

**Sub-Matter 3A**

**Statement on behalf of  
West Midlands Planning & Transportation Sub-Committee**

**(i) Household projections**

**What light do the latest 2006-based projections shed on likely household changes in the region over the period 2006-2026?**

**What confidence can be placed on projections in the light of economic and other changes over the past 12 months or so? What implications are these changes likely to have for assumptions made about future international and inter-regional migration, household formation rates and other factors? Is it possible to quantify the possible impact of these factors issues on future household numbers?**

**In the light of all available evidence what is a “best estimate” of household increase in the Region over the period 2006-2026?**

1. The Preferred Option was finalised based on the most up to date household projections available at the time (2004 based).
2. It is well documented that Baroness Andrews intervened following the submission of the Preferred Option in 2007 and requested that options for accommodating housing growth over and above the projections were considered. This was to be based on the emerging advice of the NHPAU.
3. The NHPAU analysis advised that up to 80,000 additional dwellings may be required in the West Midlands over and above the 365,000 identified in the Preferred Option in order to stabilise affordability. The final NHPAU advice was finally published on 26 June 2008; as this was after the Preferred Option had been submitted it was not possible to take it into account.
4. Furthermore, the 2004 adopted RSS was tested under the auspices of the ‘old’ PPG 11 which warned against giving undue weight to household projections *‘especially where underlying assumptions (based on long term trends) may not be consistent with the emerging spatial strategy’* (para 5.04).
5. In para 5.3.34 of its report (CD55), the Panel stated that *‘this is undoubtedly the case here where the RPB is seeking a change in direction as expressed through the slowdown in the rate of net out-migration from the MUAs’*.

6. Similarly the Urban White Paper: Our Cities Our Future (443/7) advises caution in over-relying (paras 4.16 and 4.17) on trend based household projections, especially where they do not align with policy objectives.
7. PPG11 has subsequently been replaced by PPS11 (CD93). Para. 33 of PPS 3 (CD86), however, states that the **latest** household projections should be considered when assessing an appropriate level of housing provision. At the time of submission to the SoS (Dec 2007) the most up to date projections were used and the NHPAU figures were yet to be finalised. As such, the Preferred Option is consistent with this advice and broadly coincides with the 2004 based projections albeit with a different spatial distribution to meet Urban and Rural Renaissance policy objectives.
8. Furthermore, the household projections and NHPAU advice are only two of a range of factors to be included in assessing an appropriate level of housing; other factors include the findings of a sustainability appraisal, economic forecasts and the availability of suitable land (PPS 3 Para. 33).
9. The Sub-Committee's main concern is that there are pressures for the NHPAU figures and population projections to take increasing precedence; the NLP study which, by its own stated intent, *'does not set out to establish the level of housing need and demand in the region* (para 1.11) is, however, being cited by many participants as being the very reason for doing so.
10. It is understood that the methodology for preparing household projections is long established and has not changed substantially in the last few years to improve the accuracy of the projections and thus elevate their status. Indeed, the 2006 based projections come with the following health warning: *'They are not forecasts. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour'* (CD220).
11. The 2006 based projections were published on 11<sup>th</sup> March 2009; these suggest a further 60,000 dwellings by 2026 (16%) when compared to their 2004 based counterparts. This is towards the upper end of the NHPAU supply range.
12. This headline increase is a matter for concern in its own right; however, more specific examination at local authority level gives further grounds for concern. For example, Stoke on Trent and South Staffordshire show 100% increases, with Coventry showing a 70% increase. This clearly demonstrates the risks associated with taking such projections purely at face value.
13. The 2006 based projections were prepared at a time of economic growth and optimism, circumstances are now very different, given the global recession and despite the views of various commentators, there is no

consensus as to when economic recovery will start. Clearly, assumptions regarding international migration, birth rates and household formation rates are, therefore, challengeable.

14. The Leaders of all Metropolitan Authorities are committed to a growth agenda, and have declared their intentions to pursue population growth as a policy objective; this however needs to be accommodated in a sustainable manner. Indeed, across the seven authorities it is proposed that allocations are made above the 2004 household projections, albeit with a different distribution to reflect need and available capacity.
15. To simply meet needs where they are deemed to arise, based on trend based projections, with their in built limitations, is entirely inconsistent with the principles of strategic planning. Some areas would grow beyond their environmental and infrastructure capacity, whilst others would continue to decline as the more affluent move out. The background paper on migration (CD246) clearly demonstrates this.
16. The “best estimate” of household increase in the Region over the period 2006-2026 is, for the reasons set out above, steeped in uncertainty as the projections are a trend based mathematical calculation. It is therefore more appropriate to consider what level of household provision we should plan for, taking into account the full range of policy factors as set out in PPS3 (CD86) and also economic factors such as ‘effective demand’ and the capacity of the development industry itself to deliver.
17. Effective demand is defined as the ability of prospective households to secure finance to purchase a property and the availability of sufficient funding to deliver social housing for those in need.
18. Finally, the Arup Housing Policy and Economy Study (451/2) suggests that the level and distribution of housing in the Preferred Option has the potential to close the productivity output gap identified in the RES; this further vindicates the level of housing provision set out in the Preferred Option.

**(ii) Other evidence relevant to housing requirements**

**On what evidence is the submitted proposal for 365,000 net additional homes in the region between 2006 and 2026 based? How robust is this assessment against changing circumstances and uncertainty about the future?**

**Could the requirement be significantly reduced by increasing the use of vacant housing or other policy measures?**

**What are the implications of the supply ranges suggested in the NHPAU advice? What assessment has been made of the impact of the current economic climate on the need and demand for additional housing over the short to medium and longer term? What justification is there for the view that increasing the level of housing provision above the proposed Phase 2 level would improve housing affordability in the region?**

**What account should the housing provision take of:**

- a) **assessed housing need at the regional and sub-regional level;**
- b) **estimates of a backlog of previous unmet housing need?**

**Justification for Preferred Option level of housing**

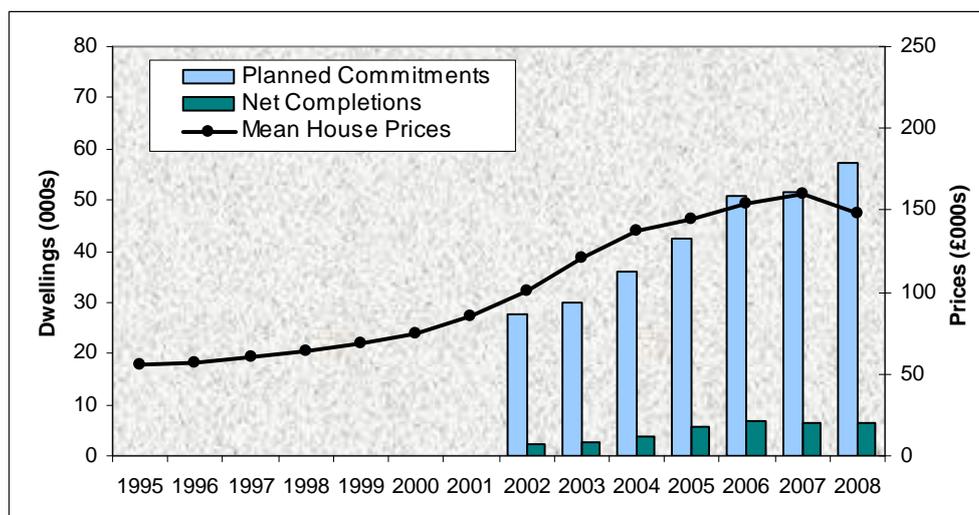
- 19. Metropolitan Authorities along with other Section 4:4 authorities provided evidence as to what an appropriate level of housing was in accordance with the requirements of the Planning and Compulsory Purchase Act. This advice was provided in the context of PPS3 requirements, local knowledge, opportunities and constraints, and the underlying regional policy principles and strategy.
- 20. In the Metropolitan Area, advice was provided collectively via the P&T Sub-Committee, to ensure that cross boundary issues and urban renaissance principles were taken into account.
- 21. The Sub-Committee is satisfied that the level of housing proposed for the Metropolitan Area in the Preferred Option meets needs, whilst redirecting growth to areas of opportunity and acknowledges capacity issues elsewhere. It is a policy-led rather than a trend-led approach. Similarly for Birmingham, Solihull and the Black Country levels of housing are expressed as minima. This implies that if additional capacity comes forward that is consistent with policy principles, then residential use will be supported.
- 22. Given current economic circumstances, however, it is unlikely that 365,000 dwellings will be built by 2026, so there is therefore an in built 'upward' flexibility. There are, however, risks to the underlying urban renaissance strategy if development (regardless of the overall level) is not effectively phased to accelerate delivery in MUAs, as failure to do so would not stem unsustainable net out migration (CD 246).
- 23. CLG's view that plans should be 'flexible' to accommodate additional growth appears to be based on permanent economic growth and does not take account of the risks of this approach brought about by economic downturn (441/4).

### Vacancies in existing stock

24. Regarding vacancies in existing stock, it is understood that levels vary across the Region, both temporally and spatially, for several reasons. In percentage terms, however, vacancies are higher in the MUAs than elsewhere in the Region; in 2007 approximately 3.5% of the existing housing stock was empty compared to 2.5% outside the MUA.
25. Paragraph 6.29 of the Preferred Option acknowledges this and suggests that local circumstances can be taken into account when preparing Local Development Documents. This is firmly supported by the Sub-Committee, as over the RSS period, some local authorities may wish to renovate obsolete stock rather than to demolish it (for example, in Pathfinder areas); local authorities should clearly be able to take vacancy rates into account when making land allocations through the Local Development Framework.

### Affordability

26. In tandem with WMRA, the Sub-Committee does not support the one dimensional view of NHPAU that increasing housing supply improves affordability and supports the Assembly's representations on this matter. Whilst overall supply clearly is a factor, a myriad of others are at play including the availability of mortgage finance.
27. Moreover, making land available through the planning system does not imply that houses will be built. As the below graph shows, the supply of land for housing has grown at a faster rate than the actual number of dwellings built. Similarly, the rise in prices, until the last couple of years, is considered to have been largely fuelled by generous mortgage finance arrangements and availability.



Housing Commitments, Completions and House Prices: West Midlands Met Area

28. Moreover, from an urban renaissance perspective, our background paper, Urban Renaissance in the West Midlands: Origins, Progress and Future Prospects (core document to be added to the library) demonstrates that as the ratio of MUA completions increases relative to completions outside the MUA, net out migration slows down. To encourage higher rates of development outside the MUA may lead to further out migration by its more affluent residents. This may force up house prices in those areas beyond the MUA and create local affordability problems, thus leading to a vicious circle which is detrimental to both urban renaissance and housing affordability outside the MUAs. Ultimately this could lead to an unravelling and undermining of the entire RSS strategy.

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