

NWBC Local Plan Review Examinations

2018 Household Projections – Response on behalf of the Greater Birmingham and Black Country Housing Market Area (GBBCHMA)

Context

1. This representation is submitted on behalf of the **14 local authorities comprising the Greater Birmingham and Black Country Housing Market Area (GBBCHMA)** and updates the information provided in NWBC27. These are technical officer only views and do not bind local authorities in terms of their future making activities.

Background

2. The NWBC local plan review is based on the 2012 NPPF whereby housing need is calculated using the Objective Assessment of Need (OAN) methodology. This takes the latest household projection and makes further locally evidenced adjustments for economic growth, affordability and affordable housing.
3. In INSP 21 the Inspector notes, North Warwickshire's OAN is between 159 to 163 dpa. Its actual plan requirement, however, is much higher at 436 dwellings per annum (dpa), as it is making contributions to shortfalls in the GBBCHMA and the Coventry and Warwickshire Housing Market Area (CWHMA).
4. As the Inspector points out, the 2012, 2014 and 2016 household projections (HHP) for NWBC are relatively similar, the 2018 HHP is much higher. Whilst the National Planning Policy Guidance does not render housing figures out of date upon publication of new HHPs, it requires local authorities to consider whether they constitute a *meaningful change*. In this context the Inspector has requested that NWBC consider the 2018 HHPs alongside the 2012, 14, and 16 HHPs for the borough and the two HMAs in which it sits.
5. The Inspector has also stated (INSP 21 para 12) that he would also welcome any agreed statement between the Council and GBBCHMA/ CWHMA authorities as to the implications of 2018-based HHP at a strategic level. This note sets out the strategic implications for the GBBCHMA, **it also makes some more general comments regarding the CWHMA.**

Comparing household projections

6. Appendix 1 in to NWBCs response to the Inspector (NWBC 27) show that the 2018 HHPs lead to significantly higher growth in households in NWBC than their predecessors, a more modest increase in the CWHMA, but considerably lower growth in the GBBCHMA. NWBC's response specifically considers the differences between the 2014 and 2018 HHPs.
7. Table 1 compares households per annum (hhpa) generated by the 2012, 2014 and 2016 HHPs and compares them with hhpa generated by the 2018 HHPs. Further information showing numerical change is provided in Appendix 1.

Table 1: 2014 and 2018 household projection comparison 2018 – 28

	2012 hpha	2014 hpha	2016 hpha	2018 hpha	% change 2016-18	% change 2014-18	% change 2012-18
GBBCHMA	10,490	10,316	7,635	8,096	6%	-22%	-23%
CWHMA	3,979	3,974	3,416	4,327	27%	9%	9%
NWBC	172	145	150	322	115%	122%	87%

- **NWBC:** The 2012, 2014 and 2016 hpha are broadly comparable, but the 2018 hpha increase significantly and is double that indicated by the 2014 and 2016 hpha
 - **GBBCHMA:** The 2012 and 2014 hphas are comparable whilst those in 2016 and 2018 are much lower. The 2016 and 2018 hphas, however, are broadly comparable. The main reason for the decrease is that the 2016 and 2018 HHPs for Birmingham indicate household formation at approximately half of the rate in the 2012 and 2014 HHPs. Further information is contained in Appendix 2.
 - **CWHMA:** the 2012 and 2104 hphas are almost identical, the 2016 hphas are slightly lower but broadly comparable, whilst the 2018 hphas are 27% higher than the 2016 hphas.
8. Comparison of the 2018 HHPs with the earlier releases indicates that there is statistically a *meaningful change* both locally and strategically. Table 1 and Appendix 1 illustrate that the higher rates of household growth between the various HHPs in NWBC and the CWHMA do not offset the reduction in the GBBCHMA. On this basis, NWBCs own OAN would increase using the 2018 HHPs, but shortfalls elsewhere in the GBBCHMA may no longer be apparent. This may lead to representations seeking a reduction in the NWBC plan review's housing requirement.

Local Housing Need (LHN)

9. The OAN method was replaced by the LHN method in the revised National Planning Policy Framework. This takes the 2014 based HHPs as a starting point and then uplifts depending on housing affordability in the area based on house price to workplace earnings ratios. Although the Inspector states that the plan is being examined under the 2012 NPPF, he explicitly refers to LHN and calculates it at 164 dpa, broadly similar to OAN. LHN figures are a minimum and can be increased to give a higher housing requirement, one of the justifications for this being to address neighbours' unmet needs.
10. The below table compares the 'current' HMA figures for the 2018 and 2028 period (2018 affordability ratios) alongside the updated figures for the 2020 – 30 period using the (2019 affordability ratios)

Table 2: 'Current' and 'New 'Local Housing Need Estimates¹ – dwellings per annum

	'current' LHN 2018 – 28, 2018 affordability	'current' LHN 2020 – 30 2019 affordability	'Proposed' LHN 2020 – 30, 2019 affordability
GBBCHMA	10,500	10,449	12,600
CWHMA	4,099	4,077	7,067
NWBC	174	171	439

11. As the 2014 based HHPs are the basis for calculating LHN, table 2 replicates the pattern shown in Table 1. In North Warwickshire, the 2018 HHP is much higher than LHN; in the GBBCHMA the 2018 HHP is much lower than LHN. The CWHMA sits somewhere in between. Under this method, both Birmingham and Coventry's LHN figures are capped at 40% above their local plan annual dpa requirement.
12. In its recent 'Changes to the Current Planning System' consultation², Government set out how it proposes to alter the LHN methodology in order that it meets its 300,000 national new dpa target. In short, this takes the 2018 projection as the starting point and adds a further affordability adjustment based on change in local affordability over a ten-year period, capping at 40% above the local plan average annual dpa requirement is removed. Inevitably, this leads to large increase in dpa requirements across the board when compared to the current method. Whilst these proposals are not yet policy, it does indicate Government's intended direction of travel in that HHPs are only the starting point for estimating housing needs. The third column in table 2 shows these 'proposed' LHN rates with 'current' LHN for comparative purposes. It is of note that if the 'proposed' LHN method is introduced, the overall need in both HMAs would increase even further above the baseline growth indicated in the 2018 HHP and be significantly higher than the 'current' LHN.

Birmingham Development Plan (BDP) 2011 - 31 shortfall

13. The BDP³, adopted in 2017, estimated a shortfall of 37,900 homes with policy TP 48 requiring the local authority to work with HMA partners to address this. Birmingham's OAN was calculated using the 2012 based HHPs, which are very similar to the 2014 HHPs for the City. In its revised plan submitted for examination NWBC agreed to meet 10% of this (3,790 dwellings) based on an analysis of commuter flows, which would create a more sustainable pattern of development by enabling people the opportunity to live closer to their workplace. This has been considered already through the plan examination and the sustainability appraisal suggests that it is an appropriate level of growth.
14. In 2018, the 14 local authorities that comprise the GBBCHMA published a 'Strategic Growth Study'⁴, which reviewed progress towards meeting the shortfall and suggested broad options that local authorities may wish to pursue in achieving this⁵. Three subsequent position

¹ These LHN figures differ slightly from the Inspector's, it is not clear whether the same time periods were used

² <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

³ https://www.birmingham.gov.uk/info/20054/planning_strategies_and_policies/78/birmingham_development_plan

⁴ https://www.birmingham.gov.uk/downloads/download/1945/greater_birmingham_hma_strategic_growth_study

⁵ This noted that the only tested shortfalls in the GBBCHMA emanated from Birmingham and Tamworth. Whilst Redditch identified a shortfall, it was met by Bromsgrove as the plans were examined and adopted in parallel.

statements have been published using data provided by the local authorities, the latest is September 2020⁶.

15. The 2020 statement estimates that the shortfall for as of 31st March 2019 was 2,926. This monitoring includes the 3,790 contribution via the NWBC plan review. The statement suggests that other plan reviews such as South Staffordshire, Lichfield and Cannock Chase are testing options to meet more than their local needs, which will close the shortfall further. Beyond 2031, however, there is evidence of a substantial shortfall emerging, whilst this has not been established in its entirety, the Black Country alone estimates a shortfall of up to 29,260 homes between 2019 and 2038.
16. A further significant point of note is that the Position Statement monitors against a 2014 household projection baseline, with uplifts for vacancy rates, as this was the most up to date information at the time of the study's preparation. This estimates a need of 10,399 dpa, which is broadly compatible with the 'current' LHN (10,449 dpa) for the GBBCHMA.

Discussion / Conclusion

17. This is a very complex situation which has been somewhat inevitable due to the extended nature of the NWBC plan review examination. Whilst there is a *meaningful change* statistically between the 2018 HHPs and earlier releases at all geographies, it is imperative that the 2018 HHPs are not viewed in isolation. Current Government policy and the future direction of travel must be considered as well as the extant and emerging shortfall in the GBBCHMA.
18. NWBC is split between the GBBCHMA and the CWHMA. Whilst the 2018 HHPs show an increase in the CWHMA compared to earlier releases (mirroring the NWBC figures) they are dwarfed by the decrease in the corresponding GBBCHMA figures. For this reason, it would be inappropriate to increase the NWBC housing requirement on the grounds that the 2018 HHPs for NWBC are higher than earlier releases.
19. Essentially, we are comparing apples with pears in that at submission the NWBC plan was contributing to a GBBCHMA shortfall which was apparent using earlier HHPs, which at HMA level were much higher than the 2018 HHPs. Taking the 2018 HHPs in isolation, this may lead to the conclusion that NWBC is planning for a shortfall which no longer exists, despite its presence in policy TP48 the adopted BDP.
20. Attention is also drawn to the fact that Government is currently consulting on making major adjustments to the standard method, which sees additional increases imposed at a national level in order to meet a 300,00 dpa target. Likewise, when the 2016 HHPs were published, it was stated that the 2014 HHPs should be used as the basis for calculating 'current' LHN. Considering the 2018 based projections in isolation at the strategic GBBCHMA level, therefore, risks seriously underestimating the Government's view of housing need at this geography.

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https://www.birmingham.gov.uk/directory_record/264478/greater_birmingham_and_black_country_housing_market_areas_position_statement_2020

21. Moreover, the current most accurate and consistent measure of housing need across the GBBCHMA is 10,449 dpa (see table 2). This is broadly comparable to the baseline in the position statement (10,399 dpa). If the NWBC housing requirement were to be reduced via the local plan examination, then the GBBCHMA shortfall using this metric would increase. This is inconsistent with the Government's policy of *significantly boosting the supply of housing*⁷ and does not reflect the latest GBHMA position statement, which shows that even assuming North Warwickshire's 3,790 dwelling contribution comes forward prior to 2031, there is still a shortfall up to 2031. There is also clear emerging evidence of a larger shortfall emerging beyond 2031, further reinforcing the importance of contributions to HMA unmet needs being maintained wherever possible.
22. Furthermore, emerging Government policy makes it clear that the 'current' LHN and the 2018 HHPs do not achieve its 300,000 dpa national target with further adjustments proposed through the recent Changes to the Current Planning System consultation. Therefore, use of the 2018 HHP in the HMA context would fail to meet a key aim of current government policy and does not reflect the actual method that will be used to calculate LHNs in the wider HMA.
23. By means of conclusion, and for the reasons set out above, a pragmatic approach is sought whereby the NWBC housing requirement as tested thus far through the examination and agreed with GBBCHMA partners through the Duty to Cooperate is found sound. **A fundamental change to the plan at this very late stage would be likely to completely derail it. This would significantly delay delivery as sites and infrastructure proposals identified for development in the plan would have no status and their ability to come forward would be questioned. The pragmatic approach advocated** is consistent with current Government policy of *significantly boosting the supply of housing* and emerging policy, which envisages major adjustment to the 2018 HHPs in order to establish dpa requirements. A failure to do so would risk the GBBCHMA's ability to meet its acknowledged and emerging collective housing need.

⁷ NPPF para. 59