

**West Midlands Regional Spatial Strategy
Phase Two Revision - Examination in Public**

Panel Briefing Note No. 3

**Reconciliation of NHPAU Housing Supply Range
Advice to the WMRSS time period**

**Prepared by the National Housing and Planning Advice Unit
and the West Midlands Regional Assembly**

March 2009

1) Introduction

The Panel requested an 'agreed reconciliation' of the timescales of the RSS Phase Two Revision Draft and the NHPAU Housing Supply Range Advice at the Technical Seminar Session held on 28 January. NHPAU and WMRA officers met on 6th March 2009 and agreed the best way forward to help the Panel. The two parties have different views on the approaches and data inputs used to derive housing numbers but have agreed on the basis for a reconciliation paper on the time periods.

2) Context

The Panel request was clarified in correspondence as '... one set of figures which both sides (NHPAU and WMRA) agree shows the implications of the NHPAU low and high range figures when translated into the time period of the Phase 2 revision.' This note explains how the NHPAU have recalculated the high and low figures so that they can be compared directly with the RSS Phase Two Revision Draft. The WMRA and the NHPAU agree that the recalculated figures provide a fair basis on which to make this comparison.

The need for a reconciliation of the two sets of figures arises as the housing figures in the RSS Phase Two Revision Draft¹ and in the NHPAU Housing Supply Range advice² refer to different time periods.

- RSS Phase Two Revision Draft: **1st April 2006 to 31st March 2026**
- NHPAU Housing Supply Range: **1st January 2008 to 31st December 2026**

The Panel will be aware of different approaches used by Prof. Alan Wenban-Smith and Nathaniel Lichfield and Partners to reconcile the NHPAU Housing Supply Range Advice to the RSS time period. For information, see Appendix 3 for an overview of these methods. This note does not seek to evaluate or comment upon these methods.

3) Approach to reconcile the NHPAU Housing Supply Range Advice to the RSS time period

The NHPAU Housing Supply Range Advice covers the period 2008 to 2026. In the West Midlands the low end of the range is the number of net additions to the housing stock needed over this period to meet government targets and the upper end of the range is the number of net additions needed to address housing need as estimated using the NHPAU's demographic method.

To re-express the Supply Range Advice so that it relates directly to the West Midlands plan period the NHPAU have calculated the number of net additions to the stock needed to take the stock as it was at 1 April 2006 to the figures implied in the Supply Range Advice for 31 March 2026 – which are of course different for the lower and upper ends of the range. To do this it is necessary to add in an allowance for the period 1 April 2006 to 31 December 2007 and deduct figures for the period from 1 April 2026 to 31 December 2026.

¹ West Midlands Regional Assembly (2007) *West Midlands Regional Spatial Strategy Phase Two Revision Draft*. December 2007.

² National Housing and Planning Advice Unit (2008) *Meeting the housing requirements of an aspiring and growing nation: taking the medium and long-term view - Advice to the Minister about the housing supply range to be tested by Regional Planning Authorities*. June 2008.

Addition of 1 April 2006 to 31 December 2007

The approach used is the same for both the lower and upper ends of the NHPAU Housing Supply Range Advice.

The NHPAU Housing Supply Range Advice starts from the housing stock as it was on 1 January 2008. To move the start point back to 1 April 2006 - i.e. to the stock as it was on that date - all that needs to be done is to add in the net additions to the stock made in period 1 April 2006 to 31 December 2007.

The NHPAU Housing Supply Range Advice relates to the overall housing stock, i.e. advises on the net additions required. The official CLG figures for net additional dwellings to the stock (i.e. CLG live table 118) are used to calculate the net additions during the 21 month period 1 April 2006 to 31 December 2007. These figures are reported for financial years. The required adjustment for the 21 month period is therefore the 2006/07 total plus three quarters of the 2007/08 figure, i.e. $16,300 + 15,790 \times 0.75 = 28,143$.

Subtraction of 1 April 2026 to 31 December 2026

The approach used for the adjustment at the end of the period differs between the lower and upper ends of the NHPAU Housing Supply Range Advice because different assumptions have been made in deriving the Advice about how the stock will grow in the period in question.

The **lower end of the range** has been derived by assuming net additions to the stock grow to 240,000 homes per year by 2016 – in line with government targets (NHPAU, 2008², page 24 para 105). It is then assumed that this level of growth will continue through to 2026. The average annual number of net additions for the West Midlands from 2016 to 2026 is 19,800 (NHPAU, 2008², page 26, table 12 column 3). The deduction required for the period 1 April 2026 to 31 December 2026 is three quarters of this i.e. $19,800 \times 0.75 = 14,850$.

The **upper end of the range** relates to average annual net additions over the whole Advice period to meet housing need as calculated using the demographic method – no enforced peak delivery point is assumed. The average annual change is 22,600 (NHPAU, 2008², page 26, table 12 column 5). The deduction required for the period 1 April 2026 to 31 December 2026 is three quarters of this i.e. $22,600 \times 0.75 = 16,950$.

4) Results

NHPAU Housing Supply Range Advice - RSS time period (April 2006 – March 2026)

	NHPAU Lower	NHPAU Upper
Addition of April 2006-Dec 2007	+28,150	+28,150
Existing NHPAU housing Supply Range Advice Jan 2008-Dec 2026	361,000	429,400
Subtraction of April 2026-Dec 2026	-14,850	-16,950
NHPAU Housing Supply Range Advice – RSS time period (April 2006 – Mar 2026)		
Average annual requirement	18,715	22,030
Total net additions over period	374,300	440,600
RSS Preferred Option ¹	365,600	365,600
Difference NHPAU-RSS	+8,700	+75,000
Sources: NHPAU Housing Supply Range Advice. <i>Meeting the housing requirements of an aspiring and growing nation</i> Page 26, Table 12; and, analysis described in Section 3 (rounded to nearest 50) Note 1: This is a minimum figure, see RSS Phase Two Revision Draft Policy CF3.		

Against this background, Appendix 1 provides a more detailed breakdown of the NHPAU Housing Supply Range (reconciled to the RSS time period) by components. Appendix 2 provides an overview of the estimates of housing demand used by the West Midlands Regional Assembly as a context for considering the RSS Phase Two Preferred Option. For information, Appendix 3 provides an overview of the alternative approaches used by Prof. Alan Wenban-Smith and Nathaniel Lichfield and Partners to reconcile the NHPAU Housing Supply Range Advice to the RSS time period.

Appendix 1: NHPAU Housing Supply Range reconciled to RSS time period by components

Totals may not add up due to rounding

NHPAU Housing Supply Range Advice			
Lower end of range		Upper end of range	
April 2006 – Dec. 2007	+28,150	April 2006 – Dec. 2007	+28,150
<u>Jan 2008-Dec.2026:</u>	361,000	<u>Jan 2008-Dec.2026:</u>	+429,400
Meeting HMG green paper targets (240,000 dwellings p.a. across England by 2016, 3 million by 2020, distributed regionally by revised 2004-based household projections)		Demographic Method:	
		Household projections (Revised 2004-based)	349,600
		Allowance for vacancies in new stock	12,880
		Allowance for homeless (i.e. those in temporary accommodation)	420
		Backlog of need – traditional constrained demand (concealed households, sharing, overcrowding):	44,200
		Backlog of need – other constrained demand (from one-person concealed households)	18,600
		Allowance for second homes in new stock	3,600
MINUS Apr-Dec2026	-14,850	MINUS Apr-Dec2026	-16,950
Total April 2006-March 2026	374,300	Total April 2006-March 2026	440,600
Average annual reqt. April 2006- March 2026	18,715		22,030

Appendix 2: WMRA estimates of housing demand used as context for considering the RSS Phase Two Revision Preferred Option

WMRA estimates of housing demand used as context for considering the Preferred Option	
<u>April 2006 – March 2026</u>	
Household Change (2004-based projections)	371,000
Allowance for vacancies in new stock	11,130
Allowance for vacancies in existing stock	No change (cf. Housing Background Paper)
Concealed households	-
Second homes	-
Total April 2006-March 2026	382,130³

Source: West Midlands Regional Spatial Strategy Phase Two Revision Preferred Option – Housing Background Paper, January 2008.

Available at:

<http://www.wmra.gov.uk/documents/RSS%20Phase%20%20Preferred%20Option%20%20Housing%20Background%20Paper%20-Final%20-%20%20Amended%20version%20Jan%202007.pdf>

³ Please note: This figure is the estimate of housing demand, based on the 2004-based household projections, used by WMRA as a context for considering the RSS Phase Two Preferred Option, as explained in detail in the Housing Background Paper that was published alongside the RSS Phase Two Draft Revision. The level of new housing development proposed in the Draft Revision is 365,600 dwellings (net), 2006-2026. This is a minimum figure as the proposals for the Metropolitan Major Urban Area (MUA) – i.e. Birmingham, the Black Country and the MUA part of Solihull – are minima figures (cf. Policy CF3 and Table 1, EiP Core Document CD1).

Appendix 3: Brief overview of alternative methods

As the Panel and other participants will be aware of two other rebasing methods, this Appendix provides a factual description of these approaches. These have been summarised by the Assembly for completeness below. However, WMRA and NHPAU agree that the recalculation of the NHPAU Housing Supply Range prepared by the NHPAU set out above should be used for the purposes of the EiP process.

Approach A – Prof. Alan Wenban-Smith⁴

In converting the NHPAU figures into RSS terms (i.e. expressed for the time period 1st April 2006 to 31st March 2026), the following assumptions and calculations were made. (This is summarised in Table 1 below):

- i. For the period 1st April 2006 to 31st December 2007 (i.e. the period between RSS and NHPAU start dates), the actual number of completions during this period was added to the NHPAU figures. For this purpose, the official figures based on the Department for Communities and Local Government’s (CLG) Live Table 217 were used.
- ii. For the period 1st April 2026 to 31st December 2026 (i.e. the period between RSS and NHPAU end dates), the number of completions needs to be subtracted from the NHPAU figures. For this purpose, the last 9 months of 2026 have been adjusted based on the NHPAU 2016 delivery point figure.

The results of the conversion are summarised in Table 1 below.

Table 1: NHPAU guidelines expressed in RSS terms (Alan Wenban-Smith approach)

	NHPAU Low	NHPAU High
Net provision 2008-2026	361,000	429,400
Adjustment for 2006-7¹	+25,790	+25,790
Adjustment for 2026²	-14,850	-18,225
Net provision (RSS terms)³	371,940	436,965
RSS Provision	365,600	365,600
Difference NHPAU-RSS	+6,340	+71,365
Note 1: provision made in the period between RSS and NHPAU start dates is added (CLG live Table 217)		
Note 2: Provision for last 9 months of 2026 (not in RSS period) is subtracted (0.75 x NHPAU 2016 delivery point)		
Note 3: The overall effect of applying NHPAU Guidelines to the RSS period		

Approach B – Nathaniel Lichfield and Partners⁵

Nathaniel Lichfield and Partners (NLP) have also aimed to convert the NHPAU figures in RSS terms. This is summarised in Table 2. In summary, NLP’s calculation consisted of the following steps:

- i. The NHPAU annual rate were multiplied by 19 years (since the NHPAU period covers the 19 years in the time period 2008-2026).

⁴ Cf. Prof. Alan Wenban-Smith/Urban & Regional Policy (2008) *Risk assessment of draft Phase 2 RSS Revision – additional work*. Final Report to West Midlands Regional Assembly. 5 December 2008, especially Chapter 4.

⁵ Nathaniel Lichfield and Partners (2008) *Development of Options for the West Midlands RSS in Response to the NHPAU Report*. October 2008, Volume 1, especially Chapter 6.

- ii. An extra year was added to achieve the 20 year period. NLP used two different figures (the RSS Preferred Option annual target and a completions figure) to derive at a figure for this additional year and a total for the 20 year period.
- iii. The Preferred Option total figure was then subtracted from both of these calculated figures and the average of this was then taken as the interpretation of the NHPAU Housing Supply Range (so-called 'Figure Adopted for Purpose of Shaping Options')

Table 2 NHPAU guidelines expressed in RSS terms (NLP approach)

	BOTTOM OF THE PROPOSED HOUSING SUPPLY RANGE	UPPER END OF THE PROPOSED HOUSING SUPPLY RANGE
<i>Region</i>	<i>Average annual net additions to 2026</i>	<i>Average annual net additions to 2026</i>
West Midlands	19,000	22,600
RSS Preferred Option (Overall Rate 2006-2026)	18,280	18,280
Completions 2007 (NHPAU)	16,300	16,300
Completions 2007 (WMRA)	16,108	16,108
Total (High - based on NHPAU plus RSS Phase 2 Rate)	379,280	447,680
Total (Low - based on WMRA estimate of Completions)	377,108	445,508
Total RSS	365,600	365,600
Potential Range of 'gap' depending on assumptions for 2007 (completions or RSS)	13,680 11,508	82,080 79,908
Figure Adopted for Purpose of Shaping Options	12,300	80,700