

For Information

Agenda Item 4f

WEST MIDLANDS REGIONAL ASSEMBLY

**Regional Planning and Environment Executive
22 September 2009**

The update to NHPAU advice to Ministers on housing levels to be considered in regional plans, July 2009.

1. Introduction

1.1 The National Housing and Planning Advice Unit (NHPAU) has published new advice to Ministers on housing levels to be considered in regional plans.¹ This advice is broadly based on the ONS 2006-based household projections, which were published in March 2009; and on amended assumptions used in the affordability model to reflect the implications of the recession. The letter from the chairman of the NHPAU to the Minister for Housing, John Healey, containing their advice is copied at Appendix 1. The actual advice document is fairly short but the NHPAU will publish two background reports on their methodologies in September. In addition to the main advice document, the NHPAU also published two related reports, including one on the impact of recent economic and demographic change².

2. The NHPAU advice

2.1 A summary of the NHPAU advice for the period 2008 – 2031 is set out in Table 1 in Appendix 2. This advice is in the form of a range, but now with the lower end, described as a 'minima' and the upper end, described as a 'maxima'. For England the range is 237,800 dwellings per annum (minima) to 290,500 dwellings per annum (maxima). This is an increase of 3% and 5% respectively over the advice published by the NHPAU in June 2008. For the West Midlands, the range is 19,600 dwellings p.a. (minima) to 23,200 dwellings p.a. (maxima) – a 3% increase at both ends of the range (i.e. up from 19,000 and 22,600 per annum respectively).

¹ More homes for more people: advice to Ministers on housing levels to be considered in regional plans. NHPAU. 30th July, 2009

² '[Housing requirements and the impact of recent economic and demographic change](#)' and '[More homes for more people: building the right homes in the right places](#)'; all available at: <http://www.communities.gov.uk/nhpau/keypublications/reports/>

- 2.2 For the West Midlands, the lower end of the range is set by a demographic projection, without any allowance for a backlog of unmet need, while the upper end of the range is set by a demographic projection, with an allowance for backlog of unmet need. Output from the affordability model has not been used to set the advice range within the West Midlands.
- 2.3 The new advice range does not directly represent output from the mathematical models employed by NHPAU. Output has been 'dampened' to avoid potentially large fluctuations for individual regions over a short period of time. Compared with the previous advice, the ends of the ranges in the new advice have only been moved by half the amount indicated by the latest evidence propounded by the NHPAU. NHPAU propose to adopt the same approach in subsequent updates so that maxima and minima figures become 'moving averages'.
- 3. Comment**
- 3.1 In the past year, NHPAU has come under increasing pressure to provide evidence that the assumptions underpinning their affordability model are still valid in the light of the recession; that their models generally reflect reality; and that their advice is relevant and appropriate.
- 3.2 Despite evidence to the contrary, the NHPAU remain 'bullish'. Their central message as set out in the report and accompanying letter is that the "recession will have little impact on the number of homes that we need to build over the next 20 years"; and that "homes 'lost' in that dip will need to be made good later in the period". This latest work of the NHPAU seems to be based even more strongly on demographic modelling with little or no consideration given to issues around deliverability of or effective demand for the additional houses.
- 3.3 While the NHPAU has now made more conservative assumptions on earnings growth, mortgage lending and interest rates within the affordability model, this has not been used within the West Midlands to generate the advice range. Within the demographic model, NHPAU have included revised net migration assumptions assuming a lower level of net migration than in the ONS 2006 based household projections up to 2014, before returning to the long-run trend over the following five years. The 'dampening' process, mentioned in para. 2.3 also limits the scale of potential change over time. No amendments have been made to assumptions on calculated 'backlog' of need, which create a large potential requirement, even at the baseline.
- 3.4 NHPAU still provides 'blackbox' mathematical calculations, which the Government then attempts to turn into policy with little consideration as to their appropriateness, the implications for a particular region, or whether such advice on new housebuilding is capable of being delivered. All the comments which have been made by the West Midlands Regional

Assembly to the NHPAU as work on their models and advice to ministers have been progressed, (and which have been totally ignored) remain valid.

- 3.5 NHPAU has not included any advice on the potential split between market and affordable housing. Work undertaken by the Cambridge Centre for Housing and Planning Research for the Regional Assembly, estimated from assessments based on the ONS 2006-based household projections, that 43% of newly arising need would be for affordable housing. This is a key issue in relation to deliverability and demand for dwellings.
- 3.6 Table 2 in Appendix 2 sets out a comparison of NHPAU's old and new advice, amended to match the RSS phase 2 time period. The methodology for matching time scales is taken from the panel briefing note prepared by the NHPAU ³. For the West Midlands Region, the new NHPAU advice ranges from 385,800 dwellings to 451,550 dwellings (19,300 – 22,600 p.a.), 2006 – 2026. The difference from the RSS Preferred Option of 365,600 dwellings for the same period, equates to between 20,250 and 85,950 additional dwellings. NHPAU also advise that a further 98,000 – 116,000 dwellings is required within the West Midlands, 2026 – 2031.
- 3.7 As this advice has only just emerged (i.e. after the close of the Examination in Public), it is unlikely that the panel considering RSS Phase 2 will take it into account. However, when the Government prepares the Proposed Changes to the Phase 2 following the panel report, they are likely to consider the implications of this more recent NHPAU advice, at least to the extent that they give greater weight to a level of housing development significantly in excess of the RSS Preferred Option.
- 3.8 It remains to be seen how the Government will respond to the latest NHPAU advice; whether there will be any consideration/testing at national level; or whether the Government will write to the regions, asking them to further test the latest figures through the Single Regional Strategy process.
- 3.9 Given that there is likely to be a strong consensus that the new single Regional Strategy should have an 'end date' of 2031, this latest NHPAU advice to 2031 requires close and continuing scrutiny.

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³ Source: Panel Briefing Note No. 3 Reconciliation of NHPAU Housing Supply Range Advice to the WMRSS time period. NHPAU March 2009

Appendix 2

Table 1 National Housing and Planning Advice Unit advice to Ministers on housing levels to be considered in regional plans

| | June 08 minima- average 2008 - 26 | New minima- average 2008 – 31 | % change | June 08 maxima- average 2008 – 26 | New maxima- average 2008 - 31 | % change |
|-----------------------|--|--|---------------------|--|--|---------------------|
| North East | 6,700 | 7,200 | 7% | 7,500 | 8,200 | 9% |
| North West | 26,600 | 26,400 | -1% | 29,500 | 29,900 | 1% |
| Yorkshire & Humber | 23,800 | 26,400 | 11% | 26,400 | 29,400 | 11% |
| East Midlands | 23,400 | 25,100 | 7% | 24,600 | 26,800 | 9% |
| West Midlands | 19,000 | 19,600 | 3% | 22,600 | 23,200 | 3% |
| East of England | 30,600 | 31,600 | 3% | 39,200 | 40,000 | 2% |
| London | 33,800 | 33,100 | -2% | 42,600 | 44,700 | 5% |
| South East | 37,800 | 38,000 | 1% | 49,700 | 53,800 | 8% |
| South West | 29,800 | 30,400 | 2% | 34,800 | 34,500 | -1% |
| England | 231,500 | 237,800 | 3% | 276,900 | 290,500 | 5% |

Source: More homes for more people: advice to Ministers on housing levels to be considered in regional plans NHPAU. July 2009.

Table 2 Comparison of NHPAU old and new housing supply range advice amended to March RSS time period

| | Lower end (minimal) | | Upper end (maxima) | |
|--|---------------------|----------|--------------------|----------|
| | Old ¹ | New | Old ¹ | New |
| 1. Addition of April 2006 – Dec 2007 | 28,150 | 28,150 | 28,150 | 28,150 |
| 2. Housing supply advice range Jan 2008 – Dec 2026 | 361,000 | 372,400 | 429,400 | 440,800 |
| 3. Subtraction of April 2026 – Dec 2026 | -14,850 | -14,700 | -16,950 | -17,400 |
| 4. Implied advice for the period April 2006 – March 2026 (per annum) | 374,300 | 385,850 | 440,600 | 451,550 |
| (per annum) | (18,700) | (19,300) | (22,000) | (22,600) |
| 5. Advice for the period 2021 – 2026 | - | 98,000 | - | 116,000 |

¹ Source: Panel Briefing Note No.3 Reconciliation of NHPAU Housing Supply Range Advice to the WMRSS time period. Prepared by NHPAU. March 2009