Black Country and South Staffordshire Strategic Housing Market Assessment

Final report

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1 INTRODUCTION

Study overview

1.1 This Strategic Housing Market Assessment (SHMA) was commissioned jointly by Dudley Metropolitan Borough Council (DMBC), Sandwell Metropolitan Borough Council (SMBC), Walsall Council (WC), City of Wolverhampton Council (CWC) and South Staffordshire Council (SSC).

1.2 The National Planning Policy Framework (NPPF) advises that, where housing market areas (HMAs) straddle local authority areas, housing needs assessments should cover these wider areas rather than individual local authorities.

1.3 The client authorities, excluding South Staffordshire, are known collectively as the Black Country ('the BC authorities'). The BC authorities and South Staffordshire lie within the Greater Birmingham HMA which was defined through a series of studies undertaken by PBA[1]. In this study we do not revisit the definition of the HMA but build on that work to provide an objective assessment of housing need for the Black Country housing sub-market area.

1.4 The brief for this study set out that: 'the SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- *meets household and population projections, taking account of likely migration and demographic change;*
- *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes), and*
- *caters for housing demand and estimates the scale of housing supply necessary to meet this demand*.'

1.5 To meet these requirements, this report is structured as follows:

- Section 2 sets out the policy and evidence base background in which this study has been prepared.
- Section 3 establishes the demographic starting point with reference to the evidence base background, the latest CLG projections and alternative trend-based scenarios.
- Section 4 reviews evidence on past housing provision, market signals and affordable housing to establish whether a market signals uplift to the demographic starting point is required.

[1] The geography of the HMA was endorsed in the examination of the Birmingham Development Plan (Inspector's report footnote 8 and Inspector's interim findings paragraphs 8 and 9.

- Section 5 considers the alignment of housing and future jobs, including considering an employment-led scenario.
- Section 6 draws out the key findings from the Part 2 of the SHMA which focuses on the calculation of the level of affordable housing need and the size and tenure of all dwellings within the OAN.
- Section 7 summarises our findings and discusses how the Council might translate the assessed need into housing targets for the Local Plan.

2 POLICY BACKGROUND AND EVIDENCE BASE

Policy background

The Black Country

2.1 The BC authorities agreed to work together in the production of the Black Country Core Strategy (BCCS), which was adopted in 2011, covering the period to 2026. In order for it to remain effective, the BCCS will undergo a review covering the period up to 2036, with adoption planned for 2021. The BCCS remains as a part of the development plan for all of the Black Country authorities.

2.2 Policy HOU1 (Delivering sustainable housing growth) of the BCCS states that there is a need to deliver 63,000 new dwellings in the Black Country over the period 2006-2026. This figure was based on the revoked West Midlands Regional Spatial Strategy (WMRSS) target for the Black Country, which was based on meeting projected local housing need at the time.

Dudley

2.3 In addition to the BCCS, the development plan for Dudley consists of the saved policies of the 2005 Dudley Unitary Development Plan (UDP) and the Brierley Hill, Halesowen and Stourbridge Area Action Plans (AAP).

2.4 DMBC are preparing the Dudley Borough Development Strategy (DBDS) and the Dudley AAP. Both documents have undergone public consultation and examination, and it is anticipated that they will be adopted in April 2017. The DBDS is being prepared in accordance with the BCCS, and it identifies specific sites for housing delivery.

Sandwell

2.5 As well as the BCCS, Sandwell's development plan comprises the Site Allocation and Delivery Development Plan Document (DPD) (2012) and the West Bromwich, Smethwick and Tipton AAPs.

2.6 The DPD covers the period 2006-2021 and it provides housing land use allocations for this period. Following the review of the BCCS, the DPD will be reviewed to provide post-2021 allocations for housing.

Walsall

2.7 The development plan for Walsall consists of the saved policies of the Walsall UDP (2005), together with the BCCS.

2.8 Walsall are preparing the Site Allocations Document (SAD) and the Walsall Town Centre AAP, which will replace the 2005 UDP. Both documents have been subject to a final draft plan public consultation, and they are now heading towards examination and adoption. It is anticipated that the documents will be adopted in 2017.

2.9 Once adopted the SAD and the AAP will allocate housing land for development across the borough, in line with the housing need set out in the BCCS.

Wolverhampton

2.10 Wolverhampton's development plan comprises the saved policies of the 2006 Wolverhampton UDP, the City Centre, Stafford Road Corridor, and Bilston Corridor AAPs and the BCCS. Two neighbourhood plans have also been made: for Tettenhall and Heathfield Park. The AAPs and neighbourhood plans allocate housing sites to deliver the BCCS housing targets, together with SHLAA sites identified outside these areas.

South Staffordshire

2.11 Although part of the Black Country sub-market area, South Staffordshire is not covered by the BCCS. The adopted development plan document for the area is the South Staffordshire Core Strategy (SSCS), which was adopted in December 2012. Currently the SSCS consists of the adopted Core Strategy; however, the second part of the SSCS is the South Staffordshire Site Allocations Document (SAD) which is in final draft. The Core Strategy Review will follow this, and it will use this SHMA as a basis for setting a new housing target.

2.12 The SSCS states that there is a need to deliver 3,850 new dwellings in the period 2006-2028 (annual target of 175 units). This target was derived from the now-revoked WMRSS which identified a dwelling target of 3,500 dwellings in South Staffordshire over the period 2006-26.

Greater Birmingham and Solihull LEP Strategic Housing Needs Study

2.13 This study has been prepared in the context of the Strategic Housing Needs Studies (SHNS) prepared by PBA on behalf of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and wider authorities[2].

2.14 The SHNS is perhaps one of the most complex strategic housing studies undertaken to date. It was commissioned very soon after the publication of the National Planning Policy Guidance (PPG) and needed to start from first principles. Most obviously this included identifying the correct housing market, because before the publication of the NPPF and the PPG there was only a limited understanding of the housing market geography in the West Midlands. A number of early OAN reports had not addressed the HMA geography and for some time a number of councils declined to accept that they formed part of, or were strongly related to, a Greater Birmingham HMA.

2.15 It took around two years before all the various constituent members of the Birmingham HMA agreed to co-operate and work jointly. The work was split into three stages: stock-taking, housing need and supply/capacity.

2.16 These studies form the basis for identifying strategic housing need across the HMA. The SHNS is not a full SHMA and it does not establish the OAN for each constituent authority. It does, however, provide a consistent HMA-wide demographic starting point for the Black Country and South Staffordshire, to help establish its OAN through

[2] http://centreofenterprise.com/wp-content/uploads/2015/09/SHNS-Phase-3.pdf

this study. This approach was supported at the Birmingham Development Plan examination.

2.17 This section discusses those studies as they relate to the Black Country and South Staffordshire.

Stage 1 (January 2014)

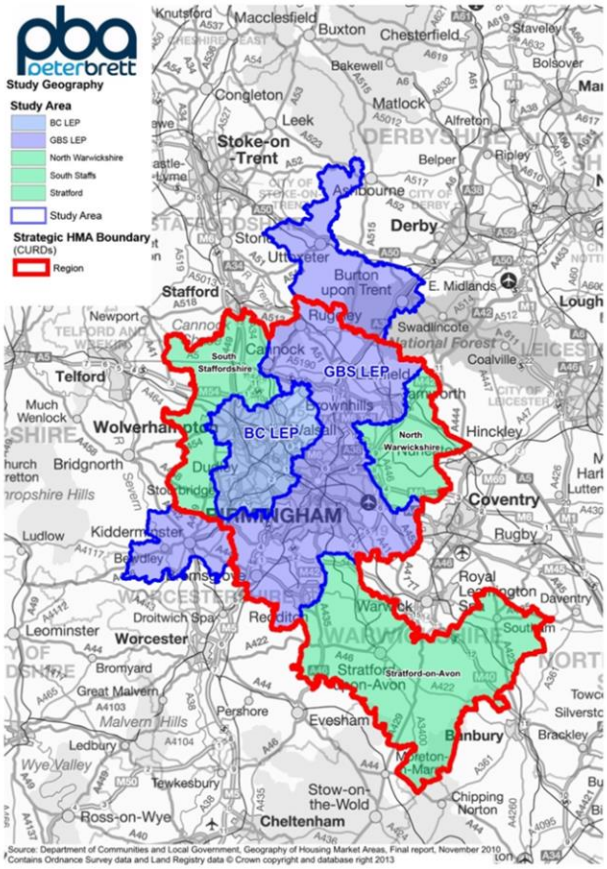
2.18 This initial stage of work comprised a stock take of the housing need and supply evidence in the GBSLEP area in order to scope out the evidence required in the subsequent stages. Three key shortcomings in the available evidence were identified:

- The need for a consistent HMA definition to be applied throughout the Greater Birmingham Area to mitigate the risk that unmet need could fall between geographical 'gaps';
- The lack of an HMA-wide and internally consistent analysis of housing need which again was needed to mitigate the risk that unmet need could fall between any gaps; and,
- The need for a reassessment of the area's housing supply using a consistent method.

Stage 2 (November 2014)

2.19 Following the findings of the Stage 1 report, the client group expanded to include the four Black Country authorities in order to align more closely with the Greater Birmingham HMA geography (Figure 2.1).

Figure 2.1 HMA geography



Source: SHNS Stage 1

2.20 Given the shortcomings identified in the Stage 1 report, Stage 2 addressed two main matters: assessing future housing need across the sub-regional housing market area in the plan period 2011 to 2031; and comparing it with currently identified land supply. A shortfall of 27,000-61,000 dwellings was identified over the plan period based on a projected need for 204,000-238,000 net new dwellings.

Stage 3 (August 2015)

2.21 The Stage 3 report comprised a brief update of the main findings of the Stage 2 report but more particularly considered spatial options or scenarios for distributing the identified shortfall between the authorities.

2.22 The update on the Stage 2 report dealt primarily with unattributable population change (UPC) and the implications of the new household projections (2012-based CLG). Having considered these, the Stage 3 report sets out an HMA-wide deficit of 37,600 dwellings over the plan period, with the vast majority of this deficit arising from Birmingham City. However, as shown below[3], the Black Country sub-market has a supply deficit of 2,167 dwellings over the period of the study. But one important caveat to this is that the analysis assumed that the rate of delivery in the Core

[3] Note: all numbers set out in **Error! Reference source not found.** are expressed on a per annum basis, with the exception of the green shaded column which relates to the whole 20-year period (2011-31).

Strategy could be rolled forward to 2031. At the time this had not been tested and should other work suggest this is not possible then the gap here will be different.

Figure 2.2 Housing need across the Greater Birmingham HMA (2011-31)

Net new dwellings p.a.	Projected need (ONS / PBA 2012)	Supply	Surplus (deficit)	Surplus (deficit)
Birmingham	4,450	2,529	-1,921	-38,424
Bromsgrove	297	245	-52	-1,047
Cannock Chase	299	210	-89	-1,785
Lichfield	334	459	124	2,489
Redditch	179	314	134	2,685
Solihull	608	475	-133	-2,654
Tamworth	210	235	24	488
North Warwickshire	157	203	46	911
Stratford on Avon	443	540	97	1,932
Birmingham sub-market	**6,979**	**5,209**	**-1,770**	**-35,405**
Dudley	634	821	186	3,725
Sandwell	1,298	1,041	-257	-5,148
Walsall	721	548	-173	-3,457
Wolverhampton	514	683	169	3,374
South Staffs	208	175	-33	-661
Black County sub-market	**3,375**	**3,267**	**-108**	-2,167
Total HMA	**10,355**	**8,476**	**-1,879**	**-37,572**

Source: SHNS Stage 3

Other material considerations

Birmingham Development Plan

2.23 Birmingham is the main driver of housing need/demand in the HMA. The Birmingham Development Plan (BDP) was found sound by the Inspector's Report in March 2016 and adopted in early 2017. This followed the withdrawal of a Ministerial holding direction.

2.24 The OAN set out in BDP was underpinned by the SHNS; in relation to the housing needs, the Inspector concluded that 'the BDP appropriately identifies housing needs and sets out effective measures to meet them in accordance with national policy'[4], so endorsing both the HMA geography and the HMA-wide demographic starting point referred to above.

[4] Paragraph 97.

Summary

2.25 The SHNS confirms that the Black Country sub-market area, including South Staffordshire, forms part of the Greater Birmingham HMA. This study does not revisit that. It also established the demographic starting point for the HMA as a whole over the period from 2011 to 2031.

2.26 However, this is only the starting point of establishing the area's OAN. It is necessary to revisit the demographic projections to ensure that the OAN is, in line with the PPG, based on the most up-to-date projections and is rolled forward to cover an appropriate period for plan reviews. It is also necessary to provide a comprehensive review of the market signals and future jobs to inform the OAN.

3 PAST DEMOGRAPHIC CHANGE

Introduction

3.1 Before considering the future population in the study area, including demographic projections, we first briefly look at the past. This is important because demographic projections are derived by rolling forward into the future - 'projecting' past trends in the components of demographic change for different demographic groups. It is normal to find that different 'vintages' of population and household projections only differ in their results because they incorporate a different base period with a different base population or migration profile.

3.2 The study area is only part of the larger Greater Birmingham Housing Market Area. When combined with Birmingham and Solihull the geography covers the whole conurbation.

3.3 Although only part of the larger HMA for the study area, demographic measures of housing need, including the official projections, are reasonably stable. As we discuss in more detail elsewhere most post 2011 census projections are reasonably similar, they show a similar level of household growth and so housing need. This demonstrates that the area is functioning as a reasonable HMA for the purposes of addressing housing need; swings in one district's data is often offset by a swing elsewhere.

3.4 In this report we address the study area as a whole but also each authority. But the district level data should be treated with care.

3.5 Data is very unstable at the local authority district level and this is one reason why the OAN should, in line with guidance, be set at the HMA level. This is not practical here given the size of the HMA and the fact that a number of HMA districts drafted plans, and identified their needs, before the HMA was established.

Changes 2001-11

3.6 The main demographic changes in the Black Country between 2001 and 2011 have been discussed in earlier reports; most obviously the SHNS which confirmed the HMA and set the HMA-wide demographic housing need (unadjusted for market signals). However, as population projections are being prepared based on the period 2004-14 it is worth briefly reviewing the findings.

3.7 A key point to highlight is that after many years of population decline, the Black Country is now growing. The Black Country Study (2006), which informed the last (and final) rounds of strategic planning in the West Midlands and was drafted in context of both industrial and population collapse, noted that:

'The Black Country is one of only three sub-regions in the UK experiencing net population decline. Since 1990, population has fallen by over 20,000 and net out-migration has approached 4,000 people per annum'[5]

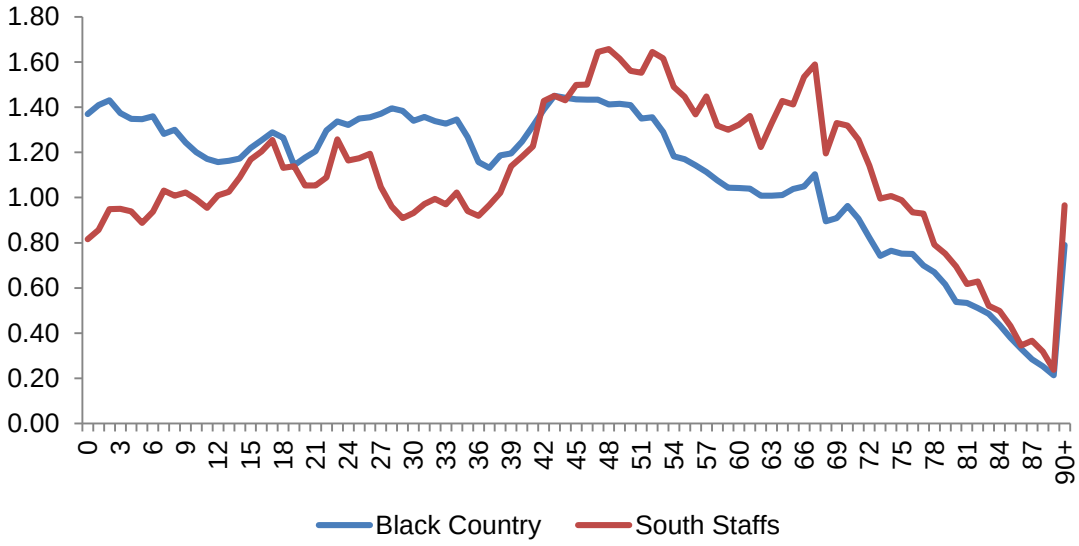
3.8 Old plans and strategies were focused on reversing this trend; drawing people and investment into the Black Country. This included developing a new portfolio of housing which would help attract inward migration (or reduce outflows). Despite housing delivery not being as high as expected between 2001 and 2011, the population of the study area did increase: from 1,187,000 to 1,250,000.

Natural change

3.9 In the study area as a whole, births outnumbered deaths: between 2001 and 2011 31,300 people were added through 'natural change'.

3.10 The exception to this pattern was South Staffordshire. Since the 2001 Census, deaths have outnumbered births by around 200 each year. This reflects the much older age structure of the district compared to the core of the Black Country. The figure below compares the age structure in the study area with the age structure in South Staffordshire in isolation (2014).

Figure 3.1 Age structure



Source: ONS

Net migration

3.11 In the official 'components of change' data released by the ONS, domestic out migration roughly equals international in migration.

3.12 Between 2001 and 2011, the study area reported strong domestic outflows (residents moving to other parts of the UK) of 35,400. These are in turn replaced by international inflows (37,000), resulting in almost no net change. However, the ONS data also includes a migration flow called 'other'. Other changes were mainly

[5] The Black Country Study. Technical Executive Summary. May 2006. P3

composed of a gain of 30,400 people due to 'unattributable population change' (UPC)[6].

Figure 3.2 What is UPC?

3.13 UPC is a discrepancy in the official population statistics that arose between the 2001 and 2011 Censuses. In this inter-censual period the ONS makes estimates of the components of population change, which are published as mid-year population estimates (MYEs). Births and deaths are measured easily and accurately, because the UK has an efficient registration system. But migration (UK and international) cannot be measured directly, and is estimated from indirect and incomplete data such as GP registrations.

3.14 When the 2011 Census results came to light, the population in many places was different from what had previously been estimated. ONS accordingly revised the MYEs for the inter-censual period to bring them into line with the Census. But for many places it proved impossible to fully reconcile the revised components of change with population numbers at the two Censuses. To deal with this remaining discrepancy, ONS introduced an additional component of change, in effect an 'errors and omissions' factor. This is the UPC.

3.15 The UPC may be due to miscounted population in one or both Censuses. It may also be due to unrecorded or misreported migration between the Censuses.

3.16 UPC, therefore, is at least partly a correction for failings in the combination of measuring and assigning international migrants at the local authority level.

3.17 UPC as a statistic ceased in 2011; because it was used as a 'balance' to align estimated population data with the Census. But for projections we still need to consider it because UPC is evident in the ONS trend period and also in any longer tend projections (where pre 2011 data is used). Depending on local evidence we either include, or exclude the UPC population from the projections.

3.18 The reason UPC is so important here is because the ONS exclude UPC in their population projections. But if we assume the UPC is misreported migration, which will repeat in the future, then we may need to make a positive adjustment to the official projections to ensure everyone is suitably housed.

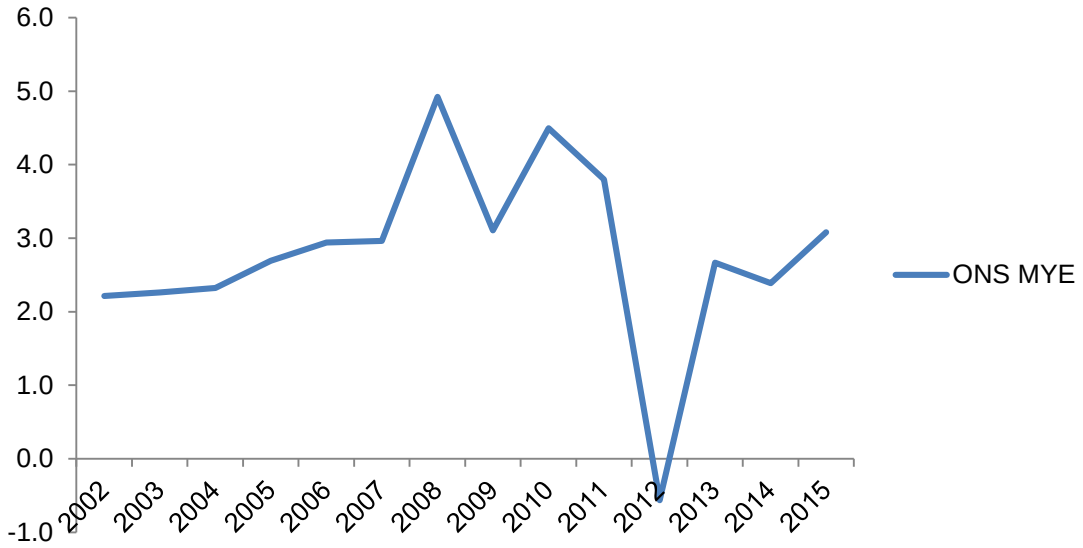
3.19 As with Birmingham City and discussed in the SHNS, the ONS did not accurately record population change in the Black Country. This meant that the estimated

[6] ONS has stated that the 'unattributable' losses (or gains in other authorities), often referred to as UPC, may be due to errors in either the 2001 or 2011 Censuses, giving rise to errors in the mid-year estimates of those years, or errors in either the UK or Overseas migration calculations or both.

population and the 'components of change' failed to balance with the 2011 Census population. The most likely reason is poorly recorded migration.

3.20 UPC is significant here: its inclusion has the effect of moving the trend (2001-11) from one of very little migration growth, where known domestic and international migration cancel each other out, to a positive (see figure below).

Figure 3.3 Net migration across the study area (thousands)



Source: ONS 2015 MYE. UPC included as migration

3.21 The table below shows that UPC was positive in each of the districts. It accounted overall for 48% of total population change in the five districts combined and in excess of 50% of change in all districts except Sandwell (32%). In Dudley, Walsall and Wolverhampton UPC accounted for about 60% of total population change.

Table 3.1 UPC across the study area

	Dudley	Sandwell	Walsall	W'Hampton	Black Country	South Staffs
2001-02	426	730	896	682	2,734	106
2002-03	420	756	915	699	2,790	121
2003-04	440	770	904	673	2,787	110
2004-05	452	784	916	680	2,832	126
2005-06	507	839	956	705	3,007	122
2006-07	515	882	963	702	3,062	144
2007-08	545	863	970	679	3,057	131
2008-09	559	864	971	692	3,086	131
2009-10	605	793	972	720	3,090	140
2010-11	574	538	909	653	2,674	117
Average 2001-11	504	782	937	689	2,912	125

Source: ONS © Crown copyright

3.22 In late 2015, the ONS provided a data tool to help understand the UPC further[7]. The data tool provides no numerical data and does not correct the UPC, but it provides an indication of the source of the error by district and its likely significance.

3.23 The data tool shows that in all five districts, the main causes of the discrepancies were a combination of over-estimation of international emigration and under-estimation of international immigration.

3.24 Most of the discrepancies occurred at ages between 10 and 49. In Walsall the upper age was 69. In Wolverhampton there were overestimates of persons in their 20s which were due to immigration estimates being too low.

3.25 In South Staffordshire the main problem was an over-estimate of emigration. Given the importance of UPC in the assessment of total population change in all five districts and the major likelihood that the problem was associated with the estimation of international migration it is important that this is considered in more detail when looking at the demographic projections.

Changes 2011-14

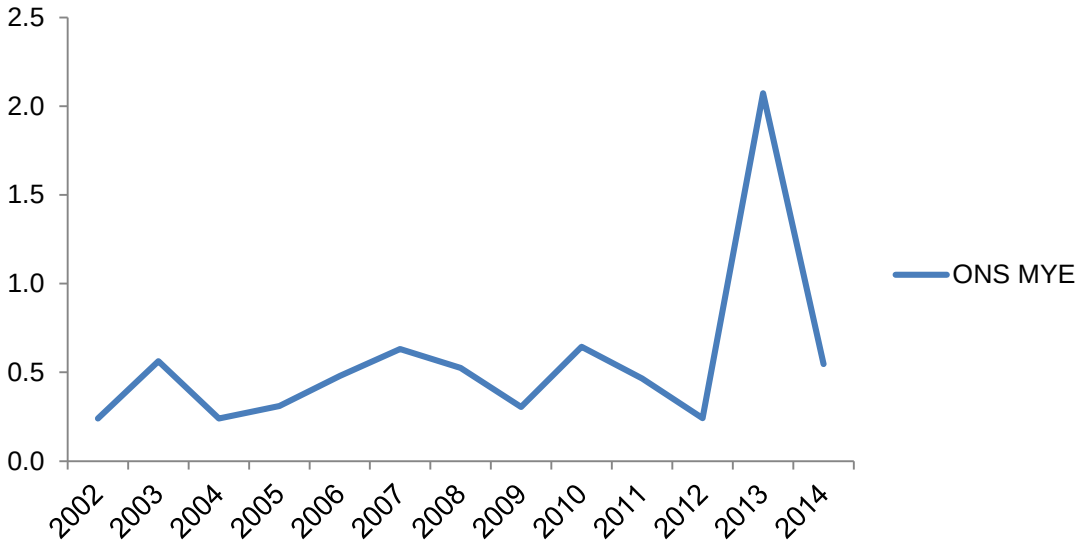
3.26 UPC ceased to exist as an element of population growth in 2011. This is partly because its role as a 'balancing' adjustment to align the estimated population with the 2011 Census was no longer needed; and also because the ONS claimed to have improved both their data and method. ONS therefore do not expect that UPC will repeat in the future. It is therefore sensible to look at change between 2011 and 2014 separately from the 2001-11 data reviewed above.

3.27 Between 2011 and 2014, the area grew by a further 20,400 to reach 1.27 million. The increase comprised natural change of 15,900 and net migration of 2,900. There was still net outflow to the rest of the UK (5,200) and net inflow from overseas (8,100).

3.28 There were also other changes of 1,600. In many areas this 'other' adjustment is not significant and requires little or no investigation. However, in this instance, it is due to a new prison opening in South Staffordshire (HMP Oakwood) in 2013. As the chart below shows, filling this new 1,600-bed space facility resulted in an unusually high migration estimate for 2013.

7 Further understanding of the causes of discrepancies between rolled forward and census based local authority mid-year population estimates for 2011

Figure 3.4 South Staffordshire net migration



Source: ONS

3.29 The importance of this inflow is that the population involved is 'institutional' and not part of the household population. Therefore, as far as possible, it should be removed from the total population before attempting to calculate the number of households in South Staffordshire in years from 2013.

3.30 The table below shows the age structure of 1,322 males who are assumed to be a part of the additional prisoner population at mid-2013. The estimates were made by comparing changes by single years of age in 2012-13 with the average changes of the previous five years. Changes at other ages and for females were not conclusive.

Table 3.2 South Staffordshire: Assumed Prisoners by Age mid-2013

Age	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Population	186	295	230	199	158	163	90

Source: ONS

3.31 In our projections, where we test the ONS/CLG official projections, we make an adjustment to the South Staffordshire projections to reflect the fact that these people form part of an institutional population (not requiring households). This reduces the number of households in South Staffordshire by around 600 compared to a projection where they are erroneously given households.

Summary

3.32 The study area has moved from a picture of population decline to growth. In the official data two main drivers fuelled this growth: firstly positive natural change, with births outnumbering deaths since 2001; and secondly, international migration (inflow) exceeded domestic outflows, albeit the international migration picture is complicated by historic data errors.

3.33 The ONS state that these are no longer occurring as they improved their methods and decided to exclude UPC from their official projections because:

'if it is due to international migration, it is likely that the biggest impacts will be seen earlier in the decade and will have less of an impact in the later years, because of improvements introduced to migration estimates in the majority of these years[8]*.*

3.34 But this migration error and the unrelated new prison in South Staffordshire needs to be considered when testing longer term the demographic projections. This is because longer term projections are much more likely to be 'contaminated' by these errors and the opening of the prison affects demographic data prior to 2014.

[8] http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_364795.pdf

4 DEMOGRAPHIC PROJECTIONS

Method

4.1 In line with the PPG, the starting point for our objective assessment of housing need are the official household projections from the Department for Communities and Local Government (CLG), which are derived from the sub-national population projections (SNPP) produced by the ONS. The SNPP show future population by local authority area and are normally released at two-year intervals, with additional releases in response to new data: recently the 2011 Census. The CLG projections translate the population into households. The projected growth in household numbers, with an adjustment for vacant and second homes, is used as the measure of housing need.

4.2 The official projections, like all projections, are trend-driven: that is, they roll forward (project) past trends into the future. Accordingly, still following the PPG, we test and amend them through alternative projection scenarios that adjust for:

- Technical flaws in the official modelling, including:
  - Superseded or otherwise inaccurate historical data - projections are only past trends rolled forward, so a projection based on the wrong trends will be inaccurate);
  - Anomalies in the modelling – the official models are very complex, mainly because they cover hundreds of local authorities; even if the models are accurate 'on average', they will not necessarily be accurate for every single authority in every single year.
- External (non-demographic) factors that bear on demographic change but are not captured in the projections, because they are likely to differ in the future from what they were in the past, in particular the macroeconomic climate.

4.3 For any geographical area, the change in housing numbers is the outcome of three components. The first two factors, natural change (births minus deaths) and migration (domestic and international) affect population change. The third factor is the ratios that turn population into households, known as household reference rates (HRRs, also known as headship rates or household formation rates). Alternative scenarios are mostly based on varying assumptions about migration and household formation. In contrast to natural change, these factors are both difficult to measure for the past and even more difficult to predict for the future.

4.4 Later in this chapter we will sensitivity test the projections and consider alternative scenarios to deal with any factors that the projections do not capture, in line with the PPG. This includes scenarios with UPC included.

Official releases

4.5 As required by the PPG, we start from the latest official CLG household projections. The SNPP which shows population by age and sex, based on rolling forward past rates of natural change (births minus deaths) and migration for each demographic group. CLG then converts each SNPP into household projections using HRRs.

4.6 The resulting household numbers, with a small adjustment for vacant and second homes, are used as a measure of future housing demand, or objectively assessed need.

Recent releases

4.7 The NPPF advises that the official CLG household projections should be the starting point for assessing housing need. However, until recently, we did not have a full set of recent projections that were fit for purpose because:

- The 2008-based projections were increasingly out of date and known to be erroneous. The Census when reported did not support the expected (projected) population of household structure. Effectively the Census 'disproved' the projections.
- The 2011-based projections ('CLG 2011'), published in 2013, were labelled 'interim' because of data limitations, and they only ran to 2021.

4.8 These were both superseded in February 2015 by 2012-based household projections ('CLG 2012'), derived from the 2012-based SNPP ('SNPP 2012') which were published in 2014. To model future HRRs, the CLG 2012 projections relied on the same method as the CLG 2011; however, they are based on Census-derived HRRs at 2011.

4.9 In July 2016, CLG 2012 was superseded by new 2014-based household projections ('CLG 2014'). CLG 2014, and their HRRs, were calculated using the same method as CLG 2012 and incorporate the two additional years' of data. However, because the household projections use a very long series of data (1971 onwards), the effect of the two years' of data is not significant.

4.10 At the time of writing this study, the PPG has not been amended to refer to CLG 2014. Instead it refers to the older (superseded) CLG 2012 as the official 'demographic starting point'. But common sense would suggest that the CLG 2014 should now be used. For this study, we take the SNPP 2014 and CLG 2014 as the starting point, but for completeness we use the SNPP 2012 and CLG 2012 as a sensitivity test.

Population projections

4.11 The SNPP 2014 were the second to take full advantage of the results of the 2011 Census. However, the Census did not report the population or household structure expected and in this area all pre-Census data is problematic because of the large UPC error discussed in the previous section.

4.12 To inform migration, as with the SNPP 2012, the SNPP 2014 used the annual average flows between English authorities in the preceding five years (2009-14) and

with overseas in the previous six years (2008-14). Cross-border flows within the UK were also based on the previous five years but are treated separately in the modelling.

4.13 The projections comprise two main elements. Firstly, natural change; and secondly, migration into or out of the district; this can be domestic (England and UK cross-border) and international (EU and outside EU). We consider both main areas of population growth below.

Migration

4.14 In domestic terms, there is an annual long-term net migration gain of 163,200, including a cross-border loss of 6,300 to the rest of the UK. This compares to an overall long-term net gain of 143,500 in the SNPP 2012, including a cross-border loss of 6,500.

4.15 The table below shows the overall results for each of the districts.

Table 4.1 Estimated and projected population 2011-2039 (thousands)

	Dudley	Sandwell	Walsall	Wolverhampton	Black Country	South Staffordshire	Total
2011	313.3	309.0	269.5	249.9	1,141.7	108.3	1,250.0
2014	315.8	316.7	274.2	253.0	1,159.7	110.7	1,270.4
2021	321.7	335.6	285.4	263.1	1,205.8	112.7	1,318.4
2031	331.0	359.9	300.8	277.3	1,268.9	116.2	1,385.1
2039	338.4	378.0	312.8	288.0	1,317.3	118.3	1,435.7
2014-39	22.6	61.3	38.7	35.1	157.7	7.6	165.3
%	7.2	19.4	14.1	13.9	13.6	6.9	13.0

Source: ONS MYE and SNPP 2014 © Crown Copyright

4.16 Over the period 2014-39, the population of all five districts is expected to increase: by 19% in Sandwell, around 14% in both Walsall and Wolverhampton and by about 7% in both Dudley and South Staffs. The population of the study area is projected to reach 1.44 million in 2039: an increase of 165,300 since 2014. Natural change is the largest component of change over the projection period: across the study area, births outnumber deaths by 127,500 persons. Net migration contributes a further 38,000 persons.

4.17 However, the situation in South Staffordshire is somewhat different to the rest of the study area. Natural change is negative (as with the past) but net migration more than offsets this. However, this net in-migration is not high enough to mean that the district grows in line with the Black Country authorities i.e. the district is the slowest growing in the study area.

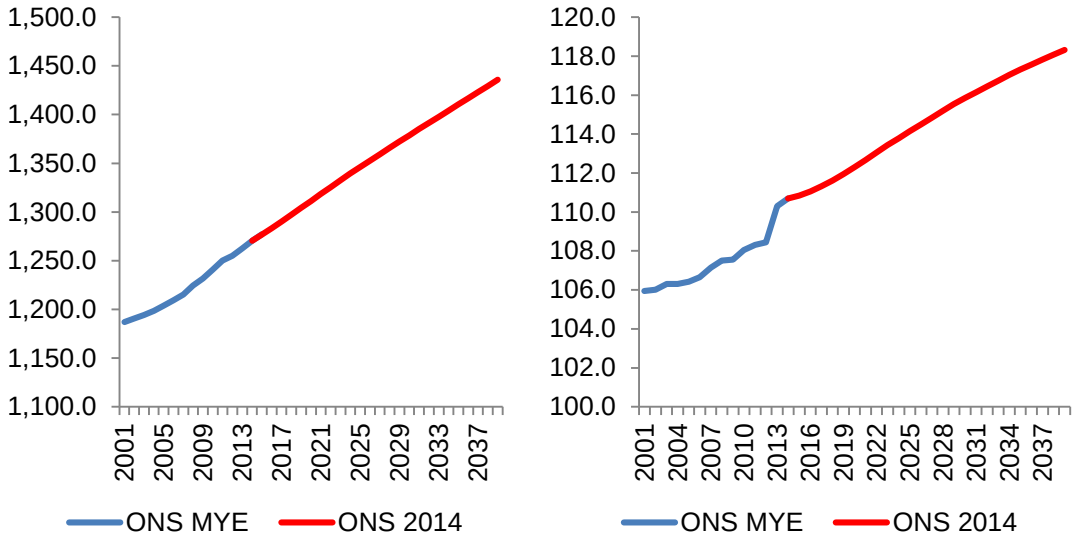
Table 4.2 Change analysis 2014-39

	2014 population	Births	Deaths	Natural change	Net migration	Total change	2039 population
Dudley	315,799	94,368	78,098	16,270	6,346	22,616	338,415
Sandwell	316,719	124,724	68,899	55,826	5,495	61,320	378,039
Walsall	274,173	96,407	63,753	32,653	6,018	38,671	312,844
Wolverhampton	252,987	91,243	58,623	32,620	2,434	35,054	288,041
South Staffordshire	110,692	23,442	33,384	-9,942	17,567	7,625	118,317
Study area	1,270,370	430,184	302,758	127,426	37,860	165,286	1,435,656

Source: SNPP 2014

4.18 The two charts below show past and future population growth. In addition to the study area as a whole, we also show South Staffordshire separately because it illustrates the prison 'boom' which needs to be factored into any household projection. However, it is clear that for the overall study area, the significance of the prison is limited because it is diluted within the much larger Black Country population.

Figure 4.1 Population growth in study area (left) and South Staffordshire (right) (thousands)

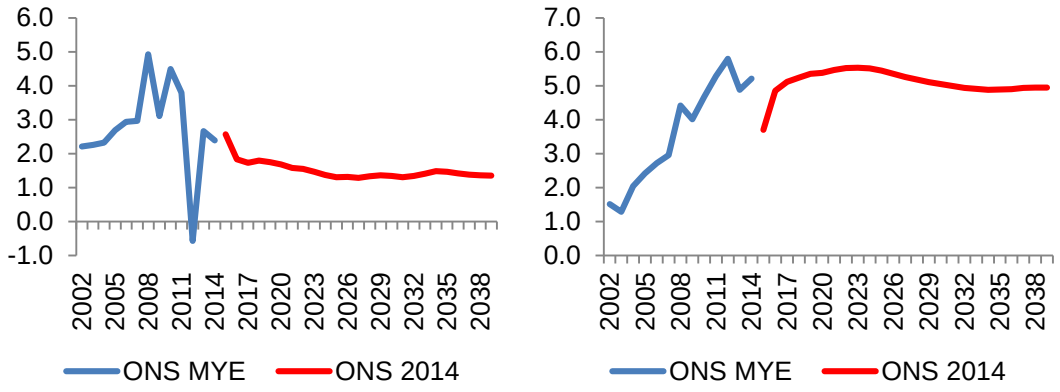


Source:

4.19 It is also clear that, despite the ONS excluding UPC from their projections, the rate of population growth for the study area is largely in line with past trends.

4.20 The study area population is forecast to increase by 6,500 people each year. While in the past this was likely to be a mix of both migration (including UPC) and some degree of natural change, the projected future growth is now primarily fuelled by natural change, with migration accounting for a lower proportion of growth. One possible reason is that the people who migrated to the Black County in the mid to late 2000s (and possibly forming part of the UPC error) are now having children in the area, accounting for the high natural change growth. The chart below compares the two components.

Figure 4.2 Study area migration (left) and natural change (right)



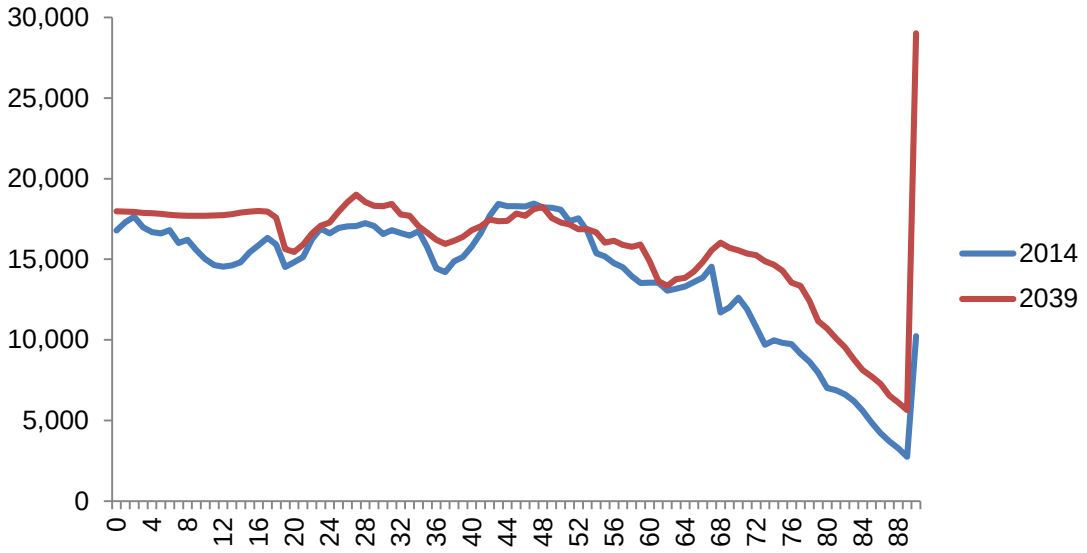
Source: ONS

4.21 It is not known whether domestic outflows will increase and offset this; the trend period used by the ONS is largely recessionary (2009-14) so outward mobility from the conurbation (domestic outflows) may have been supressed both by a dip in housebuilding and also more limited access to mortgages. A further risk is whether this UPC error will, despite ONS assurances that data has improved, repeat in the future. We consider this further when testing the projection in the next section.

Age structure

4.22 The figure below shows that the population is expected to increase in most age groups, with the only minor exceptions being between the early-40s and early-50s. The majority of growth is in the elderly population: the 70+ population is expected to increase by over 88,000, accounting for more than half the total change. The number of children under 16 is projected to increase by over 29,000.

Figure 4.3 Study area population by age 2014 and 2039



Source: ONS 2014 SNPP

CLG 2014 household projections

4.23 Over the period 2014-39 the population projections show the study area adding an additional 165,000 people. The population projections provide a detailed age and sex structure for this population and this structure is attributed to households in the household projections by applying the HRRs.

4.24 A new complication is that CLG have now produced two sets of HRRs to accompany the official projections: Stage 1 and Stage 2. However, only Stage 1 HRRs inform the total number of households in the official projections[9]. The Stage 2 HRRs are constrained to the Stage 1 outputs and can never be used to derive an alternative number of households.

Stage 1 HRRs

4.25 The table below shows the Stage 1 results, with the chart below showing the study area results.

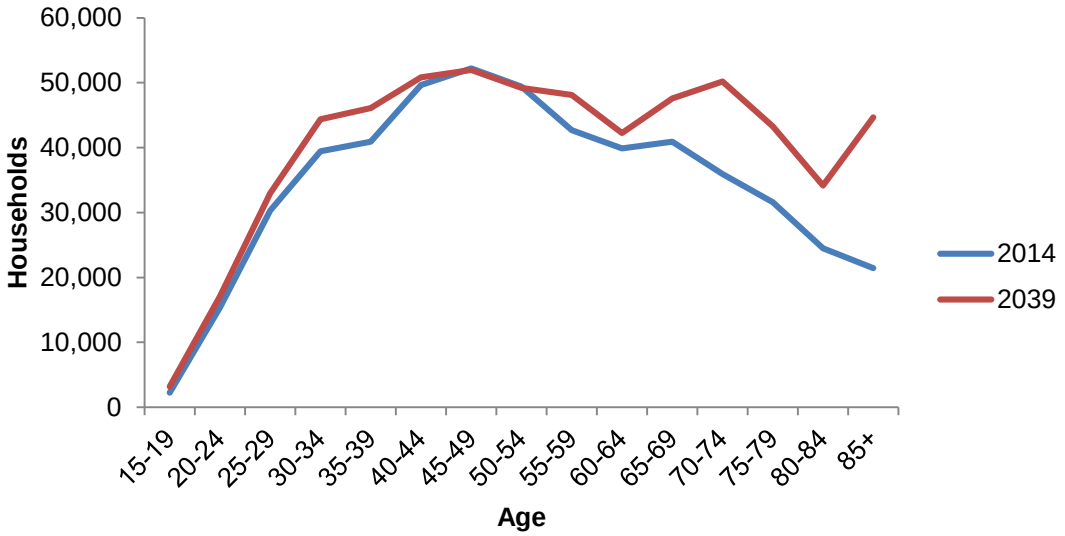
Table 4.3 Household change in the study area 2014-39

Age	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85+	Total	Change
Dudley																	
2014	492	3,245	7,209	8,814	9,505	12,098	13,472	12,448	10,916	10,616	11,403	9,853	8,763	6,742	5,752	131,327	
2039	637	3,339	7,474	8,804	10,013	11,333	12,079	11,333	11,371	10,297	11,960	13,030	11,512	9,252	12,428	144,733	13,406
Sandwell																	
2014	684	4,204	8,071	11,225	11,227	12,834	12,775	11,754	10,118	8,800	8,719	7,785	6,733	5,216	4,819	124,965	
2039	1,089	5,072	9,156	13,391	13,330	14,504	14,285	13,527	13,286	11,289	11,770	11,892	9,648	7,362	8,685	158,153	33,188
Walsall																	
2014	527	3,415	6,758	8,625	8,625	10,142	10,834	10,627	9,048	8,434	8,742	7,684	6,935	5,251	4,507	110,155	
2039	796	3,851	7,473	10,065	10,173	10,533	10,941	10,522	10,186	8,893	10,113	10,614	9,249	7,176	9,752	130,205	20,050
Wolverhampton																	
2014	489	3,865	6,602	8,517	8,791	10,641	10,361	9,600	8,264	7,747	7,482	6,556	5,812	4,864	4,382	103,971	
2039	616	4,295	7,320	10,090	9,819	10,860	10,564	9,637	9,196	7,985	9,160	9,358	7,973	6,321	8,302	121,365	17,394
South Staffs																	
2014	54	650	1,696	2,251	2,752	3,949	4,795	4,966	4,347	4,269	4,591	4,075	3,361	2,442	1,974	46,173	
2039	58	549	1,542	2,031	2,771	3,627	4,108	4,167	4,095	3,793	4,598	5,317	4,914	4,045	5,511	50,990	4,817
Study area																	
2014	2,246	15,379	30,336	39,432	40,900	49,664	52,237	49,395	42,693	39,866	40,937	35,953	31,604	24,515	21,434	516,591	
2039	3,196	17,106	32,965	44,381	46,106	50,857	51,977	49,186	48,134	42,257	47,601	50,211	43,296	34,156	44,678	605,446	88,855
Change	950	1,727	2,629	4,949	5,206	1,193	-260	-209	5,441	2,391	6,664	14,258	11,692	9,641	23,244	88,855	

Source: CLG 2014 projections

[9] NPPF para. 159

Figure 4.4 Household change in the study area



Source: CLG

4.26 The CLG 2014 projections show growth in households in 2014-39 of nearly 89,000 or over 3,550 per year, with increases forecast across all ages except the 45-54. Households represented by people over 85 are expected to more than double. The increase at ages 65+ amounts to 65,500 or 73.7% of the total.

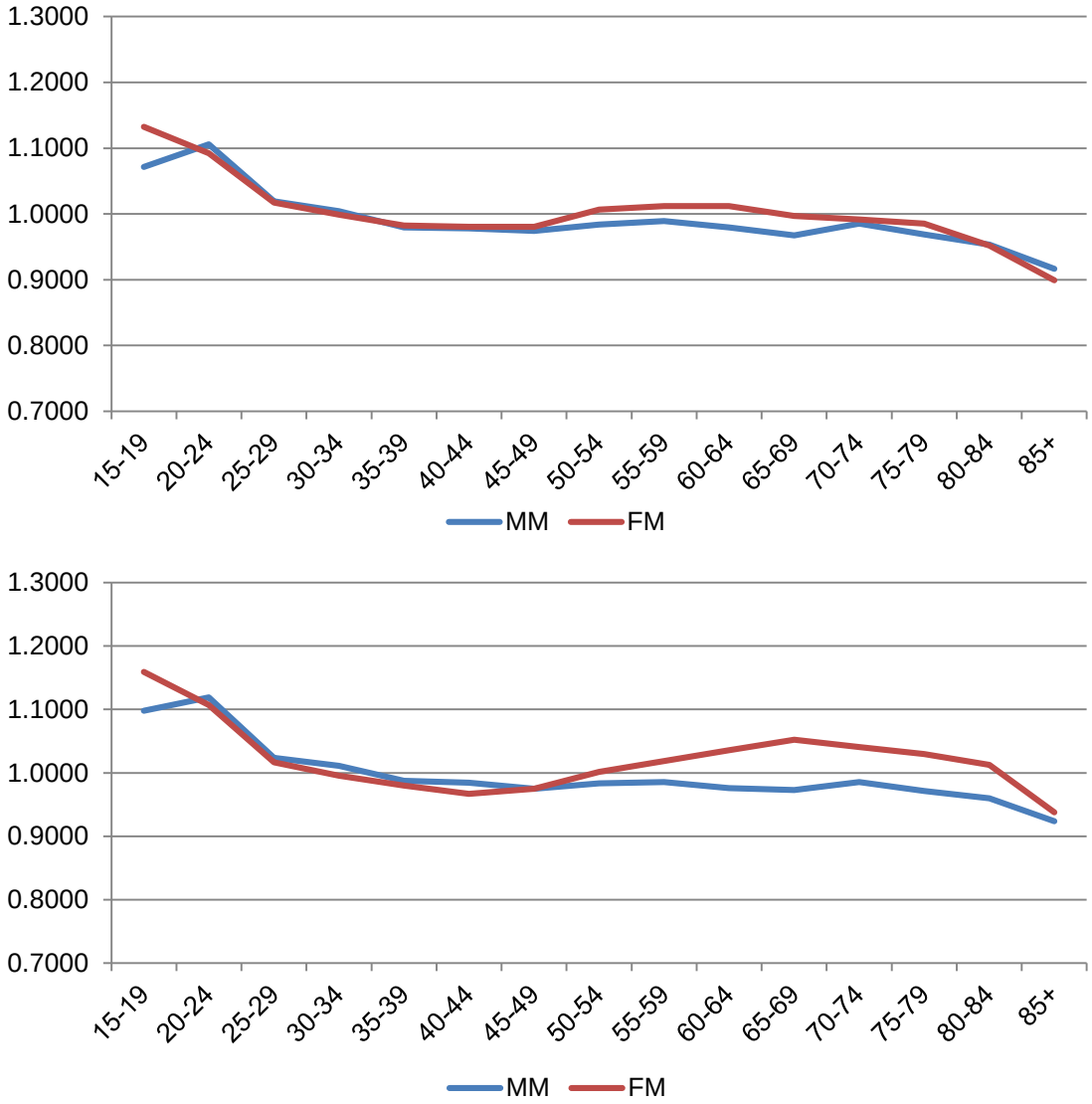
Comparing the HRRs

4.27 Paragraph 2a 0015 of the PPG suggests that SHMAs should consider whether household formation has been constrained in the HMA, as an example of how the projections may be underestimating future housing need. However, in relation to whether an adjustment is required, the PPG advises that LPAs '*should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply*'[10]. The PPG approach to HRRs is therefore closely related to the market signal adjustment: this also seeks to identify cases where household formation has been suppressed by a lack of affordability or supply.

4.28 We have therefore considered how households form in the study area compared to the national benchmarks. In the analysis a ratio of 1 indicates that households are forming in line with national average HRRs; a ratio of less than 1 indicates that households are less likely to form for those groups. The figure below shows couple rates for the study area versus the national position in 2014 and 2037. The chart shows both Male/Males coupled households (MM) and Female/Male households (FM).

[10] Ref 0015

Figure 4.5 Stage 1 HRRs in the national context (2014 and 2037)



Source: CLG 2014 (MM – Married Males / MF Married Female). Note where the lines are a 1.0000 local rates are exactly the same as at the national level. 1.1 shows local rates are above, 0.9 shows they are below etc.

4.29 For coupled households; which form the majority (Male/Female), households form earlier than the national average; rates for 20-24 coupled households are much better than the national average. Through most of the working age rates track the national rates.

4.30 South Staffordshire shows a different picture; there very young couple rates are lower. But for most other ages they exceed the national rates.

4.31 The likely reason being that couples migrate to South Staffordshire with the intention of forming a household. As we know from the migration data, South Staffordshire 'tops up' its population with inward migration. It is reasonable to assume that this migration comes only on the expectation that they have a dwelling to move into. Otherwise they would remain in the Black Country (or Birmingham City) where the population grows through natural change in the new projections. What this suggests, although tentatively, is that the migrated households 'crowd' out local South

Staffordshire households. These are households which may form in South Staffordshire otherwise and, for one reason or another, do not move to the Black Country, where evidence shows much more favourable formation for young couples.

4.32 The picture for single adults in the Black Country (and South Staffordshire) is also less favourable. Despite homes being much more affordable than the national average, and a supply of land in the Black Country, single adults are much less likely to form households.

4.33 For the Black Country the evidence does not suggest these rates are suppressed by a lack of supply but points to a continuing lack of viability in the market to build homes at a price point young single adults can access. This price point is below that needed to increase the supply of dwellings. Simply providing more land for market housing will not address this.

4.34 For South Staffordshire the same 'crowded out' issue discussed above is likely to also affect single adults.

4.35 Changes at the older ages cannot be relied on because these are households who, when younger, had a household, but have given it up. The reasons for giving up a household at older ages are more likely to be social and are not well related to housing supply.

4.36 This analysis suggests that for the majority of households, than those in 'coupled' relationships households form more readily that the national average. Detailed analysis shows that for single people forming a household is more challenging. But when we consider whether this is a result of 'suppression', suppression in rates caused by a lack of supply, the clear answer is no. There is no suggestion in this part of the HMA that planning has caused any supply side constraints. The Black Country Core Strategy promoted (at the time) ambitious growth targets and while South Staffordshire was more restrained it is not the case that supply was not available in the HMA should they be in demand.

Summary

4.37 The table below summarises the CLG 2014 projection. They are, following the PPG, the demographic starting point for the OAN assessment. The projections differ by 5 year period as the age profile change. But this variance is not sufficient in this area to suggest that a simple per annum (over the whole period) cannot be used.

Table 4.4 Demographic starting point – homes per year 2014-39

	2014-19	2019-24	2024-29	2029-34	2034-39	2014-39
Dudley	497	551	585	566	565	553
Sandwell	1,356	1,389	1,407	1,384	1,409	1,389
Walsall	836	825	818	810	837	825
Wolverhampton	702	688	740	735	744	722
South Staffordshire	267	235	195	160	128	197
Study area	3,658	3,689	3,745	3,654	3,683	3,686

Source: ONS

4.38 For the study area they show population growth (and household growth) being dominated by natural change, where births outnumber deaths, but with some net migration into the area.

4.39 While the future trend based population growth broadly aligns with the past, the data is unrepresentative of the area for a number of reasons. UPC is an obvious issue to be tested; this is excluded from the official projections and, should it repeat in the future, the official projection may overestimate inward international migration.

4.40 But at the same time the trend period used by the ONS (09-14) is one where the housing market in the region, and 'business as usual' migration flows, were disturbed. Without UPC, domestic outward migration broadly matched international inflows. It is possible that in the future outflows for the Black Country area will increase. We test the official projection by developing sensitivity scenarios.

Alternative scenarios

4.41 As we explained earlier, to predict UK migration the SNPP carry forward the trends of the previous five years[11]. This choice of base period can be critical to the projection, because for many areas migration has varied over time.

4.42 A number of local authorities have chosen to adopt ten-year projections (or longer) to help minimise this volatility. This approach, adopting a long-term trend projection, has most vocally been championed by the GLA. The GLA have repeatedly made the case that LPAs in and around London, or with London links, should adopt a longer term trend when estimating their demographic need. In the London case this is because migration flows between London and elsewhere pre-, post- and during the recession were very different. The short-term trend period used by the ONS therefore has the potential to not accurately reflect likely migration, and so too the need for new homes, over a long plan period.

4.43 Although London links with the Black County are weak, the logic of testing different projection periods is still sound, especially given the uncertainties surrounding migration data here; both UPC but also whether domestic outflows will increase.

[11] Similarly the distribution of international migration across local authority areas is projected from the previous six years.

The alternative projections

4.44 We have prepared two alternative long term projections. One is based on the MYE 2014 and includes a trend period 04-14. The second is based on the MYE 2015 and uses a 05-15 trend period. Both include UPC as additional net migration in the appropriate years, but with its impact by age reflecting the recent ONS analysis. They also use the most recent 2014 headship rates.

4.45 We also show in the table below the CLG 2012 projections for the area. Although now superseded, they underpinned the SHNS and were used by Birmingham City when establishing their OAN and target.

Table 4.5 Alternative projections summary

	ONS/CLG 2012	ONS/CLG 2014	2004-14	2005-15
Population				
2014	1,265.6	1,270.4	1,270.4	1,270.4
2021	1,309.9	1,318.4	1,321.0	1,322.0
2031	1,367.0	1,385.1	1,401.3	1,402.7
2036	1,393.2	1,416.7	1,445.8	1,446.7
Households				
2001				
2011	506.7	506.7	506.7	506.7
2014	515.8	516.6	516.0	516.0
2021	540.6	541.3	536.7	537.5
2031	575.2	577.1	571.6	572.7
2036	591.6	594.6	592.5	593.6
2001-11	25.8	25.8	25.8	25.8
2011-21	33.9	34.7	30.1	30.8
2011-31	34.6	35.8	34.8	35.2
2014-36	75.8	78.0	76.5	77.6
2014-39		88.8	90.9	92.0
Homes				
2014-39		91.6	93.8	95.0
per annum		3,663	3,753	3,798
2014-36	77.8			
per annum	**3,535**			

Source: PBA

4.46 In the PBA projections we have made an adjustment for the opening of HMP Oakwood. This is because CLG provided this new population with households in 2013 despite them forming part of the institutional population. This explains the small

discrepancy in the number of households at 2014. In the ONS/CLG 2014 projection, 516,600 households are reported, but in the PBA projections this is reduced to 516,000 homes to correct for this.

4.47 However, for the official ONS/CLG 2014-based projection, no further adjustment is needed to the rate of change shown. This is because this error will not repeat in the future: the prison is now full. We understand from the ONS that this 'migration flow' (as the prison filled) has not been carried into the SNPP 2014 migration trend. The 2012-based projection predates the prison, and so no adjustment is needed.

Study area results

4.48 The SNPP 2014 projects a higher population than the SNPP 2012; however, it anticipates a slightly smaller population than either of the two PBA projections. One reason will be the inclusion of UPC in the PBA projections (excluded from the official projection). In the alternative PBA projections, the 2036 population reaches 1.45 million people; this compares to 1.42 million people in the SNPP 2014.

4.49 But in terms of households needed, for the purposes of the OAN, the difference is not significant between any of the scenarios:

- CLG 2012 projection is slightly lower than CLG 2014
- PBA 2005-15 projection is 4% higher than CLG 2014
- PBA 2004-14 projection is only 2.5% higher than CLG 2014.

4.50 The analysis shows that the demographic need for the area is reasonably stable; it requires around 1,700 dpa. This number remains consistent across the projections, the CLG 2012s, CLG 2014s and two long term trend projections. This is even when UPC is included in the long term projections; reflecting the fact the ONS thinks migration data in the early part of the 2000s is at a higher risk of error than that in later years.

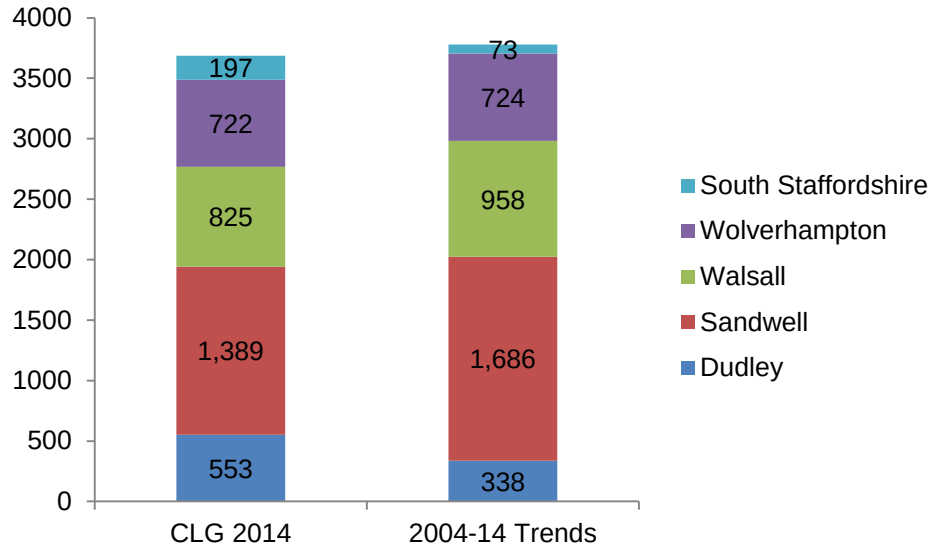
4.51 Because of the weight afforded to the official projections (2014 based) in national policy and guidance there is not sufficient demographic evidence to justify departing from this.

Results by local authority

4.52 The adoption of CLG 2014 as the starting point has implications for the districts. This is because the smaller the geography, the more unstable the projections and the raw data informing them. This is one sensible reason why OAN should be addressed at the HMA level and care needs to be taken looking at individual districts.

4.53 The choice of the CLG projections over longer term alternatives shifts the geography of housing need within the study area, largely as a product of the different migration trend periods. The figure below compares the 04-14 projection with the preferred 2014 CLG projection, with the former resulting in 3,779 homes per annum, compared to 3,686 in the latter i.e. 3% difference.

Figure 4.6 Average homes 2014-39



Source:PBA

4.54 So while the difference overall is limited, Dudley and South Staffordshire respectively are forecast to have 39% and 63% fewer homes in the long-term trend than CLG 2014; conversely Walsall and Sandwell are higher by 16% and 21%. In Wolverhampton, migration and natural change are similar to both projections. The population size at the end of the projection period is also identical. The overall housing need is almost exactly the same; as is the average household size with no significant variation between projections.

4.55 In Sandwell, the CLG 2014 includes a much lower migration assumption than longer trends would suggest. Natural change is also lower (partly reflecting lower migration – and so fewer people having children). A similar picture is also evident in Walsall; although to a reduced degree. In Sandwell migration was around 1,000 persons fewer in CLG 2014 compared to longer trend periods but only 500 fewer in Walsall. Both LPAs have a lower need using the CLG 2014; they also have a lower population to house at the end of the projection period.

4.56 Dudley shows the reverse: here CLG 2014 is slightly higher than long-term trends, but natural change is also lower. While the size of the population in 2039 is the same regardless of the projection, housing need is much greater in CLG 2014. This is because of the differing age profile of the migrants; household formation is sensitive to the age and sex profile and not only absolute migration flows (or natural change). In the CLG 2014, average household sizes decline because the age profile of migrants is slightly older.

4.57 While the average size of a household differs in across the study area between CLG 2014 and the PBA projections, the difference in Dudley is greatest. In the PBA 04-14 projection, the average household size is 2.43 persons per household at 2039; CLG 2014 is much lower at 2.34.

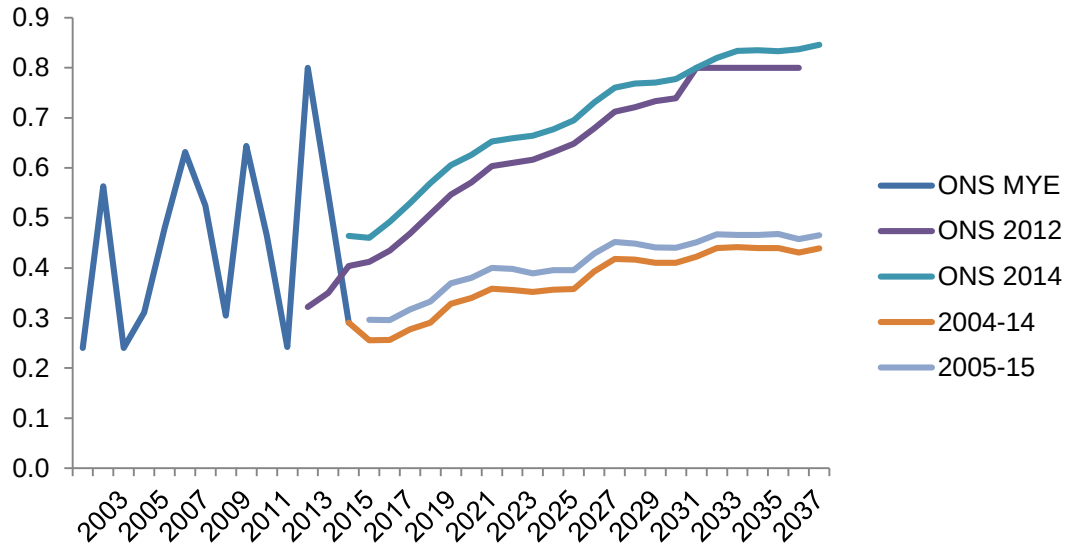
4.58 Average household sizes in Sandwell and Walsall are also smaller and so this changed profile will also be a factor, but by a much more limited degree. In Sandwell

the CLG average household size in 2039 is 2.39, compared to 2.47 at in the PBA 04-14 projection. Similarly, Walsall's CLG household size is 2.40 against 2.44 in the longer-term PBA projections.

4.59 The most significant difference between the projections relates to South Staffordshire where housing need increases from 73 dpa in the 04-14 projection (87 in the 05-15) to 197 dpa in the CLG 2014. The main drivers of this appear to be the ageing of the local population, the ageing migration flows (including falling average household sizes) and an increasing migration trend in the CLG 2014.

4.60 The chart below shows net migration in South Staffordshire in the past and projected forward. This has been corrected for the prison (1,400 persons removed from the 2013 year) and suggests that migration has been on upward trend, which is reflected in the CLG 2014.

Figure 4.7 Comparing the projections for South Staffordshire



Source: ONS mid-year estimates are © Crown Copyright

4.61 None of the other districts show such an extreme swing, depending on the length of the projection used. This is partly because population growth in the Black Country authorities is largely fuelled by natural change as opposed to migration. The projections are therefore more insulated from the short five-year trend period used by the ONS in their migration projections.

A preferred demographic scenario

4.62 We have tested a number of alternative demographic projections. The latest official household projections are 2014-based but the PPG continues to refer to the 2012-based projections. These are now several years old and by the time the plan is examined will have been formally superseded by the 2014-based projections. We therefore think it sensible to give considerable weight to the alternative 2014-based projection as the demographic starting point.

4.63 However, the study area is only one part of a much larger HMA. For that larger HMA, the SHNS uses a 2012-based demographic starting point which projects that the

study area will, on balance, provide fewer new homes than would be required should CLG 2014 be used in isolation.

4.64 The SHNS noted that:

> *'Any discrepancy between our numbers and local alternatives does not necessarily suggest that local assessments are obsolete or wrong. In planning for their areas, Councils will consider a range of evidence which includes both this study and local assessments. It is for the Councils to determine what weight they give to these different sources of evidence.*
>
> *Our suggestion is that the total housing need shown in this report be used as a minimum estimate of the HMA's total housing need. If this need is met in full across the HMA, the area will provide sufficient new homes for all the households expected to live in the area.'*[12]

4.65 There is a risk that should the client authorities depart from the CLG 2012 by adopting CLG 2014, some housing need will 'fall through the cracks' and fail to be addressed in any of the HMA councils' evidence. So while we recommend using the CLG 2014 as the demographic starting point, we need to have regard to the difference between this projection and the CLG 2012 to address this risk.

4.66 Added to this, because the policy that this study will inform will have a 2014 base date, reflecting the most recent population data available, we need to consider addressing unmet need which has arisen between 2011 and 2014 i.e. homes the SHNS assumed that the Councils would build in this period. Failing to do so would mean that the study area would not be consistent with the wider HMA.

4.67 Between 2011 and 2014 the study area has under-delivered against the 3,375 dpa set out in SHNS i.e. a gap has emerged. Based on this, the SHNS anticipated that the study area would deliver 10,125 homes; however, actual completions totalled 7,436 i.e. an SHNS gap of 2,689 dwellings. This 'gap' needs to be made up over the life of the plan[13].

4.68 We recommend that to maintain consistency with the wider HMA, this difference should be included in the study area's OAN if no other authority within the HMA is willing or able to accommodate this gap.

4.69 The table below sets out these steps starting with the CLG 2014 projection and adding any shortfall that may have emerged because of the use of differing base periods.

[12] Paras 2.26 & 2.27

[13] Note – we do not use the phrase 'backlog' because this has a specific meaning for the purposes of five-year housing land supply.

Table 4.6 Preferred demographic scenario

	Period	Component	Dudley	Sandwell	Walsall	Wolver-hampton	South Staffs	Total
1	2014-36	Additional dwellings (CLG 2014)	12,035	29,851	18,003	15,613	4,553	80,055 (3,639 pa)
2	2011-14	Additional dwellings anticipated (SHNS)	1,902	3,894	2,163	1,542	624	10,125
3	2011-14	Dwellings completed (AMR)	1,777	1,847	1,647	1,627	538	7,436
4	2011-14	SHNS gap (2-3)	125	2,047	516	-85	86	2,689
5	2014-36	Demographic starting point + SHNS gap (1+4)	12,160	31,898	18,519	15,528	4,639	82,744 (3,761 dpa)

Source: PBA

4.70 In relation to under-delivery, the table assumes the OAN gap is addressed over the plan period (i.e. before 2036); increasing the starting point by 122 dpa.

4.71 We considered whether to propose a phased OAN, with a higher OAN for the first few years of the new plan. But this would mean we would have to exercise judgement about how long it is realistic to phase this gap when the data suggests these homes should have been provided in the past. However, it may well be that this need has been absorbed elsewhere in the larger HMA or nationally, and there is no guarantee that these missing households will form in the study area if and when the supply comes forward.

4.72 It is also the case that the housing trajectory is generally considered to be a 'policy on' matter. This is because when identifying the trajectory Councils need to consider not only their demographic need but also their ability to deliver on sustainable sites.

4.73 What our analysis suggests is that when identifying land, and developing a policy based housing trajectory, weight should be given to frontloading the supply of development sites where possible. This is so that the market is able, as far as it can, to deliver new homes quickly.

4.74 In the next sections we look at whether this updated demographic starting point should be further adjusted to reflect market signals and other adjustments in line with the PPG.

5 MARKET SIGNALS

Introduction

5.1 The PPG deals with past provision and market signals in two separate sections. Paragraph 15 explains that trend-based demographic projections will understate future housing need if household growth has been suppressed by undersupply in the past, and where this is the case the projections that roll forward that past should be adjusted upwards. Paragraph 19 lists a number of market signals, or indicators that may be used to identify such undersupply.

5.2 Set out below is the analysis of past provision and market signals. This is assessed for the HMA as a whole and then for individual districts. In relation to each area, we first look at the history of housing delivery to see if there is evidence that restrictive planning has constrained land supply and hence housing development. We then look at market signals, beginning with house prices.

5.3 The PPG highlights the need to compare market signal indicators to areas that are similar. Paragraph 020 of the PPG states that:

> *'Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally'*[14]

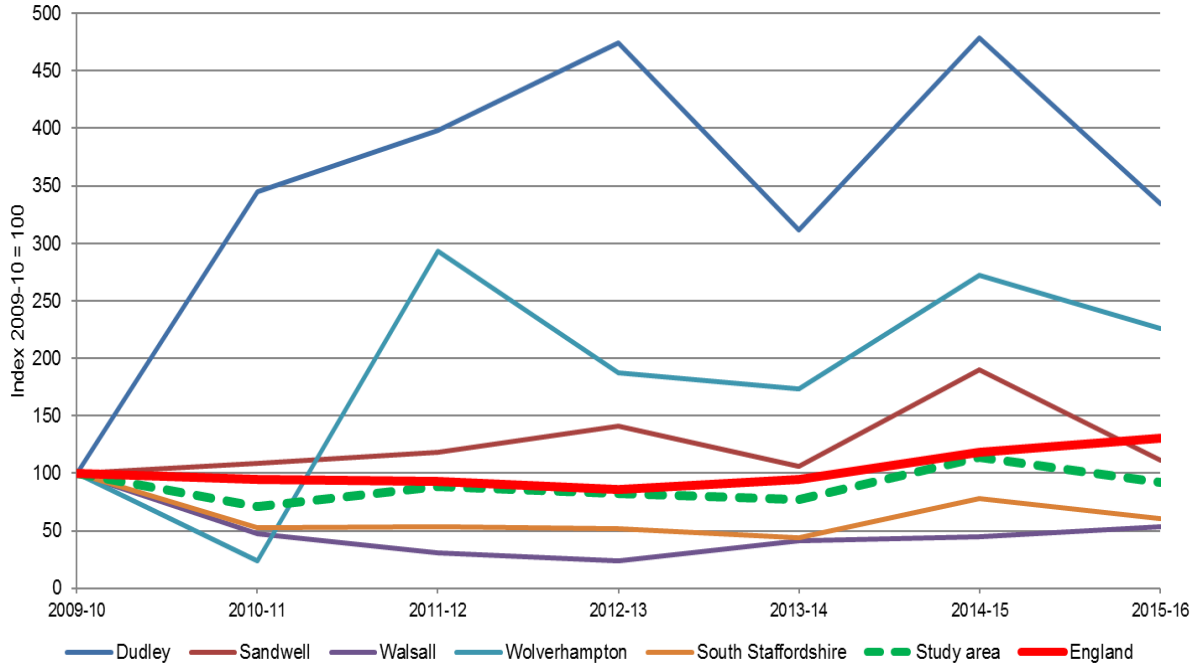
5.4 ONS publishes area classifications based on socio-economic and demographic data from the 2011 Census. Area classification aims to identify local authorities which are similar. The area classification identifies the following nine authorities as the most closely related to the five client authorities: Lichfield, Rotherham, Bolton, Bromsgrove, Solihull, Rochdale, Forest of Dean and Derby. Comparison between the HMA authorities and these comparator authorities has been undertaken for housing prices and house affordability indicators.

Study area

5.5 Figure 5.1 below compares house building rates across the study area to the national average, focusing on the trend period that informs the demographic starting point (2009-14). Net completions are indexed to 2009/10.

[14] Reference ID: 2a-020-20140306

Figure 5.1 Indexed net completions in the study area (2001-16)

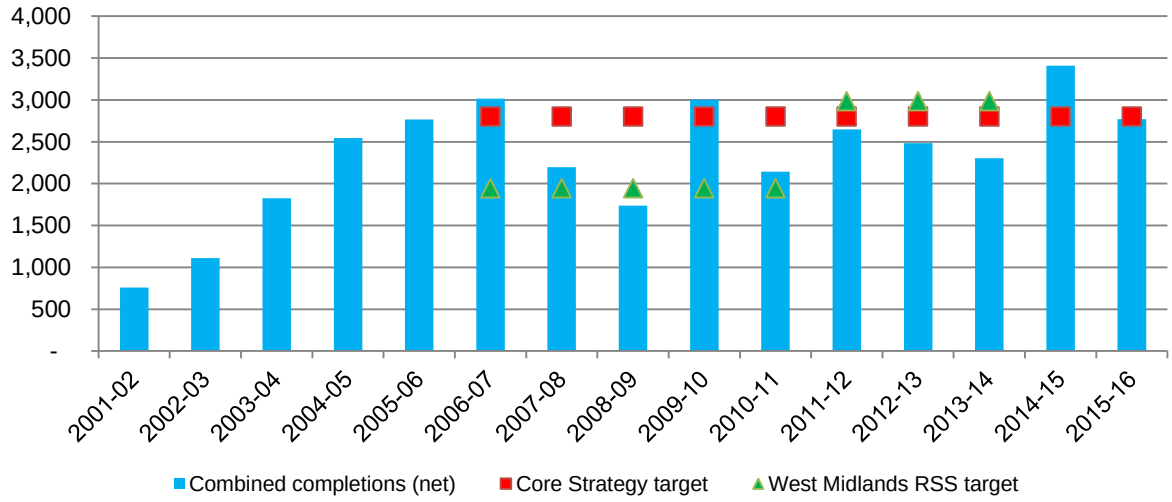


Source: Local authority AMRs/CLG Table 122

5.6 It shows that while completions in Dudley and Wolverhampton have increased at a faster rate than national completions, the overall rate housing completions in the study area as a whole has been slightly below the national rate. The BCCS intended the majority of the housing allocations to come forward on surplus employment land within Regeneration Corridors, Strategic Centres and housing renewal areas, with a minimum of 95% of housing development on previously developed land.

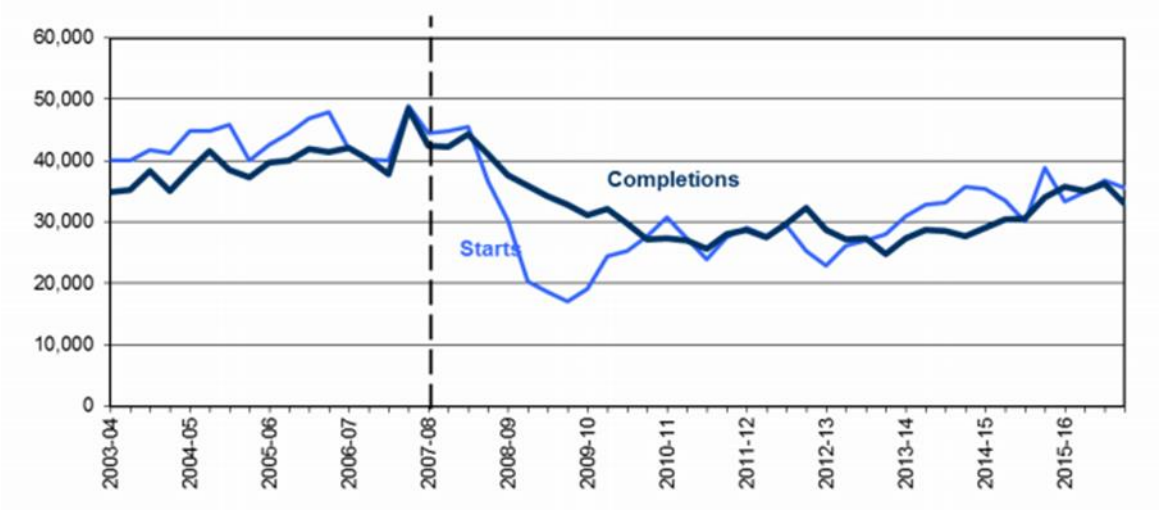
5.7 Figure 5.2 shows housing completions from 2001/02 onwards, compared to targets. For the Black Country and South Staffordshire combined it shows that the rate of housing completions fell below the RSS target in all years except 2006-7 and 2009-10. Low net completions between 2001-6 were a result of high demolition rates due to large housing renewal programmes in the Black Country which came to an end around 2010.

Figure 5.2 Black Country & South Staffs Combined housing completions, 2001-16



Source: Local authority AMRs

Figure 5.3 Starts and completions in England



Source: CLG[15]

5.8 In broad terms, the study area shows a similar profile to the national picture i.e. following the economic cycle. Delivery fell in the recession and then stayed relatively low for a number of years with some fluctuations. The national trajectory reflects the changing demand for housing, due to falling incomes and restricted credit in the recession, as opposed to supply conditions in particular areas.

[15]House Building: March Quarter 2016, England: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525629/House_Building_Release_Mar_Qtr_2016.pdf

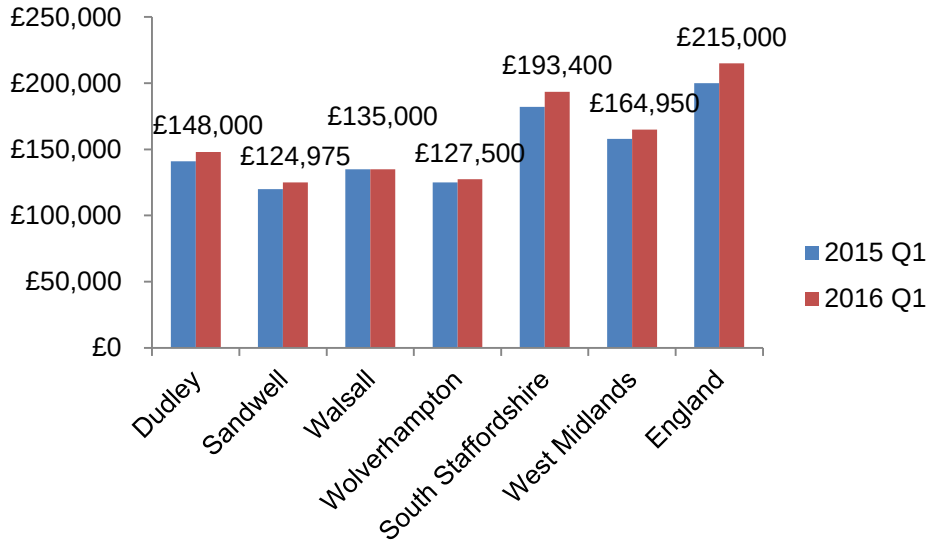
Market signals

5.9 Below we analyse the main market signals set out at paragraph 019 of the PPG. We exclude an analysis of land prices from these signals, because the necessary data is not publicly accessible.

House prices

5.10 The PPG identifies long-term change in house prices (house price inflation) as a market signal. The underlying logic is that places where houses are expensive do not necessarily have a shortage of supply; they may simply indicate that some areas are more attractive places to live than others, for example due to job opportunities or the quality of life. But the relative attractiveness of different places generally does not change very much over time; therefore, if prices increase exceptionally fast in an area the likely reason is restricted supply. The figure below summarises the absolute change in median house process between the first quarter of 2015 and the first quarter of 2016.

Figure 5.4 Median house prices

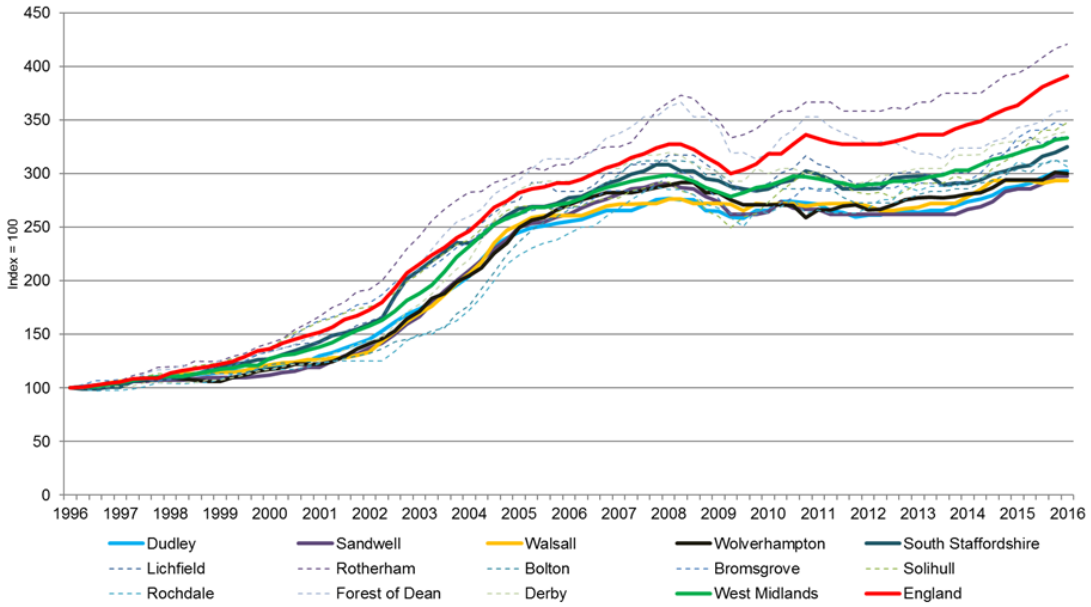


Source: ONS

5.11 For the Black Country authorities, median house prices are lower than the regional average, while South Staffordshire is higher. All authorities in the study area have lower median house prices than the national average.

5.12 However, this analysis tells us little, because there will always be areas of England which are more expensive than other parts. Prices vary between local authority areas because some areas are more attractive and more prosperous than others, and also they may have different kinds of housing. Therefore, as noted in the PPG, a more useful indicator of the demand-supply balance in different areas is the rate of change in house prices.

Figure 5.5 Indexed house price change, 1996-2016



Source: ONS

5.13 In the study area, house prices change was close to the national trend until 2007. But in the recession, it fell faster than the national figure; and in the recovery, it has not caught up with the national trend. The client authorities were generally outperformed by the comparator areas with house prices rising at a faster rate in those comparators since 2009. This is shown more clearly in the chart below which is indexed to align with the beginning of the trend period (2009).

Figure 5.6 Indexed house price change 2009-2016

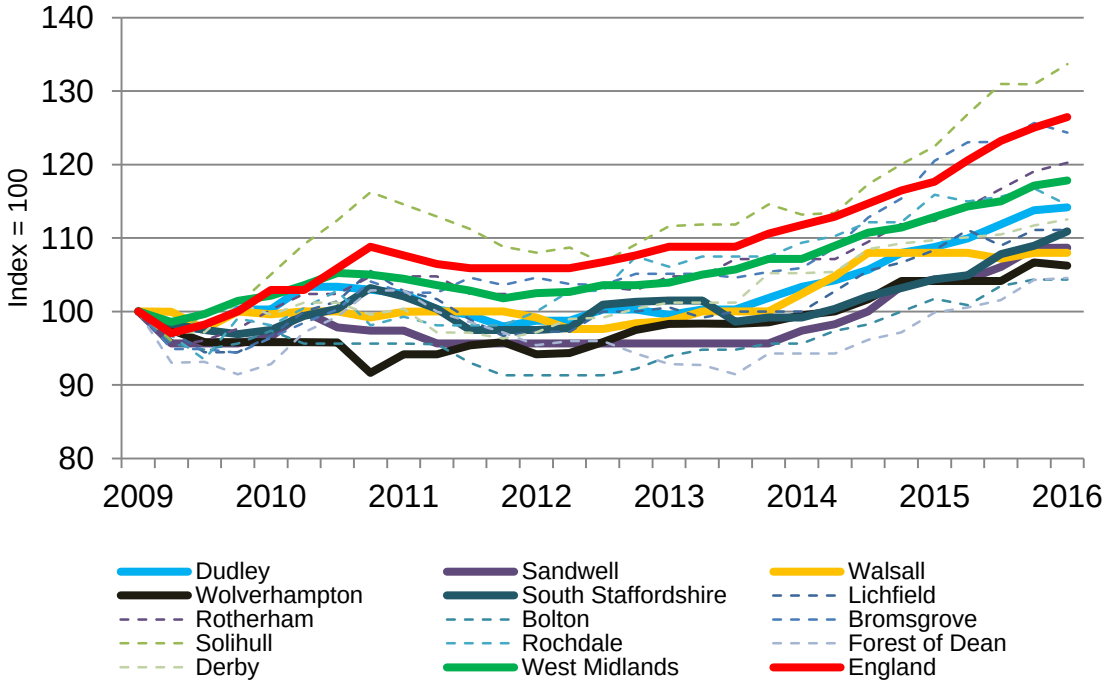
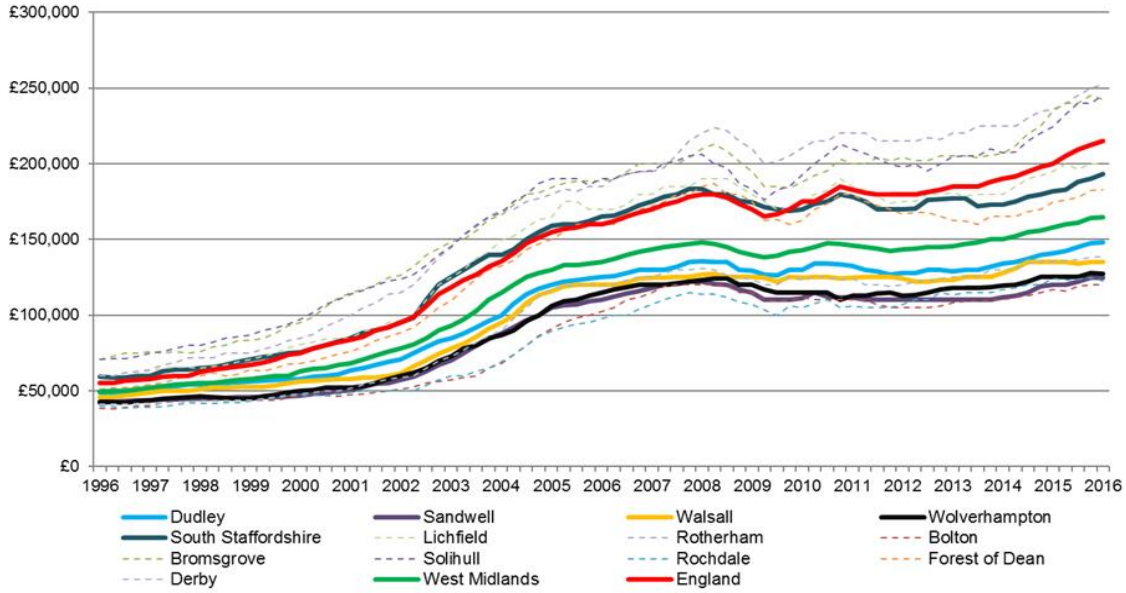


Figure 5.7 Median house prices, 1996-2016



5.14 Looking at the average house prices between 1996 and 2016, we see that the highest house prices for the study area were in South Staffordshire. Indeed, until 2010 when prices here were above the national average, the rest of the authorities in the study area are closely banded in terms of price and are on average lower than the national and regional average. The comparator authorities showed wide discrepancies in absolute house prices with Bolton achieving the lowest median house prices and Rotherham the highest. The study area authorities fell in the middle of these two price bands.

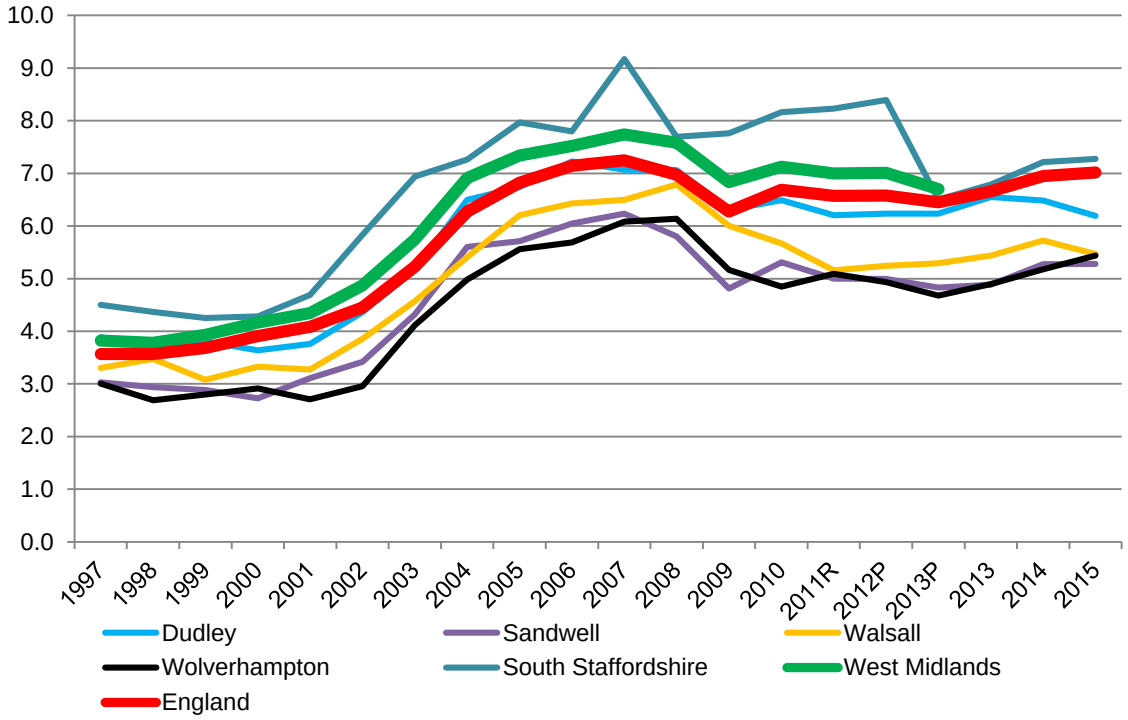
Affordability

5.15 Affordability, as defined by CLG and referred to in the PPG, is the ratio of lower-quartile house prices to lower-quartile earnings. A high ratio indicates low affordability, where the cheapest dwellings are less financially accessible to people on the lowest incomes.

5.16 Despite being referenced in the PPG, this data table had been suspended which meant the official data source ceased in 2013. The 2012 and 2013 data remained 'provisional'. However, in 2016, CLG restarted the data and provided new data for 2013, 2014 and 2015. For most of the area, this new data continues the pattern established in the old data. The Black Country is, and remains, much more affordable than the English average.

5.17 The picture for South Staffordshire is different. The district shows a marked improvement in affordability between 2012 and 2013. Part of this may be the 'provisional' status of the 2012 data (which means that data point may be unreliable) or the use of updated ONS property price data from 2013 onwards. CLG updated their method and advises caution where the old and new data is used alongside each other. However, what is now clear is that the pattern observed in the old data set - that South Staffordshire was much less affordable than the national average - is no longer the case.

Figure 5.8 Housing affordability, 1997-2015

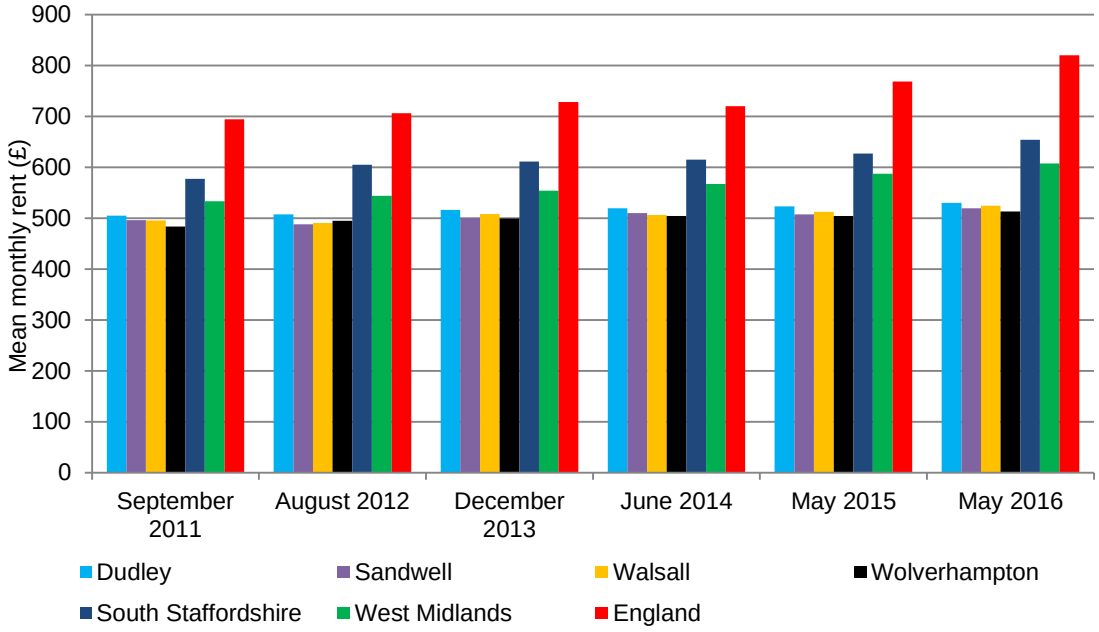


Source: CLG Table 576 and CLG Table 576 (Discontinued)

Market rents

5.18 Data on market rents is only available for a relatively short period between 2011 and 2016. Average annual rents in Dudley, Sandwell, Walsall and Wolverhampton have remained broadly similar since 2011 with only a marginal increase (5.5%). Rents in South Staffordshire were on average higher than the study area authorities and increased at twice the rate (13%) within the same period. However, the national average was higher than that of the study area.

Figure 5.9 Mean monthly rent



Source: VOA

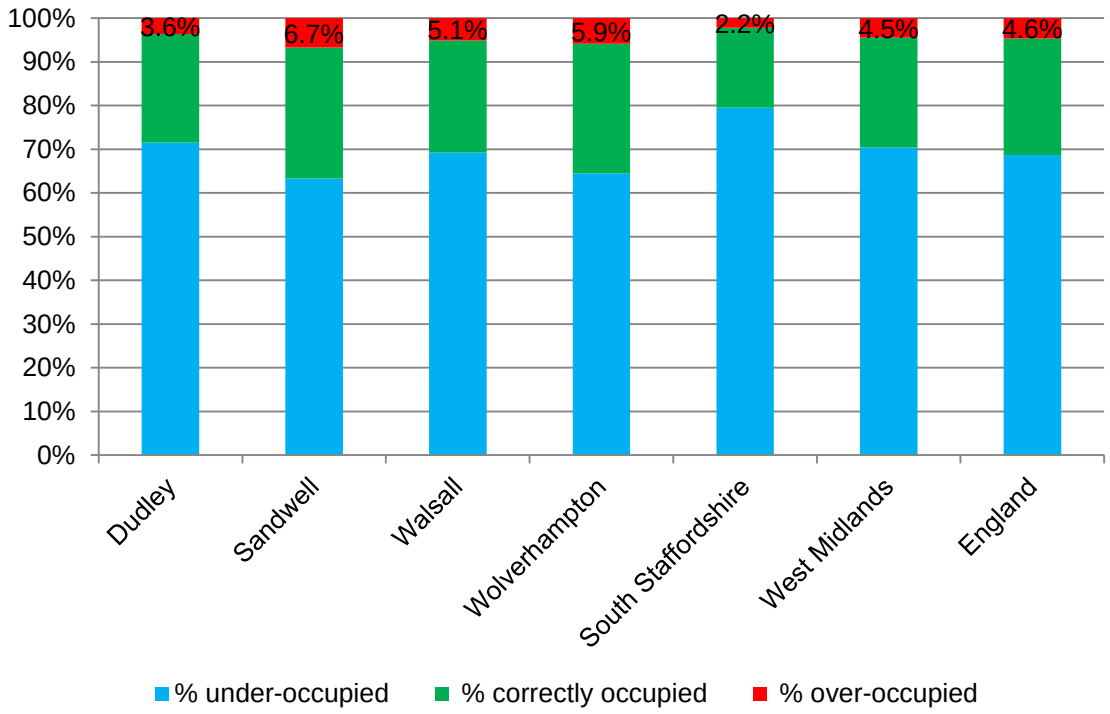
5.19 Figure 5.9 above points to a relatively affordable private rental market across the study area.

Overcrowding and concealed households

5.20 The figure below shows occupancy ratings, as defined by the ONS and calculated from 2011 Census data. Starting from the base of the columns, the chart counts the percentages of dwellings that are under-occupied, correctly occupied and over occupied according to ONS definitions, which are based on the 'bedroom standard'.

5.21 On average, overcrowding across the study area was similar to national average. However, there were distinct variations at the local authority level. Sandwell had the highest proportion of overcrowded dwellings in the HMA and comparator areas and the lowest proportion of under occupied dwellings.

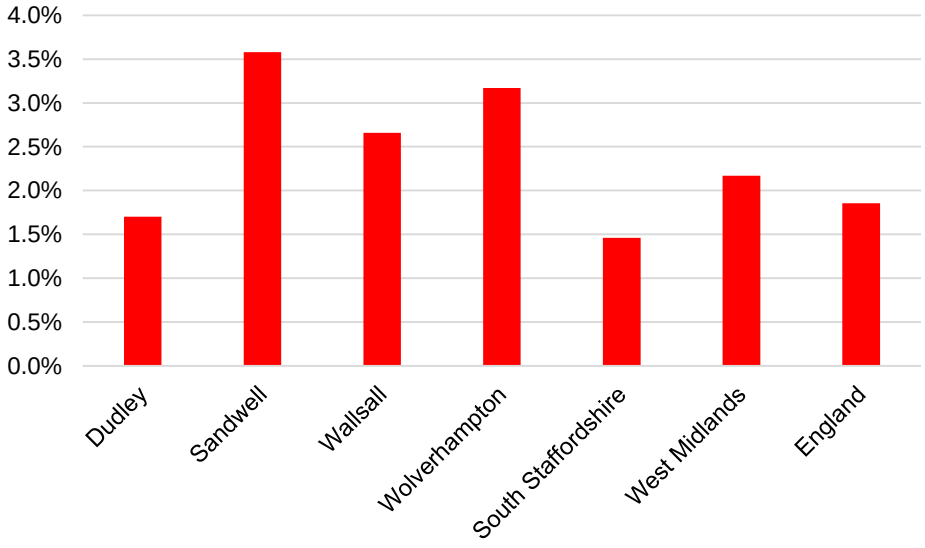
Figure 5.10 Overcrowding and under-occupation



Source: QS412EW - Occupancy rating (bedrooms), Nomis

5.22 A further indicator is the number of concealed families. A concealed family is one living in a multi-family household and which is not the primary family in that household. The definition includes couples with or without dependent children and lone parents of dependent children, but it excludes single people. An abnormally large number of concealed households can also be a sign of market pressure.

Figure 5.11 Concealed households



Source: Table LC1110EW, Nomis

5.23 In common with the overcrowding data, the study area authorities had a similar level of concealed households as the regional. The 2011 Census reported that 2.5% of the study area was overcrowded compared to 2.2% for West Midlands and 1.9% for England. As with overcrowding, Sandwell had the highest proportion of concealed households (3.6%) and South Staffordshire the lowest (1.5%).

5.24 In summary, concealed households in the study area are about as common as in England though distinct variations occur across individual local authorities. Taken as a whole, the study area does not suffer from above average levels of overcrowding or concealed households. There is therefore no evidence here to justify an uplift to the demographic projections.

Summary

5.25 For the study area, there is no evidence that housing has been under-supplied, or that planning has been particularly restrictive.

5.26 As is the case across England, housing in the study area has become less affordable though not adversely so. Housing affordability has not deteriorated at the same rate or to the same extent as the national average.

5.27 Below, we consider each district in turn to develop a better understanding of the study area market dynamics.

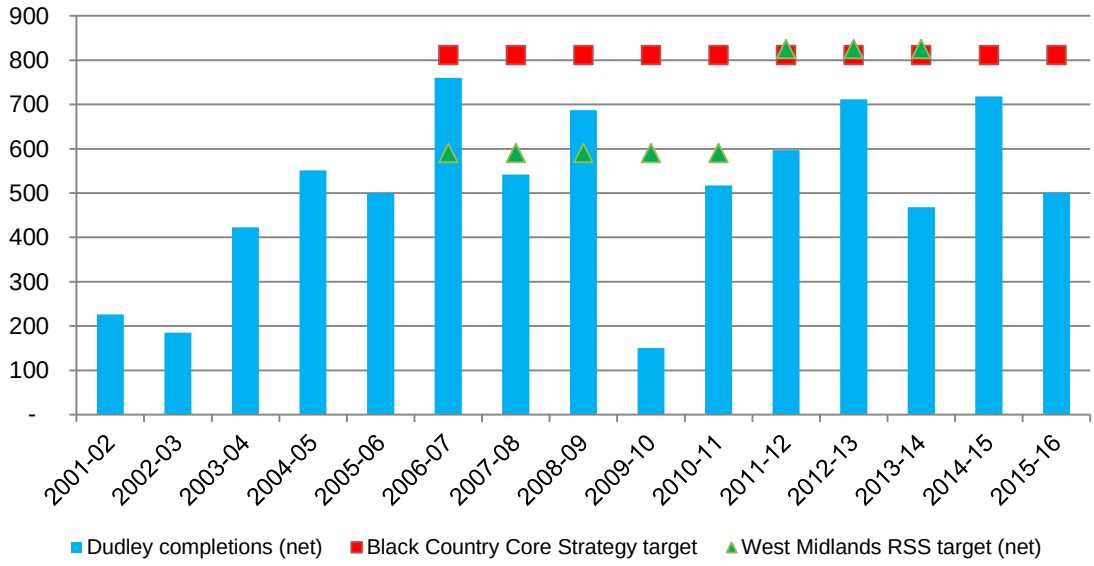
Individual authorities

Dudley

Housing delivery

5.28 Figure 5.12 charts housing delivery in Dudley between 2001 and 2016 against the BCCS target of 811 dpa between 2006-2016.

Figure 5.12 Dudley housing completions



Source: Dudley Annual Monitoring Report

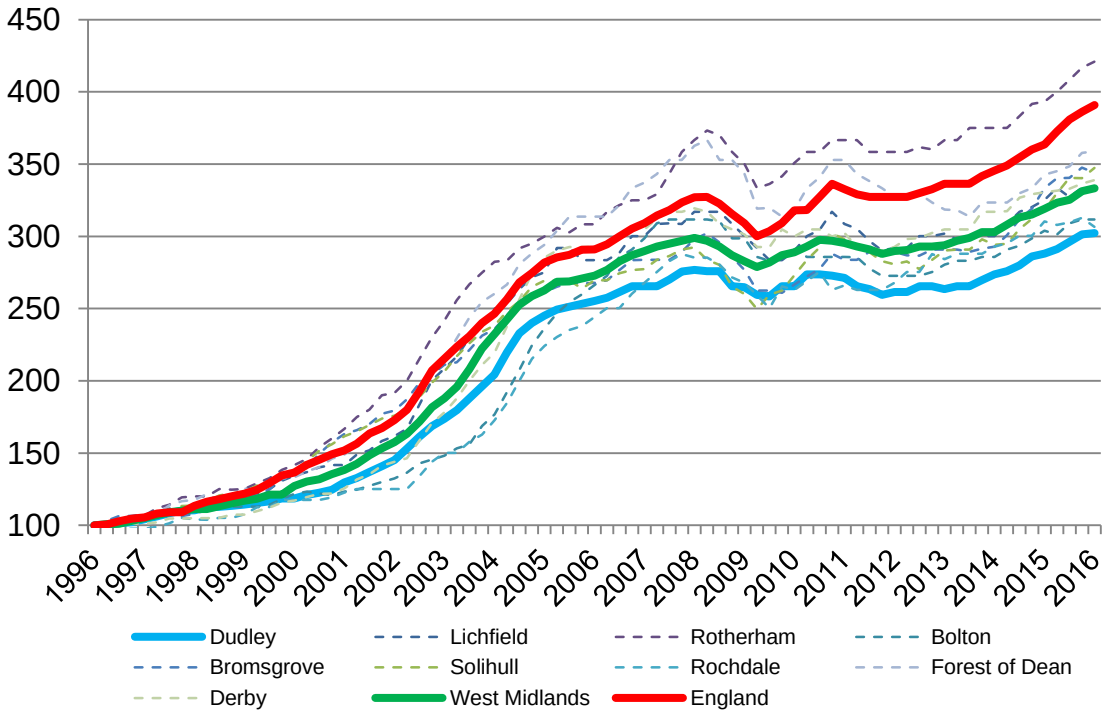
5.29 Housing completions in the borough were inconsistent throughout the plan period. They peaked in 2006-07 and have continued to fluctuate into recent years. The significant drop in housing completions in 2009-10 was attributed to the high levels of demolitions (320 dwellings) during the monitoring year as part of the housing renewal programme.

5.30 Dudley fell significantly (2,460 homes) short of its BCCS target between 2006 and 2016. This has been attributed to 'front-loaded' phased housing targets in the BCCS and also a high rate of demolitions and the effect of the economic recession. Since 2012 the level of housing demolitions has fallen resulting in an increase in net housing completions.

House prices

5.31 ONS publishes quarterly median house price data based on Land Registry price paid data though there is a time delay in its publication. The most recent data runs to the first quarter of 2016. As of the first quarter of 2016, the average house price in Dudley was £148,000 compared to £164,950 for the West Midlands and £215,000 for England. Average house prices in Dudley are on average lower than comparator areas.

Figure 5.13 Dudley house prices (indexed), 1996-2015



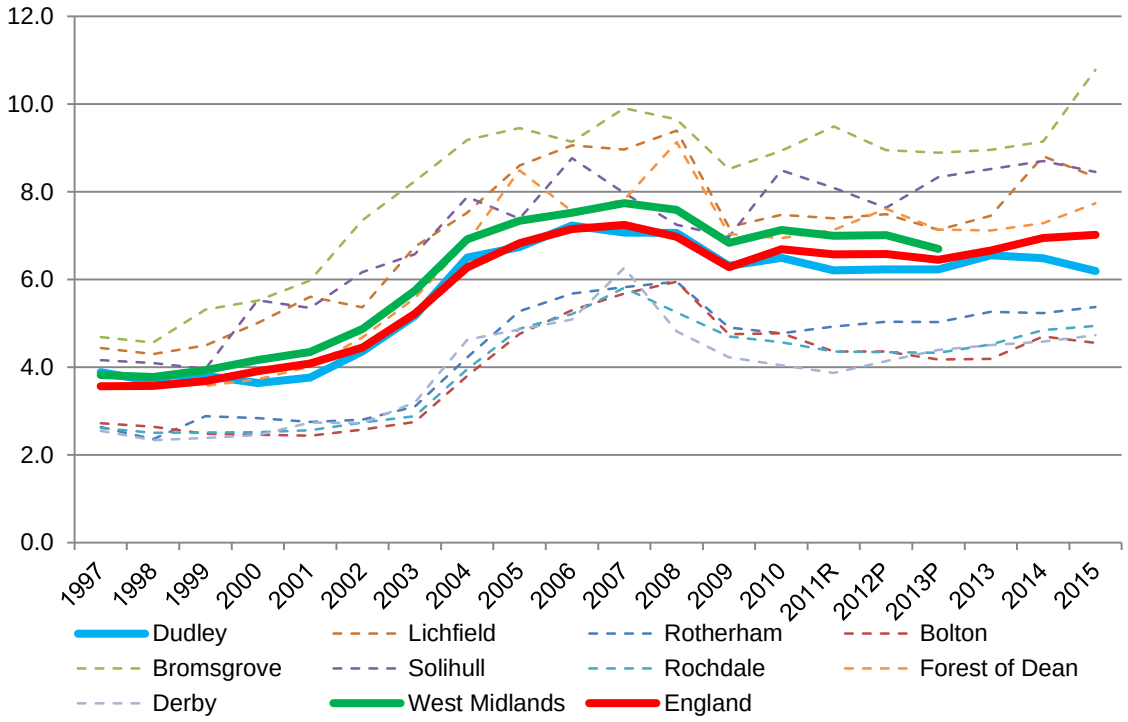
Source: ONS

5.32 The chart above shows that the house prices increased at a much slower rate in Dudley than England and the West Midlands. Since 2012, Dudley was outperformed by all the comparator authorities. This suggests that despite an under-delivery of housing, this did not result in an unmet demand as evidenced by the slower rise in house prices.

Affordability

5.33 Housing in Dudley is relatively affordable compared with the regional and national ratios. Looking at the comparator areas, Dudley is relatively more affordable than the majority of the comparator authorities with the notable exception of Rotherham, Rochdale, Derby and Bolton. House price affordability in Dudley has seen some noticeable improvement between 2013 and 2015 while the national ratio has increased.

Figure 5.14 Dudley affordability



Source: CLG Table 576 and CLG Table 576 (Discontinued)

Summary

5.34 Homes in Dudley are relatively cheaper than the national average and are broadly similar to the surrounding authorities. Despite the constraints on housing delivery, there does not seem to have been a marked effect on house prices.

5.35 The BCCS policy of focusing development on brownfield sites requiring extensive site preparation work and demolition of existing dwellings appears to have slowed down the net rate of housing delivery but this has not manifest itself in any affordability constraints that would warrant an uplift.

Sandwell

Planning background

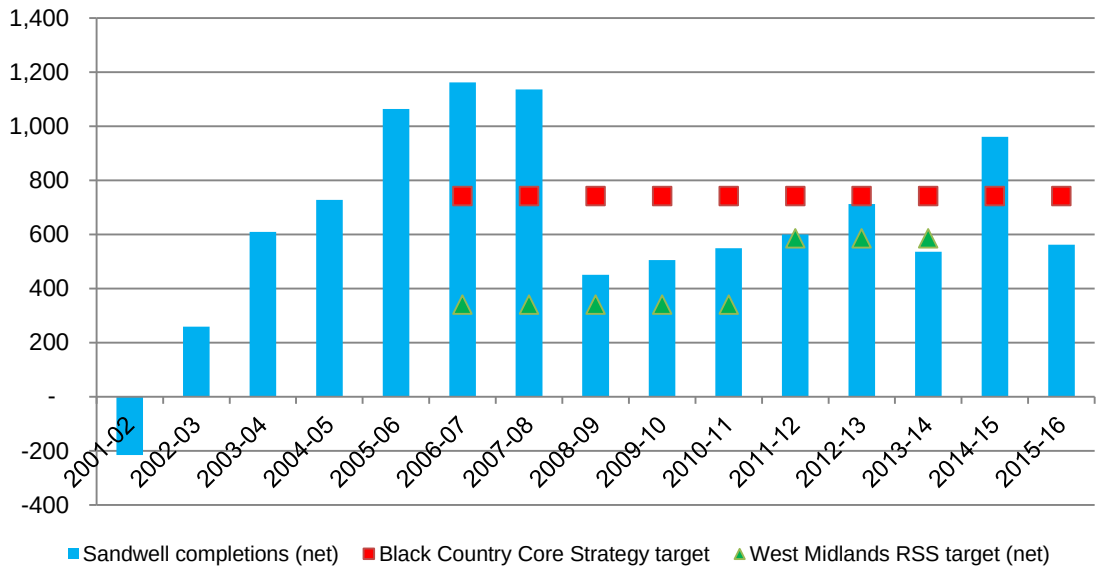
5.36 The BCCS has a plan target for Sandwell of 742 dpa between 2006 and 2016. The Site Allocation and Delivery DPD (adopted 2012) sets out in detail the Council's housing delivery objectives. The document has a plan period to 2021 which is slightly shorter than the BCCS. A West Bromwich AAP has also been adopted which has a plan period to 2026.

5.37 The DPD followed the spatial strategy outlined in the BCCS. Housing development was primarily focused along five regeneration corridors.

Housing delivery

5.38 The figure below shows housing delivery in the borough between 2001 and 2016.

Figure 5.15 Sandwell housing completions, 2001-16



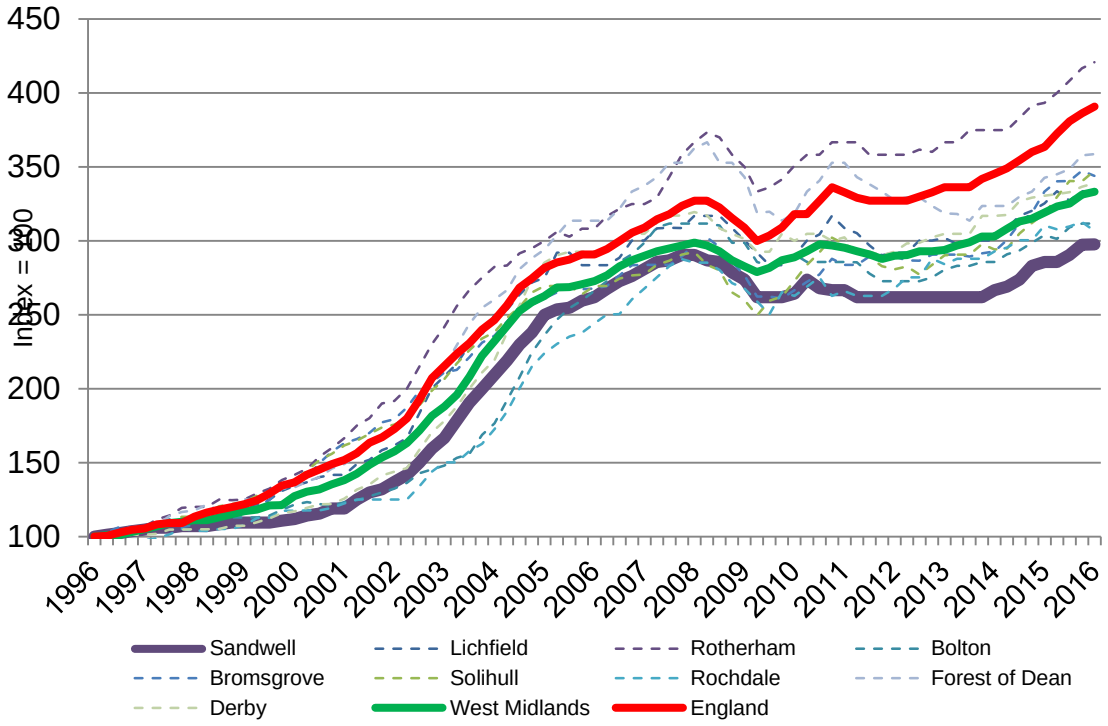
Source: Sandwell Annual Monitoring Report

5.39 Housing completions in the borough peaked in 2006-2008 before falling significantly. The negative housing completions in 2001/2 were due to significant housing demolitions that occurred between in the late 90s and again in the late 2000s as part of the Housing Market Renewal (HMR) programme. The programme was designed to revitalise areas of low demand for market housing through the demolition of undesirable housing stock. While demolitions began to decrease from 2009 onwards, the downturn in the economy resulted in a fall in net housing completions over the plan period. However, over the plan period to 2016, the BCCS target of 7,421 has almost been met, with 7,171 dwellings completed overall.

House prices

5.40 Average house prices in Sandwell for the first quarter of 2016 were £124,975 compared to £164,950 for the West Midlands and £215,000 for England. In addition to being lower in absolute terms, house prices in Sandwell increased at a slower rate than the region and the national average as shown in Figure 5.16. From 2011 onwards, Sandwell has had the slowest rate of house price increase when benchmarked against the comparator areas. Despite the decline in housing completions and the high number of demolitions in the borough, house prices remained low. At one point Sandwell was part of the 'Housing Market Renewal Pathfinder' project – a project designed to manage areas of low housing market failure.

Figure 5.16 Sandwell house prices (indexed), 1996-2015

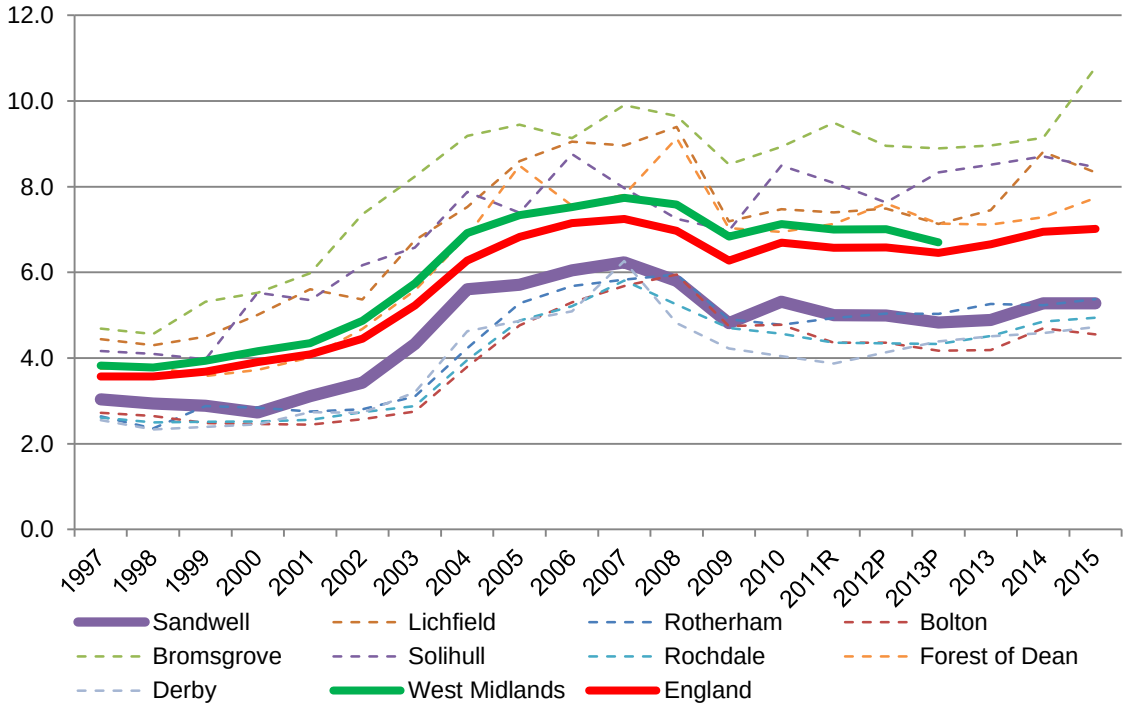


Source: ONS

Affordability

5.41 Sandwell has good affordability when compared to the regional and national benchmarks and is amongst the most affordable of the comparator areas.

Figure 5.17 Sandwell affordability, 1997-2015



Source: CLG Table 576 and CLG Table 576 (Discontinued)

Summary

5.42 While housing delivery failed to meet the relevant plan targets in Sandwell, low house prices indicate that demand for housing in the borough has been subdued. The effects of the Government's housing renewal programme appear to be mixed.

5.43 Although the delivery of housing fell from 2008, house prices stagnated. This points to a demand side constraint, rather than supply related issues. As such, there is no suggestion that a market signals uplift is required.

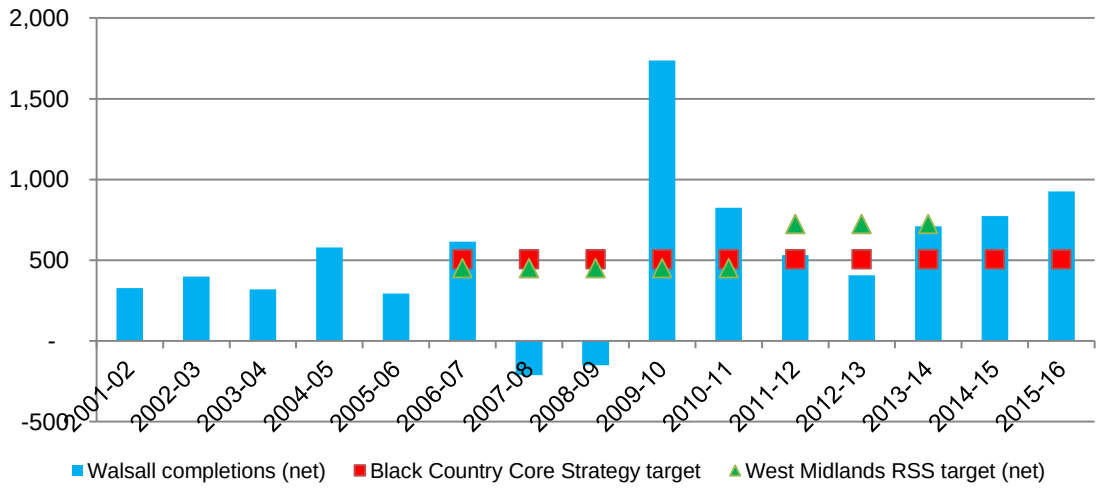
Walsall

Housing completions

5.44 Housing completions were broadly constant except during 2009/10 monitoring year. During that year, it was realised that housing completions in the borough had been under-recorded resulting in excess of 1,000 dwellings being omitted from the official statistics. This was thought to date back to around 2006. It was therefore decided to carry forward this backlog causing the spike in 2009-10 completions recorded by the AMR.

5.45 The downturn in housing completions since 2011 was attributed to a fall in private sector funding for new dwellings – especially in the social housing sector. However, in overall terms, between 2006 and 2016, the district exceeded the BCCS target of 507 dpa, by 1,098 dwellings in total.

Figure 5.18 Walsall housing completions 2001-16

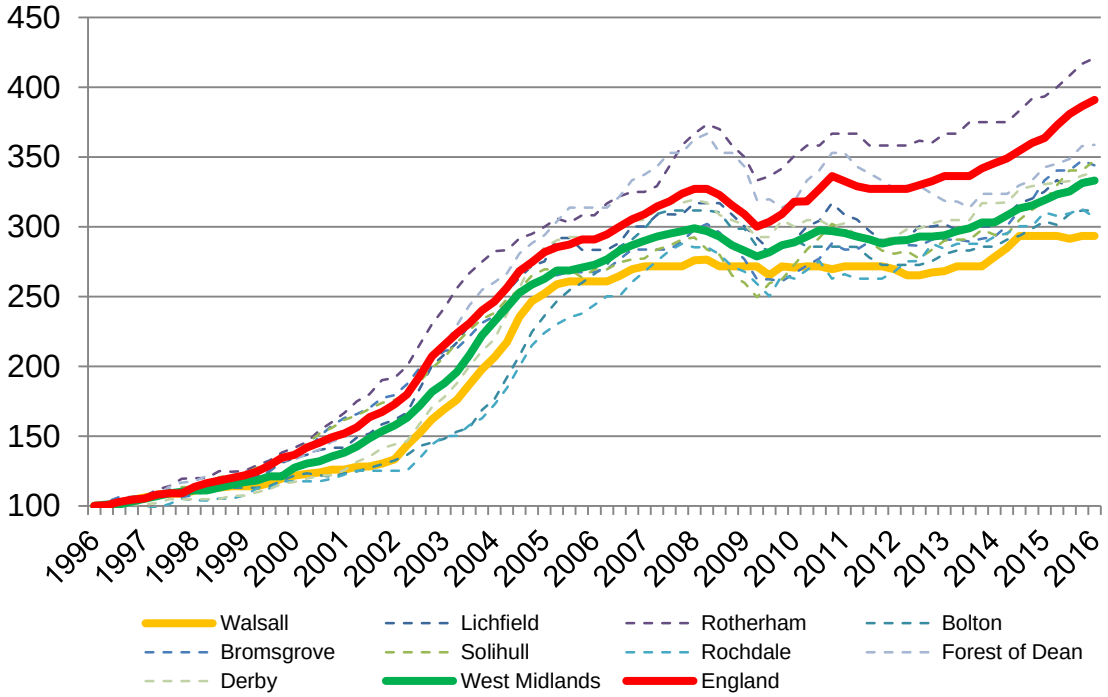


Source: Walsall Annual Monitoring Reports

House prices

5.46 Changes in house prices largely tracked regional and national house prices until the late 90s. Since then, national and regional house prices have largely outperformed Walsall with a similar trend reflected in the comparator authorities.

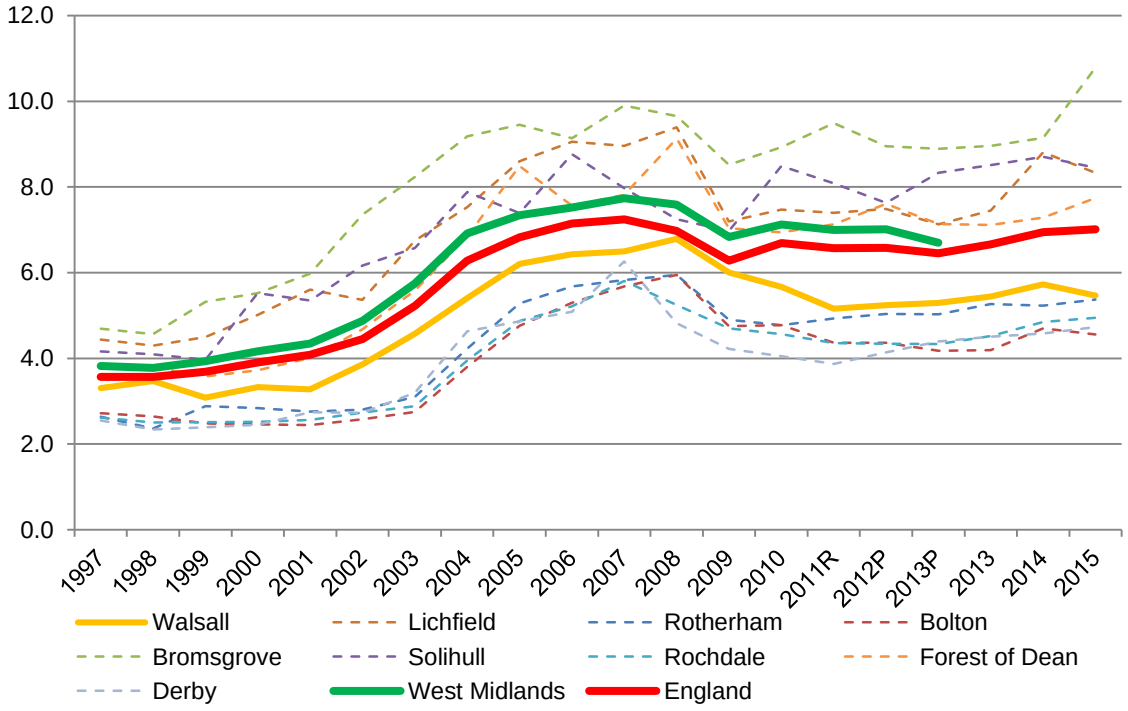
Figure 5.19 Walsall indexed house prices, 1996-2015



Source: ONS

Affordability

Figure 5.20 Walsall affordability



Source: CLG Table 576 and Table 576 (discontinued)

5.47 Housing in Walsall is relatively affordable. The district's affordability ratio broadly tracked the regional and national ratios until 2008. Since 2008 the district has seen a

substantial fall in its affordability ratio indicating improved affordability in the district when compared to the national, regional and comparator authorities.

Summary

5.48 Walsall does not appear to have a constrained supply of housing: the district exceeded its Core Strategy target in most years between 2009 and 2016. House prices and house price growth in the district was significantly lower than the national and regional comparators. We therefore think that there is no evidence of pressures within the local housing market which would warrant an uplift.

Wolverhampton

Planning background

5.49 The BCCS had a target of 566 dpa for the borough. The RSS had a net target of 390 dpa between 2006 and 2011, increasing to 675 dpa between 2011 and 2021.

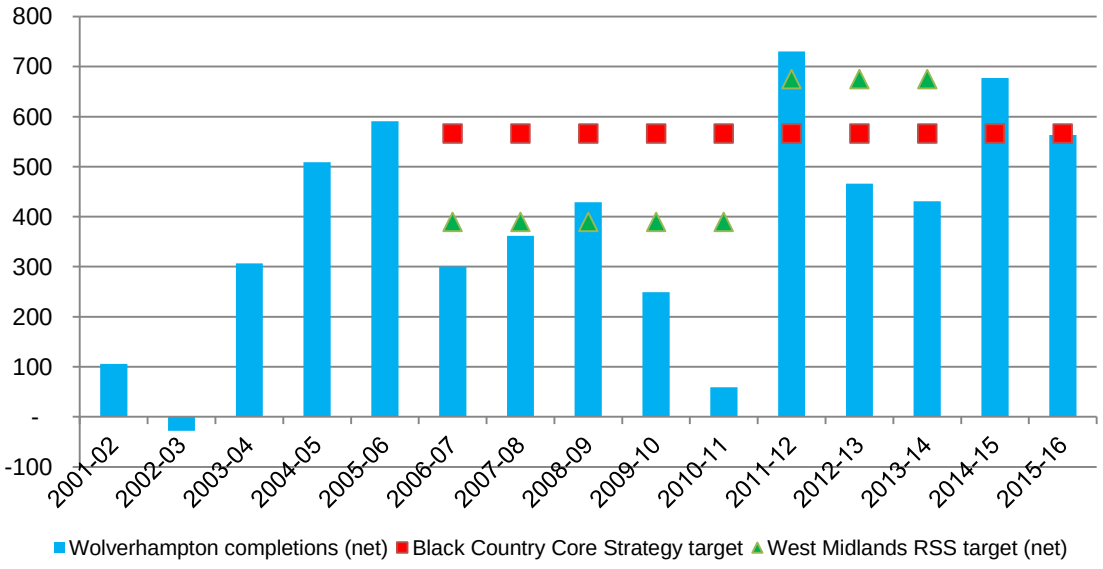
5.50 Between 2006 and 2016, 4,266 dwellings were completed in Wolverhampton against a BCCS target of 5,662 dwellings over the same period. This is a shortfall of 1,396 dwellings against the BCCS plan target.

5.51 The BCCS focused housing growth in Wolverhampton city centre and along Regeneration Corridors 2, 3 and 4. Wolverhampton's housing delivery strategy is based primarily on the reuse of brownfield land in employment areas.

Housing delivery

5.52 Figure 5.21 below shows net housing completions in Wolverhampton between 2001 and 2016 against the applicable plan targets.

Figure 5.21 Wolverhampton housing completions 2001-16



Source: Wolverhampton Annual Monitoring Reports

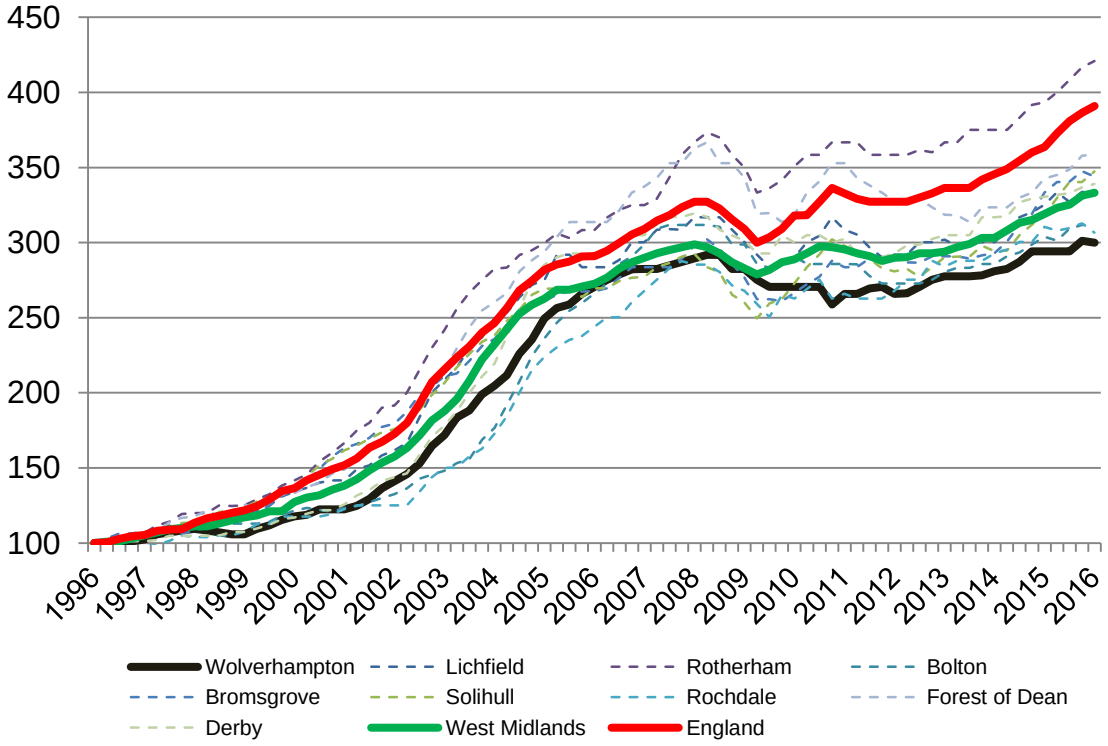
5.53 Net housing completions have fluctuated widely since 2001. This has been attributed to the high levels of demolitions taking place across the city and, since 2008, the

downturn in the housing market due to the economic recession. Although the BCCS target was reached during 2011/12, Wolverhampton failed to deliver 1,396 dwellings in the period 2006-16.

House prices

5.54 According to the ONS, average house price in the first quarter of 2016 for Wolverhampton was £127,500 compared to £164,950 for the West Midlands and £215,000 for England. House prices England and the West Midlands have outperformed Wolverhampton's since the late 90s. Since 2012, the change in house price was also outperformed by all the comparator authorities.

Figure 5.22 Wolverhampton indexed house prices

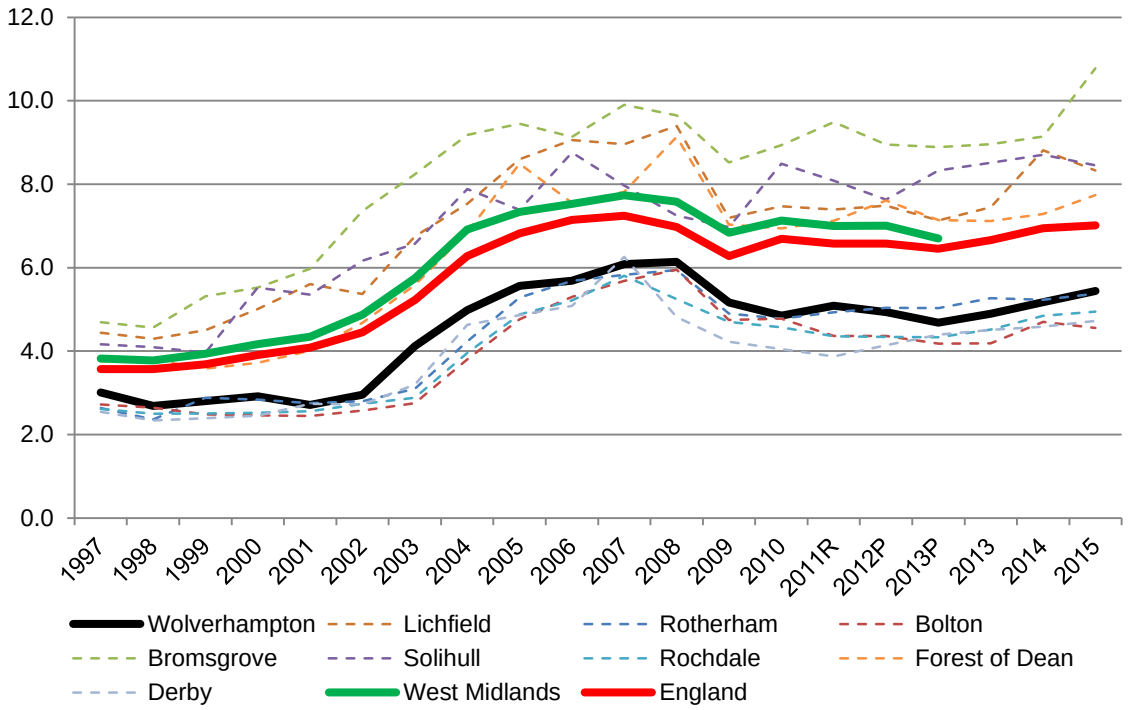


Source: ONS

Affordability

5.55 The figure below shows that Wolverhampton has good affordability when compared to the West Midlands and England. Wolverhampton is also more affordable than the comparator areas with the exception of Bolton, Derby and Rochdale.

Figure 5.23 Wolverhampton affordability, 1997-2015



Source: CLG Table 576 and Table 576 (discontinued)

5.56 Housing in Wolverhampton is affordable. The borough's affordability ratio reached its peak in 2008 and declined substantially during the downturn. Since 2013, Wolverhampton has seen a small increase in its affordability ratio.

Summary

5.57 Housing delivery in Wolverhampton has fallen short of the BCCS's target on several occasions. While the BCCS identified sufficient land to meet the target, most of Wolverhampton's new dwellings were planned for brownfield sites much of it in areas earmarked for housing renewal. The high demolitions in Wolverhampton since the early 2000s accounts for the uneven rate of dwelling completions. However, based on our analysis of affordability and average house prices, we do not think this is indicative of any undersupply of housing. The market signals do not show adverse pressure on the housing market in Wolverhampton.

South Staffordshire

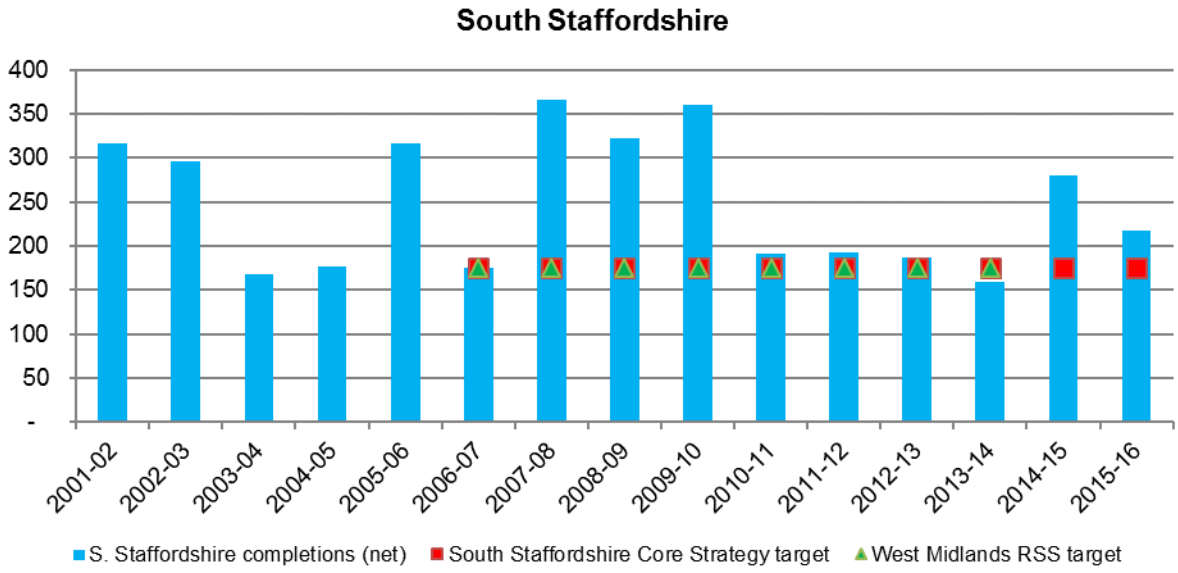
Planning background

5.58 The SSCS has a plan period running from 2006 to 2028 and an annualised housing target of 175 dpa. The SSCS target was derived from the WMRSS housing target for Staffordshire, as part of the 'Urban Renaissance' strategy. The WMRSS sought to reverse the outflow of population from the Black Country into South Staffordshire by prioritising the regeneration of the Black Country and artificially restricting South Staffordshire's housing target. The WMRSS expected South Staffordshire to meet its own local need rather than exported need from the Black Country.

Housing delivery

5.59 Between 2006 and 2016 the District delivered 2,450 dwellings against a target of 1,750 dwellings. This is a surplus of 700 dwellings. Figure 5.24 below shows housing completions in South Staffordshire between 2001 and 2016.

Figure 5.24 South Staffordshire housing completions 2001-16



Source: South Staffs AMRs

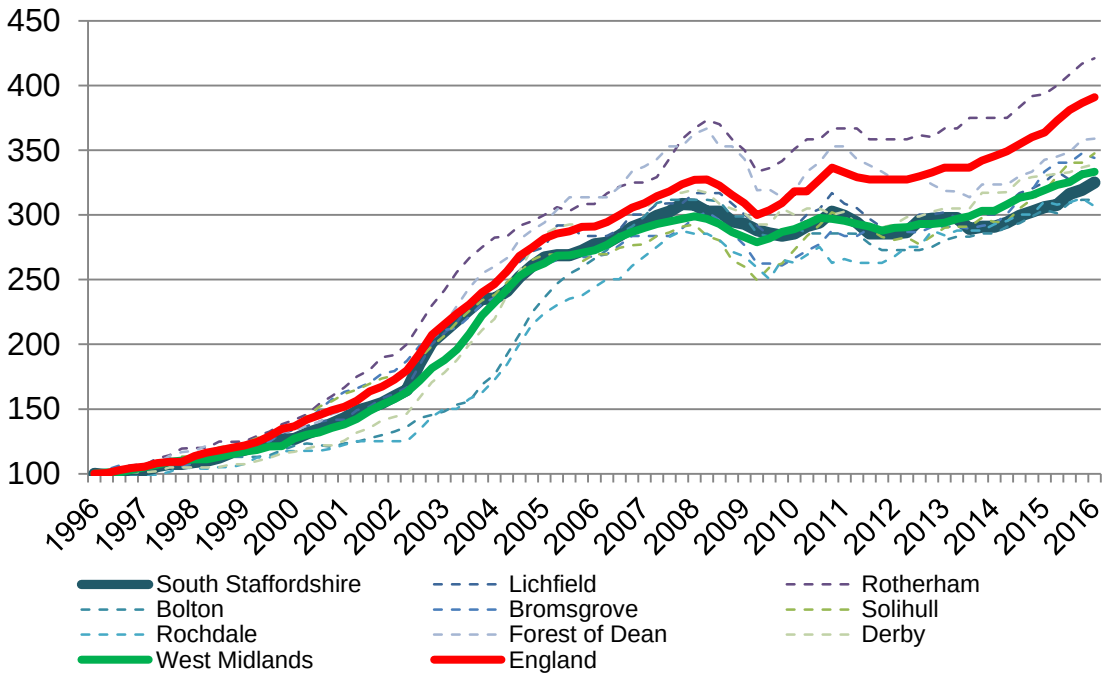
5.60 Since 2006, the district has met and exceeded both the SSCS and WMRSS housing target (with the exception of 2013/14). The district managed to double its target delivery in 2007/8 and 2009/10. Despite its restricted housing target, South Staffordshire delivered high completions even in the post-recession period.

House prices

5.61 House prices in South Staffordshire are on average lower than the national and regional average. During the first quarter of 2016, average house prices were £193,400 in South Staffordshire compared to £164,950 for the West Midlands and £215,000 for England.

5.62 House price change in South Staffordshire broadly tracked the national and regional comparators until the start of the recession in 2008. Since 2009, national house prices have outperformed the district. This was followed by West Midlands, where mean house prices have begun to outperform South Staffordshire since 2014. All but two of the comparator authorities have outperformed South Staffordshire.

Figure 5.25 South Staffordshire indexed house prices

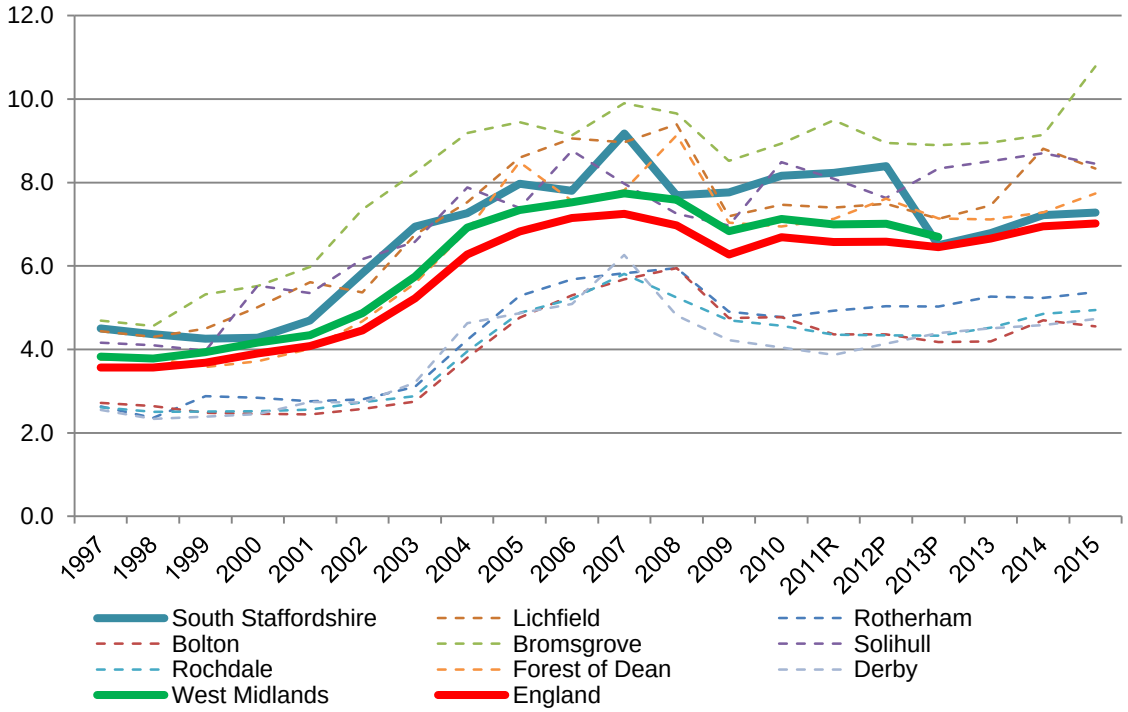


Source: House Price Statistics for Small Areas (HPSSA)

Affordability

5.63 South Staffordshire was relatively less affordable than the national and regional benchmarks.

Figure 5.26 South Staffordshire affordability



Source: CLG Table 576 and Table 576 (discontinued)

5.64 South Staffordshire's affordability ratio was higher than the national and regional ratios peaking in 2007 before falling slightly between 2008 and 2009. The ratio also fell between 2012 and 2013 converging with the affordability ratio of England. When compared to the comparator areas, South Staffordshire's affordability falls in the middle of the comparator authorities.

5.65 South Staffordshire is relatively more unaffordable than the Black Country due to the relatively low supply of available housing and the popularity of South Staffordshire.

Summary

5.66 South Staffordshire's housing market is buoyant: housing delivery was strong both during and after the recession with housing deliveries exceeding the plan target. The artificially constrained target has however caused affordability problems in the district. Although there are no indications of a housing undersupply in South Staffordshire against the SSCS and the WMRSS targets (because these were set at a low level), the demand for housing in the district has been slightly suppressed and points towards the need for a market signals uplift.

Conclusions

5.67 The PPG sets out a number of indicators which are relevant when considering whether an uplift based on market signals is required. In looking at these indicators, the PPG suggests that:

> *'comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.*[16]*'*

What the market signals are telling us

5.68 The supply of housing across the study area has declined since 2009-10. The recession had a marked effect on the rate of house building across the HMA. The BCCS allocated land across the Black Country but take up of housing land was slow. However, our analysis of the market signals does not show any adverse effect on housing affordability due to this undersupply.

5.69 Looking at the evidence, there is no reason to believe that a market signal uplift is justified in the Black Country, where housing across the HMA is generally more affordable than the national average. In terms of housing delivery, Dudley, Wolverhampton and Sandwell fell behind the plan targets for 2006-16, largely due to the recession. However, there is no house price evidence to suggest that housing supply fell short of demand.

5.70 Overall, the market signals in study area do not point to the need for a market signal uplift. As a whole, the study area is more affordable than the comparator areas. But,

[16] Reference ID: 2a-020-20140306

having considered each authority in detail, there is evidence of market pressures in South Staffordshire which would support a modest market signals uplift.

The scale of an uplift for South Staffordshire

5.71 In terms of market signal uplift, the PPG states that any such adjustment should be 'reasonable'. Specifically, that:

> *'The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.*[17]*'*

5.72 So there is no fixed empirical or statistical approach to arrive at the level of adjustment to address market signals. Based on the PPG requirements, Inspectors' decisions approached the matter as an exercise of judgement.

5.73 In Eastleigh, the Inspector noted that affordability had worsened more than the national average and rents had risen more than the average. On this basis he concluded that '*a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA… Exploration of an uplift [to the demographic projections] of, say, 10% would be compatible with the 'modest' pressure of market signals*'.

5.74 In Uttlesford, the Inspector mentioned that house price increases had been slightly less than for Essex and England but from a very much higher base; median rents were higher than these comparators and had risen faster; and affordability had risen to a much higher peak prior to the recession. 'Taken in the round' these market signals as well as affordable need, the Inspector advised an uplift of 10%. He did not apportion the uplift between these two factors.

5.75 In Canterbury, the Inspector focused on three main market signals:

- Median house prices 12% above the national average;
- House price growth some 20 percentage points above the national average;
- Affordability ratio consistently above the national benchmark - currently 9 against 6.5 for England.

5.76 The Canterbury Inspector recommended an uplift of 30% to take account of these market signals, together with future jobs, affordable housing need and a post-recession recovery in household formation rates. The Inspector noted that these four factors overlapped and did not apportion the uplift between them.

5.77 From the three cases discussed above we cannot draw definite conclusions about the correct market signals uplift for South Staffordshire. This is partly because the evidence used in Eastleigh, Uttlesford and Canterbury is not directly comparable: the indicators used are not always the same, some are measured as absolute levels and

[17] Reference ID: 2a-020-20140306

others as rates of change; they refer to different dates and are compared with different benchmarks. A further difficulty is that only one of the three Inspectors, in Eastleigh, provides an uplift for market signals alone. In the other two areas the adjustments they propose also take account of affordable need, future jobs and the impact of the recession on household formation.

5.78 In short, the size of any market uplift cannot be simply inferred from earlier examples; it also requires judgement.

5.79 Although we are cautious about direct comparisons, looking briefly at Canterbury, which sets the upper bounds of a market signal adjustment, South Staffordshire is clearly very different. House price growth in South Staffordshire has been below the national rates whereas Canterbury growth was above. Affordability in South Staffordshire was running ahead of national rates but in recent years has improved. Homes are considerably cheaper in South Staffordshire than Canterbury.

5.80 So, although comparisons have obvious limitations, a 30% uplift is clearly not justified here. In our judgement, market signals for South Staffordshire point to 'modest' market pressures, similar to Eastleigh and Uttlesford. This suggests an uplift below 30% and around the 10% applied to other districts with some modest pressure.

5.81 As set out in Section 4, a small uplift to the demographic starting point is proposed to ensure needs are met in full across the HMA. In our view, because we have diagnosed market pressures that have resulted in a lower quantum of housing being delivered than forecast in the SHNS, for robustness the market signals uplift to should be applied to forecast requirement for additional dwellings from 2011 onwards. This is approach is not set out in the NPPF or the PPG; the recommendation that SSC apply the uplift in this way is based on our judgement.

6 JOBS AND HOUSES

Introduction

6.1 This section examines whether housing provision, in line with our preferred demographic projections, would support enough workers to match the future job growth expected in the area. If that were not the case, in line with the PPG, the projections should be adjusted upwards, unless the labour market can be brought into balance by other means, such as transport infrastructure. The underlying principle is that planning for housing, economic land uses and community facilities/services should be integrated, so that the demand for labour is fulfilled and there is no unsustainable commuting.

6.2 To answer this question we have looked at three different job forecasts. Firstly we have looked at Experian (pre- and post-Brexit scenarios) and secondly Oxford Economics (OE). Both are well respected independent forecasting houses. OE is being used to inform the Combined Authority Strategic Economic Plan.

6.3 We are particularly interested to see whether either of these two models suggests that more new homes are needed in the area to support the local economy. For each we look at the number of jobs but also the modeller's population and labour supply assumptions. Both forecasters have confirmed that in this area their forecasts are not constrained by a lack of labour. Increasing the number of people living in the area, above that assumed by the modelling houses, will not result in more jobs in the area (beyond those needed simply to support a larger population).

6.4 Both forecasts are 'policy off' in that they are free of planning policy constraints. Only policy interventions, designed and funded to stimulate economic demand will result in more new jobs. Even then there is some 'headroom' in the local labour market, most obviously because unemployment remains above national averages in both sets of forecasts.

6.5 As we detail below Experian assume the full delivery of the CLG 2014 households. So they assume slightly fewer new homes than the OAN proposed above. This is because the OAN includes the 'backlog' since 2011 to align with the strategic housing work. It also excludes any market signal adjustments.

6.6 Oxford Economics assume a significantly smaller population than will be accommodated by the OAN. This is because they assume that the comparably weaker economy in the area, compared to elsewhere in the UK, will discourage net migration to the area.

6.7 We start the analysis with reference to Experian, looking at a pre- and post-Brexit view before moving onto OE (pre-Brexit only).

6.8 [Note – the analysis uses data produced from the forecasting houses fully integrated economic models. Both forecasting houses have confirmed that third party assumptions should not be applied to these job and population numbers. Doing so, for example applying alternative economic activity rate assumptions, invalidates the

forecast job number. This applies to the forecast number at the local level but also at the national of which the local number is a share]

Experian

6.9 Experian is a very useful source for planners because, as with the PPG, their baseline population and household assumption is taken from the Sub National Population Projections. Experian never vary the size of the population although labour supply flexes in line with the market demand for labour (commuting, unemployment and economic activity rates). Their model is therefore very closely aligned to the recommended OAN here.

Pre-Brexit Experian (June 2016)

6.10 In this section we briefly consider the Experian June 2016 model run. This was the last run pre-Brexit. Unfortunately at the time Experian was still using the SNPP 2012 for its population assumption; but as discussed elsewhere this is similar to the more recent SNPP 2014 and in both cases Experian have confirmed that the area is not constrained by a lack of labour. So increasing the size of the population (i.e. providing more new homes than the official projections) will not result in more new jobs, beyond those needed simply to service the larger local population (e.g. teachers, healthcare and retail).

6.11 Experian shows that the number of jobs in the area, should the SNPP 2012 population (and CLG 2012 households) be delivered, will increase from 536,000 to 589,000 (52,500 jobs) over the forecast period (2014 – 2032)[18].

Table 6.1: Workforce jobs in thousands (select years 2014 – 2032)

		2014	2015	2020	2025	2030	2032	Difference (2014-2032)	Annual difference
Dudley		124.9	125.5	128.1	130.5	133.2	134.3	9.4	0.5
Sandwell		142.5	145.7	150.3	153.4	156.8	158.0	15.5	0.9
South Staffordshire		35.1	35.8	36.7	37.3	38.1	38.4	3.3	0.2
Walsall		110.4	111.5	114.5	117.4	121.2	122.8	12.4	0.7
Wolverhampton		123.5	124.5	127.7	130.9	134.2	135.4	11.9	0.7
Total		536.4	543.0	557.3	569.5	583.5	588.9	52.5	2.9

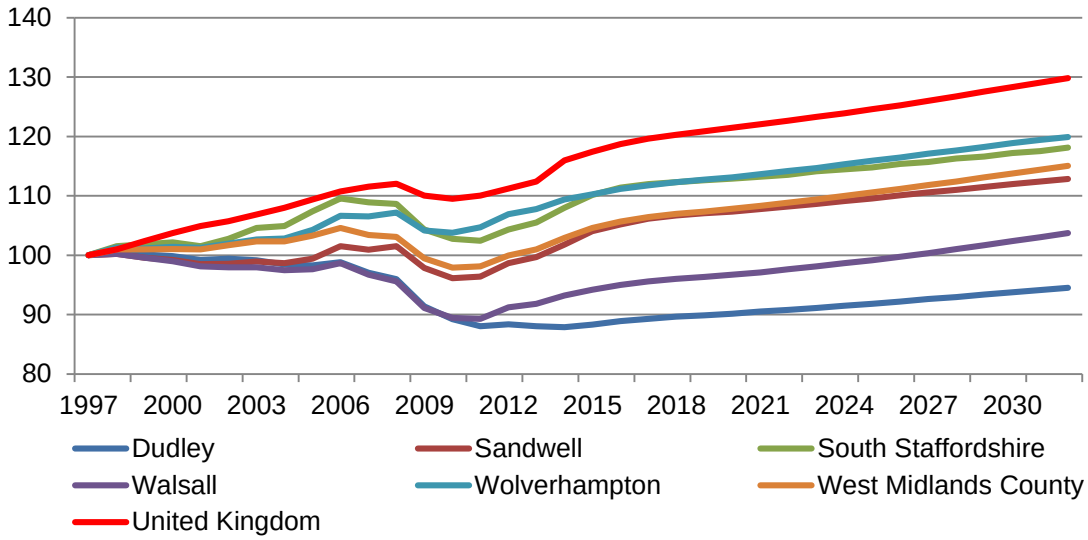
Source: Experian

6.12 We have looked briefly at this forecast compared to past trends. In our opinion projecting forward past trend job growth is less reliable than a forecast approach. This is because to project forward past job growth requires all other factors to also repeat themselves in the future; in this case, the Black Country was experiencing depopulation and the rapid decline of industrial employment.

[18] Note – this version of the Experian model run extends only up to 2032; so short of the planned plan dates.

6.13 The chart below shows the area's past population change (indexed at 100 to 1997) and future (2012-based) compared to the UK and the West Midlands county. The rapid decline in population (for example 10% in Walsall and Dudley between 1997 and 2009) are not expected to repeat in the future.

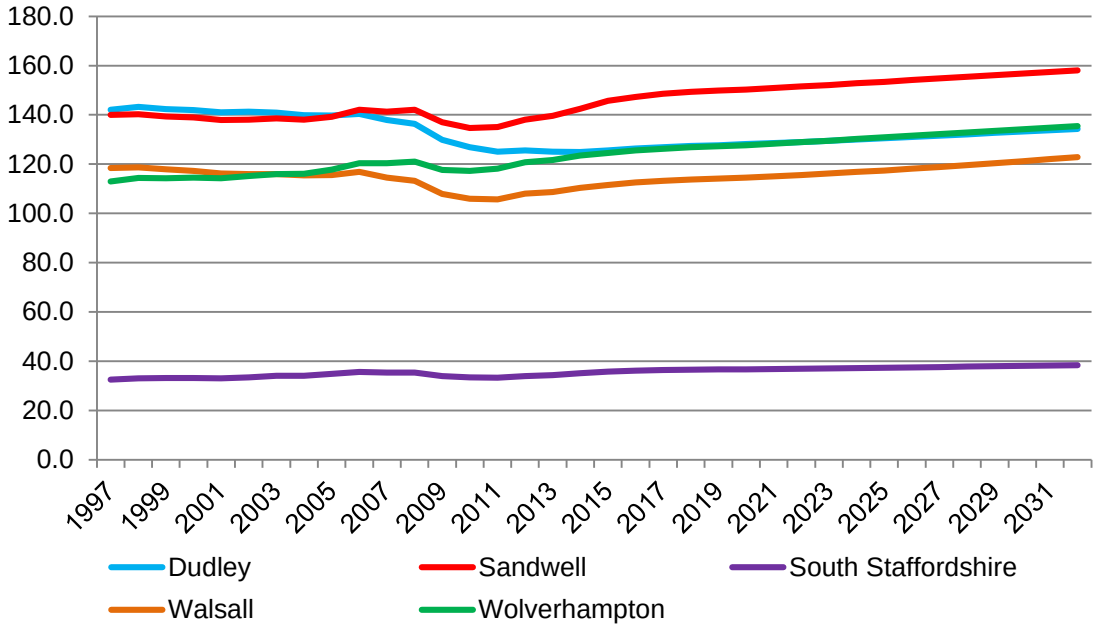
Figure 6.1: Past and forecast population change (1997-2032)



Source: Experian June 2016

6.14 However, compared to past trends, the Experian rate of job growth is actually slightly faster than past trends would suggest as the chart below shows.

Figure 6.2: Past and forecast job growth (1997-2032)



Source: Experian June 2016

6.15 Unemployment for the area (all five local authorities combined) under this scenario falls but, as a labour market remains above the UK, the West Midlands and the West Midlands county area. National unemployment is forecast at 4.7% in 2032, the region slightly higher at 5.4%.

6.16 Only South Staffordshire shows a lower rate in 2014 and 2032 compared to the region or UK. But the district is a very small part of the wider economic market area with exceptionally strong commuting links. The data tells us very little about the district in isolation. The 2011 Census reported 34,000 outward commuters which is 50% of the 16-64 population. So although unemployment in the district is low, when viewed across the study area, the area's unemployment remains high.

Figure 6.3: Unemployment across the study area

Unemployment Rate % (ILO)	2014	2032	Difference (2014-2032)
Dudley	7.9	5.3	-2.6
Sandwell	10.4	8.8	-1.6
South Staffordshire	4.7	3.3	-1.4
Walsall	9.3	5.8	-3.5
Wolverhampton	11.3	7.7	-3.6
West Midlands County	9.9	7.5	-2.4
West Midlands	7.2	5.4	-1.8
United Kingdom	6.2	4.7	-1.5

Source: Experian June 2016

Post-Brexit Experian (September 2016)

6.17 The Experian data above pre-dates Brexit. Experian released a new model run in September 2016. This also made use of the new SNPP 2014 population projections.

6.18 In line with their national view job growth is now lower. In the June model run the 52,500 new jobs were created by 2032. This has been reduced to 48,700 (2032) and 49,500 (2036).

Table 6.2 Workforce jobs (2014-36)

	2014	2032	2036	Difference (2014-2032)	Annual difference	Difference (2014-2036)	Annual difference
Dudley	126.1	135.5	137.4	9.4	0.5	10.6	0.5
Sandwell	143.9	157.9	159.9	14.0	0.8	12.3	0.6
South Staffordshire	35.3	38.5	39.1	3.2	0.2	3.2	0.1
Walsall	111.3	122.2	124.8	10.9	0.6	11.8	0.5
Wolverhampton	124.5	135.7	137.6	11.2	0.6	11.6	0.5
Total	**541.1**	**589.8**	**598.8**	**48.7**	**2.7**	**49.5**	**2.3**

Source: Experian September 2016

6.19 Part of this lower growth has resulted in higher unemployment. For this area and the UK more widely modelled unemployment is now higher.

6.20 As with the June 2016 model run South Staffordshire has lower unemployment than the Black Country and the county. But the rate (3.7%) is broadly in line with other

Staffordshire districts. With the exception of Stoke on Trent and Cannock all the Staffordshire districts report a rate (2036) around 3.7% (~0.5%). Also out commuting increases over the forecast period; by 2036 out commuting increases to -19,000 persons (from -16,000 in 2015).

Table 6.3 Unemployment across the study area

Unemployment Rate % (ILO)	2014	2032	2036	Difference (2014-2032)	Difference (2014-2036)
Dudley	7.9	6.1	6.3	-1.8	-1.6
Sandwell	10.4	10.2	10.0	-0.2	-0.4
South Staffordshire	4.7	3.7	3.7	-1.0	-1.0
Walsall	9.3	6.5	6.5	-2.8	-2.8
Wolverhampton	11.3	8.2	8.1	-3.1	-3.2
West Midlands County	9.9	8.4	8.3	-1.5	-1.6
West Midlands	7.2	6.0	5.9	-1.3	-1.3
United Kingdom	6.2	5.3	5.2	-0.9	-1.0

Source: Experian September 2016

Oxford Economics

6.21 For an alternative view we have also considered forecasts from OE. OE is being used to inform the Combined Authority Strategic Economic Plan (SEP) but, unlike Experian, we only have access to a pre-Brexit scenario.

Baseline

6.22 The OE model works in a very similar way to Experian but with one important difference. In the Experian model the local population is fixed to the SNPP. But in the OE model the population moves round the UK and is attracted to those areas with the highest economic potential i.e. economic-led migration. Where the economy is expected to be buoyant, OE allows the population to migrate from less economically buoyant areas. This works through relative unemployment rates. Where unemployment rates are low the population grows faster; where high the population growth is more subdued.

6.23 For this reason, before considering any output from OE is vital to first check the default population assumption and understand whether the area is experiencing any positive or negative economic-led migration.

6.24 In the study area the OE population is lower than the SNPP 2014 and OE have confirmed that this is the product of higher assumptions about economic led migration out of the area to economically more buoyant parts of the UK.

6.25 The table below compares the population shown in the SNPP 2014 against the OE population at 2030. 2030 is the end date of the Combined Authority model.

Table 6.4: Population at 2030 SNPP (2014) vs OE

	OE 2030	SNPP 2030	Difference	Difference %
Dudley	327,676	330,100	2,424	1%
Sandwell	335,768	357,600	21,832	6%
Walsall	284,462	299,300	14,838	5%
Wolverhampton	265,233	275,900	10,667	4%
South Staffordshire	117,300	115,900	-1,400	-1%
All	1,330,439	1,378,800	48,361	4%

Source: OE Combined Authority model

6.26 The data shows that by meeting the SNPP 2014 (CLG 2014), the area houses a larger population than assumed by OE trend model. As noted above we understand that this is because the ONS SNPP migration is trend-based; whereas in the OE model it is demand-led, allowing for economic-led migration.

6.27 For South Staffordshire, the SNPP has a 1% lower population than OE's model; for Dudley it is 1% higher: neither of which are significant departures from the SNPP. Sandwell, Walsall and Wolverhampton are all around 5% higher in the SNPP compared to OE; this implies that policy-off economic demand for labour is weaker.

6.28 In terms of jobs, the OE model forecasts very limited (almost zero) job growth for the area.

Table 6.5: Jobs growth 2015-2030 (thousands)

	2015	2030	Change OE
Dudley	131.64	130.16	1.48
Sandwell	142.98	143.34	0.36
Walsall	116.08	116.46	0.38
Wolverhampton	128.65	128.45	0.20
South Staffordshire	37.72	39.15	1.43
All	557	558	0.49

Source: OE Combined Authority model

Conclusions

6.29 There is no suggestion from any of the data we have considered that this area needs a larger labour force to meet economic needs. Within the study area, unemployment is high and job growth is either very low (OE baseline) or similar to past trends (Experian).

6.30 Unemployment is lower in South Staffordshire than the Black Country but this is partly because out-commuting is very high – and worsens over the period. But in the main destination for South Staffordshire workers (the Black Country) unemployment remains high. Both models we have considered show that while South Staffordshire grows jobs, outward commuting increases.

6.31 So in South Staffordshire the supply of labour suggested in both models substantially exceeds the number of jobs: this pattern continues regardless of the economic model used.

6.32 However, the OE model has a higher population than the SNPP 2014 – nearly 1,500 more people living in the district than would be the case if only the CLG 2014 household projections were built.

6.33 Turning to the PPG, paragraph 2a18 addresses the labour supply in the housing market area. It states that where the demographic-led supply of labour is too low across the HMA, then the HMA should consider an adjustment: this does not apply here. By meeting demographic needs, the HMA provides homes for a larger population, a larger workforce and more jobs than the OE baseline model indicates are needed.

6.34 However, the only exception is that the OE baseline model indicates that more residents would prefer to live (but not work) in South Staffordshire compared to the Black County; they then commute out to work. The assumed population in the OE baseline model is higher than the SNPP.

6.35 This would suggest that a market signal adjustment is warranted as opposed to an economic adjustment (although we note that both uplifts have the same practical outcome – that is to increase the number of new homes compared to the demographic starting point).

6.36 Unfortunately, we cannot use the OE model to estimate the exact housing need to accompany the OE population. This is because the OE model does not provide a detailed age/sex breakdown which is, using demographic models, needed to turn people in households. But applying the average household size at the end of the period (which is around 2 per house) suggests an additional 700 new homes over that suggested in the CLG 2014 projections (15% uplift).

6.37 However, the OE model runs only until 2030 – so short of the proposed plan period . And there is a large margin of error in estimating the number of homes that may be needed given the lack of detail in the population profile. We cannot guarantee that all the 700 homes may be taken by economically active persons; the new homes may attract more non-economic people (inc. retirees).

6.38 So a cautious approach would be to adopt a 25% uplift to allow for this uncertainty. This results in an uplift in excess of what we concluded above can be justified for market signals alone but below the 30% ‘upper bound’ applied to Canterbury.

6.39 The table below shows the calculation.

Table 6.6 South Staffordshire Market signals uplift

	Input	Dwellings	
1	Demographic starting point	4,553	CLG 2014
2	25% market signals uplift	1,138	1*25%
3	SHNS projected delivery (2011-14)	624	Source: SS
4	25% market signals uplift	156	3*25%
5	Dwellings completed (2011-14)	538	Source: SS
6	Total need	5,993 270 dpa	1+2+3+4-5

Source: PBA

7 CONCLUSIONS

Objectively assessed housing need

7.1 The method applied in this report follows that outlined in the Planning Advisory Service Technical Advice Note 'Objectively Assessed Housing Needs and Housing Targets'. This was first published in June 2014 and was updated in July 2015 to reflect emerging best practice.

7.2 It also follows the stages set out in the Planning Guidance to arrive at the 'overall housing needs figure' at paragraph 2a-020.

Defining the HMA (PPG paragraph 2a-008)

7.3 Previous work undertaken in the Greater Birmingham area confirms that the client authorities comprise the Black Country sub-market – a part of the Greater Birmingham HMA. Duty to co-operate discussions on the basis of this HMA are well advanced.

Identifying the demographic starting point (PPG 2a-015)

7.4 With the HMA established, PBA tested the wide range of demographic data to identify the demographic starting point. This included producing alternative trend-based scenarios based on different periods. The most recent official projection shows need arising of 80,055 dwellings between 2014 and 2036 (3,639 dpa). We recommend using this as the demographic starting point.

Adjustment to the demographic projection (PPG 2a-017)

7.5 Paragraph 2a-017 of the PPG states that:

> *'The household projections produced by the Department for Communities and Local Government are statistically robust and are based on nationally consistent assumptions. However, plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates'*

7.6 In Section 3 we tested the use of the 2012 and 2014 headship rates for the client authorities. This testing showed that they remained a robust set of data.

7.7 As set above, we tested a number of alternative projections. That testing indicated that both the CLG 2012 and CLG 2014 projections will result in higher population growth than the trend-based scenarios.

7.8 Because of the Black Country sub-market area's role within the wider Greater Birmingham HMA, it is pragmatic to ensure consistency with the higher CLG 2012 projections (which remain those referred to in the current version of the PPG). This adjustment of 2,689 dwelling over the plan period will address any future gap.

7.9 However, the PPG does not provide any guidance as to whether this uplift should be addressed as part of the OAN or whether it is sufficient to make this adjustment

through the housing target. Making these adjustments shows need for 3,761 dpa from 2014 onwards.

How should employment trends be taken into account? (PPG 2a-018)

7.10 The PPG advises that:

> *'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.'*

7.11 To address this paragraph of the PPG, we used independent and 'policy off' economic forecasts.

7.12 The baseline Experian forecast does not suggest that the study area is labour market constrained, therefore providing the number of new homes and population represented by the OAN would not result in 'unsustainable commuting' or 'reduce the resilience of local businesses'. We also looked at an alternative forecaster (OE) to confirm this position.

Market signals (PPG 2a-019)

7.13 Section 4 of this study considered market signals and past rates of housebuilding. Our analysis suggests, while the Black Country authorities do not require any adjustment, South Staffordshire is becoming less affordable and the OE model suggests a higher demand for new homes. We therefore suggest that an adjustment is needed to take account of market signals.

7.14 The PPG does not specify the size of this adjustment, saying only that it should be 'reasonable', and authorities should monitor the situation and review supply accordingly. But EiP Inspectors' decisions on three occasions have used rules of thumb as follows:

- Modest under-provision/market pressure (Uttlesford, Eastleigh) 10%
- Significant under-provision / market pressure (Canterbury) 30%.

7.15 In this case, we consider the evidence in South Staffordshire points to modest pressure i.e. while an adjustment is required, some of the market signals do not point to pressure.

7.16 But the OE model suggests a higher uplift may be warranted because that model shows a larger population than the demographic evidence would suggest This is likely to be economic led migration attracted to the district because unemployment is low. Suggesting there is market pressure for additional housing here.

7.17 It is impossible to robustly quantify this because the OE model runs only until 2030 and the population profile is not available. We estimate that to accommodate the population shown in the model requires around 700 additional homes but to allow for

a longer plan period, and the uncertainty, we suggest planning for 25%. This is this is an informed judgment rather than the product of detailed calculations. The PPG advises against trying to treat OAN as a 'science'.

7.18 The alternative Experian evidence pointed to no economic uplift.

7.19 We consider this 25% is a maximum given that the OE data shows that these workers will actually commute out of the district to work. So any further increase will only exacerbate this pattern unless 'policy on' adjustments are made to better align jobs and houses.

Recommendations

7.20 Depending on the approach taken towards the SHNS adjustment (inclusion with the OAN or solely the target), the table below sets out the OAN for the study area over the period 2014 to 2036.

Table 7.1 OAN summary

	Without SHNS adjustment		With SHNS adjustment	
	Total	Per annum	Total	Per annum
Dudley	12,035	547	12,160	553
Sandwell	29,851	1,357	31,898	1,450
Walsall	18,003	818	18,519	842
Wolverhampton	15,613	710	15,528	706
South Staffordshire	5,691	259	5,933	270
Total	81,193	3,691	84,123	3,824

7.21 The higher number includes a further upward adjustment because the study area has chosen to adopt a different base date for its new plan from Birmingham, as a key generator of unmet need. However, the PPG is not specific as to whether this adjustment should form part of the OAN for the plan period or whether it can be addressed through the housing target as a policy-on adjustment, merely that it should be addressed. Our opinion is that because the NPPF refers to the HMA as the correct geography to assess needs (paragraph 47 & 159) the preferable option is to consider this uplift as part of the OAN here.

7.22 Because the study area has not delivered enough new homes to meet its OAN in full, including the 'gap' between the base date of the Birmingham Plan and the emerging Local Plan Review (see section 3), the client authorities ought to consider whether they are able to frontload the land supply when identifying their policy trajectories. This is to allow the market to address any unmet need as quickly as possible. .

7.23 These numbers of homes have been tested using Experian and OE in terms of whether they provide sufficient labour to meet economic needs. In addition, for South Staffordshire, both of these numbers have been revised upwards to reflect a market signal adjustment.

7.24 Finally, it is worth noting that in the method above we have provided a 25% uplift to South Staffordshire driven largely by the OE model. But the OE model has fewer people in the Black Country than the demographic need. So by increasing South Staffordshire for economic reasons, but not decreasing the Black County OAN for the same reason, some people are being counted twice.

7.25 This double count is not something we can address in the OAN – because we cannot apply policy here. The PPG does not suggest OAN can be reduced downwards for economic reasons. The policy on alignment between jobs and homes ought to be considered when setting the respective housing targets. When setting the housing targets the Councils can choose to re-adjust their commuting patterns and this could result in a different spatial distribution of housing, and a differing policy total removing any double counting of people. That is compared to the raw OAN alone.

Relationship to an updated assessment of affordable need

7.26 The household projections, corrected for market signals, and if met in full, provide for the full market demand for all housing regardless of tenure. In the PPG this is sometimes referred to as the 'overall housing need figure' and is reached by paragraph 20 of the PPG method, assuming the PPG method of assessing housing need is followed sequentially.

7.27 But the PPG also requires a separate 'policy on' calculation of the housing needs for certain groups of people starting in paragraph 21. This flows from paragraph 20 and provides a 'breakdown' of the overall housing needs figure.

7.28 Because this is very different type of assessment, not looking at the demand for housing but instead what people ought to be provided; affordable housing need is not a direct component of the demographic part of the OAN assessment.

7.29 We do not show this updated calculation in this report. Instead experts in affordable housing (HDH Planning and Development) have provided this in a separate and self-contained report. It is for the client authorities to consider whether more new homes, over and above the OAN identified above, should be provided in the plan to address more affordable housing need through policy adjustments.

Unmet cross-boundary need

7.30 The OAN above does not consider any additional homes the client authorities might provide to address unmet need from elsewhere in the HMA.

7.31 However, in setting the housing target, as set out in Section 4, there is scope for South Staffordshire to offset some of this unmet cross-boundary need against their recommended market signals adjustment. This is because the rationale for this uplift is that demand for new homes in this area is higher than other parts of the HMA. Migration flows may be stronger into the district than assumed in the base projections. But this migration is most likely to come from other parts of the HMA. The uplift is evidenced by reference to the CA OE model which shows much weaker demand for homes in the core of the HMA compared to the CLG projections. So additional homes provided here may contribute, or offset, missing supply elsewhere.

This is a policy-on decision for SSC working with its neighbours and cannot be used to reduce another Councils OAN.

APPENDIX A STAGE 2 HRRS

Stage 2 HRRs use a different set of assumptions to provide an alternative view of how the future population may form into households, albeit those households are constrained to the same total as the Stage 1-generated total. These differences include:

- While the Stage 1 rates use a long-term trend (1971 onwards), the Stage 2 HRRs are based on a very short-term trend (2001 onwards)
- To produce the Stage 2 HRRs, the Stage 1 HRRs are converted to eight household types but with a reduced number of age groups that are mainly 10-year groups rather than five-year bands.

All this means that the two sets of HRRs are not directly compatible; they cannot be merged or directly compared with any degree of accuracy, nor is it appropriate to use a mix of Stage 1 and 2 HRRs. Also because Stage 2 rates are constrained to Stage 1 totals they cannot be used to derive an alternative number of homes.

Stage 2 household projections 2014-39 for the study area

	2014	2039	2014-39	%
One person households: Male	73,691	105,641	31,950	43.4
One person households: Female	77,189	77,667	478	0.6
One family and no others: Couple: No dependent children	123,170	136,114	12,944	10.5
A couple and one or more other adults: No dependent children	46,670	53,371	6,701	14.4
Households with one dependent child	74,752	93,452	18,700	25.0
Households with two dependent children	57,211	57,813	602	1.1
Households with three dependent children	29,402	33,693	4,291	14.6
Other households	34,506	47,602	13,096	38.0
Total	**516,591**	**605,353**	**88,762**	**17.2**

Source: CLG 2014 projection

Overall households are projected to increase by 17.2% but the growth in three groups exceeds this level: males living alone (43.4%); 'other' households (36.0%) and households with one dependent child[19] (25.0%); and, 'other' households are two or more unrelated adults not living as a family.

[19] . Households with one dependent child may be couples or lone parents and may also have other adults, including independent children, living in the household.

APPENDIX B HOMES TO MEET ECONOMIC ASPIRATIONS

Scope

In the main report we have considered the 'policy off' economic potential of the area to grow jobs, demand labour and so generate a need for new homes. This is the analysis which must inform the 'policy off' OAN.

However, the Combined Authority is also promoting a 'policy on' economic strategy as part of their Strategic Economic Plan (SEP) which was published in Summer 2016. The headline objective is to increase the number of jobs in the SEP area from 1.9m in 2015 to 2.5m by 2030.

This objective is relevant to the four Black Country Authorities because they are part of the Combined Authority.

In this section, we look to see whether the delivery of this policy on objective may require more new homes within the Black Country.

The Combined Authority economic model – Jobs

The SEP is evidenced by an economic model based on an Oxford Economics forecast.

The baseline for the model is the same as discussed in the main SHMA. For this area, the four districts, it shows very limited job and population growth. The growth in population is less than shown in the SNPP 2014.

In moving from baseline to policy, the SEP model has assumed, that a package of interventions are successfully implemented by 2030. This includes interventions to increase the demand for jobs but also others to increase the supply of labour.

The labour supply interventions increase economic activity rates and decrease unemployment. So there is not a one to one relationship between the number of jobs in the SEP plan, and a parallel increase in people.

This increase in local labour supply is equally (if not more) important as a product of the SEP as the headline job number.

The table below shows the increase in jobs between 2015 and 2030.

Jobs growth 2015-2030 (thousands) SEP 'Policy on' Scenario

	2015	2030	Change
Dudley	131.64	150.63	19
Sandwell	142.98	165.61	23
Walsall	116.08	134.85	19
Wolverhampton	128.65	147.32	19
All	**519.35**	**598.41**	**80**

Source: OE Combined Authority model (D2)

The Combined Authority economic model – People

Here we look to see whether meeting the SEP economic objectives may require more people than the official population projections suggest. If more people are needed, then more new homes may also be needed.

We do this by looking at the population growth shown in the SEP model and comparing it to that assumed in the SNPP 2014 at 2030. Any 'gap' shows the number of new people the Combined Authority model has assumed are needed to deliver the SEP.

The table below compares the total population in the SNPP 2014 with that shown in the SEP economic model at 2030[20]:

Population at 2030 SNPP 2014 vs SEP Scenario

	SEP 2030	SNPP 2030	Difference	Difference %
Dudley	336,709	330,100	6,609	2%
Sandwell	346,330	357,600	-11,270	-3%
Walsall	293,626	299,300	-5,674	-2%
Wolverhampton	271,491	275,900	-4,409	-2%
All	**1,248,156**	**1,262,900**	**-14,744**	**-1**

Source: OE Combined Authority model, ONS. Totals may be influenced by rounding.

The economic model does not provide a detailed age/sex breakdown of the population. But we can compare the size of the 16-64 population. This is shown below:

[20] This is called scenario D2 of the CA modelling work.

16-64 Population at 2030 SNPP 2014 vs SEP Scenario

	SEP 2030	SNPP 2030	Difference	Difference %
Dudley	197,412	189,265	8,147	4%
Sandwell	215,398	218,857	-3,459	-2%
Walsall	176,036	175,679	357	0%
Wolverhampton	165,000	165,678	- 678	0%
All	**753,846**	**749,479**	**4,367**	**1%**

Source: OE Combined Authority model, ONS

The data shows that to deliver the SEP requires a very similar population size and age structure as already shown in the SNPP 2014.

Households

Above we have shown that size and age structure of the population almost identical between the SNPP and SEP model at 2030. Therefore, it follows, that the number of new homes needed will be nearly identical to that shown in the 2014 CLG household projections.

To estimate the scale of any difference we have applied the average household size[21] to the difference in population between the SNPP 2014 and the SEP model at 2030.

Difference in Households between CLG 2014 and Policy On Scenario

	AHH 2029	Difference in Population at 2030	Difference in Households at 2030
Dudley	2.36	6,609	2,800
Sandwell	2.44	-11,270	-4,619
Walsall	2.43	-5,674	-2,339
Wolverhampton	2.37	-4,409	-1,860
All	**N/A**	**-14,744**	**-6,018**

Source: OE Combined Authority model, ONS. CLG. Totals may be influenced by rounding.

The analysis shows that around 6,000 fewer households are needed to meet the SEP scenario. Given the size of the population, and the recommended OAN this difference is not significant.

By district Dudley require more new homes and Wolverhampton, Walsall and Sandwell slightly fewer. But again the differences are not significant given the size of the populations.

Conclusions

The SEP economic model shows how many new jobs may be needed in this area to meet their economic aspirations. The model does not show how many new homes may be

[21] From CLG live table 427. We use 2029 because data for 2030 is not published in this table. We use average household size because the model does not provide a detailed age & sex structure to allow us to apply Headship Rates.

needed. But in this area the required population, and age structure, is very similar to that in the ONS 2014 population projections. So the data suggests that no economic uplift would be needed.

This conclusion may appear counter-intuitive because a ‘policy on’ target would normally be higher than a ‘policy off’ OAN.

But here, the SEP starting baseline population is lower than the official trend based population projections. The SEP model does not start, as planning is required to start, from the official projections. In their model interventions are required to provide the economic demand and houses to support the scale of housing needed in the OAN. It is also the case that many of the new jobs are filled by local workers brought into the labour market through labour supply interventions.