
BIRMINGHAM HOUSING AND EMPLOYMENT ISSUES AND OPTIONS REPORT 2022

For West Midlands CPRE

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1. Introduction

I was asked by West Midlands CPRE (WM CPRE) to review the evidence underpinning housing and employment need and supply in Birmingham, to inform their response to the consultation questions set out in the Issue and Options for the Birmingham Plan.

To do this I have considered the updated Housing and Economic Development Needs Assessment (April 2022 HEDNA) as well as the Strategic Housing Land Availability Assessment (October 2022 SHELAA)

I previously advised WM CPRE on the 2014 Housing Proposals in the current plan and provided updated advice in June 2021 based on the then updated SHLAA.

I expressed particular concern in my update about the continued reliance on the outdated 2014 Office for National Statistics Household Projections (2014ONS) to reach the Standard Methodology (SM) housing requirement, and that this problem was further exacerbated by the arbitrary 35% addition to housing need set by the Government on the largest 20 urban areas simply to meet its target of theoretically building 300,000 homes a year.

I was also critical of the supply side calculations and, most particularly, the failure to update windfall assumptions, (which we criticised during the previous plan process) and which has proved to have been drastically under-estimated as a source of supply in the intervening years.

This report updates that evidence, as well as reviewing the Employment land figures. It identifies key issues for consideration in responding to the current Issues and Options consultation for a new Birmingham Plan.

2. Housing

2.1 Need

Standard Methodology

The current SM calculation of housing in Birmingham is 7,136 dwellings per annum (dpa). The results of the calculation are set out below, as well as the alternative calculations using the more up to date ONS projections of 2016 and 2018.

Birmingham (Dwellings per Annum)	10 Year Household Average 2022-2032	Affordability Adjustment (based on 2021 figure of 6.49)	Affordability Adjusted Figure	Standard Methodology Result, including 35% uplift
ONS 2014	4,574	712	5,286	7,136
ONS 2016	3,337	519	3,856	5,206
ONS 2018	2,388	372	2,760	3,726

The standard methodology calculation of 6,750 set out in the HEDNA is based on 2021-2031 housing growth and 2021 affordability figures¹. Those previous results are set out below. They show how changes in the affordability calculation skew the SM result, something only accentuated by the 35% uplift which is imposed after the adjustment.

Birmingham (Dwellings per Annum)	10 Year Household Average 2021-2031	Affordability Adjustment (based on 2020 figure of 5.58)	Affordability Adjusted Figure	Standard Methodology Result, including 35% uplift
ONS 2014	4,550	450	5,000	6,750
ONS 2016	3,304	327	3,631	4,902
ONS 2018	2,350	232	2,582	3,486

This deterioration in affordability may, of course, be temporary, as house prices are related more to interest rates and other fiscal measures than to additional supply. The current rise in bank rate to 3% is already having a dampening effect on house prices and this may mean that affordability rates may dip next year when the next iteration of the plan is considered.

Either way, the affordability adjustment is not a measure of actual additional need.

¹ It should be noted in passing that in my previous calculations for WM CPRE the Birmingham result would have been capped at 4,829 based on raising the current plan figure of 2,555 by 40% to 3,777, then adding 35%. However, that no longer applies as the plan has been adopted for over 5 years.

What is clearly apparent is how much the Standard Methodology increases the housing requirement when compared to the most recent demographic projections of actual need, that is to say by nearly 3 times.

This approach also relies on adopting the 35% additional housing uplift and simply adding it into the mix to create a shortfall. This approach appears contrary to the intention that the uplift should be met within the urban area itself and not exported to surrounding areas as set out in National Planning Policy Guidance (NPPG) on Housing and economic needs assessment which says.

Where should the cities and urban centres uplift be met?

This increase in the number of homes to be delivered in urban areas is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations. In considering how need is met in the first instance, brownfield and other under-utilised urban sites should be prioritised and on these sites, density should be optimised to promote the most efficient use of land. This is to ensure that homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.²

In the case of Bristol, which cannot meet its 35% addition within the urban area, the Council has called on Government to remove the additional requirement, while other cities such as Leicester are seeking to export it to surrounding areas such as Charnwood even though this would appear contrary to the spirit and letter of the Guidance.

This would suggest that at this early stage of the Plan Birmingham should be considering whether it can accommodate the uplift and if not whether it should seek to have it removed because it would undermine the guidance in NPPG.

The HEDNA was also released before the publication of the Interim Census results. These show that the actual number of households in Birmingham in 2021 was substantially below the ONS2014 projections. Indeed, it was below all the ONS projections.

And while more detailed analysis of the CENSUS may, in due course, reveal for some impacts from the COVID impact, the difference in households of 29,646 (7%) is still

² Paragraph: 035 Reference ID: 2a-035-20201216, Revision date: 16 12 2020

highly significant. It is already nearly half the ‘unmet need’ assumed in the current Issues and Options material up to 2041. But that may well increase since one would expect a divergence with the projections to increase over the plan period.

Birmingham	2021 Census Population	Projections for year 2021 in ONS SNPPs and SNHPs	Difference between ONS projections for 2021 and Census 2021	Difference as % of Census
2014ONS	1,144,900	1,165,500	20,600	1.80%
2016ONS	1,144,900	1,172,100	27,200	2.38%
2018ONS	1,144,900	1,157,285	12,385	1.08%
	2021 Census Households			
2014ONS	423,500	453,146	29,646	7.00%
2016ONS	423,500	430,909	7,409	1.75%
2018ONS	423,500	426,334	2,834	0.67%

These differences support the view that Birmingham could adopt a lower figure than the Standard Methodology (based on the 2014ONS figure).

And while the 2018ONS household figures rely on a shorter period of NHS migration data, even using the 2016ONS calculation drastically reduces the housing need.

HEDNA view on Standard Methodology

The HEDNA suggests there is a case for reducing Birmingham’s housing requirement³. It considers firstly population change. It particularly notes that the population change in the last five years measured (2015-2020) (based on the Mid-Year Estimates (MYE)) is lower than the previous years despite a rise in completions. It goes on to suggest that there has been a decline in population growth driven by a reduction in natural change and out migration to other parts of the UK. Most of the rise in population in 2011-2020 has been adults (16-65).

The migration figures also show that it is young adults 15-19 who represent the largest net internal migrant group (from within the UK) into Birmingham and after that age

³ Executive Summary para 1.26 and 6.86-6.87

the balance of migration is out of the city. For international migrants there is a similar distribution but peaking at 20-24.

To what extent these results are skewed by students is not commented on in the HEDNA but it is something CPRE and others have raised concerns about in other major University Cities.

In particular, studies of the population projections for Coventry have shown that NHS Patient Registrations are an unreliable source as students often register with GPs on arrival at its universities, and do not deregister on ending their studies.

The Patient Register figures show a higher population growth, but for the reasons given above this may be skewed by students and it is not something the HEDNA considers should outweigh the MYE.

A further assessment to identify the student element in this migration data should be undertaken before the plan progresses to the next stage.

The HEDNA goes on to compare the population and household projections for ONS2014 and ONS2018. In terms of population, it is concerned that the most recent ONS2018 projections rely on only 2 years of Internal Migration (Para 6.20). This is due to changes in NHS registration and potentially makes them less reliable and more prone to volatility. It is also likely to make them more skewed by recent housing development and may partly explain why the distribution of households in ONS2018 is so different to ONS2016.

The HEDNA prefers the alternative 'variant' ONS2018 projections which adopts 5-year migration trends closer to the ONS2016 approach.

The HEDNA argues that the ONS2016 and ONS2018 projections do not rely on long enough trends and so are too influenced by household suppression in the 2001-2011 period, particularly the recessionary impact of the financial crash. This is particularly seen in the 25-34 age group.

They conclude that the ONS2014 household-size assumptions are more robust and should be applied to the up-to-date projections.

However, the evidence that household suppression is the key factor in household-size reductions is not established.

An alternative interpretation is that the evident changes in household formation rates are structural, relating to changes in the housing market since the 2008 crash and that a return to the previous trajectory of household headship rates is unlikely in the near or medium future. This is supported by the 2021 CENSUS results which accord with that lower projection of households.

The HEDNA's approach is then to set out future projections of household growth from 2020 to 2040 based on the ONS2018 population projections, and then add a 3% vacancy rate.

This leads to annual demographic need figures of between 3,227 and 4,529 dwellings per annum (Para 6.22) in its three scenarios and a range of 3,159-4,642 for a shorter 2020-2031 period. It suggests adopting 4,140 which is the ONS2018 rate with ONS2014 headship rates (Table 6.42).

This results, if the Standard Methodology (SM) is applied, in a requirement for 6,140 dpa, including the 35% uplift. However, as stated above, this assumes headship rates from 2014. Use of the 2018 headship rates would only result in 3,159 dpa.

The HEDNA goes on to consider the relationship to the rest of the surrounding Housing Market Area and, in particular, the impact of the net out-migration seen from Birmingham in the latest years. When they feed this into their modelling the resulting top level of annual housing need is 3,306 (for the years 2020 to 2031).

It caveats this by saying that, while natural growth in other parts of the HMA has decreased, internal migration from Birmingham leads to an upward shift in population to the surrounding areas.

Taking this into account they create their own bespoke housing model (Demographic Assessment Need 2) and conclude that a reasonable need is 4,200 dpa (4,326 with a 3% vacancy rate, (HEDNA Para 6.101)). This is slightly higher than their earlier figure but still leads to an SM figure significantly below the 7,136 projected by the ONS2014 SM, but higher than an up-to-date demographic needs projection drawing on the 2021 CENSUS.

Since the city is currently claiming that it cannot meet its need (see below), lowering the requirement would seem justified, given that any additional housing, which is not justified by genuine need, would lead to housing in other areas of the HMA where the need does not arise.

That out-migration would have consequential impacts on commuting, landscape and social integration if it encourages wealthier residents to leave Birmingham as well as undermining Climate Change goals and potentially requiring Green Belt land to be removed using an 'exceptional circumstances' justification.

More radically if one were to adopt the purely demographic figures the HEDNA assumes, one would need first to account for the current need of 6,566 homes from 2020 to 2022⁴, then add a further 86,820 (4,326 x 20) up to 2042 for the new plan, which would make a total of 93,086. Comparing this to 149,286 in the Issues and

⁴ 3,283 per annum, which seems to be the current plan figure (2,850 dpa) plus about 15%

Options, would, under the current supply analysis, lead to a demographic shortfall of 22,215, as opposed to the Issues and Options figure of 78,415.

The HEDNA then considers affordable housing in some detail and suggests there is a significant affordable housing need, although it does not quantify this (citing the role of viability in delivery.). It does not suggest that the housing requirement needs to be adjusted to meet affordability needs (noting that many who need affordable housing are in a home already so do not actually add to the numbers).

The HEDNA also considers the mix of housing, and particularly stresses two/three-bedroom market housing as well as large affordable houses and some bungalows.

Additionally, there is a need to provide houses for older people which will allow them to downsize if they wish to, as well as some care home provision.

Lastly, they consider the link to economic growth. Using their Demographic need Model 2 would increase the economically active population (EAP) by 72,700 up to 2040 (as opposed to 138,500 using the SM (Para 13.22)). Assuming a drop in unemployment of 5.8%, the EAP increases to 109,416 (DM2) and 175,203 (SM). Allowing for some double-jobbing raises the EAP to 112,880 and 180,600.

The HEDNA compares these with both baseline and growth projections for employment from the Cambridge Analytics work (see below). These support an employment need of between 43,700 and 82,200 jobs. This leads in all scenarios to an excess of labour, which would even allow some out-commuting to areas such as Solihull, including additional jobs at UKCentral. This surplus suggests there is no need to increase housing need to meet economic needs.

2.2 Supply

Strategic Housing and Employment Land Availability Assessment

The Strategic Housing and Economic Land Assessment (SHELAA) was published by Birmingham Council (October 2022) with the Issues and Options consultation plan. It forms the basis for the assumptions about supply in the Plan.

What has not been also undertaken (as far as can be ascertained) is an equivalent to the Chilmark Report on the Black Country⁵ that proactively sought to identify additional sources of brownfield housing supply, and which suggested, in the Black Country case, significantly higher housing levels could be met in town and city centres. This would seem desirable to address the NPPG locational requirement for the 35% additional housing.

⁵ Chilmark Report at <https://blackcountryplan.dudley.gov.uk/t2/p4/t2p4m/>

In particular, changes in retail and leisure are already impacting on land use as more shopping is done on-line, reducing retail floorspace needs, and this is likely to continue.

The pandemic has also increased working from home, with office downsizing being reported in cities, sometimes up to 30% reductions in new office floorspace requirements. This change will have knock on impacts on other town centre uses and, while the extent of this is unclear, it would suggest that there will be additional future brownfield housing space from this trend in working practices.

The SHELAA identifies three sources of supply:

1. completions from 2020-2022 (6,624),
2. identified capacity (52,572) and
3. windfalls (11,675)

This gives a total of 70,871 homes.

However, since that calculation includes existing plan figures it is unclear why it does not also allow for the over-delivery of housing in the Plan up to 2020 which, according to the 2019-2020 Annual Monitoring Report (Para 5.171), amounts to an additional 2,894 dwellings.

That would give a total of 73,765 homes.

The SHELAA then considers specific elements of housing supply. In this report three key elements are identified for further analysis: Density, Lapse Rates and, most significantly, Windfalls. It is acknowledged that there may be other elements of the supply calculation which should be addressed.

Housing Density

A background paper on housing density was published with the housing evidence (October 2022). It shows that higher densities have been achieved in both city centres (400 net dwellings per hectare (dph) rather than 100 dph) and areas close to Public Transport (70dph as opposed to 50 dph) than the existing plan target.

These are summarised at para 4.21 in Chapter 4 (Housing) of the Issues and Options Consultation Paper. The SHELAA says it adopts these higher figures when assessing sites without planning permission or not allocated. This is welcome, although it is unclear whether some landowners on some allocated sites could review their density if it was requested.

There may, then, be some additional gains from improving density ratios, subject to strong design caveats.

Lapse Rates

The SHELAA then assumes a lapse rate of 12% but admits the actual level of unimplemented planning permissions from 2011-2018 averaged 10.6% and in 2018 was only 3.5%.

It is also noticeable that if one excludes 2011-2012 where the lapse rate was particularly high (presumably as a result of the recession) that the average drops to 8.2%.

It is also, of course, true that an expired permission does not automatically mean housing will not be built on that site. A new permission may be sought and granted later in the plan period.

The SHELAA states that lapse rates may be revised based on new evidence, but the evidence from most of the last 10 years indicates that a lapse rate of 12% is excessive. 8.2% would be a suitable lapse rate on the evidence presented.

Windfalls

Lastly, the SHELAA includes a windfall allowance.

For small windfalls (less than 0.06 hectares) it is 50 dpa (years 2-6), 75 dpa (years 6-10) and 100 dpa (years 11-19).

For larger windfalls it is 400 dpa (years 2-6), 500 dpa (years 6-10) and 600 dpa (years 11-19).

This gives an overall total for the Plan Period of 11,675 or 584 dpa, similar to the 600 dpa assumed in the existing plan.

However, the windfalls calculation was the area of the Birmingham Plan of which WM CPRE was most critical at the 2014 Public Examination. In that Plan, 600 dpa were assumed as the annual windfall level. CPRE argued that 1,000 dpa would be an appropriate (even conservative) assumption based on the historic evidence on windfall.

That critique of the now-adopted Plan was proved correct. Permissions granted for windfalls have exceeded 2,000, and windfall completions have exceeded 1,500, in every year since 2017.

The tables provided on windfalls in the SHELAA show average windfalls of 1,636 (permissions) and 1,562 (completions) since 2001 (SHELAA Table A5.1/5.2). However, this is heavily discounted by the recessionary years between 2008 and 2016 when windfalls were particularly low.

In the most recent five years to 2021, the supply of windfalls has been 12,520 permissions (2,504 dpa) and 9,610 completions (1,922 dpa). That this includes the period of the COVID pandemic.

The majority of these windfalls are apartments (one reason for the downturn during the recession) but, noticeably, the number developed in the city centre is similar to outside the city centre.

The SHELAA concludes in Para 7.1 that:

'Given the historic rates of windfall sites delivered in the city over the past 20 years these assumptions are considered to be a conservative estimate to avoid over-estimating supply from this source. It is clear that Birmingham has consistently delivered windfall sites and that such sites have become available every year.'

The recorded level of windfall permissions and completions in Birmingham is simply much higher than the allowance for windfalls in the Plan Period made in the SHELAA, which is only 584 dpa. That figure appears, therefore, to be a serious underestimate.

This is perhaps one reason why the 2020 Joint Housing Statement of the Greater Birmingham Housing Market Area (GBHMA) identifies the supply in Birmingham as increasing from 51,458 to 65,400, (by 13,942, or 27%) from 2017 (when the current Plan was adopted) up to 2020.

Given that the evidence presented in the SHELAA and the Joint Housing Statement would support a level of windfalls at least based on the 20-year average of 1,500 dpa (which takes account of a significant recession) a windfall total of 28,500 over the plan period (still excluding year one) would still seem conservative.

2.3 Conclusions on Housing Need and Supply

In terms of need the HEDNA figure of 4,326 dpa, including a 3% vacancy rate, presents an optimistic assumption of demographic housing need. It would result in a total need of 93,086, including the two years from 2020.

If the SM calculation was applied that would rise to 6,550 (including the 35% uplift) and the total need would be 137,556.

On the supply side the current figures appear to be significantly under-estimated.

That is because:

1. account needs to be taken of the 2,894 over-supply in the existing plan up to 2020 as well as the 6,624 completions since 1 April 2020.

2. the lapse rate of 12% should be reduced to 8.2%, which adds 633 to the 52,572 figure for identified capacity and
3. most significantly, the windfall supply should be based on at least the 20-year average of 1,500 dpa, which would increase the windfall allowance to 28,500.

The supply would then be: $2,894 + 6,624 + 53,205 + 28,500 = 91,223$.

This would give a shortfall of 1,862 homes based on the demographic need, or 46,333 based on the SM figure with the 35% uplift.

If, however, one adopts the more up-to-date ONS projections the SM calculation for the ONS2018 figures is 76,286 (with the 6,566 for 20-22) or for the ONS 2016, 110,686 giving a shortfall of 19,463 (ONS 2016) or an excess of 14,937 (ONS2018).

Moreover, this calculation has to be seen in light of other evidence. All these need figures would exceed both the baseline and growth-based jobs requirements (apart from the ONS 2018 figure). The 2021 CENSUS data has also supported the contention that the ONS2014 projections are excessive.

The NPPG says of plan making:

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.⁶

That requirement appears to be met, as the HEDNA itself accepts.

Moreover, as this is the initial stage of the preparation of the Plan, (Issues and Options), the City Council could and should have presented a range of alternative housing numbers with explanations to enable consultees to respond on which sets of figures they considered should be applied in calculating the housing requirement for the Plan Period. It could do this shortly as a supplementary consultation within the Issues and Options envelope.

⁶ Paragraph: 015 Reference ID: 2a-015-20190220, Revision date: 20 02 2019

2.4 Housing in the Issues and Options Consultation Paper

The Issues and Options Consultation Paper sets out the level of housing need in Paras 4.7-4.9. It acknowledges that the figure of 7,136 homes may go down, but does not point out that this is a likely scenario, given the current anticipation that the housing market will slow, reducing the affordability gap.

The Issues and Options Paper does not consider whether the 35% uplift should be accepted given the restraints on supply, or whether it should be separately addressed. The evidence in the HEDNA analysed above would indicate that there is no justification for applying the 35% uplift to Birmingham's housing need.

The Issues and Options Paper also refers to the alternative HEDNA figures (6,566 dpa) but implies adopting those alternative figures would lead to higher levels of housing need elsewhere in the HMA.

However, it appears doubtful that this would in practice be the result if alternative lower housing numbers formed the basis of the Plan's housing strategy.

Other planning authorities in the Housing Market Area could only be asked to increase their housing numbers if Birmingham declared an 'unmet need', yet the City Council would not need to declare an unmet need if it adopts a more realistic and lower housing target.

In terms of supply, as with the SHELAA, the Issues and Options Paper does not allow for previous over-supply in the current plan. More significantly it assumes a level of windfalls which is not consistent with either past completions or permissions. As shown above, there is significantly greater realistic supply than is allowed for.

The Issues and Options Paper then sets out 6 options for meeting that need. The first five are all well-based, provided they are suitably caveated to cover sites where special circumstances apply.

The density assessment by the council has demonstrated that, in practice, higher densities are being achieved in centres and on public transport networks. So, any density increase would need to be caveated with design criteria but seems welcome.

The use of some employment land would also be generally welcome where it does not impede delivering sufficient employment land (see below).

Poorly used open space might also be considered for housing although there needs to be strong safeguards to ensure this does not remove land needed for community purposes.

Housing regeneration and public sector releases should also be considered.

The sixth and final option is the release of Green Belt (Paras 4.32-4.35, pages 20-21). Birmingham has limited Green Belt and it is hard to see how 'exceptional circumstances' are met when the evidence in the HEDNA and from the 2021 CENSUS show that the Issues and Options Paper significantly exaggerates the housing need and seriously under-estimates the likely windfall supply in the city.

The Issues and Options paper states that a release of Birmingham's Green Belt land will only happen if there is no offer to meet the need from the Duty to Co-operate with other authorities⁷.

But, in effect any duty to co-operate agreement is also likely to involve Green Belt loss, and even if that is not the case, would encourage increased commuting and so undermine sustainability and climate change goals.

Moreover, surrounding authorities would almost certainly ask Birmingham to consider releasing its own Green Belt before they release theirs.

But since it appears the high bar of 'exceptional circumstances' for removing land from the Green Belt cannot be shown, on the evidence presented in the HEDNA and drawing on the data now available in the 2021 CENSUS, this option should be discarded.

Lastly, since this is an Issues and Options consultation, and given the evidence presented, the City Council should, it seems, have presented and consulted on options for a lower housing requirement and set out potential benefits of that for the New Local Plan.

This would be justified both because the Standard Methodology may be revised to result in lower housing requirement figures and because the evidence available (including the 2021 CENSUS) points to lower housing requirement and a higher level of supply within the urban area.

That was not done but there is now an opportunity for the City Council to test these alternative figures for housing requirement and housing supply and seek public responses on these in a supplementary public consultation within the Issues and Options stage, before the Plan is published as a further Regulation 18 Consultation Draft.

⁷ 'If all alternative options are exhausted (including asking our neighbouring authorities for help) and there is still a shortfall in the number of homes we need to deliver, we will need to undertake a Green Belt review.' (Issues and Options, Para 4.35)

2.5 Sustainability Appraisal (SA)

The Issues and Options Paper reflects the conclusions of the Sustainability Appraisal when considering the six options.

However, this appears to be flawed, and in particular on the subjects of overall housing figures and on the option (Option 6) of releasing land from the Green Belt for housing.

The Sustainability Appraisal (SA) of the Issue and Options (October 2022) acknowledges the potential for negative impacts on transport, air quality and climate change goals from releasing land from the Green Belt for housing development.

It suggests that these might be mitigated either by transport investment or local service provision. However, there are no specific projects so this is largely wishful thinking and would not mitigate the main problem of sprawl and car use.

So, while an understanding of the consequences of development on land currently in the Green Belt is welcome, the SA does not address the formal purposes of Green Belt set out in the NPPF, one of which is to avoid such urban sprawl.

The SA also acknowledges landscape impacts of development in the Green Belt. This is welcome but it is not clear that it has been given sufficient weight.

In terms of the overall housing figures, the SA does not appraise different levels of housing shortfall. Given the status of this consultation (that is to say Issues and Options) this seems to be a serious defect in the SA because, by not doing so, the SA fails to consider all reasonable alternative options.

To address this defect the City Council should now consider updating the SA appraisal, and specifically to addressing both the sectoral or overall impacts on sustainability of adopting lower housing requirements and thus improving the sustainability performance of the Plan.

3. Employment Land

The HEDNA includes a long analysis of the Birmingham Economy and its implications for land use. Not surprisingly the pandemic has increased logistics requirements but has also resulted in changes to office working which have impacted on office requirements. The longer-term impacts of those effects, particularly office requirements and subsequent office downsizing, are yet to be seen.

It is also important to stress that the HEDNA was published in April 2022, so its analysis was done in 2021 and early 2022, at a time when UK economic prospects appeared rosier than now. The short and medium-term impacts of the Ukraine War (which started in February 2022), inflation and higher interest rates were not factored in.

3.1 Employment Land Need

To assess employment land needs the HEDNA considers three measures, labour demand, past completions and GVA.

Labour Demand

In terms of the labour demand modelling, it bases its analysis on Cambridge Econometrics modelling. No alternative modelling is considered so it is not possible to compare it with Oxford Econometrics projections, for example.

The modelling uses a base case scenario and a growth scenario (Para 16.2). The latter takes account of optimistic growth aspirations in sectors such as finance and health.

Experience shows that high growth scenarios may not be matched by actual economic performance. As a result, using them for forward planning, as in this case, can create a circularity in housing and employment land need, and doubly so given the uncertainties at present.

With that caveat in mind, this approach leads to a baseline employment increase of 43,700 and growth employment increase of 82,200 by 2040. Highest growth is in the financial services and food and drink sectors while manufacturing employment declines in both scenarios. The upper level would be consistent, they say, with population growth which supports 75,000 - 86,400 jobs (see comments on housing above).

These labour demand figures are then fed into employment land needs, split between offices/R&D and industrial/logistics space. A proportion is removed to account for home-working. However, this initial home-working correction is based on figures from 2019 so predates the pandemic. Working from home is now much higher and

floorspace requirements have fallen for many companies so reducing demand for (office) floorspace

This calculation leads to a negative overall need for industrial space, offset by significant logistics growth, and that is even in the growth scenario.

In terms of land use this would lead to an overall loss of 51.1 hectares of land needed in the baseline scenario and a rise of 56.9 hectares in the growth scenario, although this includes losses of industrial land while all the other three sectors increase land use requirements.

Because of the home-working issue, a further sensitivity study was then undertaken to increase the level of homeworking to take account of the pandemic. This considers that an average increase of 30% more homeworking is reasonable, based on recent examples.

Productivity Model

The study then considered a productivity model (GVA) to estimate land needed as the labour demand approach is seen as a better fit when considering office needs than industrial. This model leads to very significantly higher floorspace needs, but they themselves admit that there are issues to adopting this approach.

Past Completions

Lastly, they consider past completions. Projecting past trends forwards would show gross gains of 474,520 square metres of office space and 197 hectares of industrial/logistics space (See Table 19.10).

TABLE 19.10. RANGE OF FLOORSPACE NEEDS 2020-2040, SQM

	Labour demand base.	Labour demand base. (sensitivity)	Labour demand growth	Labour demand growth (sensitivity)	GVA model baseline	GVA model growth	Completions (gross, monitoring)	Completions (net, VOA)
Offices	101,100	70,840	256,000	179,200	N/A	N/A	474,520	-20,000
R&D	7,600	7,600	25,600	25,600				
Industrial	-217,800	-217,800	-92,600	-92,600	1,879,000 (356 ha)	2,527,000 (505 ha)	605,800 (121ha)*	-560,000 (-112 ha)
Distribution	78,600	78,600	135,800	135,800			377,600 (76 ha)*	
Total	-30,400	-60,760	324,700	248,000			1,457,920	-580,000

Source: CE/ Iceni/ VOA/ Authority * 197 ha combined

HEDNA Conclusions on Employment Need

In terms of need for Office floorspace, the HEDNA considers that relying on past delivery rate gives a figure which is too high, given the uncertainty about future office needs, and so it adopts a midway point between labour demand and completions, which amounts to 378,000 square metres (or 18.7 hectares) but adopts the completions figure for industrial/logistics need, resulting in a figure of 197 hectares. It also notes that the market currently appears to be restrained in terms of quality of provision, suggesting the past completions have not provided the type of site required.

A number of margins are then added to this floorspace needs: 10% for flexibility, 7.5% for vacancies and, because vacancy rates are currently below that for industrial/logistics sites (suggesting a lack of choice), a further 37.6 hectares on top to account for the current industrial land vacancy rate.

This results in a final figure of 268.7 hectares (72.1 hectares above the base need) for industrial/logistics and 22.7 hectares for offices/R&D (3.8 hectares above the base need).

3.2 Employment Land Supply

The HEDNA estimates there is currently a supply of 215.9 hectares of industrial/logistics land (as opposed to 207 hectares in the SHELAA). It adds to that 73.6 hectares of potential supply at 'HS2 sites' (the former LDV Site, Washwood Heath and the former Astrom site). This leads to a conclusion that there is a 20.8 hectares surplus of industrial/logistics provision as well as a technical surplus of supply of office space.

They go on to suggest that a refocusing on mid-size units may be appropriate.

The most up to date SHELAA supply figure is 204.98 hectares, but that excludes 18.9 hectares of land completed between 2020/2022 which would add up to 223.88 hectares of land against the 291.4 hectares in the HEDNA.

3.3 Employment Land Figures in Issues and Options Paper

The Issues and Options Paper has slightly different figures from the HEDNA. It refers to an employment need of 295.6 hectares and 221.96 hectares of land available. This leads to a shortfall of 73.64 hectares, although much of this is to meet the required margins to allow for non-availability of some land, and not the base need.

It refers to 53 hectares of the West Midlands Rail Freight Terminal (WMRFT) in South Staffordshire as being identified as 'potentially' meeting Birmingham's need.

Earlier work for WM CPRE on Black Country Urban Capacity revealed under-counting of the WMRFT land because only a limited amount of the WMRFT accommodation (30-35% or 80-100 hectares) was identified as meeting need in the Black Country.

It certainly seems appropriate to consider more of the WMRFT provision to be employment needs within the conurbation, especially given the logistics requirement within need figures in both the Black Country and Birmingham.

However, use of HS2 land suggests a surplus of suitable industrial land will be achievable in Birmingham without including land at WMRFT. So, the additional 53 hectares could be more appropriately counted as meeting the needs in the Black Country, which is also closer to the WMRFT site.

There are also a number of other specific policy changes on Employment land including removing the Regional Investment Site status of Longbridge and Aston (a hangover from Regional Strategies). This seems sensible provided a high quality of industrial provision is maintained.

In conclusion on employment land the current allocations do not require substantial new land, either for offices/R&D or for industrial/logistics sites. The quantum of industrial/logistics need is based on past completions and appears optimistic compared to labour demand, especially given the current uncertain economic circumstances. It also includes considerable margins.

The land released from HS2 would substantially meet any shortfall and is likely to be best suited as industrial land. This removes any requirement to allocate WMRFT land for Birmingham's need.

The replacement of the Black Country Plan with individual Borough Plans now makes any assumptions about needs in those Boroughs unreliable at present. However, since the Birmingham Plan should be able to meet its own needs without a WMRFT contribution, that would allow an increased contribution to future Black Country needs from that site should that be required when the individual Black Country Plans progress.

4. Conclusions

4.1 Housing requirement in the Plan

- a. There appears to be adequate evidence to adopt a lower figure than the Standard Methodology calculation of need (something supported by the HEDNA).
- b. There appears to be a strong reason for Birmingham to challenge the additional '35% uplift' as unjustified.
- c. There is significantly greater housing supply over the plan period, particularly for windfalls, than the Issues and Options paper and the HEDNA suggest.
- d. The current unmet need is, therefore, exaggerated.
- e. A lower housing figure would provide a sufficient workforce to meet economic requirements.
- f. The Issues and Option Paper should have set out and consulted on lower housing requirements. This could be undertaken through a supplementary consultation within the Issues and Options framework.
- g. The Sustainability Appraisal should have considered reasonable options that included lower housing needs; this needs to be done now.
- h. The Options 1 to 5 for providing additional housing are reasonable and generally sound, but each would need suitable caveats.
- i. Option 6, the release of Green Belt for housing, is not sensible, and not justified. The 'exceptional circumstances' test for release of Green Belt would not be met. It would need to rely on projections of unmet housing needs despite adoption of Options 1 to 5 which cannot be demonstrated from the evidence.
- j. Option 6, or reliance on the Duty to Co-operate, would lead to unsustainable development patterns which would be likely to increase congestion and air-quality issue as well as undermining Climate Change goals.
- k. Option 6 would be likely to have adverse impacts on landscape quality.

4.2 Employment land needs in the Plan

- a. In all scenarios there appears to be adequate land to meet both baseline and growth needs.
- b. This should include land released from HS2.
- c. There appears to be no need to include land at the West Midlands Rail Freight Interchange which would be better included in employment needs for the four Black Country Authorities.