic shortage of supply***' and in that context referenced the Barker Review finding that '*260,000 homes a year would be necessary to contain real house price growth at 1% per annum*'. He then adds that '*far fewer have in fact been built in the years since... supply constraints are likely to put increasing pressure on prices in a now rapidly growing economy*.'⁵
- 5.31 Based on the evidence reviewed above, each of the latest demographic evidence-based housing need assessments have been tested against the Barker Review benchmark, that to increase supply by 86% can be expected to help improve affordability. On the assumption that if each was delivered as new homes, it would contribute to increasing supply.
- 5.32 The key questions then being; by how much would they increase supply and how do they measure up to the benchmark.
- 5.33 The results are presented in Table 5.8, in the context of past rates of delivery and alongside the HMA wide findings.

Table 5.8, Capacity to improve affordability (BHMA)

	Sensitivity 1 (Full Return)	Sensitivity 2 (Indexed)	Sensitivity 3 (2011 trend)
Average annual dwelling change, 2011 to 2031	12,584	10,381	9,342
+/- average past completions 2006 to 2012 (6,011)	109%	73%	55%
+/- Barker Review benchmark of completions +86%	+23%	-13%	-31%

Source; ONS and Barton Willmore

- 5.34 From the analysis presented at Table 5.9, it is clear that a level of housing supply equivalent to 12,584 dwellings per annum in BHMA would exceed the Barker Review benchmark of

⁴ Home Builders Federation (2014), 'Barker Review – A decade on', p.11

⁵ Bank of England, Transcript of 'Speech given by Mark Carney, Governor of the Bank of England at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House, London, 12 June 2014', p.6

increasing supply by 86%. The lower rates of dwelling change resulting from the other sensitivity scenarios would fail to meet this benchmark. Therefore, on that reasonable assumption, it can be concluded that a minimum of 12,584 dwellings per annum could be expected to improve affordability in BHMA, which in turn could help to reduce overcrowding.

5.35 Table 5.9 presents the results for Birmingham City.

Table 5.9, Capacity to improve affordability (Birmingham City)

	Sensitivity 1 (Full Return)	Sensitivity 2 (Indexed)	Sensitivity 3 (2011 trend)
Average annual dwelling change, 2011 to 2031	5,588	4,404	4,294
+/- average past completions 2006 to 2012 (1,680)	233%	162%	156%
+/- Barker Review benchmark of completions +86%	+147%	+76%	+70%

Source; ONS and Barton Willmore

5.36 In this instance, all three scenarios would provide a very significant increase in housing delivery compared with past completion rates.

6.0 CONCLUSION

- 6.1 This addendum has updated and expanded on the previous Barton Willmore Open House report (February 2014) by responding directly to the Planning Practice Guidance (published in March 2014) and by providing additional demographic modelling based on the latest population projections and economic forecasts. We have also looked at the Index Approach favoured by the Planning Inspectorate at the recent South Worcestershire Development Plan EIP.
- 6.2 Table 6.1 below summarises the Objective Assessment of Housing Need that has been carried out following analysis of additional scenarios and sensitivity testing.

Table 6.1: Objective Assessment of Housing Need

		BHMA Full Return	BHMA Indexed	Birmingham Full Return	Birmingham Indexed
A	CLG 2011-based 'interim' Household Projections - Dwellings per Annum	9,482		3,784	
Latest Demographic Projections	Projected Population Growth	165,340 8,267		72,354 3,618	
	Projected Household Growth	243,969 (12,198 pa)	201,289 (10,064 pa)	108,315 (5,416 pa)	85,357 (4,268 pa)
	Projected Dwelling Requirement	251,686 (12,584 pa)	207,629 (10,381 pa)	111,761 (5,588 pa)	88,072 (4,404 pa)
B	Adjustment to (A) Required to accommodate Demographic change	+3,102 dpa	+898 dpa	+1,804 dpa	+620 dpa
Policy off Job Growth	Average Job Growth Forecast 11-31	9,832 pa		3,396 pa	
	Commuting Ratio (Census 2011)	0.99		0.84	
	Required Labour Force	9,738 pa		2,869 pa	
	Labour Force Capacity from Projection + Reduced Unemployment	9,978 pa		4,731 pa	
	Labour force surplus/deficit	240 Surplus pa		1,862 Surplus pa	
C	Adjustment to (A+B) Required to accommodate Demographic and Employment change	+0 dpa	+0 dpa	+0 dpa	+0 dpa
Market Signals	Total Growth in dwelling stock arising from (A + B + C)	19%	16%	26%	22%
	Increase/Decrease vs. Delivery 2006-12	109%	73%	233%	162%
	Increase/Decrease vs. CLG 2011 HH Proj.	32%	9%	47%	16%
D	Further Uplift Required	+0 dpa	+0 dpa	+0 dpa	+0 dpa
II	OBJECTIVELY ASSESSED NEED 2011-31 (A + B + C + D)	251,680 (12,584 pa)	207,600 (10,380 pa)	111,760 (5,588 pa)	88,080 (4,404 pa)

Source: Barton Willmore Research and Modelling, ONS, CLG, Experian, Cambridge Econometrics, Oxford Economics

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- 6.3 The results of this OAN indicate that:
- 6.4 Growth in labour force capacity arising from the SNPP 2012-based forecast would be sufficient (by a narrow margin) to meet an average of three independent employment forecasts for the HMA. This would require unemployment to fall to 7.7% at HMA level by 2021. The forecast could potentially support up to 94,000 jobs in Birmingham City.
- 6.5 **Only the 'Full Return' scenario, which incorporates a full return to 2008-based headship rates by the end of the plan period would be sufficient to improve affordability at HMA level and alleviate adverse market signals in line with the principles of the Barker Review.**
- 6.6 'Full Return' is also the only scenario of the three tested that would actively reduce the number of 'sharing, concealed and other' households in both Birmingham and the wider HMA
- 6.7 As a consequence of this new evidence, it is considered that the **minimum quantity of housing that should be planned across the Birmingham Housing Market Area is 251,680 dwellings between 2011 and 2031 – an average of 12,584 per annum; and 111,760 (5,588 dwellings per annum) in Birmingham City.**
- 6.8 The extent to which Birmingham City will be able to meet its own housing need remains unclear. Once Birmingham's position is established, any unmet need will need to be accommodated (first and foremost) by the other authorities within the HMA. The February 2014 study (section 7, representation ID: bp1816) identified the share of unmet need each local authority could potentially be expected to accommodate based on an objective weighting system which took account of migration and commuting patterns and market signals. The distribution to each local authority based on this exercise is summarised below:

Table 6.2: Weighting Summary

Local Authority	Weighted Share
Solihull	16%
Bromsgrove	6%
North Warwickshire	4%
Stratford-on-Avon	7%
Lichfield	5%
Tamworth	3%
Redditch	3%
Cannock Chase	3%
South Staffordshire	2%
<i>Black Country Authorities</i>	
Sandwell	18%
Dudley	12%
Walsall	12%
Wolverhampton	9%

Source: Barton Willmore Modelling, ONS, VOA

- 6.9 The new evidence provided in this addendum would not change the distribution in percentage terms, but once the level of unmet need is fixed, it should be apportioned on the basis of the percentages above.

ANNEX 1

UNDERSTANDING THE LATEST DCLG HOUSEHOLD PROJECTIONS TOOLKIT VERSION 2, 2014

Understanding the latest DCLG household projections

Introduction

This tool is designed to enable you to:

- find out how the household projections for any given English local authority have changed between the Department for Communities and Local Government's 2008-based projections and the 2011-based interim projections released in April 2013.
- explore three key factors which are particularly important to understanding the latest projections and how they should be used. The factors are changing household formation trends; increased international migration; and, how the flows between authorities have been estimated. The role they play is discussed more fully in the RTPi research report, 'Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England' (see <http://www.rtpi.org.uk/spire>).

It should be emphasised that the purpose of the tool is to enable you to identify the issues that may warrant more detailed investigation rather than to provide a definitive view on how the latest projections should be used for any particular authority.

How to use the tool

The first step is to select the authority you are interested in from the drop down list that appears when you click on the yellow box below.

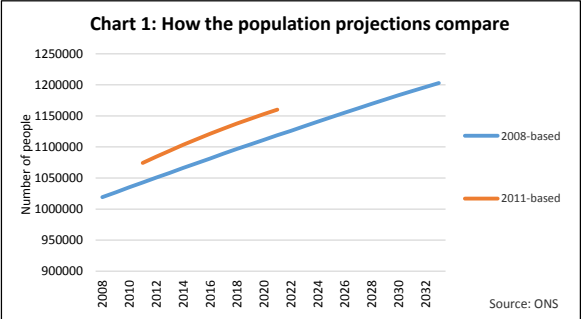
Select a local authority	Birmingham
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All charts and tables are then automatically adjusted to give the data relevant to the authority chosen. The data shown in the charts appears in tables to the right of the charts.

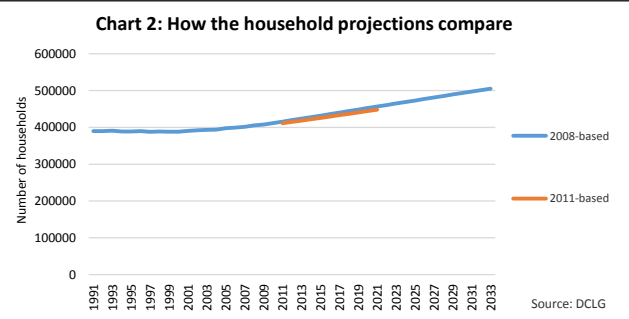
How the new and old projections compare

The tables and charts below give the basic data from the 2008 and 2011-based population and household projections. Typically the 2011-based projections show faster population growth from a higher starting point and the 2011-based household projections show slower household growth from a lower starting point. However, there is considerable variation from authority to authority.

	Average annual growth 2011-21		2011 growth as % increase on 2008	
	Population	Households	Population	Households
2008-based projection	7590	4103	13%	-11%
2011-based projection	8580	3668		



	2011	2016	2021	2026	2031
2008-based	1E+06	1E+06	1E+06	1E+06	1E+06
2011-based	1E+06	1E+06	1E+06		



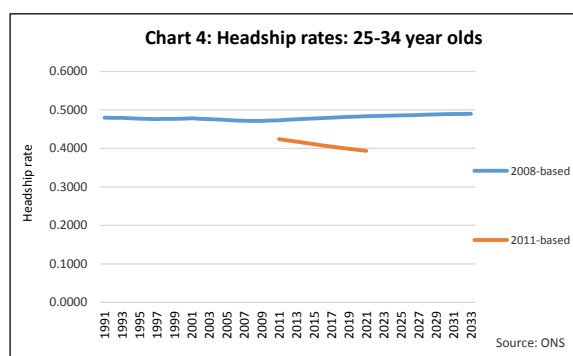
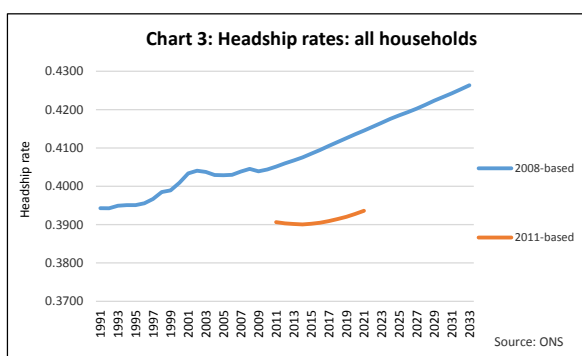
	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	390059	389792	390506	399464	415713	435917	456747	477080	497255
2011-based					411354	429420	448031		

The differences between the 2008-based and 2011-based projections reflect early results from the 2011 census, although in some important areas trends from earlier projections have had to be used because the data to update them was not available.

Changing household formation patterns

Perhaps the most surprising difference is the difference between the population and household projections where, for many authorities, the 2001-based projections suggest faster population growth but either slower household growth or household growth that has increased by much less than the population growth. This is due to significant changes in household formation patterns compared with what was anticipated in the earlier projections.

Charts 3 and 4 illustrate how household formation patterns have changed for the selected authority. Chart 3 shows the overall headship rate i.e. the number of households divided by the number of people living in households - a measure of the tendency to form households. For most authorities the tendency to form households was lower in 2011 than the 2008-projections had suggested and is projected to grow slower than in the latest projections. Chart 4 shows the headships rates for 25-34 year olds, the age group that has been most affected by the changing household formation patterns revealed by the 2011 census. For the vast majority of authorities the latest projections not only suggest that the tendency of this age group to form households was lower than previously expected in 2011 but that it will also fall over the period to 2021.



	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	0.394	0.396	0.403	0.403	0.405	0.409	0.415	0.419	0.424
2011-based					0.391	0.390	0.394		

	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	0.480	0.477	0.478	0.473	0.473	0.479	0.484	0.486	0.489
2011-based					0.424	0.408	0.394		

A key question facing those using the new projections is whether these trends in household formation rates are likely to continue. The RTPi research report, 'Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England'

(<http://www.rtpi.org.uk/spire>) discusses two reasons for this change:

- increased international migration, which tends to increase average household size as recent migrants tend to live in larger households than the rest of the population.
- a range of changes to how people have been living, including more adult children staying on with parents or sharing homes rather than living on their own.

International migration

The international migration factor is more likely to have affected authorities with relatively large inflows of migrants. The table below give the average annual international migration flow into the chosen authority as a proportion of the total population in that period. The England average is about 1% so figures significantly above this might be thought large. In those cases it is likely to be worth exploring how international migration flows have changed over the last 20-30 years and the impact this may have had on the projections.

Average annual international migration 2001-11 as percentage of total population	1.40%
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Making a judgement household formation rates

Ultimately a judgement needs to be made as to whether it would be prudent to plan on the basis of the projected changes in headships rates, which for most authorities envisage that the tendency of 25-34 year olds to form households will fall. If they do not fall as envisaged the result could be an under provision of housing. To inform this judgement it may be useful to estimate the consequences of assuming either that there is no further fall in headship rates or that headship rates move at least partially back towards the previous long term trend. This can give an indication of the range of outcomes that might occur.

Projected flows between local authorities

The latest DCLG projections are based as far as was possible on the 2011 census results and as such provide the best available starting point for considering how household numbers and types might change in the future. However, in some areas it was necessary to use trend data from previous projections as the data needed to update those trends was not available from the 2011 census. This may have caused population changes to be either over or under-estimated in some areas. The most significant area for household growth is the projections of population flows between local authorities. For many authorities these flows are a major factor in population growth and small errors in the projected flows can have significant implications for the projected population growth. The following chart enable you to compare the projected flows in the 2008 and 2011-based projections with each other and the past flows. Where there are significant disparities these should be investigated.

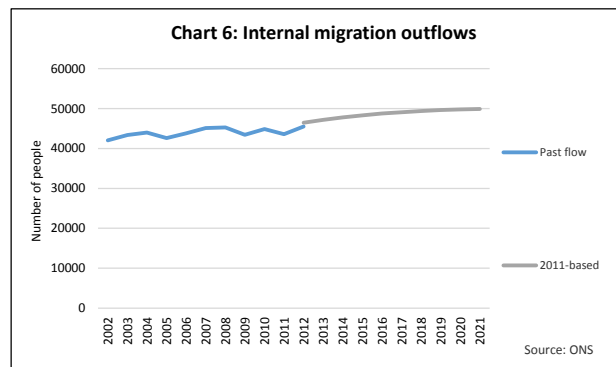
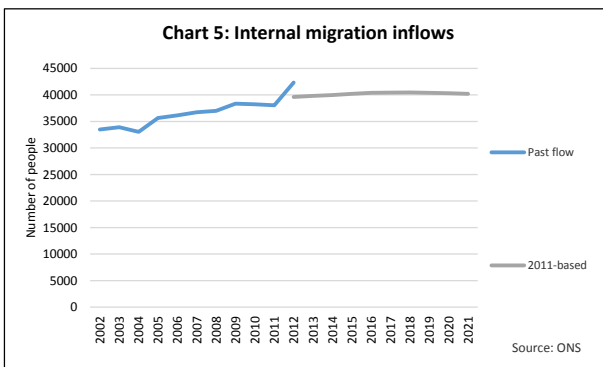


Table 5: Past and projected internal migration inflows

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Past flow	33498	33899	33041	35654	36145	36720	37012	38356	38253	38041	42338										
2011-based											39622	39820	39979	40197	40403	40455	40470	40417	40306	40202	

Table 6: Past and projected internal migration outflows

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Past flow	42035	43380	43987	42595	43787	45126	45274	43444	44885	43555	45503										
2011-based											46453	47163	47778	48290	48743	49074	49355	49608	49775	49894	

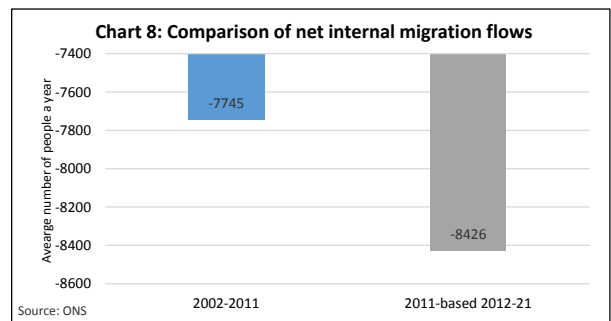
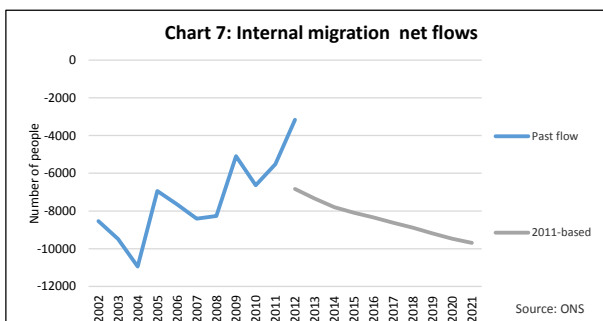


Table 7: Past and projected internal migration net flows

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Past flow	-8537	-9481	-10946	-6941	-7642	-8406	-8262	-5088	-6632	-5514	-3165										
2011-based											-6831	-7342	-7799	-8093	-8340	-8620	-8886	-9191	-9469	-9692	

Table 8: Average annual internal migration flows compared

	In	Out	Net
2002-2011	36062	43807	-7745
2011-based 2012-21	40187	48613	-8426

Author

This tool was prepared by Neil McDonald, a Visiting Fellow at the Cambridge Centre for Housing and Planning Research and previously Chief Executive of the National Housing and Planning Advice Unit

Disclaimer

These spreadsheets seek to enable users to access ONS and DCLG data and projections easily and effectively. Every effort has been made to ensure that the ONS and DCLG data and projections are accurately reflected. Nevertheless it is possible for errors to creep into a complex spreadsheet such as this or for the spreadsheet to be inadvertently corrupted by the user. It is therefore recommended that users should check with the source data and the qualifications and caveats made by ONS and DCLG on their websites before placing reliance on the information contained in these spreadsheets. No liability can be accepted for errors.

ANNEX 2

**BIRMINGHAM HMA MARKET SIGNALS PAPER, BARTON WILLMORE
15 SEPTEMBER 2014**

BIRMINGHAM HMA MARKET SIGNALS PAPER (15 SEPTEMBER 2014)

- 1.1 The problems arising from historic under-delivery of housing across the country can be observed locally through analysis of market signals. The Planning Practice Guidance (PPG) provides an overview of the ways in which assessments of housing need should take market signals into account.
- 1.2 The PPG states that market signals should be assessed in context, with appropriate comparisons made both over time and between locations. Furthermore, the guidance declares that:

"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."¹

- 1.3 More specifically, it is suggested that the local housing supply targets should be proportionally increased based on the extent to which prices are rising and affordability ratios are widening. It is not, however, necessary to calculate the exact number of houses that would need to be built to alleviate a given problem:

"Plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principals of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period."²

- 1.4 Five key market signals have been taken into consideration – Rate of Development, House Prices, Affordability, Residential Rents and Overcrowding.

Rate of Development

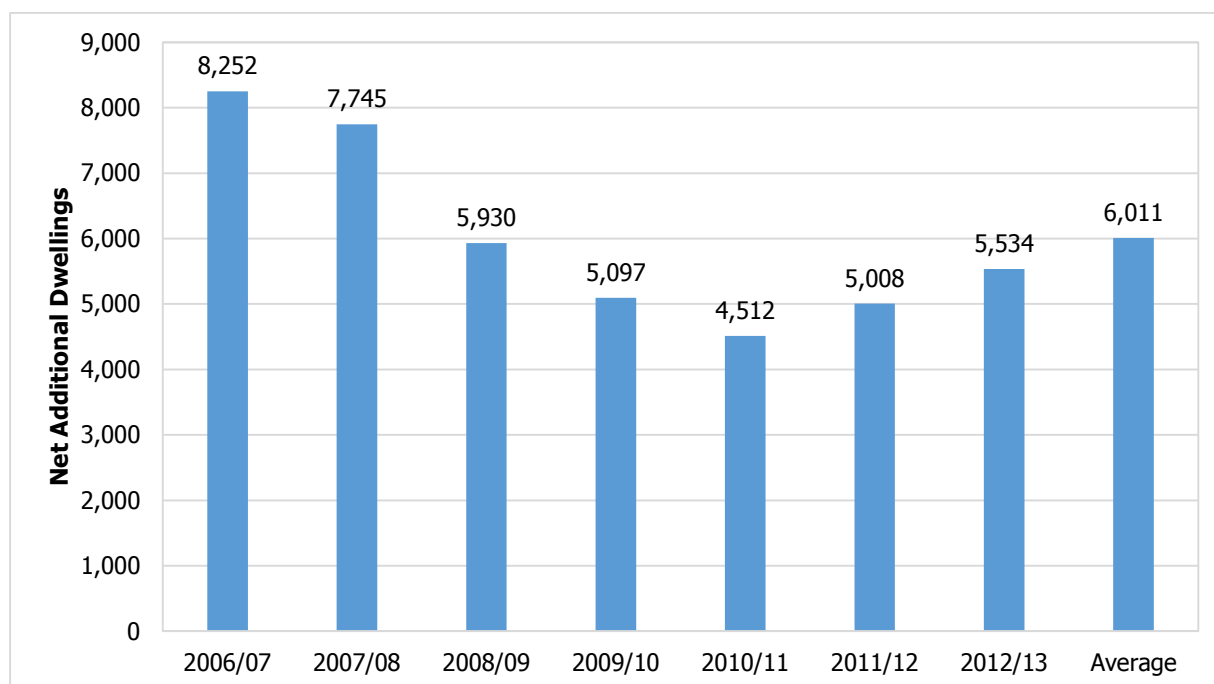
- 1.5 The first indicator taken into account is Rate of Development. Areas which have permitted their dwelling stock to grow significantly over an extended period of time should, in theory, see house prices rise more slowly than those areas which have seen smaller increases in

¹ Paragraph: 020 Reference ID: 2a-020-20140306, Planning Practice Guidance, 06 March 2014

² Ibid.

dwelling stock. Figure 1.1 below summarises net housing completions within the HMA³ for the period 2006/07 to 2012/13, as reported by the LPAs in their Annual Monitoring Reports.

Figure 1.1: Net Completions 2006-13



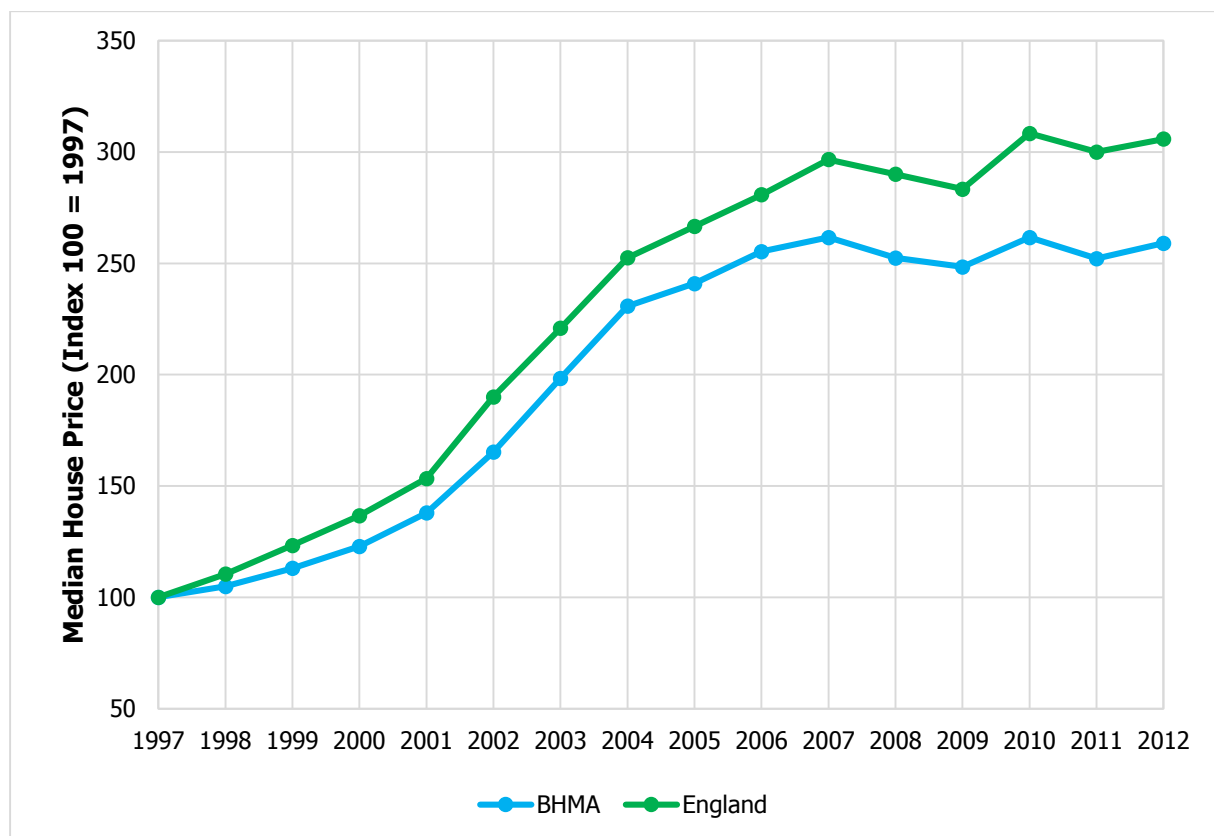
Source: LPA AMRs.

- 1.6 The average net completion rate for BHMA as a whole over the period analysed was 6,011 dwellings per annum. Completions fell sharply during the recession, but show some signs of recovery. Nevertheless, completions in 2012/13 were 33% lower than in 2006/07.

House Prices

- 1.7 The second indicator taken into account is median house price. House prices are influenced by a wide variety of factors and can vary significantly within a given area; the median house price has been used to limit the influence of extreme high and low values. Figure 1.2 tracks the median house price for the HMA over the period 1997-2012, indexed against 1997 levels, whilst Table 1.1 summarises sales values at 5 year intervals.

³The HMA comprises the following local authorities: Birmingham, Bromsgrove, Cannock Chase, Dudley, Lichfield, North Warwickshire, Redditch, Sandwell, Solihull, South Staffordshire, Stratford-on-Avon, Tamworth, Walsall and Wolverhampton. These authorities are collectively referred to as the Birmingham HMA or BHMA.

Figure 1.2: Median House Price 1997-2012 (Index 100 = 1997 prices)

Source: Office for National Statistics/Land Registry, via CLG Live Table 586

Table 1.1: Increases in Median House Price 1997-2012

	1997	2002	2007	2012	Total Increase 1997-2012		Total Increase 2002-2012	
BHMA	£56,694	£93,654	£148,324	£146,854	£90,160	159%	£53,200	57%
England	£60,000	£114,000	£178,000	£183,500	£123,500	206%	£69,500	61%

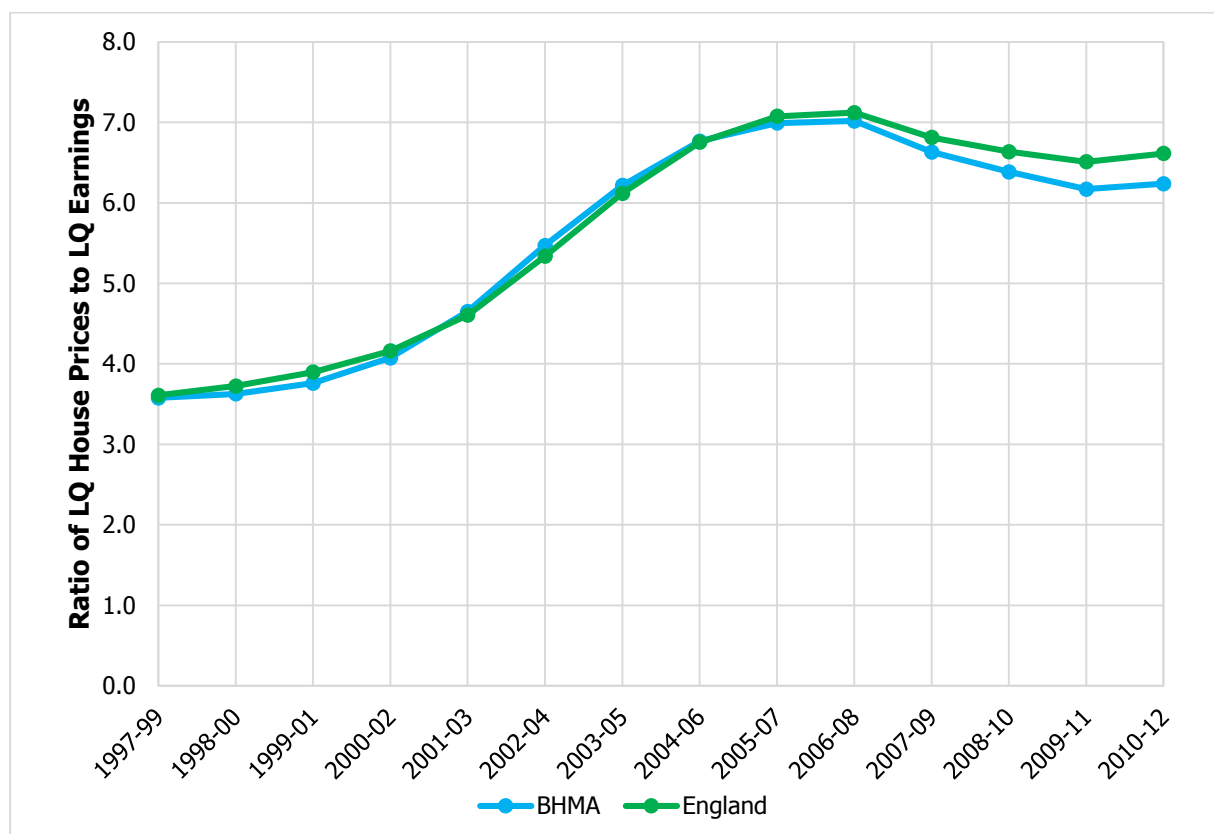
Source: Office for National Statistics/Land Registry, via CLG Live Table 586

- 1.8 The median house price across BHMA in 2012 was lower than national average. Over the total fifteen year period, £90,160 was added to the median price – an increase of 159%.

Affordability – Lower Quartile

- 1.9 The third indicator taken into account is affordability, assessed using the ratio between lower quartile house prices and lower quartile earnings. This indicator is particularly salient given the well-publicised barriers to ownership faced by many first time buyers and low-earners. Figure 1.3 below tracks the affordability ratio for BHMA 1997-2012. Given that the ratio is a product of two independent data sources, a three year rolling average has been used to limit the effects of volatility in either data source. Table 1.2 shows the differential between the ratio in 1997/2002 and 2012.

Figure 1.3: Ratio of Lower Quartile House Prices to Lower Quartile Earnings 1997-2012, 3-year rolling average



Source: Office for National Statistics/Land Registry, via CLG Live Table 57

Table 1.2: Affordability ratio change 2002-2011

	1997	2002	2007	2012	Total Change 1997-2012		Total Change 2002-2012	
BHMA	3.6	4.5	7.1	6.2	2.6	72%	1.7	38%
England	3.6	4.5	7.2	6.6	3.0	85%	2.1	48%

Source: Office for National Statistics/Land Registry, via CLG Live Table 576

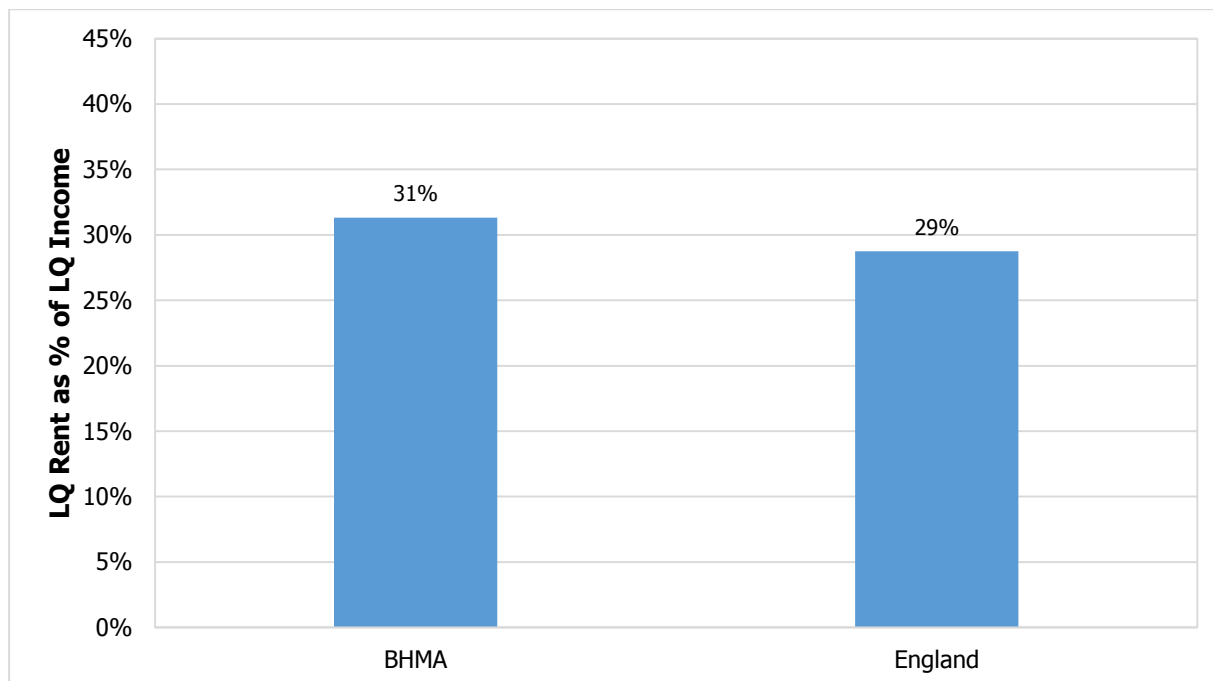
1.10 The affordability ratio has worsened for all areas assessed, including England as a whole, as a result of lower quartile house prices rising more quickly than lower quartile earnings. In 1997, the affordability ratio for the HMA was close to the typical mortgage borrowing multiplier of 3.5, meaning that for many buying a house was a realistic prospect. By 2007 (the pre-recession peak in many areas) the affordability ratio had reached 7.1, an impassable barrier for many newly forming households. Although affordability improved slightly during the recession, restricted mortgage lending has served as a further barrier to ownership.

1.11 Although house prices were shown to be somewhat lower than national average, affordability is broadly in line with national average.

Residential Rents

1.12 The fourth indicator taken into account is residential rent. Figure 1.4 below shows the ratio between Lower Quartile personal income and Lower Quartile private rent, both annualised.

Figure 1.4: LQ Residential Rents as % of LQ Annual Earnings – 2010/11



Source: Valuation Office Agency

1.13 Across BHMA as a whole, a Lower Quartile private rented property costs (on average) 31% of Lower Quartile Earnings (on the same basis as the purchase affordability calculation shown in Figure 1.3) – slightly higher than national average. Table 1.3 analyses growth in residential rents between 2010/11 and 2012/13.

Table 1.3: Residential Rents (per Month) 2010/11 – 2012/13

	Lower Quartile			Median		
	2010/11	2012/13	% Change	2010/11	2012/13	% Change
BHMA	£445	£465	4.6%	£530	£550	3.8%
England	£450	£455	1.1%	£575	£595	3.5%

Source: Valuation Office Agency, Private Rental Market Statistics – All property types, data for year ending 30th September.

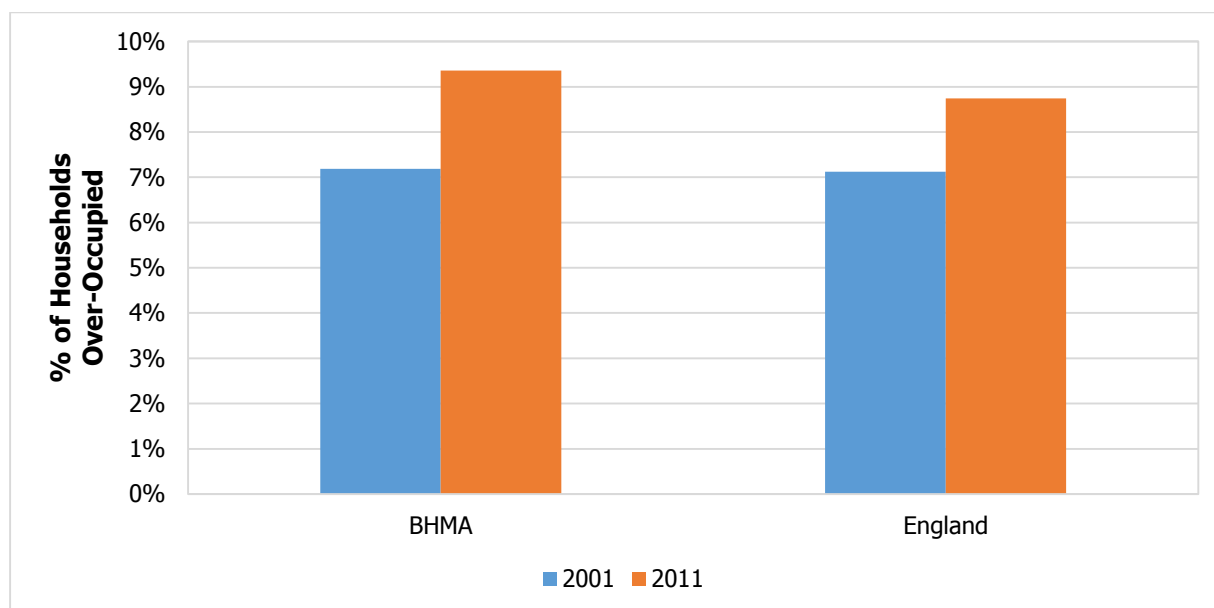
1.14 Compared with the average for England, Lower Quartile rents were 2% higher in BHMA in 2012/13, whilst Median rents were 8% lower. Between 2010/11 and 2012/13, lower quartile rents increased by 4.6% (compared to a 1.1% increase across England), whilst Median rents grew by 3.8% (3.5% across England as a whole).

Overcrowding

1.15 The final indicator is Overcrowding, taking into account the proportion of households which are over-occupied (i.e. having fewer rooms than required for the number of usual residents) and Concealed households (multiple households living in a single dwelling).

1.16 Figure 1.5 below compares the proportion of households classified as over occupied in the 2011 census compared against the 2001 census.

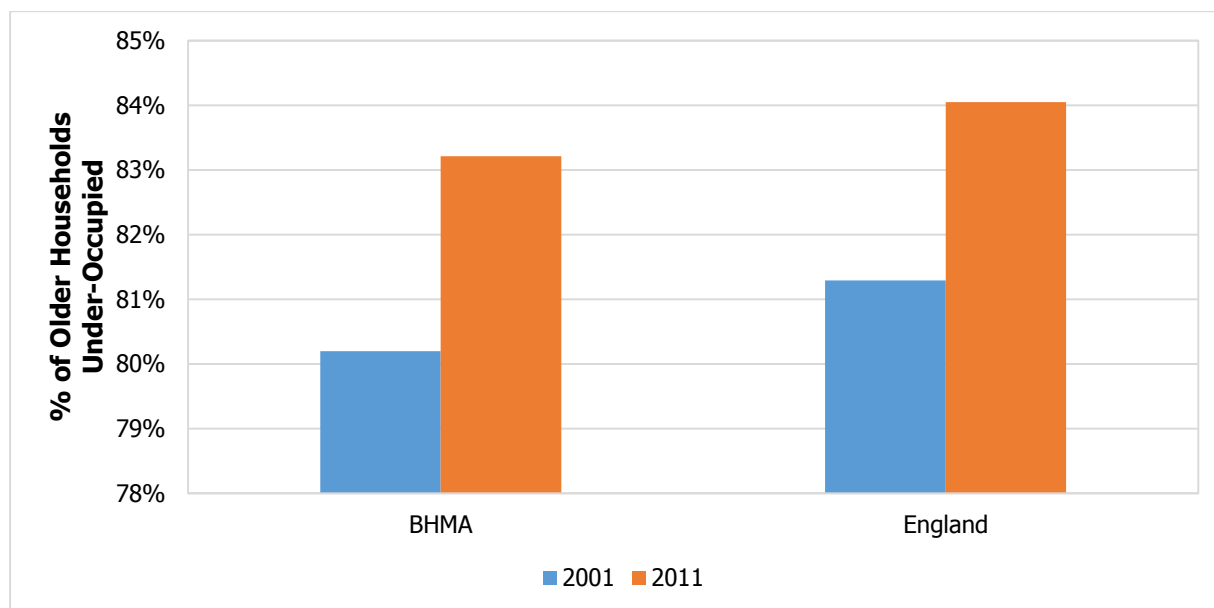
Figure 1.5: Over-occupation, 2001 vs. 2011



Source: Office for National Statistics, Census 2001/2011

1.17 Over-occupation across BHMA as a whole is above national average, the proportion has grown by 30% between Censuses.

1.18 Figure 1.6 shows the proportion of Older Households which were over-occupying in 2011 compared against the proportion in 2001.

Figure 1.6 – Under-occupation (older households), 2001 vs. 2011

Source: Office for National Statistics, Census 2001/2011

- 1.19 Under-occupation among Older Households has also increased between censuses. This trend suggests that as the population ages, the shortage of larger properties available for families will worsen.
- 1.20 The second aspect of overcrowding taken into account is Concealed Households. One dwelling typically houses a single household. Concealed households occur when multiple households occupy the same dwelling, often due to affordability issues, although in some cases there are strong cultural traditions of extended families living together in the same dwelling. Table 1.4 summarises the number of concealed families within BHMA.

Table 1.4: Concealed Households by age of Family Reference Person (FRP) – Census 2001/11

	Concealed - FRP Under 25 (2011)	Concealed - FRP 25-34 (2011)	Concealed - All Ages (2011)	Concealed - All Ages (2001)
BHMA	15.4%	5.5%	2.9%	1.8%
England	12.8%	4.0%	1.9%	1.2%

Source: ONS, Census 2001/11

- 1.21 The proportion of Concealed households in BHMA is significantly above national average, and has worsened in all parts of the HMA since 2001. The age group with the highest proportion of concealed households is 24 and under, a reflection of the difficulties faced by young people in being able to afford their own homes.

- 1.22 In addition to concealed families, there are many concealed individuals who would like to form their own household but have not been able to due to the recession. Whilst it is not possible to derive the number of these individuals from the Census, research by Bramley et al. (2010) suggests that single adults account for around half of concealed households⁴.

Summary

- 1.23 The rate of housing delivery since 2006/07 has averaged at 6,011, with a sharp fall in completions during the recession. House Prices across the HMA have tracked below the national average since 1997, but have still increased by more than 150% over this period. At HMA level, affordability (measured in terms of the ratio between lower quartile house prices and earnings) is broadly in line with national average, with a lower quartile-priced property costing 6.2 times the lower quartile income in 2012. Poor affordability limits access to the private housing market and puts pressure on a limited stock of social housing.
- 1.24 Overcrowding is a significant problem, and the proportion of concealed households has increased substantially between Censuses. Around 15.4% of households where the family reference person is aged under 25 are concealed (compared with 12.8% nationally) – a clear indicator that household formation among younger people in particular is being suppressed by poor affordability.
- 1.25 This analysis of market signals suggests that BHMA requires a significant increase in housing supply to improve affordability and widen access to the private housing market. Failure to improve the affordability of house purchasing will inevitably cause increases in rents as demand for the relatively low supply of this tenure grows.
- 1.26 It is likely that the future supply of housing will need to significantly exceed delivery rates experienced in the recent past in order to alleviate the pressures on the housing market observed through market signals.

⁴ Bramley et al. (2010), Estimating housing need, Department for Communities and Local Government

ANNEX 3

**FINDINGS OF KEITH HOLLAND
EXAMINING INSPECTOR FOR DERBYSHIRE DALES LOCAL PLAN, 29 JULY 2014**

Examination of the Derbyshire Dales Local Plan.

- 1) I held two days of hearings on 22 and 23 July 2014. These days covered three topics – the Duty to Cooperate (the Duty), objectively assessed need for housing (OAN) and the plan making process. The purpose of the hearings on the two days was to examine these matters and to establish whether there are any reasons why the examination should not proceed, especially in the light of the Duty. The Council requested that in addition to reaching a view on the Duty I provide details of my findings in relation to the other main matters discussed.

OAN for Housing

- 2) In the light of the anticipated revocation of the regional strategies in late 2011, housing need work was done with High Peak Borough Council. At that stage the two councils were working on a joint core strategy. Nine different demographic and household projections were produced including one based on Sub- National Population Projections (SNPP) and three based on the East Midlands Regional Strategy (RS) - described as RSS Dwelling Led, RSS less 10% and RSS plus 10%. For Derbyshire Dales the recommendation to the Council at that time was to take the three RSS dwelling forecasts forward for consultation.
- 3) In the event by April 2012 joint working with High Peak Borough Council had ceased and Derbyshire Dales Council considered a Strategic Housing Options Paper. The Options Paper contained nine forecasts on the same basis as the earlier work but for Derbyshire Dales only for a plan period of 2006 – 2028. The highest forecast, based on economic growth, was for the provision of 7,920 dwellings over the plan period, the SNPP based forecast was for 6,380 dwellings and the maintain RSS Dwelling Led forecast was for 4,400 dwellings. The April 2012 report to the Council describes the three RS based forecasts as “feasible” and recommended setting the preferred strategic housing requirement for the Local Plan at 4,400 dwellings (an average of 200 per annum). The recommendation was agreed by the Council and following a consultation exercise 4,400 dwellings was adopted in November 2012 as the housing need figure for the District over the plan period 2006 - 2028.
- 4) At the hearing the Council explained that as the report to Members included the SNPP figure of 6,380 dwellings the Members were alerted

to the fact that the figure of 4,400 would not meet the OAN for the District. Further the Council contended that the 4,400, although identical to the RS figure, was chosen as a “benchmark to contextualise the consultation process”. The Council argues that this level of growth represents an appropriate balance between the housing needs of the area and environmental considerations.

- 5) The Council justifies the figure of 4,400 on the basis of what it calls available evidence and the sustainability work undertaken. In my view neither the evidence that I have seen nor the sustainability work clearly points to 4,400 as being the appropriate balance. The Council’s argument is a generic one and I am unable, on the basis of what I have read or been told, to make an informed judgement as to whether it represents an appropriate balance or not. However I note that the latest Strategic Housing Land Availability Assessment (SHLAA) work undertaken in November 2013 by the Council suggests that there is sufficient potential housing land, including sites with planning permission, for 6419 dwellings over the plan period. This SHLAA work takes account of environmental considerations which suggests that it may be possible to get closer to meeting the OAN for housing without having a serious adverse impact on the high quality Derbyshire Dales landscape. At the very least the Council should reconsider whether its assessment of the appropriate balance between meeting housing needs and the environment is supported by the available evidence.
- 6) In August 2013 the Council recognised that the work undertaken hitherto on identifying housing needs was not wholly in accordance with the National Planning Policy Framework (NPPF) published in March 2012. Accordingly in October 2013 the Council commissioned Atkins to undertake an objective assessment of housing and economic needs in the area. Atkins were also asked to establish what the Strategic Housing Market Area (SHMA) is for Derbyshire Dales.
- 7) Reporting in February 2014 Atkins defined the SHMA as extending across Derbyshire into East Staffordshire and the Sheffield area. The Atkins report notes that the Council will need to work closely with other authorities in the Housing Market Area (HMA) to consider how the needs of the HMA can best be met. At the hearing consultants for the Council introduced the idea of Derbyshire Dales being a self-contained market area based on 50 % self-containment – in effect a

smaller submarket within the wider SHMA. However the consultants accepted that within this submarket the consultants the strategy would not meet the OAN. Atkins concluded in February 2014 that while the OAN is for 273 dwellings per annum a target of 200 “remains appropriate”. Pressed at the hearing Atkins accepted that its conclusion about the 200 dwelling target does not flow from any of the material in their report – rather it is a reflection of the Council’s preferred approach. The OAN figure of 273 in the Atkins report is based on demographics and does not reflect any policy requirements in relation to, for example, boosting the local economy.

- 8) At the hearing the Council introduced new evidence regarding OAN. This evidence sought to bring the position up-to-date by applying headship rates to the 2012 based SNPP. This work is again purely demographically based and does not include policy considerations. The conclusion of the updated work is that the 2012 SNPP based OAN for Derbyshire Dales is 251 dwellings pa (2012 - 2028) if the 2011 headship rates are used, or 287 pa if the 2008 headship rates are used.
- 9) The Council prefers the use of the 2011 headship rates and for the calculation to be based on the plan period of 2006 – 2028, giving an OAN of 244 dwellings pa. However the Council did agree at the hearing that it would be logical to use 2012 as the base date given that the aim is to produce a plan to meet existing and future needs rather than looking back to 2006. The essential demographics of the revised figures are broadly accepted by others at the examination.
- 10) I agree that it is sensible to use the latest available SNPP data. The Council argues that there may have been long term structural changes in the mortgage market and in household formation patterns and hence it is unclear whether the higher 2008 based household formation rate will return. It seems clear that the lower household formation rate in recent years has been, at least in part, a consequence of the economic downturn. With the recovering economic situation it would be prudent to assume that the low 2011 headship rates are unlikely to remain in place over the whole plan period. It would be sensible to work on the basis that the household formation rate will gradually return to higher levels as the economy recovers. I therefore consider that a “blended” rate that assumes the 2011 rate until 2020 and the higher 2008 rate thereafter is

appropriate. Whilst this may be a relatively unsophisticated approach, it is a practical one in the light of the uncertainties about future household formation rates. In any event the situation should be monitored and the approach refined if and when necessary.

- 11) While the use of national population statistics is the starting point for assessing needs, policy considerations also need to be taken into account. Where a council is seeking to promote economic growth, as this Council is, it is logical to allow for an additional element of housing growth to support the creation of new jobs. One of the Council's Corporate priorities is to increase business growth and job creation. How much additional housing should be provided to support this priority is difficult to say because the relationship between homes and jobs is a complex one. It is affected by a series of factors including changing working patterns and practices, changing retirement arrangements and complicated commuting patterns. However the Council's Strategic Housing Options Paper concludes that the 200 dwelling per year approach (2006 – 2028) would lead to a fall in the labour force of 3,775 and that the maintain jobs and support economic growth approach would require some 360 additional dwellings per year. These figures suggest that the Council's Strategic Objectives SO6 and SO7 that are aimed at supporting the rural economy and enhancing prosperity and its Corporate business priority, cannot realistically be delivered if housing growth is limited to around 200 dwellings per year.
- 12) Another consideration is the current backlog of households in need. Based on the Council's Housing Register there are over 500 household whose housing need is not presently being met.
- 13) Finally the council recognises that the identified need for affordable housing at around 180 dwellings pa compared with the proposed total provision of 200 pa is a market signal that needs to be considered. Atkins notes that median house prices in Derbyshire Dales are consistently higher than for the East Midlands and that lower quartile prices increased by 193.6% between 2000 and 2012. The market signals evidence, which the NPPF says authorities should take into account, suggests that restricting the supply of housing to about 200 pa will make the situation regarding the provision of affordable housing worse than it currently is. Furthermore it should also be noted that the Council told the examination that the good record of

providing affordable housing in recent years has largely been through the use of sites owned by the Council but that this supply of land is now largely exhausted.

- 14) Taking all these considerations into account and the dwellings completed in the plan area between 2006 and 2013 the OAN for this area is likely to be at least 6500 for the plan period. This figure should not be taken as definitive as the chosen figure involves judgements about considerations such as market signals and policy aspirations which are difficult to quantify with any precision and which the Council needs to weight in accordance with its priorities

Plan Making Process

- 15) I note that the Council's Statement of Community Involvement dated February 2007 claims that the Council will provide the public with sufficient information to ensure that the community can understand the chosen strategy. I acknowledge that the Council produced an impressive number of documents during the plan making process and arranged a large number of community based consultation events.
- 16) Notwithstanding these efforts my primary concern relates to how the strategy is presented in the Pre Submission Draft Plan dated June 2013. This is a critical public consultation document. In numerous places that document makes reference to facilitating the required housing growth in the plan area. However other than one general sentence about the housing requirements being set below the household projections for the area, the document is not specific about what the OAN for housing is in the area. Nor does it make it clear that the strategy is to meet considerably less than the OAN – the strong impression is given that the plan allows for the housing needs of the area to be met while protecting the high quality Derbyshire Dales environment. The way the strategy is expressed gives the impression that the "policy on" figure of housing need (4,400) is the same as its OAN. There is no explicit reference to the quantum of unmet need that arises from the use of a "policy on" housing target, no discussion about the implications of setting a target well below OAN and no indication of what steps, if any, the Council has taken to address this unmet need.

- 17) I appreciate that Members of the Council and anybody taking a close professional interest might well be aware of the implications of the proposed strategy. Conversely it is probably not clear to many members of the public who may reasonably have relied on the Pre-Submission Draft for their information. The Council has recently suggested a series of post submission changes to the plan which go some way to address the problem but the public have not had the opportunity to comment on these changes.
- 18) My second concern is that the Council has produced relevant and significant evidence – for example the Atkins report – after the consultation pre submission consultation document was produced and long after the consultation period closed. No further consultation has been carried out and members of the public may not be aware of very significant material that has a direct bearing on the contents of the Plan
- 19) My conclusion is that the Council has failed to meet one of the important objectives of its Statement of Community Involvement.

Duty To Cooperate

- 20) Initially Derbyshire Dales and High Peak Borough Council worked together on a joint core strategy. Clearly this work involved cooperation between the two authorities and apparently the two authorities believed that they could meet their housing needs without assistance from other authorities. Consequently no steps were taken to use the Duty to Cooperate to achieve a wider than district strategic distribution of housing. Derbyshire Dales and presumably High Peak seem to have adopted that approach because they regarded their housing need as the “policy on” target - in other words a requirement that was less than the OAN. Such an approach became untenable once the RS was revoked.
- 21) Notwithstanding the introduction of the Duty in the Localism Act 2011 and the clear guidance in the NPPF (March 2012) the Council persisted with the view that it did not need help from other authorities apparently until October 2013. One justification provided by the Council at the hearing is that the application of the Duty was met by

the joint working with High Peak that had occurred. This is unconvincing as it is very unlikely that these two authorities would in combination be able to meet the OAN for the two areas given that both authorities are areas with sensitive landscapes. Another unconvincing argument advanced by the Council at the hearing is that until the Atkins work was done the Council could not quantify the extent of unmet need. This contradicts other evidence from the Council that in April 2012 it quantified the OAN on the basis of the SNPP.

22) In October 2013 a report to Local Plan Advisory Committee noted the Duty, reported that initial discussions had taken place with neighbouring local planning authorities and noted that further discussions would be required as a consequence of establishing the Council's OAN.

23) Unfortunately the documentary evidence before the examination contradicts the contention by the Council that it sought to use the Duty to help address its unmet need in 2013. For example email correspondence with East Staffordshire Borough Council in mid-2013 records that following a query from East Staffs the Council informed East Staffs that "we are not looking to have any of our housing requirement met outside of the plan area nor are we asking our neighbouring authorities to meet the shortfall between forecasts set out in DCLG Household Projections and our target of 200 dwelling per annum (4,400 of the plan period for the whole of the District Council area including that within the National Park) which is a continuation of the strategy of protecting the environmental quality of the Peak Sub Region, rather than delivering all the identified housing forecasts – and as set out in the former East Midlands Regional Plan". East Staffs say that the first indication that Derbyshire Dales may need to ask neighbouring authorities for help came in February 2014 followed by a formal request for help in March 2014.

24) In July 2013 in a report to the Derbyshire County Council the proposal to follow the target of 200 pa was described as "a continuation of the target between 2006 and 2026 previously set out in the recently revoked East Midlands Regional Plan". The report notes that this approach is a long- standing one of restraint and that the target would be below the population and household projections of the Office of National Statistics. Despite this there is nothing in the

report about any request from the Derbyshire Dales for help under the Duty.

25) In March 2014 the Council wrote to nine authorities asking if they could help take some of your unmet housing need under the Duty. On behalf of the Derby Housing Market Area partners Derby responded saying that none of the Partners could help. Derby expressed "their surprise to receive this request, especially as this does not reflect the nature of preceding discussions regarding key strategic issues which have comprised our dialogue up to this point. As you will be aware the Local Plans of all three HMA authorities are at an advanced stage. These strategies have been developed on a clear understanding that Derbyshire Dales had no need to decant any housing requirements into the HMA"

26) The Council has clearly sought cooperation with a large number of stakeholders over several years. It has been actively involved in discussions with other planning authorities, including initially working on a joint Core Strategy with High Peak Borough Council. Albeit very late in the day, the Council did seek help to address the anticipated unmet housing need before submitting the plan for examination. Hence I do not consider that the Council has failed the legal test relating to the Duty. However the Council has comprehensively failed to achieve effective cooperation.

27) This failure arises from the fact that the Council apparently did not recognise until shortly before submission that it needed to:

- 1) Identify its OAN
- 2) Detail the constraints that apply in the area
- 3) Assess the OAN against the constraints
- 4) Take all reasonable steps, starting as soon as possible, to try to get help from other authorities if the constraints meant that the OAN would not be met.

28) This 4 step approach is an important element of positive planning outlined in the NPPF. I appreciate that the Council argues that it did identify its OAN on the basis of the SNPP and that it assessed the implications of meeting that need against the environmental constraints in the area. The conclusion reached by the Council was

that the RS restraint approach was appropriate and that the balance would best be struck by a housing target of 4,400 dwellings, coincidentally the same as the RS figure.

- 29) That being the case, why did the Council in April 2012 not initiate discussions with other authorities in the area to explore how its unmet need could be accommodated? The evidence points to the Council disregarding the unmet need until shortly before submitting the Plan for examination in 2014. Indeed the evidence is that until early 2014 at Duty meetings the Council was telling other authorities that it did not need help from them. This view appears to flow from the Council focussing on its "policy on" figure of 4,400 rather than the OAN.
- 30) With the abolition of regional planning authorities have the responsibility to undertake whatever strategic planning is necessary. In relation to housing this frequently requires cooperation between authorities about the quantum of development and its distribution within the SHMA. The NPPF states (paragraph 159) that authorities should prepare a SHMA to assess their full housing needs (working with neighbouring authorities where necessary) and address the need for all types of housing. Despite this clear guidance the Council has not, in cooperation with other authorities, identified the housing needs for the Strategic Housing Market Area that it is part of. Furthermore it took no steps until very late in the process to ask for assistance in meeting its full housing need.
- 31) It is fully appreciated that the Duty is not a duty to agree. However the expectation is that authorities should make every effort to secure the necessary cooperation on strategic cross-boundary matters throughout the preparation of the local plan.
- 32) The Council argue that there is little point in seeking to get cooperation from neighbouring authorities at this late stage, especially as most are at a more advanced stage and some even have adopted plans. It may well be that the Council is right about the difficulty of getting cooperation now. This rather reinforces the conclusion that the Council failed to seek to use the Duty early enough or effectively enough. It is acknowledged that seeking to use the Duty now will delay the plan making process but I cannot simply ignore the requirements of the Duty legislation and national planning policy. Furthermore promoting further discussions even at this late stage

may, if nothing else, serve to re-focus the minds of the authorities in the SMHA on the requirements of the Duty. It may also serve to remind authorities with a plan in place of the advice in the Planning Practice Guidance (reference 9-020-20140306) about cooperating with an authority that is bringing forward its plan.

Overall Conclusions.

- 33) The Derbyshire Dales Local Plan will not be found sound in its current form. Although the modifications suggested by the Council go some way to making the strategy clear, these modifications have not been subject to consultation and the requirements of the Council's SCI for clarity and transparency have not been complied with.
- 34) There is a need for the Council to review the relationship between its OAN and the environmental constraints that apply in the area. Depending on what judgements are made by the Council about the extent to which it can meet its OAN there may be a need to re-open discussions with adjoining authorities under the provisions of the Duty to Cooperate.
- 35) There are three choices available to the Council. The examination can continue but the dangers of doing so are clear and obvious. The examination can be suspended to allow the Council to undertake further work and consultation. This option is only realistic if the Council considers that this work can be done within a reasonable period – say 6 months - and is able to set out a realistic timetable for the work. Finally the Plan can be withdrawn and re-submitted once the issues identified have been addressed.

Keith Holland

Examining Inspector

29 July 2014