WARWICK DISTRICT COUNCIL LOCAL PLAN EXAMINATION

Statement in response to **Matter 2: Overall Housing Provision** prepared by Barton Willmore (BW) on behalf of a Consortium of house builders and developers with land interests across the West Midlands, and specifically within the Coventry Housing Market Area. The Consortium includes (in alphabetical order):

- Bloor Homes Midlands;
- Bovis Homes;
- Crest Strategic Projects;
- Richborough Estates;
- Gladman Developments;
- Hallam Land;
- Kler Group;
- Taylor Wimpey;
- William Davis.

MATTER 2: OVERALL HOUSING PROVISION

We respond to each question in turn below.

1) What is the position of the authorities in the HMA regarding OAN?

Notwithstanding our concern over the minimum OAN of 4,000 dpa referred to within the Joint SHMA Addendum (H008), clarity is required over the proposed OAN of the HMA. Paragraph 2.81 of the Draft Local Plan refers to the six local planning authorities of the HMA '*agreeing to cooperate together to ensure the HMA's housing need of 3,750-3,800 dpa is met in full*', whereas paragraph 5.2.8 of LP22 refers to the OAN as 4,004 dpa, of which 234 dpa appears to be unmet need.

2) What do population and household projections indicate?

The 2011-based household projections provided for growth of 625 households per annum in Warwick, and 4,067 households per annum across the HMA (2011 – 2021). The 2011-based sub national population projections (2011-SNPP) allowed for population growth of 1,100 people per annum in Warwick and 9,210 people per annum across the HMA. This level of population growth for Warwick is consistently lower than the previous 2006-based and 2008-

based series, the latter of which was projecting population growth of 1,640 people per annum. In contrast the 2011 SNPP projects a higher overall level of population growth than past series, primarily because of higher assumed levels of population in Coventry than was projected in the 2006 and 2008-based series. Further detail is contained in our June 2014 submission to the Publication Draft Plan.

The 2012-based SNPP published in May 2014 show lower levels of population growth in Warwick than all previous series, equating to 850 people per annum, whilst population growth across the HMA stands at 7,165 people per annum.

The Joint SHMA Addendum (H008) modelled the implications of the 2012-based SNPP, which results in housing growth of between 564 dpa and 655 dpa in Warwick, and 3,906 and 4,373 dpa across the HMA, the higher end of the range reflecting an assumed full return to 2008-based household formation rates in those aged 25 – 34 years of age. This approach results in broadly similar levels of housing growth to the modelling undertaken by BW in June 2014 which assumed a full return to 2008-based household formation rates in all age groups and resulted in a need for 695 dpa in Warwick, and 4,461 dpa across the HMA. An approach of return to 2008-based household formation rates is considered appropriate given the known issues regarding the suppression of household inherent within the 2011-based household projections (and associated household formation rates).

However, given the impact of the housing moratorium on housing completions, and as such migration patterns it is considered that longer term net migration trends should be assessed. In contrast the ONS SNPP is derived from short term migration trends. Furthermore, we note that the 2012-SNPP assume net international migration of 165,000 per annum to the UK, whereas net international migration was reported to total 298,000 in the year to September 2014 (in the year prior the ONS reported net international migration to total 210,000). The issue appears to relate to the fact that the 2012-based SNPP are derived from the 2012-based national projections published in 2013. However in the intervening period (between publication of national and sub national projections) the ONS revised its estimate of net international migration in past years upwards. As such, the levels of net international migration assumed within the 2012-based SNPP are too low and do not reflect past trends. It is likely that this will be rectified once the 2014-based national projections are published in late 2015, but in the meantime we would caution the use of the 2012-based SNPP as they will under project population growth across the Country.

BW modelled long term net migration trend scenarios in June 2014 based on 10 year net migration trends 2002 – 2012. This resulted in population growth of 1,165 people per annum

in Warwick District (assuming constant net migration of 719 migrants per annum), and 8,618 per annum across the HMA (assuming 4,722 net migrants per annum). As set out in our June 2014 submission this resulted in a need for 4,983 dpa across the HMA (and 846 dpa within Warwick District).

3) **How do the recently published 2012-based household projections affect the situation?**

The 2012-based household projections project growth of 573 households per annum for Warwick, and 3,946 households per annum across the HMA (2011 – 2031). Adjusted for vacancy rates, shared accommodation and second homes this equates to housing growth of 593 dpa for Warwick and 4,079 dpa for the HMA.

The release of these projections updates the evidence base that PPG recommends should be used to provide the 'starting point estimate' of housing need for an area.

However, new projections do not alter the fact that in order to arrive at full objectively assessed housing need, consideration needs to be given to whether household formation is supressed, the implications of local demographic evidence, employment growth and market signals.

Whilst the 2012 based household projections provide the most up to date household formation rate projections, this does not mean that the 2012-based rates are unconstrained, nor that they should be adopted uncritically. They simply take their mark from a more accurate fix on household numbers and sizes in 2011 because they are informed by data from the 2011 Census data that was not available when the interim 2011-based projections were published (which relied on Labour Force Survey data instead).

The 2011 Census recorded household numbers and sizes at a time of economic uncertainty and restraint for many families and revealed fewer households than expected, because exceptional circumstances were preventing household formation. 2011 Census data on households informs the 2012-based household projections and is responsible for the constrained household formation rate trend that they adopt.

To illustrate the nature of that constraint, we append to this statement a technical update of housing requirements, and included within Appendix 1 is a series of household formation rate graphs plotting by age band the projected formation rates of the 2012, 2011 and 2008-based

series. Deterioration of the 2012-based rate compared to the 2008-based rate is clearly evident in younger age groups and is indicative of suppressed household formation.

In deviating from the norm, the 2012-based rates are characteristic of the interim 2011-based HR rates that they have now replaced. Both effectively assume that the ability of the household population to form separate households would be constrained relative to the norm.

Deterioration in the 2012-based HR rate relative to the long run trend (1971 to 2001) must be viewed in the context of deteriorating affordability of housing, undersupply and the economic downturn since 2001. Locally, the national context plays out in light of worsening market signals across the Coventry HMA.

It is fair to conclude that the 2012-based formation rate projections embody supressed demand or unmet housing need. If that is the case, then they should not be relied upon as a basis for predicting household formation in the future, because to do so would lead to the under provision of housing, undermining the planning systems social role and the social dimension of sustainable development (NPPF, paragraph 7). On the basis of the evidence, a return to long run trend 2008-based household formation rates across the 25-44 age range by 2031 is merited for the purposes of assessing housing need in Warwick and the wider Coventry HMA. As summarised in Table 5.2 of the attached technical report this would result in an increased housing need based on the 2012-based SNPP of 649 dpa for Warwick and 4,391 dpa for the Coventry HMA.

However, we remain of the view that long term net migration trends provide a more reliable estimate of future demographic led need within this housing market area as we have summarised in answer to the question above. Updating our long term migration scenario with the 2012-based household formation rates results in a need for 755 dpa within Warwick, and 4,581 dpa across the HMA. Allowing for an adjustment to a full return to 2008-based rates in the 25-44 year age range would increase the housing need to 816 dpa in Warwick and 4,918 dpa across the HMA. We consider these figures to represent the demographic led housing need, however consideration should also be given to the extent to which these balance with job growth requirements, and as detailed in Section 6 and 7 of the appended Technical Report we consider that this warrants an increase to 1,036 dpa within Warwick and 5,000 dpa across the HMA.

4) **Does the Coventry and Warwickshire Joint SHMA 2013 and Addendum of 2014 provide a robust evidence base for OAN in the HMA and individual authorities? What factors were taken into account and is the methodology appropriate?**

The C&W SHMA (H004) was published in November 2013, and as such does not incorporate the most recent demographic evidence, nor does it follow the approach of objectively assessing housing need as set out in the Planning Practice Guidance (PPG, March 2014). It must therefore be read in conjunction with the Joint SHMA Addendum (September 2014, H008) which assesses the implications of the 2012-based sub national population projections (2012-based SNPP). We would however disregard the scenario output of H004 given that all scenarios were tested against 2011-based household formation rates, and the migration led scenarios incorporate unattributable population change (UPC) which the Joint SHMA Addendum (H008) concedes should not be incorporated within migration trend calculations.

As we conclude in EXAM5 there are some similarities between the assessment undertaken by BW and the Joint SHMA Addendum (H008), particularly in those scenarios which incorporate a full return to the 2008-based household formation rates in the 25-34 year age range. This was considered an appropriate adjustment in the Joint SHMA Addendum (H008) to account for acknowledged market signals issues[1].

However, we remain concerned that the Joint SHMA Addendum concludes that 4,000 dpa should be considered as the minimum level of supply that can be considered OAN. In particular we note that this falls short of the 2012-SNPP scenario allowing for a full return to 2008-based rates in the 25-34 year age range[2], totalling 4,373 dpa. We also note that the minimum recommended housing need falls 1,000 dpa short of that required to meet the Cambridge Econometrics job growth forecast, which also represents the baseline forecast of the LEP, upon which the Joint Employment Land Study (EC01) has been tested – noting that EC01 recommends that the minimum quantitative employment land need is set out in what is termed a 'baseline+' scenario, being the Cambridge Econometrics forecast, plus 12,570 jobs in advance manufacturing and engineering[3].

As such we consider that the full objective assessment of need resulting from the Joint SHMA Addendum stands at 5,046 dpa across the HMA, and 933 dpa within Warwick District, which remains broadly consistent with our own assessment of OAN.

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[1] H008, paragraph 4.6
[2] H008, Fig 14
[3] EC01, paragraph 4.12

5) **What are the assumptions in terms of population change, migration, household size and household formation rates? Are these justified?**

As detailed above the Joint SHMA Addendum (H008) tests two household formation rate sensitivities – the first assuming a part return to 2008-based rates, and the second being a full return to the 2008-based household formation rates in the age band 25 – 34 years of age. The Joint SHMA Addendum appears to favour a part return to trend approach, despite acknowledging that a full return approach would resolve acknowledged issues of household suppression.

Indeed, our analysis of the household formation rates underpinning the more recent 2012-based household projections (appended to this Statement) confirms that it is the age groups 25 – 34, and 35 – 44 which continue to experience lower levels of household formation relative to the 2008-based series, with older age groups experiencing a far closer relationship to the 2008-based series. We therefore consider that it is entirely appropriate, and necessary to plan for a full return to the 2008-based series in 2031 in the younger age groups.

6) **How has the issue of unattributable population change been dealt with and is this justified?**

We note that UPC was included within the migration led scenarios of the Joint SHMA (H004), and we also note that the Joint SHMA Addendum (H008) concludes in paragraph 2.19 that there are a number of potential explanations for UPC, not least the fact that either Census point could over or underestimate population. As such paragraph 2.19 goes on to state that 'there is no clear, defensible basis for making a UPC adjustment to the new SNPP projections'. This is correct and it would be inappropriate to include UPC within migration trend based scenarios, and this is the view of the ONS.

Furthermore, we note that PBA who are undertaking the objective assessment of housing need for Birmingham City Council also take this view, and they state in paragraph 3.22 of their recently published Objectively Assessed Housing Need Supplementary Report (PBA, March 2015), that 'in technical terms there is no basis on which to adjust the projections to take account of UPC'.

We also note that UPC is nominal within Warwick District.

7)   What are the assumptions regarding economic/ employment growth and are these justified?

The Joint SHMA Addendum (H008) tests two economic forecasts from Experian and Cambridge Econometrics. The latter forms the basis of the LEP baseline job forecast of +94,500 (Warwick +18,900 jobs[4]), the LEP area mirroring the HMA. Experian's 2013 forecast set introduced in H004 totals 62,600 jobs across the HMA.

We provide a detailed review of employment growth trends and forecasts in the technical report appended to this statement, but as Experian's latest forecast suggest higher levels of job growth totalling 94,470 jobs (2011 – 2031) across the LEP tallying with the Cambridge Econometrics forecast. The equivalent Experian forecast for Warwick totals +20,360 jobs.

Consistent with the requirements of PPG 2a-018 past trends in job growth should also be considered, and within Warwick past job growth has totalled 1,057 jobs per annum (2001 – 2011), noting that past trends across the LEP area are lower than forecast.

The draft Local Plan appears to draw upon the earlier Experian forecast of 10,200 jobs[5], and this appears to be the basis upon which the Council's proposed housing figure has been derived.

However, this low level of job growth appears at odds with the objectives of the LEP, and indeed the Council's stated role in supporting the sub-regional economy in paragraph 3.3 of the Draft Plan. We note in that same paragraph reference to +8,835 advanced, manufacturing and engineering jobs, which the Joint Strategic Employment Land Study (EC01) considered to be in addition to the baseline Cambridge Econometrics job growth forecast of +94,500 jobs across the LEP. Extrapolating those AME jobs over the period to 2031, 'Scenario 2: Baseline + growth' of EC01 considered total job growth to total 107,070 jobs. EC01 goes on to recommend in paragraph 7.5 that this scenario is used as a minimum estimation of quantitative need in the sub region.

On this basis we consider that the HMA authorities should base their OAN on the Cambridge Econometrics job based housing forecasts within the Joint SHMA Addendum as a very minimum.

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[4] H008, Figure 7
[5] Draft Local Plan, paragraph 3.11

8) How have market signals and affordable housing needs been taken into account?

It is not clear to what extent if any market signals issues have been taken into account, as whilst the Joint SHMA Addendum acknowledges that market signals issues exist and provides a means of addressing them through a full return to 2008-based household formation rates, it then goes on to recommend a minimum OAN of 4,000 dpa which in itself makes no allowance for household suppression. Indeed we note that this figure falls short of the latest CLG household projections across the HMA of 4,079 dpa.

9) What effect have all these factors had on the figures for OAN in individual authorities and the HMA as a whole? i.e. how have household/ population projections been adjusted?

The minimum OAN of 4,000 dpa set out within H008, and which appears to have been preferred by the HMA authorities[6] falls short of the new 'starting point' CLG household projections which as we have detailed above continue to suppress household formation in younger age groups. We consider that account should be taken of the need to balance labour force with the baseline LEP job growth forecast, and that a conscious effort should be made to address market signals – on this basis we consider that the full OAN across the HMA totals 5,005 dpa, and within Warwick 1,036 dpa.

10) Will there be unmet needs? Specifically what is the situation in Coventry?

As detailed above, there appears to be acceptance in LP22, paragraph 5.2.8 that even on the basis of an OAN of 4,000 dpa that there currently remains unmet need of 234 dpa.

11) Will these needs be met elsewhere in the HMA? Is this clear?
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12) What is the approach of the authorities in the HMA to addressing this issue? What additional work needs to be undertaken and over what timescale?

In the first instance the HMA authorities need to establish the full OAN of the HMA giving full consideration to the need to balance labour force supply with the job growth aspirations of the LEP.

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[6] LP22, paragraph 5.2.8

13) **Is the approach of the Local Plan to this issue (in particular Policy DS2) appropriate? What are the implications of this approach in terms of soundness?**

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14) **What is the specific basis for the figure for OAN in Warwick District? Is it justified and appropriate?**

    It would appear that the Council's housing target of 714 dpa is drawn from Table 51 of the Joint SHMA (H004) – being the initial conclusions on housing need, which recommended an OAN across the HMA of 3,800 dpa.

    For the reasons we identify above and within the attached technical report we consider that the OAN of Warwick District totals 1,036 dpa, and 5,005 dpa across the HMA.

15) **Is the level of housing planned in the Local Plan sufficient to meet OAN in the District? And in the HMA?**

    No for the reasons identified above.

16) **What would be the implications for population change, migration and employment growth?**

    It is clear that the Council's proposed target, coupled with an OAN of 4,000 dpa for the HMA is insufficient to meet the baseline job growth forecasts of the LEP, and as such there will be an insufficient supply of labour force to accommodate the LEP's growth objectives. Furthermore, it is clear that the level of job growth proposed by Warwick District (of 520 jobs per annum) falls below past trends, and more recent employment forecasts which both suggest job growth in excess of 1,000 jobs per annum.

17) **Is the level of housing planned appropriate? Should it be increased or decreased? If so to what level and on what basis?**

    For the reasons identified above and supported by the appended Technical Report we consider that the OAN of the HMA stands at 5,005 dpa, and 1,036 dpa within Warwick District, based upon current job growth forecasts. However these should be considered a minimum given the higher levels of job growth sought by the LEP as detailed in the Joint Employment Land Study (EC01)

18)   Is the plan period to 2029 appropriate? Should it be extended?

No, the plan period should be at least 15 years from the date of adoption as advised by paragraphs 157 and 47 of the NPPF. Assuming the Plan is adopted in 2015, the Plan period should extend to at least 2030, although consideration should be given to extending this to 2031 to align with other emerging plans in the HMA such as Stratford-on-Avon and Coventry.

WARWICK DISTRICT COUNCIL

OBJECTIVELY ASSESSED HOUSING NEEDS - EVIDENCE REVIEW

Addendum to Matter 2 Hearing Statement

On behalf of Consortium of Developers

APRIL 2015

WARWICK DISTRICT COUNCIL

OBJECTIVELY ASSESSED HOUSING NEEDS – EVIDENCE REVIEW

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1.0   INTRODUCTION

1.1   This Report has been prepared by Barton Willmore on behalf of a consortium of developers with land interests across the West Midlands. The consortium includes (in alphabetical order):

- Bloor Homes Midlands
- Bovis Homes
- Crest Strategic Projects
- Gladman Developments Ltd
- Hallam Land
- Kler Group
- Richborough Estates
- Taylor Wimpey UK Ltd
- William Davis

Previous studies and statements

1.2   Barton Willmore has prepared two previous reports setting out objective assessments of housing need across the Coventry and Warwickshire Housing Market Area, the first of which was published in June 2014 to accompany our representation to the Publication Draft Local Plan consultation. A subsequent Addendum Report was published in October 2014 (EXAM5) following the publication of the Coventry and Warwickshire Councils jointly prepared SHMA Addendum (GL Hearn) in September 2014.

1.3   These reports identified a need for 5,075 dwellings per annum (dpa) across the Coventry and Warwickshire Housing Market Area, of which 900 dpa were within Warwick.

New factors requiring consideration

1.4   The publication of more recent data, along with Inspector's Interim Conclusions to the Stratford–on-Avon Local Plan mean that it is necessary to revisit this assessment. In particular we seek to focus this Report on:

1)   The implications of the 2012-based household projections, along with the accompanying household formation rates.

2)   The extent to which the 2012-based household formation rates continue to suppress household formation and an assessment of the appropriate adjustments which should be made.

3) An up to date assessment of job growth forecasts and trends to present a 'Policy off' assessment of housing need, as well as a 'Policy On' assessment based on the LEP job growth forecast.

4) The implications for the full objective assessment of housing need of the Coventry and Warwickshire HMA, as well as across Warwick District.

Report structure

1.5 This Report is structured as follows:

- Section 2: Planning Policy Context and OAN Methodology
- Section 3: Summary of Barton Willmore assessments to date
- Section 4: Local Evidence Base Review
- Section 5: Implications of CLG 2012-based Household Projections
- Section 6: Further Analysis of Employment Growth Prospects
- Section 7: Full, Objectively-assessed Housing Needs

2.0   PLANNING POLICY CONTEXT AND OAN METHODOLOGY

Planning Practice Guidance (PPG, 06 March 2014)

2.1   PPG was issued as a web based resource on 6th March 2014, following the publication of 'beta' guidance in 2013.   Guidance on the assessment of housing development needs (PPG ID2a) includes the SHMA requirement set out in NPPF and supersedes all previous published SHMA practice guidance (CLG, 2007).

2.2   The primary objective of the housing development needs assessment (the SHMA) is to identify the future quantity of housing needed, including a breakdown by type, tenure and need (PPG ID2a 002).

2.3   Housing need refers to the scale of housing likely to be needed in the housing market area over the plan period, should cater for the housing demand in the area and identify the scale of housing supply necessary to meet that demand (PPG ID2a 003).

2.4   The assessment of need is an objective assessment based on facts and unbiased evidence and constraints should not be applied (PPG ID2a 004).

2.5   Use of the PPG methodology for assessing housing need is strongly recommended, to ensure that the assessment is transparent (ID2a 005).   The area assessed should be the housing market area (ID2a 008), reflecting the key functional linkages between places where people live and work (ID2a 010).

PPG methodology for assessing housing need

2.6   The full methodology is set out at ID 2a 014 to 029 (<u>overall</u> housing need at ID2a 015 to 020), and is introduced as an assessment that should be based predominately on secondary data (ID2a 014).

Starting point estimate of need

2.7   The methodology states that the starting point for assessing <u>overall</u> housing need should be the household projections published by the Department for Communities and Local Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

> **"The household projection-based estimate of housing need <u>may require adjustment </u>to reflect factors affecting local demography and household formation rates which are not captured in past trends. <u>For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing</u>."** (2a-015) (Our emphasis)

Adjusting for demographic evidence

2.8   The PPG methodology advises that adjustments to household projection-based estimates of overall housing need should be made on the basis established sources of robust evidence, such as ONS estimates (2a-017).

Adjusting for likely change in job numbers

2.9   In addition to taking into account demographic evidence the methodology states that <u>job trends and or forecasts</u> should also be taken into account when assessing overall housing need.   The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

> **"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 ... 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."** (2a-018)

Adjusting for market signals

2.10   The final part of the methodology regarding overall housing need is concerned with <u>market signals</u> and their implications for housing supply (2a-019:020).

> **"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings."** (2a-019)

2.11   Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

> **"The more significant the affordability constraints ... and the stronger other indicators of high demand ... the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."** (2a-020)

Overall housing need

2.12 An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

2.13 The extent of any adjustment should be based on the extent to which it passes each test. That is,

- It will at least equal the housing need number implied by the latest demographic evidence,
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

2.14 The approach used by Barton Willmore to objectively assess overall housing need follows the methodology set out in PPG 2a-014:20 and summarised above. The result is a policy off assessment of housing need that takes no account of the impact of planned intervention strategies and policies.

3.0   SUMMARY OF BARTON WILLMORE ASSESSMENTS TO DATE

3.1   This section summarises the approach and results of Barton Willmore's earlier housing requirements assessments. We review the conclusions of this earlier assessment in the context of more recent evidence later within this report.

Barton Willmore: Coventry and Warwickshire Sub-Regional Housing Study (BW SRHS, June 2014)

3.2   Barton Willmore's June 2014 Coventry and Warwickshire Sub-Regional Housing Study (SRHS) was prepared on behalf of a consortium of house builders and developers with interests in the Coventry and Warwickshire sub-region, which was taken to comprise the following local authorities:

- Coventry
- North Warwickshire
- Nuneaton and Bedworth
- Rugby
- Stratford-on-Avon
- **Warwick**

3.3   The sub-region was confirmed to represent a robust Housing Market Area following independent analysis of commuting and migration data. This HMA definition also aligns with the Coventry and Warwickshire Joint SHMA (H004).

3.4   The primary purpose of the BW SRHS was to provide an alternative to the GL Hearn/JGC SHMA (H004, November 2013), which was considered to under-represent the full extent of the need for housing in Coventry and Warwickshire.

Demographic-led Modelling

3.5   The 2011-based CLG household projections estimated that 4,067 households per annum will form in the HMA over the 2011-21 period, a similar figure to the preceding two household projection series (2008-based and 2006-based) at HMA level. Further demographic-led modelling was then carried out to test demographic need based on more recent projections and longer term trends.

3.6   Firstly, a scenario based on the most recent 2012-based Sub-National Population Projections (SNPP) from the ONS (2012-based) was modelled. This involved translating the projected

population growth (averaging 7,165 per annum) from the 2012-based SNPP into an equivalent number of households. This was achieved by applying headship rate assumptions from the CLG 'interim' 2011-based Household Projections for 2011-2021, with a full return to the headship rates from the 2008-based CLG Household Projections by the end of the plan period (2031). The result, which included an adjustment for vacant, second and shared homes, indicated HMA-wide need for **4,461 net additional dwellings per annum over the plan period**. The equivalent figure for Warwick was **695 dwellings per annum**.

3.7 However, it is considered that the ONS 2012-based SNPP significantly underestimates international migration at the national level. Furthermore the housing moratorium will have impacted on migration in the shorter term. As a result, a further scenario was tested using the same headship rate assumptions described above, but with a 10 year trend in net migration (as observed in the ONS Mid-Year Population Estimates for 2002-2012) incorporated into the model. The result of this approach indicated need to plan for an additional +1,460 people per annum more than the 2012-based ONS SNPP, equating to a **net additional dwelling requirement of 4,983 dpa across the HMA**. The equivalent figure for Warwick was **846 dwellings per annum**. This is considered a more representative demographic-led position than that based on the 2012-based ONS SNPP.

3.8 We review the implications of the 2012-based household projections and associated household formation rates later within this Report.

Economic-led Modelling

3.9 A comparison was carried out between the labour force capacity arising from the two demographic-led scenarios described above, and independent employment forecasts from Experian Economics and Cambridge Econometrics. The Experian forecasts were sourced from the March 2014 release and forecast growth of 62,920 jobs over the plan period. The Cambridge Econometrics forecasts totalling 94,500 jobs were derived from the LEP Strategic Economic Plan (EC02), and Joint Strategic Land Study (EC01).

3.10 Both demographic-led scenarios would supply sufficient labour capacity compared against the Experian forecast, but both would fail to supply sufficient capacity compared against the CE forecast. As such, it was considered additional economic-led modelling was required to establish OAN to meet the CE forecasts, particularly given that these underpin the LEP's baseline job growth forecasts and higher trend based forecasts. Indeed the SEP states at paragraph 3.1, page 24, that investment is critical given the following:

"We will generate 94,500 new jobs between 2013 and 2031 and will <u>increase this further</u> through the development of our economic plan." (Our emphasis)

3.11   At the time of the Report's preparation the CE job growth forecast was only reported at the HMA level in the Coventry and Warwickshire LEP SEP (EC02). To enable an assessment at local authority level, the 94,500 job growth was apportioned to the individual local authorities of the HMA. This apportionment was based on the distribution of the Experian forecast set out above.

3.12   The demographic modelling demonstrated how (after accounting for commuting patterns), the total population would need to grow by 8,590 per annum to support the required level of economically active (labour force supply) population growth – around 1,425 per annum higher than the ONS 2012-based SNPP. This translates into a need for 5,075 dwellings per annum over the plan period. In the context of an active, ambitious Local Enterprise Partnership operating in this area with plans for growth in high value sectors, a projection of this magnitude was not considered unreasonable. Based on our apportionment approach of allocating HMA-wide level growth on the basis of the District-wide Experian forecasts, this would require **900 new dwellings per annum in Warwick**.

3.13   We review the implications of more recent employment forecasts, and employment trends later within this Report.

Market Signals

3.14   The PPG is clear (at ID: 2a-019 and 020) that where market signals (such as house prices, affordability and overcrowding) indicate an imbalance between the supply of and demand for housing, plan makers should look to increase supply.

3.15   Although by many indicators the HMA was found to be broadly in line with national average, it was clear that affordability in particular had worsened significantly since the late 1990s, with a lower quartile property costing 6.6 times lower quartile earnings in 2012, compared with 3.8 times in 1997. With a ratio of 7.7 in 2012, Warwick is less affordable than national average. There were also significant numbers of concealed households, particularly in the under 25 and 25-34 age groups. As such, it was considered that the supply of housing would need to be boosted significantly in order to improve affordability and widen access to the private housing market.

3.16   In considering what might represent a reasonable boost to supply, the difference between the Cambridge Econometrics-based Employment-led forecast (5,075 dwellings per annum)

and historic delivery rates (2,293 dwellings per annum, 2006/7 to 2012/13) was calculated. This higher scenario was found to represent a 133% increase over historic delivery rates. In the context of the Barker Review (which recommended an 86% increase in build rates nationally to improve the housing market, from a 2003 base) and research from the Home Builders Federation (which found that build rates may now need to increase by 176% due to low build rates since the publication of the Barker review), this appeared to be a reasonable uplift.

Full Objectively-assessed Housing Need

3.17   In summary, the Barton Willmore June 2014 Coventry and Warwickshire SRHS determined that the full, objectively assessed housing needs for the HMA stood at approximately 5,075 dwellings per annum. This also triangulated broadly with the demographic-led scenario based on projecting forward the 10-year trend in net migration (4,983 dpa, 2011-2031).

3.18   This compares with the minimum recommended OAN figure of 3,750 dwellings per annum set out in the GL Hearn November 2013 SHMA (H004) and a minimum of 4,000 dwellings per annum in the Joint SHMA Addendum (September 2014) (H008).

4.0   LOCAL EVIDENCE BASE REVIEW

4.1   Warwick District Council has jointly commissioned the preparation of the Coventry and Warwickshire SHMA, published in November 2013 (H004), alongside the Joint SHMA Addendum published in September 2014 (H008).

4.2   The Joint SHMA Addendum (H008) provides the Council's most up to date evidence on the objective assessment of housing need across the housing market area (noting that this should be read in conjunction with the earlier SHMA Report (H004). We have provided a more detailed review of the Joint SHMA Addendum (H008) alongside a comparison of our own earlier evidence in EXAM5, however for ease we provide a brief summary below.

GL Hearn: Coventry and Warwickshire Joint SHMA Addendum – September 2014 (H008)

4.3   The Joint SHMA Addendum was published to take account of new demographic evidence (specifically the ONS 2012-based Sub-National Population Projections) and respond to the publication of the Planning Practice Guidance in its non-beta form. H008 also provides further sensitivity tests relating to household formation rates (HFRs). In many respects, this brings SHMA closer in line with the Barton Willmore assessment described above.

4.4   This section briefly summarises the methodology applied in the Addendum and highlights areas where the updated analysis differs significantly to the original November 2013 SHMA (H004).

Implications of the ONS 2012-based SNPP

4.5   H008 provides a new demographic-led scenario which takes account of the ONS 2012-based SNPP, effectively replacing the 'PROJ 1A' scenario from the SHMA which used an adjusted version of the ONS 2011-based 'interim' SNPP to determine housing need for the full plan period.

4.6   In carrying out this new demographic modelling exercise, the Joint SHMA Addendum (H008) provides a discussion of Unattributable Population Change – population change that could not be accounted for by ONS in its demographic equation. In the intervening period between the publication of the SHMA and the publication of the 2012-based SNPP, there was significant debate among those interested in demographic projections with regards to UPC, specifically whether or not it could be considered to be equated to additional net migration or another factor entirely. The approach of the SHMA (H004) meant that UPC was included in

the original assessment. However, it was decided by ONS that UPC should not be included in the 2012-based SNPP, and as a result, is excluded from both H008, and the Barton Willmore SRHS. This accounts for some of the difference in population growth assumptions between the studies.

4.7   The baseline result of the new ONS 2012-based SNPP scenario indicates a need for 3,906 net additional dwellings per annum over the plan period (based on 2011-based household formation rates). However, this is adjusted upwards to **4,004 dwellings per annum** once headship rates are adjusted to reflect a 'part return to trend' (see discussion on headship rates below). This represents an increase of 254 dwellings per annum over and above the 'PROJ 1A – Midpoint Headship Rates' scenario from the SHMA, largely due to a slightly higher baseline population growth rate assumed and an updated approach taken towards headship rates. The ONS 2012-based SNPP scenario with 'part return to trend' headship rates scenario equates to **606 dwellings per annum** for Warwick.

Economic-led Assessment

4.8   In addition to providing new demographic-led modelling, H008 also provided additional economic-led modelling based on District-specific employment forecasts from Cambridge Econometrics (supplied by Warwickshire County Council). These forecasts indicate employment growth of 90,500 across the HMA over the plan period, which compares broadly with a job growth forecast of 94,500 set out in the CWLEP SEP (EC02), and Joint Strategic Employment Land Study (EC01) (Cambridge Econometrics August 2013). The scenario based on the CE forecast (modelled using the 'part return to trend' headship rates) indicates a need for **4,546 dwellings per annum** over the plan period. The equivalent need figure for Warwick is **825 dwellings per annum** (on the basis of 18,900 jobs, 2011-2031)[1].

4.9   In addition to this, the economic-led scenario based on a June 2013 Experian Economic forecast (+62,600 jobs across the HMA) set out in the SHMA (H008) was updated with more recent household formation rates to take account of the new 'part return to trend' rates. This resulted in a need for **3,636 dwellings per annum** – a slight decrease compared with the scenario provided in the SHMA. The equivalent need figure for Warwick is **604 dwellings per annum** (on the basis of 10,300 jobs, 2011-2031).

4.10   We also note that in addition to the baseline Cambridge Econometrics job growth forecast of +94,500 jobs 2011 – 2031, which underpins Scenario 1 of the Joint Strategic Employment Land Study (EC01), a further scenario was tested and termed 'Baseline+' (Scenario 2). The 'Baseline+' scenario is said to use the Cambridge Econometrics scenario (+94,500 jobs) as its

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[1] Figure 7, page 16, H008

base, but assumes that 629 new jobs will be created in the advanced manufacturing and engineering sectors per year, cumulating to +8,800 new jobs by 2025, which when projected forward to 2031 is said to provide for a total of 12,570 jobs (which are in addition to the baseline forecast of 94,500[2]). The 'Baseline+' scenario therefore totals +107,070 jobs 2011 – 2031. The Report also goes on to test the employment land implications of a demographic led labour force scenario, as well as one based on past completions. However, in concluding the Report is very clear in stating that:

> **"W**<u>**e recommend that Scenario 2 (baseline+) is used as the**</u> <u>**minimum estimation**</u> **of quantitative need in the sub region. This scenario reflects the continuation of past trends boosted by targeted investment in new advanced manufacturing and engineering activity. Under this scenario, future demand for additional land is estimated to be around 326ha in the period up to 2031. However, as evidenced by past rates of take up,** <u>**actual**</u> <u>**demand could be significantly greater**</u> **(up 660ha between 2011 and 2031). Bearing in mind the historical rates of take-up and the need to build in sufficient flexibility to enable the property market to operate efficiently, we recommend that the future need estimate is treated as a minimum guideline."**[3] (Our emphasis)

4.11   The Joint Strategic Employment Study (EC01) post dates the preparation of the Joint SHMA Addendum (H008) and as such H008 did not test the implications on future housing growth of the 'Baseline+' scenario, but it is clear that this scenario would warrant a higher level of housing across the HMA than results from Cambridge Econometrics (LEP) job growth figure of 94,500 tested in the Joint SHMA Addendum. This in itself adds further weight to the need to plan for the upper end of job growth tested in the Council's evidence.

Household Formation Rates

4.12   The Joint SHMA Addendum applied two different headship rate assumptions to both the demographic-led and economic-led scenarios.

4.13   The first, 'Part Return to Trend', is the more constrained of the two. H008 acknowledges that the CLG 'interim' 2011-based household projections include an element of suppressed household formation due to the economic downturn – effectively projecting forward an assumption that households will be larger than they would be under 'normal' (i.e. non-recessionary) circumstances.

4.14   The 'Part Return to Trend' scenarios therefore assume that household formation rates will fall somewhere between the rates of the 2011-based and 2008-based household projections.

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[2] Paragraph 4.12, EC01
[3] Paragraph 7.5, EC01

This approach differs to the one applied in the SHMA (H004) (where a midpoint between the 2008- and 2011-based rates was taken) and the one applied by Barton Willmore in the June 2014 SRHS (where the 2011-based rates are applied until 2021, after which rates gradually make a full return to 2008-based rates by 2031).

4.15   The second, 'Improved Household Formation Rates of those aged 25-34' is a response to the particular problem of suppressed household formation in the 25-34 age group, and is justified in part on market signals grounds.

4.16   The 'Full Return 25-34' scenarios assume that headship rates in the 25-34 age group will gradually make a full return to the levels from the 2008-based Household Projections over the entire plan period 2011-31.   For other age groups, the 'Part Return to Trend' methodology is applied.

4.17   The results of the 'Full Return 25-34' scenarios for the <u>HMA</u> are as follows:

- ONS 2012-based SNPP: 4,373 dwellings per annum (369 above 'part return to trend')
- Experian Economic-led: 3,950 dwellings per annum (314 above 'part return to trend')
- Cambridge Economic-led: 5,046 dwellings per annum (335 above 'part return to trend').

4.18   The results of the 'Full Return 25-34' scenarios for <u>Warwick</u> are as follows:

- ONS 2012-based SNPP: 655 dwellings per annum (49 above 'part return to trend');
- Experian Economic-led: 653 dwellings per annum (49 above 'part return to trend');
- Cambridge Economic-led: 933 dwellings per annum (58 above 'part return to trend').

Full Objectively assessed Housing Need

4.19   The Joint SHMA Addendum (H008) concludes that 4,000 dwellings per annum should be considered as the minimum level of supply that can be considered OAN. This, according to the authors, would support basic demographic-led housing need with an allowance made for a partial return to 2008-based headship rates. This scenario would also be sufficient to meet the Experian Economics June 2013 employment forecast, but it is also clear that this level of housing would fall significantly short of that required to accommodate the necessary increase in labour force associated with the Cambridge Econometric Forecast and nor would it help to address issues of suppressed household formation and market signals. **Although this represents an increase over the November 2013 SHMA (H004), we do not consider**

4,000 dwellings per annum to reflect the full, objectively assessed needs for housing across the HMA.

4.20   The scenarios incorporating a full return to the 2008-based headship rates in the 25-34 age group provided a reasonable response to the issue of constrained household formation, and in many respects brings the Joint SHMA Addendum (H008) broadly in line with the Barton Willmore assessment.

4.21   However, H008 reports that this higher end of the range is 'unlikely'[4], based on the author's view that household formation will not return to the levels shown in the 2008-based household projections due to issues relating to international migration and associated household sizes. However, as we go on to demonstrate later within this Report, household suppression appears isolated to younger age groups, with older age groups displaying similar levels of formation to the 2008-based household formation rates. As such it is considered entirely reasonable to assume that these are issues associated with past poor rates of housing delivery, and that a return to 2008-based household formation rates should be positively planned for.

4.22   Furthermore, and notwithstanding the above, the subsequent comments in paragraph 4.19 of the Report confirm that it was considered appropriate to address market signals issues by making an upward adjustment to housing provision, albeit we would disagree with the mechanism proposed being either to set the housing target as a minimum or include a monitoring system to ensure housing supply can be increased to match demand. Neither of these approaches is considered to be a substitute for properly planning for future housing growth at the outset.

4.23   Furthermore, by failing to plan positively for an outcome that we would consider plausible in the context of an improving economy and an active LEP (with plans for growth in high value sectors) and a Government seeking to boost significantly the supply of housing[5], the Coventry and Warwickshire authorities run the risk of facilitating a self-fulfilling prophecy; planning for insufficient housing will ultimately lead to a failure to meet economic growth forecasts, as the population will not grow sufficiently to meet the demand for labour.

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[4] Paragraph 5.19, H008
[5] Paragraph 47 of the NPPF

Examination of the Stratford-On-Avon Core Strategy Inspector's Interim Conclusions

4.24   The Inspector examining the Stratford-On-Avon (SoA) Core Strategy issued his initial conclusions on 18 March 2015, following an examination in public which commenced in January 2015. One conclusion of particular relevance can be found at paragraph 20, where the Inspector appears to favour a demographic scenario based on a 10 year net migration trend (which the Council provided in separate evidence for the District in isolation).

4.25   The Inspector then went on to conclude in paragraph 27 that there remains a case for considering an uplift to housing numbers in order to support economic growth. The Inspector goes on to advocate job growth of 12,100 jobs, stating in paragraph 31 that:

> **"Whilst there does not appear to be an agreed apportionment of the jobs by District the estimate of 12,100 jobs does not appear to be fundamentally at odds with what is inevitably an aspirational figure contained in the SEP [totalling 94,500 jobs[6]]"**

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[6] Paragraph 33, SoA CS Inspectors Interim Conclusions

5.0   IMPLICATIONS OF CLG 2012-BASED HOUSEHOLD PROJECTIONS

5.1   CLG published the 2012-based household projections for local authorities within England in February 2015. The release of these projections updates the evidence base that PPG recommends should be used to provide the 'starting point estimate' of housing need for an area. According to the 2012-based household projections the starting point estimate of housing need for the Coventry HMA is 3,878 households per annum (based on 2012-2037 average), increasing to 3,946 over the shorter period of 2011 – 2031.

5.2   Table 5.1 below compares the annual housing need associated with the 2012-based household projections alongside the previous 'interim' 2011-based household projections for Warwick and the HMA.

Table 5.1: Comparison of annual household growth from CLG household projections

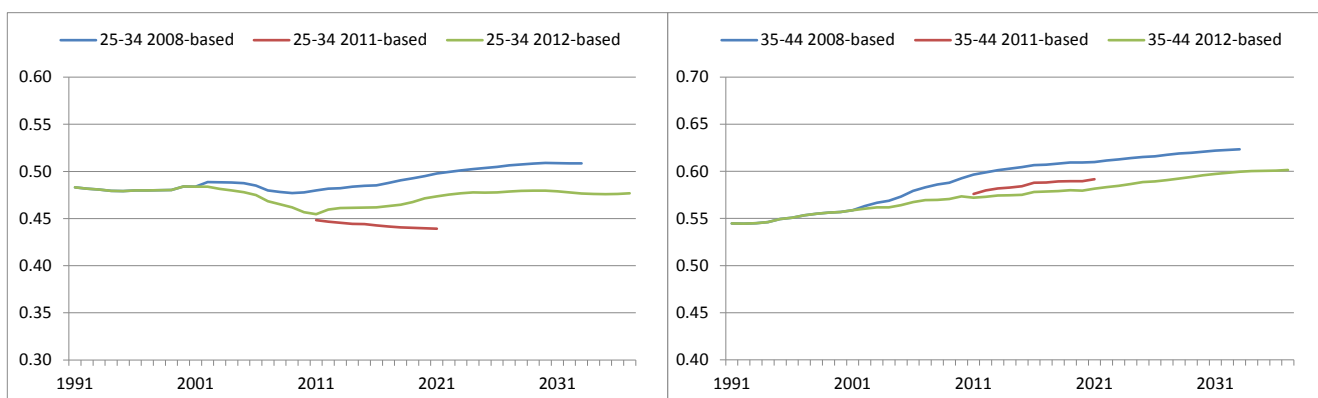|	CLG Interim 2011-based	CLG 2012-based		
	2011-2021 annual average	2011-2021 annual average	2011-2031 annual average	2012-2037 annual average
Warwick	625	561	573	571
HMA total	**4,067**	**3,993**	**3,946**	**3,878**

Source: CLG

5.3   Table 1 illustrates that the CLG 2012-based household projections project a lower annual net housing need for the Coventry HMA as a whole than was shown in the previous 'interim' 2011-based household projections (3,993 annual household growth compared to 4,067 based on the period 2011-2021). A similar pattern is shown for Warwick in isolation.

5.4   The 2012-based household projections are underpinned by the ONS 2012-based Sub National Population Projections (SNPP). The ONS 2012-based SNPP show lower population growth than the previous 2011-based SNPP for all local authorities within the HMA.

5.5   The ONS 2012-based SNPP are thought to be conservative in their projection of future population as they are underpinned by the 2012-based National Population Projections which are based on the assumption of 165,000 net international migrants to the UK per annum over the next 25-years. However, the latest migration statistics report by the ONS puts net international migration to the UK at 298,000 people in the year ending September 2014. This underestimate in projected population growth directly affects the CLG household

projections, which already significantly under-estimate population (and household change) since the projections commenced in 2012.

5.6 The 2012-based household projections continue to project on the basis of recessionary trends in household formation and still fall short of returning to the pre-recessionary trends reflected in the 2008-based household projections. However, as can be seen from the graphs of household formation by 10 year age band (enclosed in Appendix 1), this is most noticeable in those aged 25 to 44 years old. Indeed the 2012-based household formation rates appear to result in levels of household formation in older age groups which more closely align with the 2008-based series rates in 2031.

5.7 This pattern is not surprising given that the age group 25 – 44 has been most disadvantaged by the chronic undersupply of housing and the lingering effects of recession on their ability to form households.

Figure 5.1: Extract of household formation rate projections 25 - 34, & 35 - 44 years of age – Warwick District

5.8 In accordance with Paragraph 2a-017 of the PPG an adjustment to the 2012-based household formation rates in the age group 25 – 44 is appropriate, and a return to 2008-based rates in 2031 is sought.

5.9 Application of the 2008-based CLG household formation rates would also limit the effect of concealed households in the recessionary 2012-based CLG household projections and formation rates. ONS research (06 February 2014) has shown how there are 289,000 concealed households in England and Wales in 2011, a 70% increase from 2001.

5.10 As set out in Table 5.2 below, the 2012-based household projections result in a need for 4,079 dpa across the HMA, and 593 dpa within Warwick District (after the application of a vacancy rate). This increases to a figure of 4,391 dpa across the HMA, and 649 dpa within

Warwick once household formation rates in the age group 25 – 44 are adjusted to reflect 2008-based rates in 2031.

Table 5.2: Summary of housing need - 2012-based projections

	2012-based Housing Growth 2011-2031 (dpa)	
	2012-based household projections (incl. vacancy rates)	Adjusted for a full return to 2008-based rates in the 25-44 year age group in 2031
Warwick	593	649
HMA total	**4,079**	**4,391**

5.11 However, as detailed above and in earlier evidence, the 2012-based projections are not considered to provide an accurate measure of demographic change within the Coventry HMA, and Warwick. This is because 1) the 2012-based sub national population projections considerably underestimate net international migration, and 2) the housing moratorium in Warwick and other authorities within the HMA will have impacted migration patterns in more recent years.

5.12 Whilst we acknowledge that they represent the starting point in the assessment of objectively assessed housing need it is considered appropriate to adjust the demographic led need to account for long term trends in migration. As a result, a further scenario was previously tested by Barton Willmore based upon a 10 year trend in net migration (as observed in the ONS Mid-Year Population Estimates for 2002-2012) incorporated into the model. As described in Section 3 above, the result of this approach indicated a need to plan for an additional +1,460 people per annum more than the 2012-based ONS SNPP across the HMA. We have however taken the opportunity of testing the implications of the 2012-based household formation rates on this long term migration scenario which results in a need for 4,581 dpa across the HMA, and 755 dpa within Warwick.

5.13 As above we consider it appropriate to plan for a full return to the 2008-based rates in the 25 – 44 year age group by 2031. As set out in the following table this results in a need based on long term migration trends for 4,918 dpa across the HMA, and 816 dpa within Warwick.

Table 5.3: Summary of housing – Long term migration projections

	Long term migration based Housing Growth 2011-2031 (dpa)	
	2012-based household formation rates	Adjusted for a full return to 2008-based rates in the 25-44 year age group in 2031
Warwick	755	816
HMA total	**4,581**	**4,918**

5.14   In summary we conclude that the updated demographic led need (accounting for the latest 2012-based household projections) is as follows.

1. Starting Point

= +3,946 hh per annum HMA/ +573 hh per annum Warwick

2. Demographic adjustment to household formation rates

= +4,391 dpa HMA/ +649 dpa Warwick

3. Demographic adjustment to account for long term migration trends

= +4,918 dpa HMA/ +816 dpa Warwick

4. Overall demographic led need

= +4,918 dpa HMA/ +816 dpa Warwick

5.15   However, as detailed in our earlier assessment neither the population growth projected by the 2012-based sub national population projections, or that resulting from long term net migration trends will provide for sufficient growth in the resident labour force of the housing market area to balance with LEP and Cambridge Econometrics job growth forecast of 94,500 jobs across the HMA/ LEP area, or within Warwick[7]. There is therefore a need to plan for a higher level of net in-migration than provided by demographic trends in order to facilitate sufficient growth in the labour force. We deal with this in the following section of this Report.

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[7] The long term net migration forecast results in a growth in the resident labour force of +85,000 across the HMA, and +12,300 within Warwick District

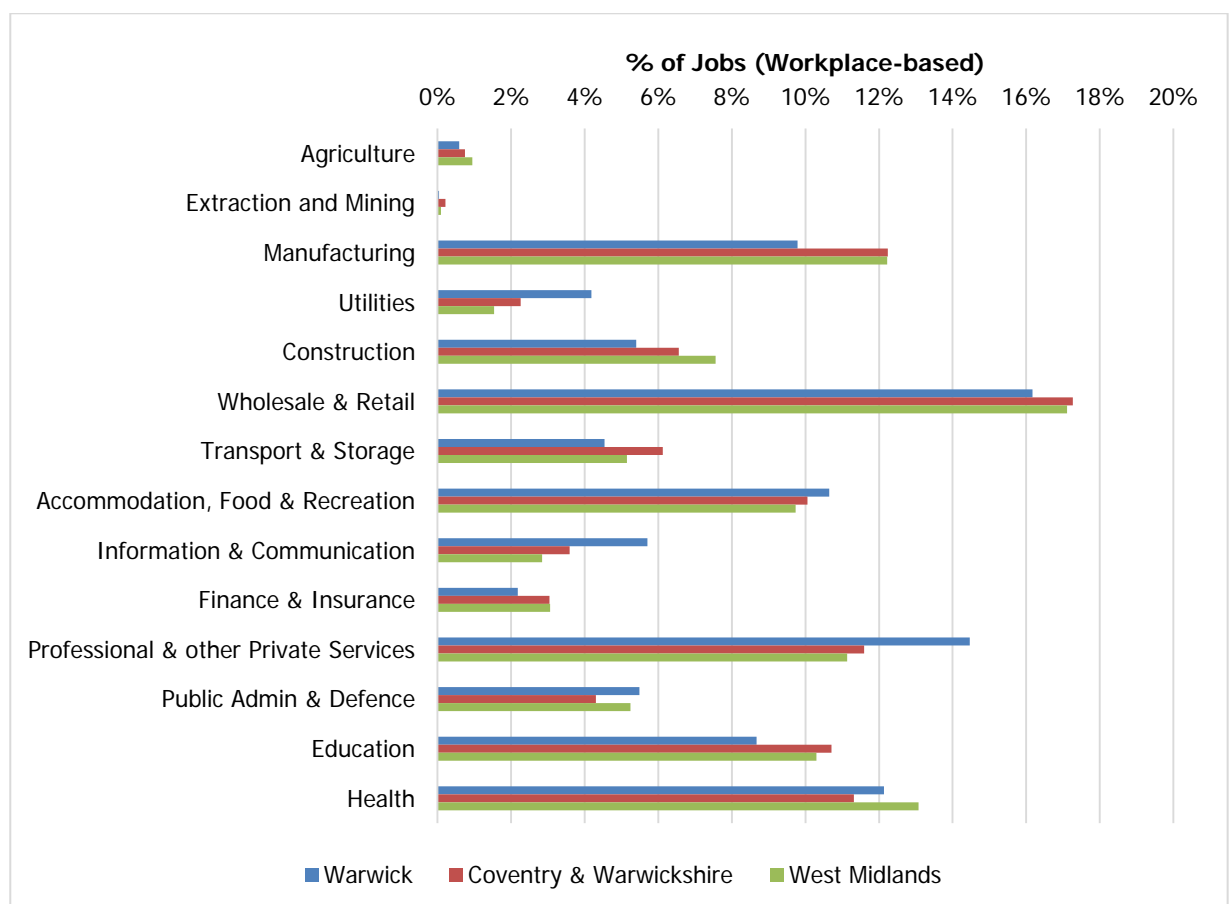## 6.0   FURTHER ANALYSIS OF EMPLOYMENT GROWTH PROSPECTS

6.1   This section summarises the economic context of Warwick and the wider CWLEP area, drawing on official data sources such as the 2011 Census, Annual Population Survey (APS) and Business Register Employment Survey (BRES). In addition to this, trends and forecasts from Experian Economics are also taken into account.

Base Year Context

Employment by Industry

6.2   Figure 6.1 below summarises the profile of employment by industrial class according to the 2011 Census. A regional benchmark is also shown for comparison.

Figure 6.1: Employment by Industry, Census 2011

Source: ONS, Census 2011 (Workplace Statistics)

6.3   Wholesale & Retail, Professional & Other Private Services and Health are the three sectors which employ the largest numbers of Warwick residents. Proportions of jobs in Professional &

Other Private Services, Utilities and Information & Communication in particular are significantly higher than Regional average.

6.4   Warwick's economy is well balanced, with relatively few sectors being strongly over/under represented relative to C&W and Region. Employment in Manufacturing (which is in decline nationally) is low relative to C&W and the Region, whilst Public Administration & Defence employment is broadly in line with regional average. This suggests that the risk of significant job losses due to ongoing structural change in the national economy is relatively low, whilst the relative specialisms in Professional & Other Private Services and Information & Communication suggest that Warwick is well placed to take advantage of a general shift towards high value service industries.
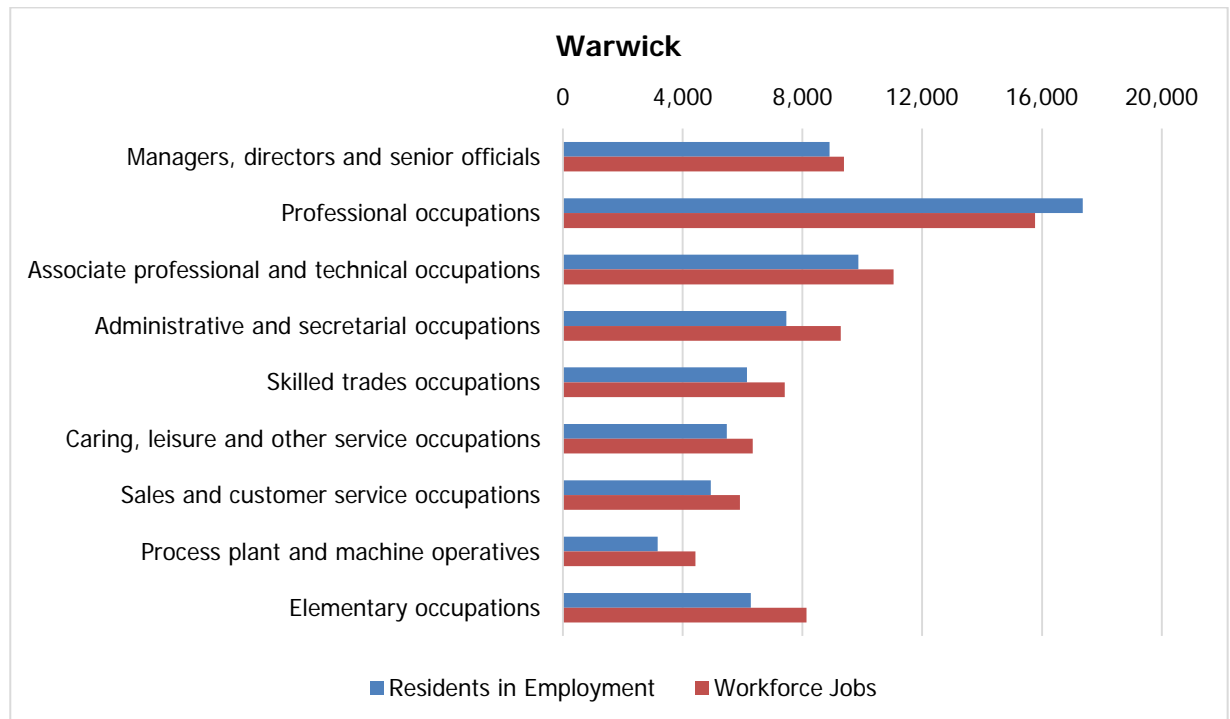
Commuting Balance

6.5   Table 6.1 below summarises the commuting ratio (the number of residents in employment per workforce job) for Warwick, compared against C&W as a whole (including Warwick).

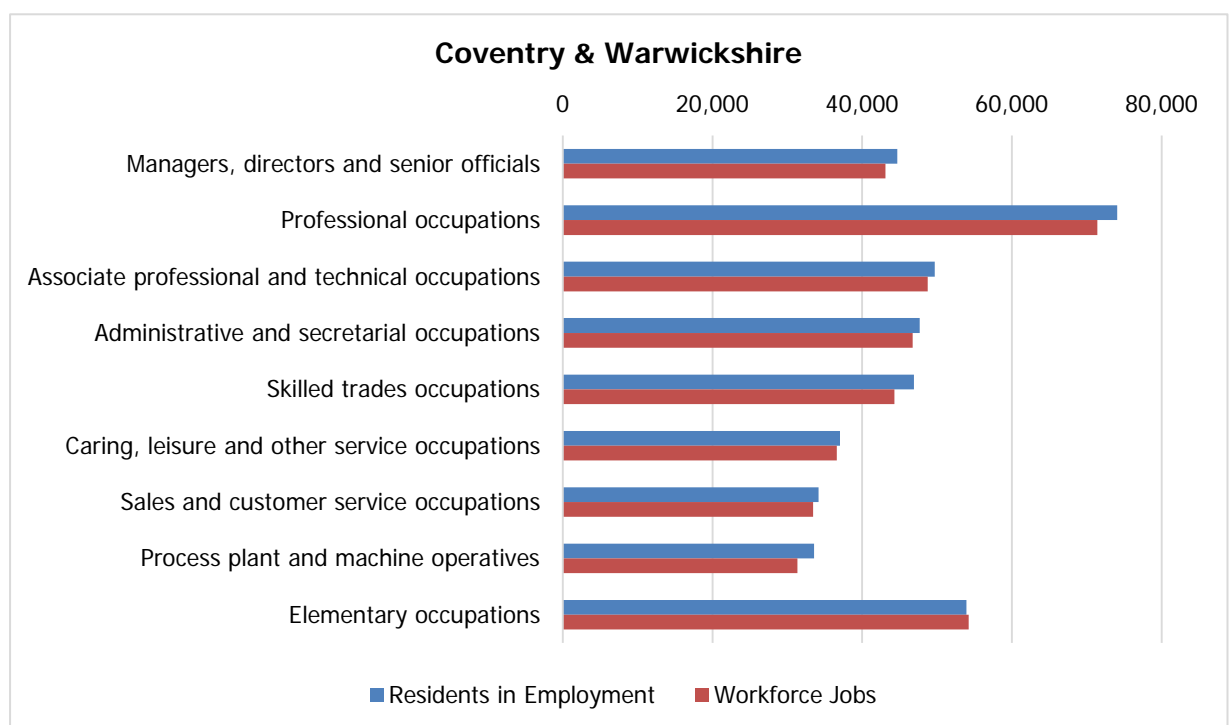**Table 6.1: Commuting Ratios – Census 2011**

	Residents in Employment	Workforce Jobs	Ratio
Warwick	70,069	78,236	0.90
Coventry & Warwickshire	412,138	424,147	0.97

Source: ONS, Census 2011 (Origin-Destination Tables); Analysis includes home workers, workers with no fixed place of work (assumed to work within home LPA), workers with workplaces overseas and offshore workers.

6.6   Warwick is a net importer of labour, meaning that there are more workforce jobs than there are residents in employment. A ratio of 0.97 for C&W indicates that employment across the wider area is effectively balanced.

6.7   Figures 6.2 and 6.3 below show the commuting balance by occupational class (based on the SOC2007 specification and derived from the 2011 Census) for Coventry and C&W respectively.

Figure 6.2: Commuting Balance by Occupation - Warwick

Source: ONS, Census 2011

Figure 6.3: Commuting Balance by Occupation – Coventry & Warwickshire

Source: ONS, Census 2011

6.8   Both Warwick and C&W demonstrate surpluses of residents employed in Professional Occupations. Although balanced at C&W level, relatively large numbers of Administrative & Secretarial and Elementary Occupations workers are commuting into Warwick. One possible

explanation for this is that as housing costs in Warwick are higher than in some neighbouring districts (see Appendix 2), workers in lower paid occupations are more likely to seek more affordable accommodation outside the district. Should affordability continue to worsen, it is likely that Warwick will become even more reliant on in-commuting.

Unemployment and Economic Activity

6.9   Table 6.2 below summarises Economic Activity and Unemployment rates from the 2011 Census. Rates for the other C&W districts are shows for reference.

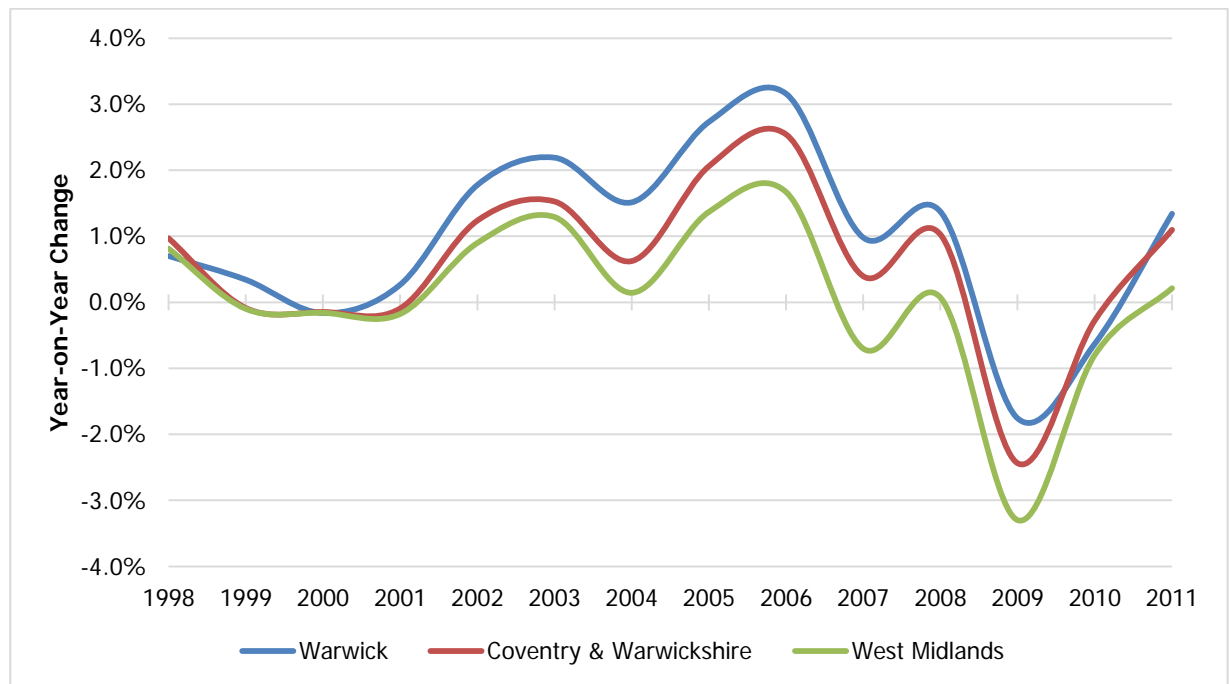**Table 6.2: Unemployment and Economic Activity Rates**

	Population 16-SPA*	Economically Active:			Economically Inactive
		Total	Employed	Unemployed	
Coventry	200,097	73.7%	89.1%	10.9%	26.3%
North Warwickshire	37,380	83.6%	94.0%	6.0%	16.4%
Nuneaton & Bedworth	76,274	81.8%	92.1%	7.9%	18.2%
Rugby	60,290	84.0%	94.2%	5.8%	16.0%
Stratford-on-Avon	68,696	84.2%	95.9%	4.1%	15.8%
Warwick	86,931	79.6%	94.7%	5.3%	20.4%
C&W	**529,668**	**79.1%**	**92.4%**	**7.6%**	**20.9%**
West Midlands	**3,391,674**	**77.8%**	**90.9%**	**9.1%**	**22.2%**
England	**32,713,954**	**78.9%**	**92.3%**	**7.7%**	**21.1%**

Source: ONS, Census 2011

6.10   According to the Census there were around 87,000 people aged between 16 and the state pension age, with around 80% being economically active. Of those who are economically active, 5.3% were unemployed (i.e. able to work and seeking employment) – a much lower rate than C&W, West Midlands and England averages.

Workforce Job Trends and Forecasts

6.11   Accommodating anticipated change in employment over the plan period is an important part of objectively assessing housing need. If too few homes are built to accommodate a growing workforce it is likely that at best unsustainable long distance commuting patterns will increase and at worst economic output will be lost altogether.

6.12   Figure 6.4 below shows the trend in annual (year-on-year) employment change observed between 1998 and 2011. This is based on data from Experian Economics, which in turn is informed by several official data sources including ONS regional estimates of workforce jobs and BRES/ABI.
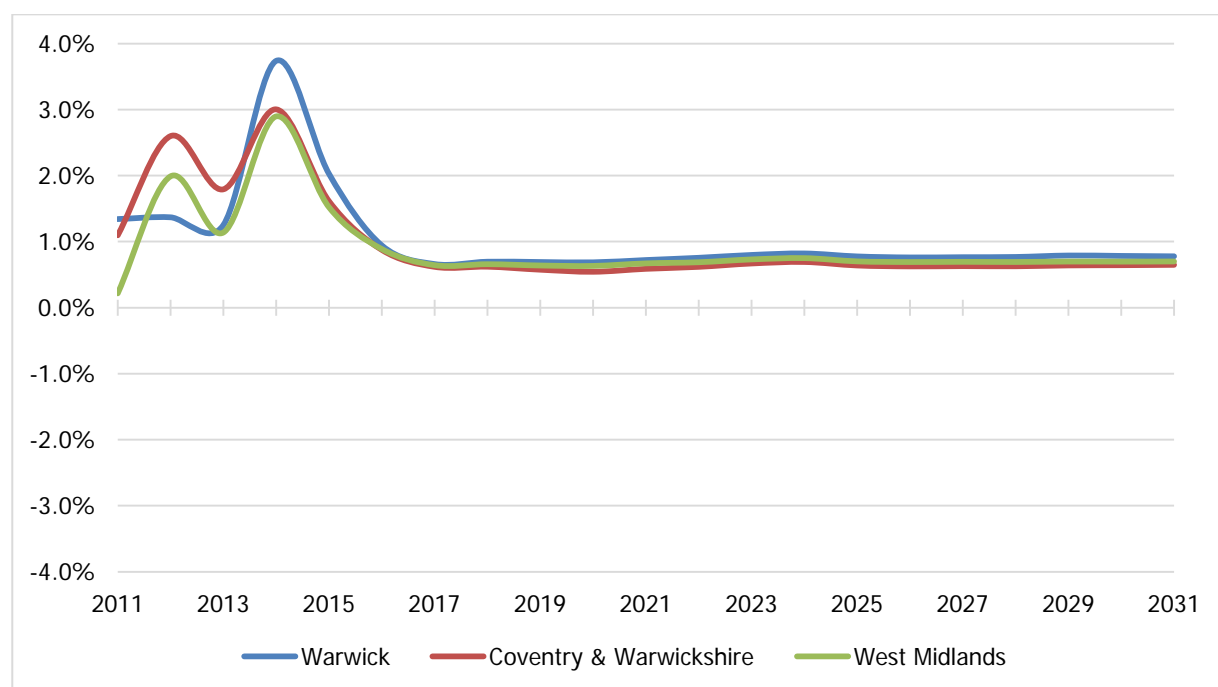
Figure 6.4: Year-on-Year Changes in Employment (Trend) – Experian Economics

Source: Experian Economics, March 2015 RPS

6.13   According to Experian Economics, Warwick sustained a higher rate of employment growth than C&W and Regional average in almost every year. The average rate of change over the full period analysed was 1.0% per annum, whilst the average rate up to 2008 (i.e. prior to the recession) was 1.4%. The rates of change for C&W were 0.9% up to 2008 and 0.6% for the full period (0.5% and 0.1% respectively for the Region).

6.14   **In absolute terms, the number of workforce jobs increased by 10,570 between 2001 and 2011 (an average of 1,057 per annum). At C&W level, the number of workforce jobs increased by 33,110 (3,311 per annum) over the same 10 year period.**

6.15   Figure 6.5 below shows forecast change over the plan period, again based on data from Experian Economics.

Figure 6.5: Year-on-Year Changes in Employment (Forecast) – Experian Economics

Source: Experian Economics, March 2015 RPS

6.16   High levels of year-on-year growth are forecast for the early years of the plan period as the economy recovers from recession. The growth rate then rests at between 0.6% and 0.7% per annum for the remainder of the plan period.

6.17   In the context of growth averaging 1.0% between 1998 and 2011 (and 1.4% between 1998 and 2008) in Warwick, this forecast appears to be conservative.

6.18   **In absolute terms, the number of workforce jobs is forecast to increase by 20,360 between 2011 and 2031 (an average of 1,018 per annum). This is broadly in line with the 2001-11 trend.**

6.19   **At C&W level, the rate of growth is expected to be higher than suggested by the 10-year trend, with a forecast for 94,470 jobs 2011-31 (4,724 per annum).**

6.20   Growth in employment of 94,470 jobs 2011-31 at HMA level is similar to the forecast for 94,500 jobs (77,600 FTEs) from Cambridge Econometrics upon which the Coventry & Warwickshire Assessment of Sub-Regional Employment Land Study (EC01) is based. Indeed, at page 43 the Employment Land Study considers the 'Baseline+' scenario (which also incorporates a policy-on boost in advanced manufacturing employment in line with LEP

aspirations) to be the "minimum estimation of quantitative need in the sub-region". Forecasts of c.94,500 for the C&W LEP area and c.20,000 for Warwick are therefore considered to be prudent and justified.

Unemployment and Economic Activity Rate Assumptions

6.21   For the purpose of this update report, the same assumptions as were made in the original June 2014 study regarding changes in unemployment and economic activity have been applied.

6.22   The overall economic activity rate of 79.1% (see table 6.2 above) is applied to all people aged between 16 and State Pension Age (taking account of the differing pension ages of Men and Women and the scheduled changes in pension age due to occur over the plan period). For unemployment, it has been assumed that the C&W-wide rate will fall to 6.5% between 2011 and 2021, and remain at 6.5% thereafter. For Warwick, this equates to a fall from 5.3% to 4.5%. We have however updated commute ratios to take account of the 2011 Census commute data which post dated the publication of our earlier assessment – these were previously sourced from the annual population survey.

Balancing job growth and housing need

6.23   The latest employment forecasts demonstrate a need for +94,500 jobs across the HMA between 2011 and 2031, and +20,300 within Warwick District. The HMA wide job forecast correlates with the Cambridge Econometrics job forecast which in turn underpinned the LEP baseline employment forecast, noting that the Joint Employment Land Study (EC01) of October 2014 recommends that a higher 'baseline +' scenario is used to inform quantitative need in the sub-region of +107,070 jobs.

6.24   It therefore would appear entirely reasonable and appropriate to plan for job growth of at least +94,500 jobs across the HMA, and given the evidence of more recent forecasts, coupled with their comparability to past trends, growth of at least +20,300 jobs within Warwick.

6.25   Table 6.3 summarises the necessary level of additional housing to balance with job growth forecasts, based upon the 2012-based household formation rates in the first instance, and then adjusted to reflect a full return to the 2008-based rates in the 25 – 44 year old age band by 2031. Consistent with our earlier evidence this shows a need for c.+5,000 dpa across the HMA, and an increased need of 1,063 dpa within Warwick reflecting higher levels of job growth forecasts evidenced through past trends and more recent forecasts.

Table 6.3: Summary of housing need – economic led

	Economic Led Housing Growth 2011-2031 (dpa)	
	2012-based household formation rates	Adjusted for a full return to 2008-based rates in the 25-44 year age group in 2031
Warwick	968	1,063
HMA total	**4,663**	**5,005**

7.0   FULL OBJECTIVELY ASSESSED HOUSING NEEDS

7.1   The evidence we present in this report supports the initial findings of Barton Willmore's Objective Assessment of Need (OAN) set out in the 'Coventry and Warwickshire Sub-Regional Housing Study' (SRHS, June 2014), and responds to the more recent 2012-based CLG household projections, as well as up to date employment forecasts.

7.2   This report also supports responses to the Planning Inspector's 'Initial Matters and Issues Identified by the Inspector' in preparation for the Examination in Public (EiP) of the draft Plan.

7.3   The minimum level of OAN determined by Barton Willmore's previous assessment in June 2014 determined the following housing need:

Table 7.1: Summary of Housing Need – dwellings per annum 2011-31 (June 2014)

	Recommended Minimum Housing Target (per annum)	Recommended Minimum Housing Target (total)
Warwick	900	18,000
C&W HMA	**5,075**	**102,000**

Note: Figures may not sum due to rounding

April 2015 – Update

7.4   It is concluded within this report that demographic-led need based on the 2012-based ONS SNPP would require provision of between 593 and 649 dpa in Warwick District (and between 4,079 & 4,391 across the HMA), the latter figures respectively enabling a full return to 2008-based household formation rates in younger (25 – 44 year old) age groups.

7.5   However, the 2012-based ONS SNPP are underpinned by short-term trends in net migration heavily influenced by the housing moratorium, as well as the implications associated with a continued under-estimate of net international migration. **It is therefore considered that demographic-led need is better represented by the long-term net-migration trend, resulting in a requirement for 816 dpa within Warwick (2011-2031), and 4,918 dpa across the HMA (both assuming a full return to 2008-based household formation rates in age bands 25 – 44).**

7.6   Demographic-led provision would not however, account for economic-led need based on the Cambridge Economics (CE) job growth forecasts set out in Joint SHMA Addendum – September 2014 (H008), or the job growth set out in the Coventry and Warwickshire LEP

SEP (EC02). Furthermore, we note that the Joint Employment Land Study (EC01) published in October 2014 confirms that the minimum quantitative need in the sub-region is set out within a 'baseline+' scenario totalling some 107,070 jobs (2011 – 2031).

7.7   For Warwick, the latest forecast by Experian Economics (1,018 net new jobs per annum) triangulates with past trends (which showed growth of 1,057 jobs 2001-2011) and the Cambridge Econometrics/CWLEP 'policy off' position (945 jobs per annum, as shown in the September 2014 SHMA annex).   The GL Hearn SHMA Annex's recommended scenario, which totals c.4,000 dpa and 606 dpa in Warwick, would not supply a labour force of sufficient size to meet this level of growth.

7.8   **To fully accommodate forecast (policy off) economic growth and in turn address worsening market signals issues, Barton Willmore's assessment of OAN shows a requirement for at least 1,036 dwellings per annum (dpa) in Warwick**, an increase from our previous recommendation reflecting higher levels of job growth forecast within Warwick (but one consistent with past trends). However, we continue to broadly conclude that **a <u>minimum</u> housing provision of 5,000 dpa should be provided for across the HMA**. These figures reflect a return to 2008-based household formation rates in younger age groups, which will relieve levels of household suppression inherent within the projections during the early part of the Plan period.

7.9   No account has been made within these figures to meet any of Birmingham City Council's unmet need, as such this should be considered in addition to these figures.

Table 7.2: Full, Objectively-Assessed Housing Needs – April 2015

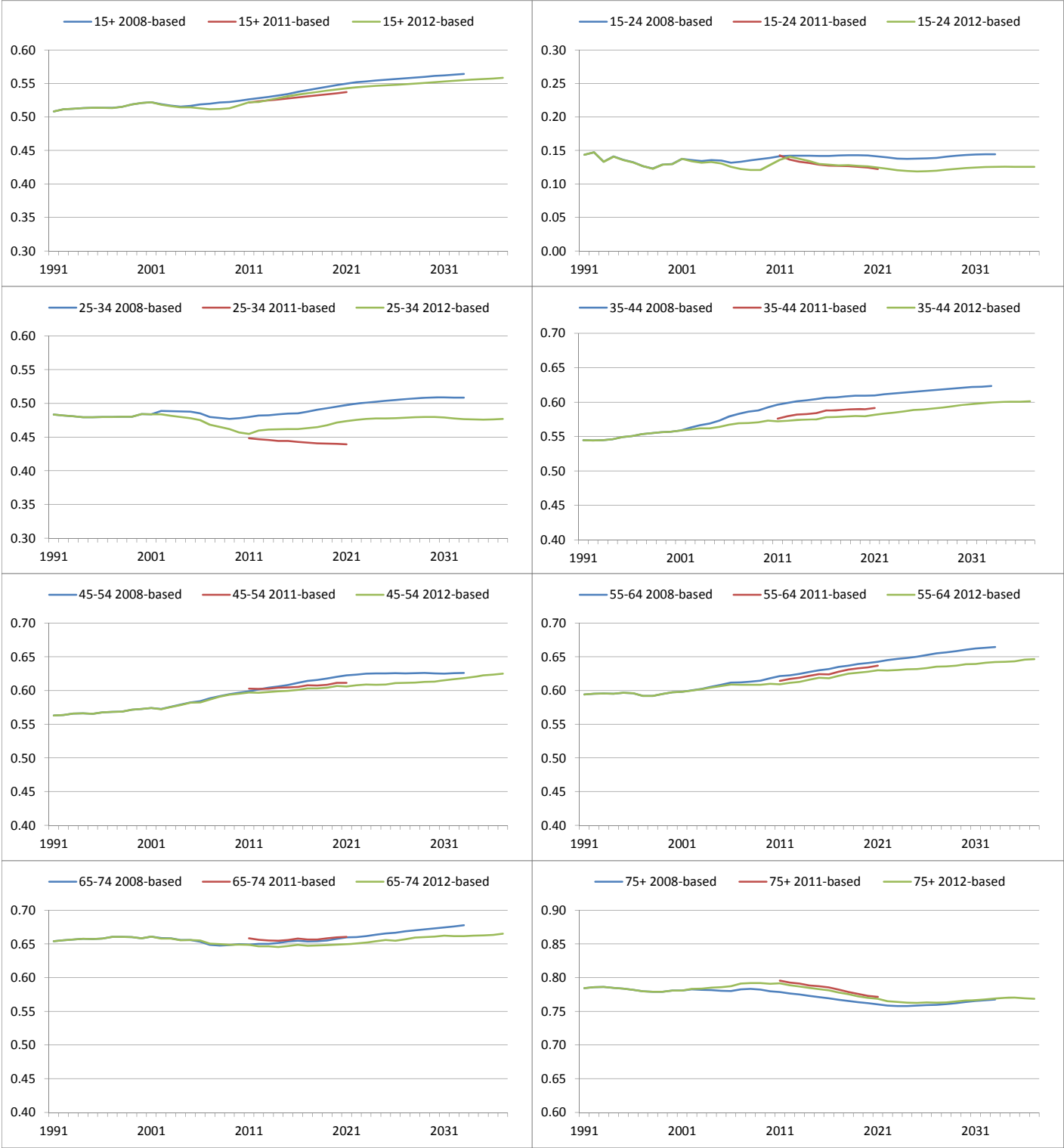|		C&W	Warwick
Starting Point	Projected Population Growth (ONS 2012-based SNPP)	7,165 pa	850 pa
	Projected Household Growth (CLG 2012-based SNHP)	3,946 pa	573 pa
	Projected Household Growth (Adjusted to address suppressed need)	4,248 pa	628 pa
A	**Starting Point Dwelling Requirement***	**4,391 dpa**	**649 dpa**
Net Migration	10-year Net Migration Trend (ONS MYE - 2004-13 Trend)	4,722 pa	719 pa
	Projected Population Growth (10yr Trend)	8,618 pa	1,165 pa
	Dwelling Requirement - Continuation of 10yr Trend	4,918 dpa	816 dpa
B	**Adjustment to Starting Point required to accommodate 10yr net migration trend**	**+527 dpa**	**+167 dpa**
Economic Growth	Employment Forecast 2011-31	94,470	20,360
	Commuting Ratio (Census 2011)	0.97	0.90
	Required Labour Force	91,636	18,324
	Economic-led Dwelling Requirement	5,005 dpa	1,036 dpa
C	**Further Adjustment required to accommodate Economic Growth**	**+87 dpa**	**+220 dpa**
Market Signals Test	Subtotal Dwellings per Annum (A+B+C)	5,005	1,036
	Average delivery rate 2001/02 – 2012/13	2,588	504
	Increase/Decrease vs. Average Annual Delivery 2001-12	+94%	+106%
	Difference vs. Barker Review Threshold (86%)	+8%	+20%
	Further Adjustment Recommended?	**No**	**No**
=	**FULL OBJECTIVELY ASSESSED NEED 2011-31 (A+B+C)**	**100,100 (5,005 dpa)**	**20,720 (1,036 dpa)**
	% increase in Housing Stock	26.9%	34.1%

Appendix 1

Household Formation Rate Projection Charts

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.
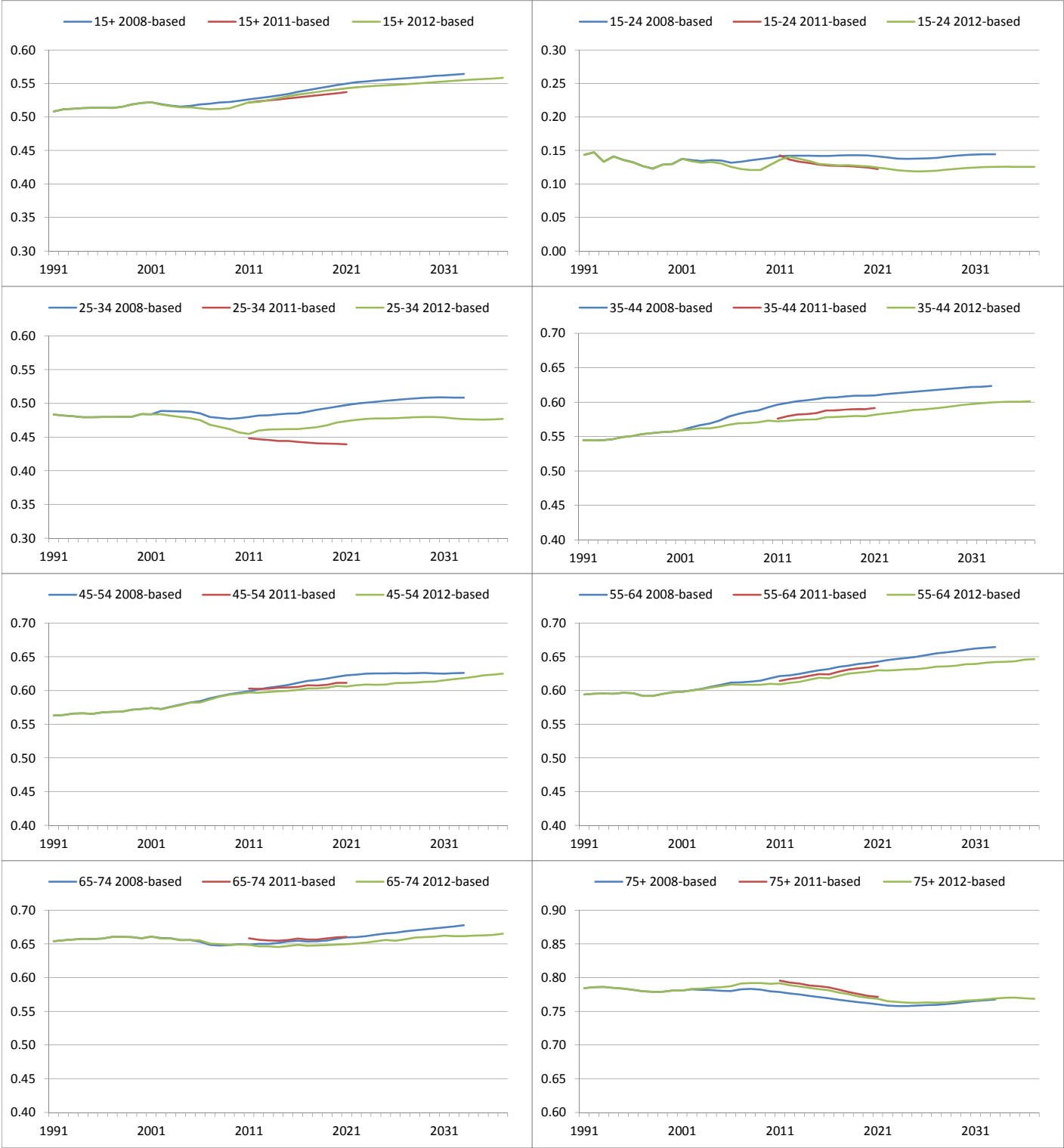
Local Authority: **North Warwickshire**

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.
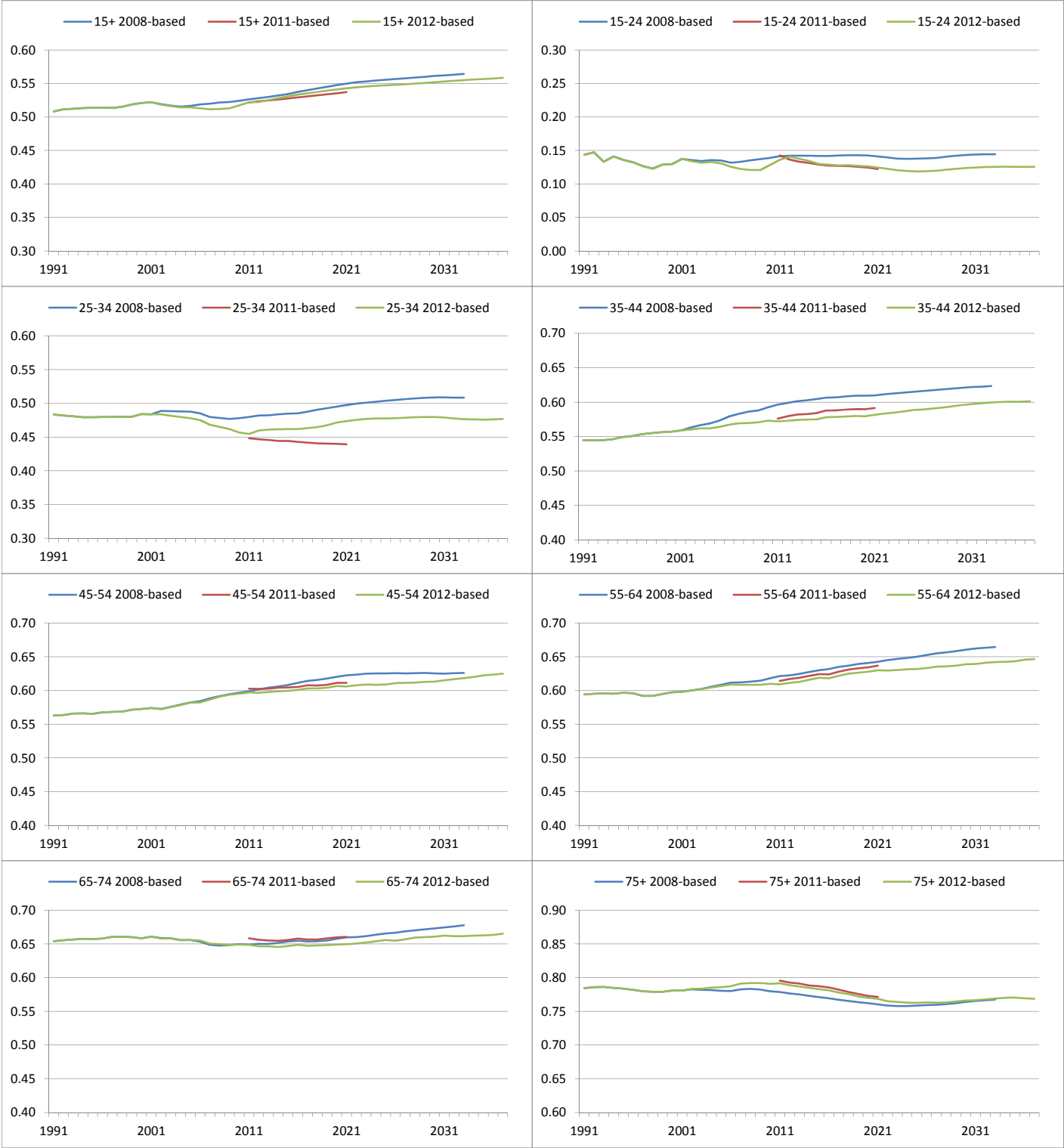
Local Authority: Rugby

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

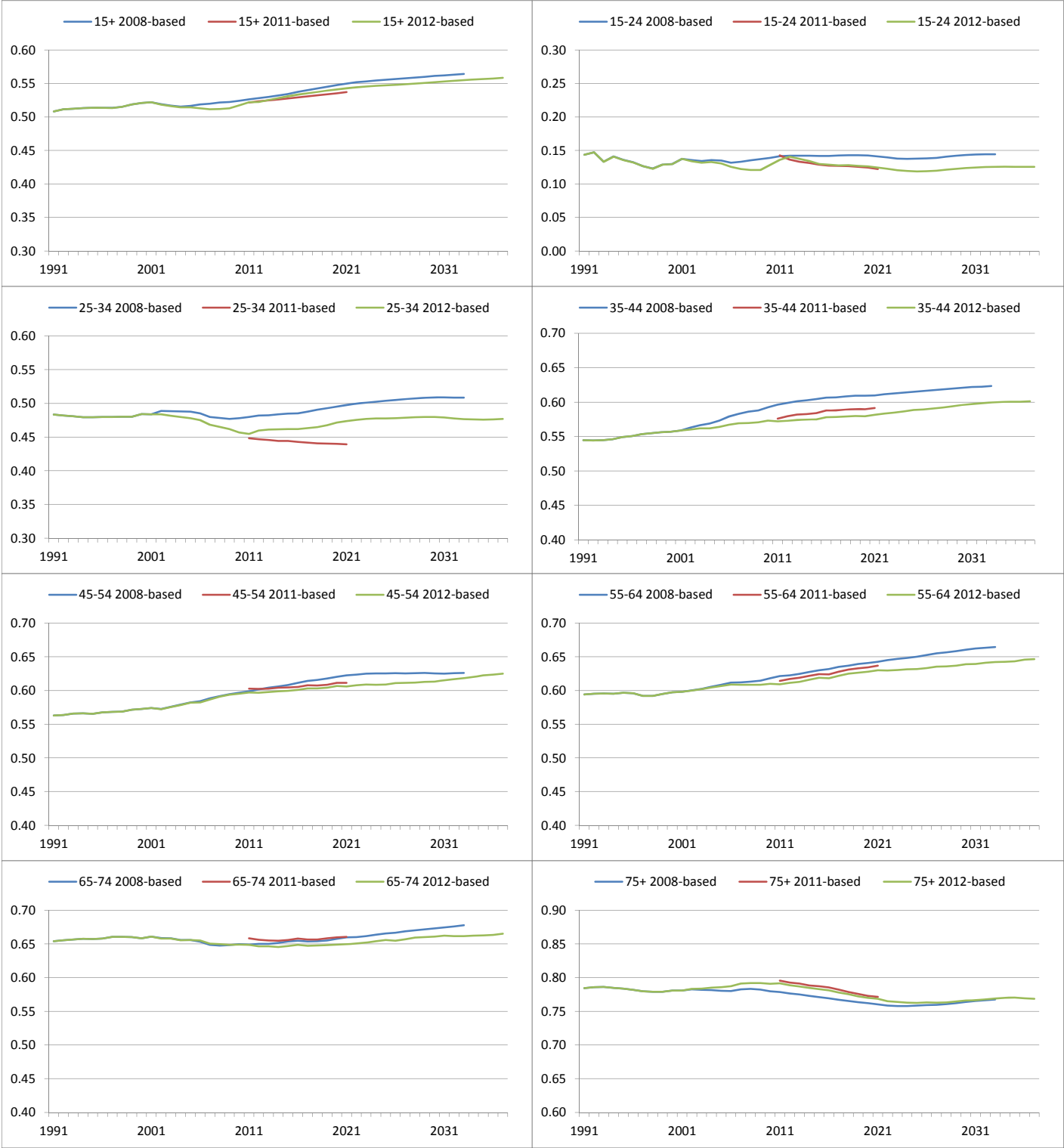**Local Authority:**   **Nuneaton and Bedworth**

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

Local Authority: **Coventry**

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.
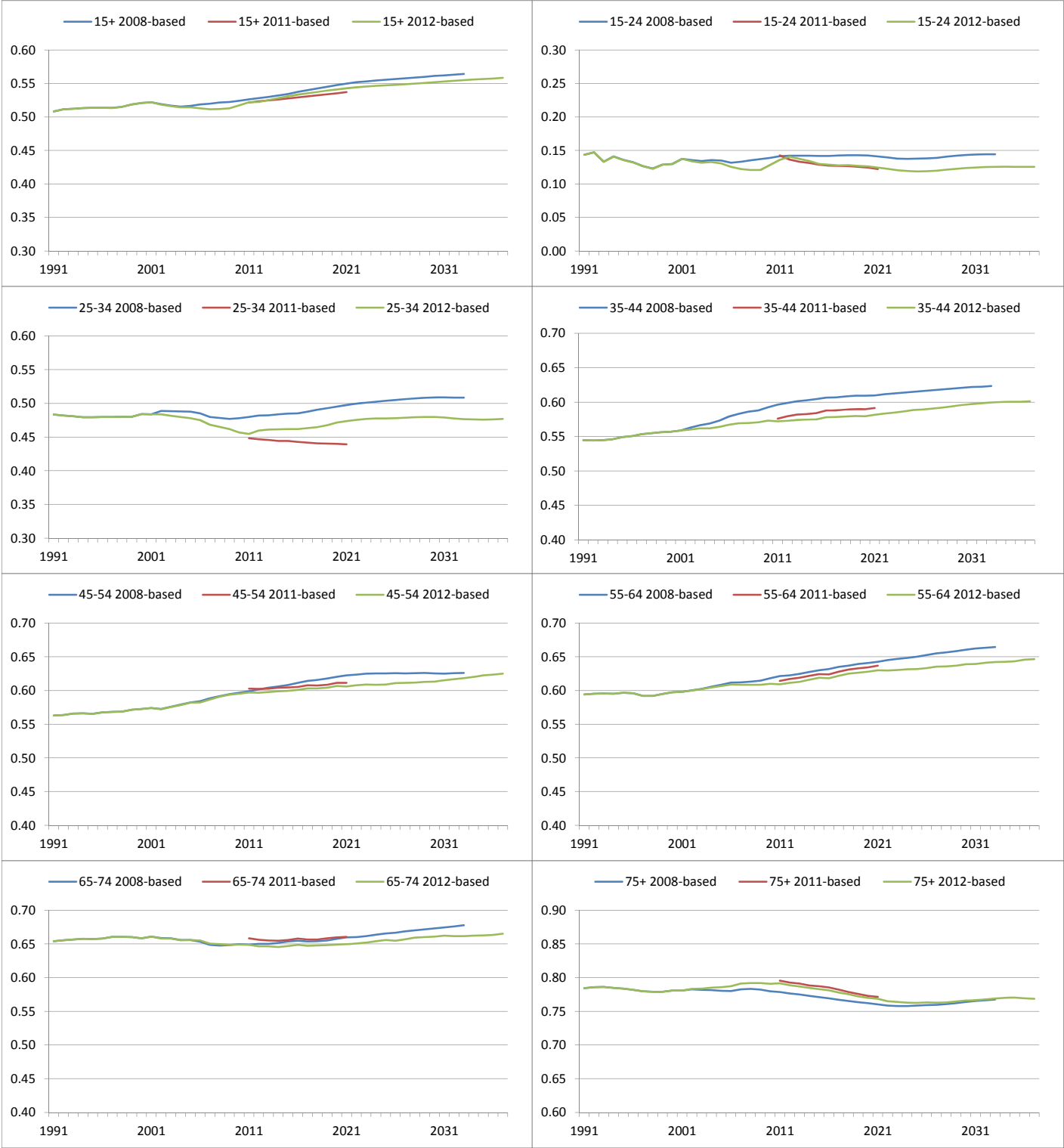
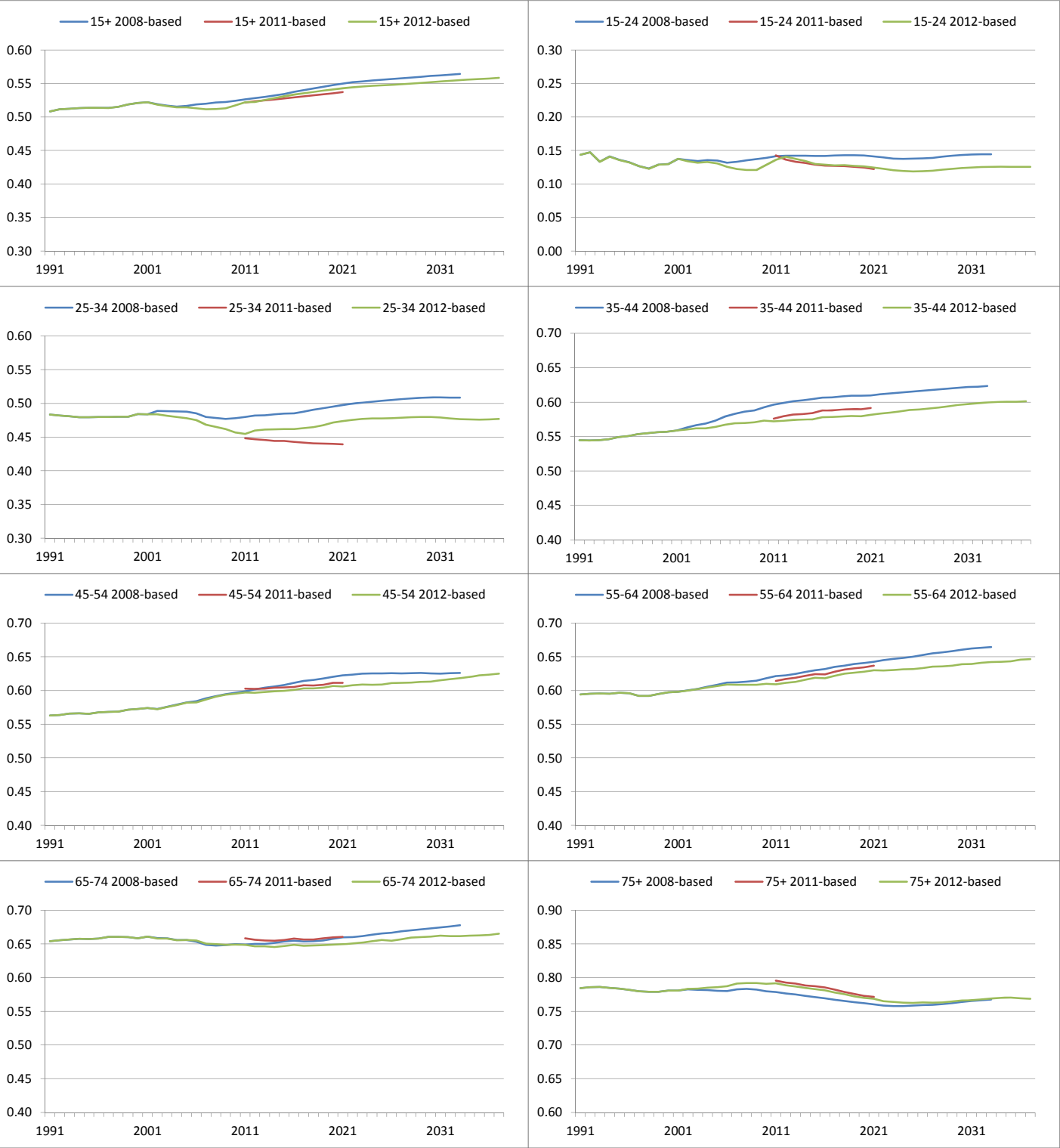**Local Authority:**   **Stratford-on-Avon**

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line).

Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

Local Authority: **Warwick**

Appendix 2

Market Signals Extract from June 2014 Study

1.0 HOUSING MARKET SIGNALS

- **Between 2006/07 and 2012/13, housing delivery across the HMA averaged 2,293 net additional dwellings per annum. However, this is skewed by stronger performance in the earlier years of the period analysed. Between 2008/09 and 2012/13, delivery was 23% lower at 1,797 dwellings per annum**
- **Since 1997, house prices across the HMA have risen significantly, although Median house prices remain below national average in all LPAs apart from Warwick and Stratford-on-Avon**
- **Affordability, measured in terms of the ratio between lower quartile earnings and lower quartile house prices, has worsened significantly since 1997 and remains worse than national average in the authorities outside of Coventry. Private rents are also less affordable than national average in four of the six authorities**
- **Overcrowding in Coventry is above national average, but lower in the rest of the HMA**
- **Overall, market signals have clearly worsened in recent years, meaning that housing numbers should be boosted to address market dysfunction**

1.1 The problems arising from historic under-delivery of housing across the country can be observed locally through analysis of market signals. The Planning Practice Guidance (PPG) provides an overview of the ways in which assessments of housing need should take market signals into account.

1.2 The PPG states that market signals should be assessed in context, with appropriate comparisons made both over time and between locations. Furthermore, the guidance declares that:

> **"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."[1]**

1.3 More specifically, it is suggested that the local housing supply targets should be proportionally increased based on the extent to which prices are rising and affordability ratios are widening. It is not, however, necessary to calculate the exact number of dwellings that would need to be built to alleviate a given problem, as advised by the PPG:

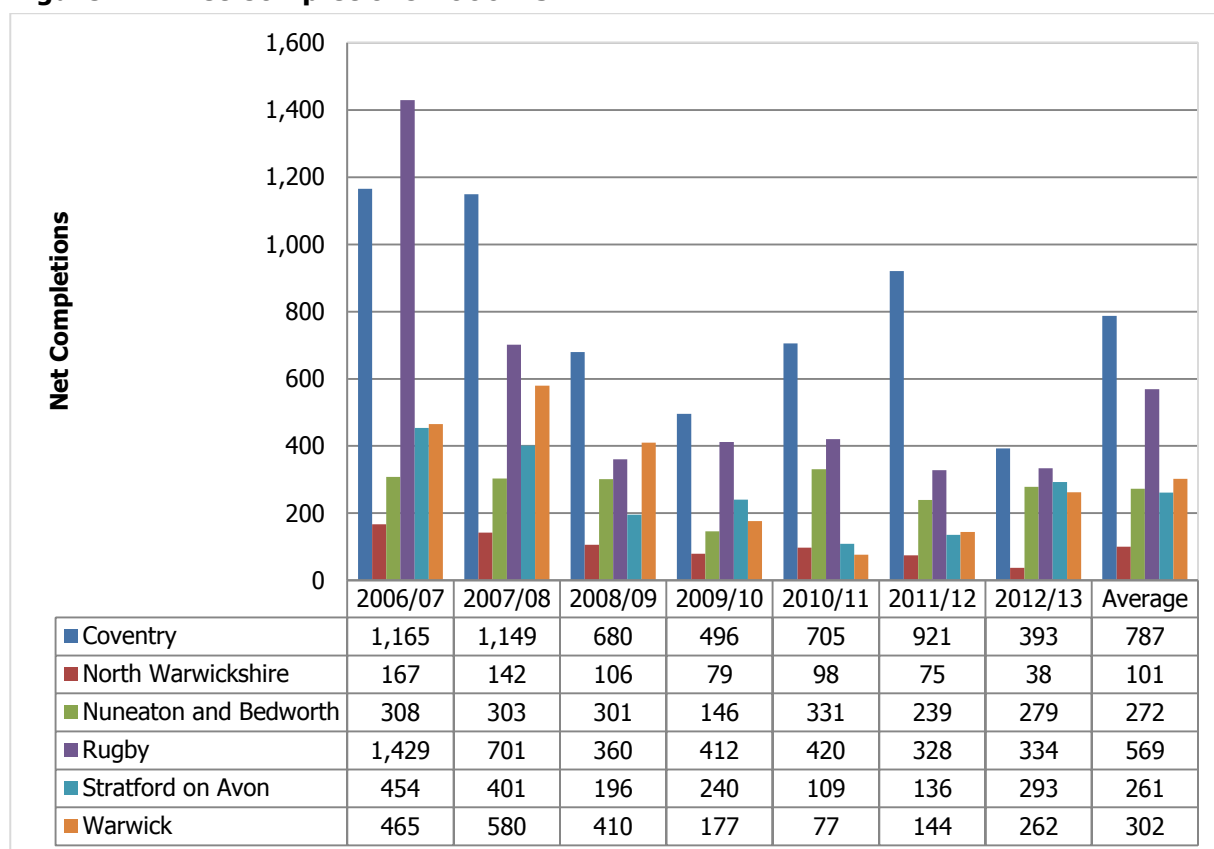[1] Paragraph: 020 Reference ID: 2a-020-20140306, Planning Practice Guidance, 06 March 2014

> **"Plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principals of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period."[2]**

1.4   To help inform our assessment, five key market signals have been taken into consideration – Rate of Development, House Prices, Affordability, Residential Rents and Overcrowding.

Rate of Development

1.5   The first indicator taken into account is Rate of Development. Local Authorities which have permitted their dwelling stock to grow significantly over an extended period of time should, in theory, see house prices rise more slowly than those authorities which have seen smaller increases in dwelling stock. Figure 1.1 below summarises net housing completions within the HMA for the period 2006/07 to 2012/13, as reported the LPAs in their Annual Monitoring Reports.

Figure 1.1: Net Completions 2006-13

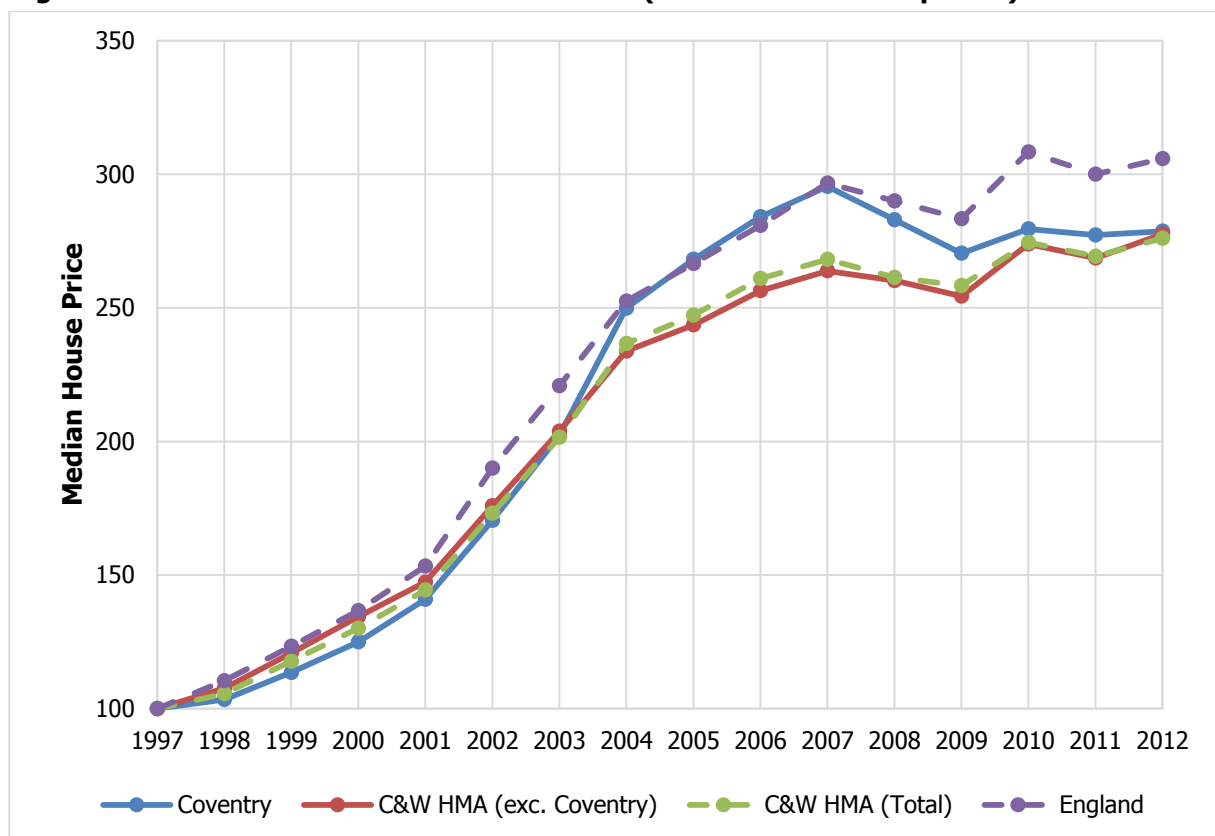|	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Coventry	1,165	1,149	680	496	705	921	393	787
North Warwickshire	167	142	106	79	98	75	38	101
Nuneaton and Bedworth	308	303	301	146	331	239	279	272
Rugby	1,429	701	360	412	420	328	334	569
Stratford on Avon	454	401	196	240	109	136	293	261
Warwick	465	580	410	177	77	144	262	302

Source: LPA AMRs.

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[2] Paragraph: 020 Reference ID: 2a-020-20140306, Planning Practice Guidance, 06 March 2014

1.6   The average net completion rate for the HMA as a whole over the period analysed was 2,293 dwellings per annum, with Coventry and Rugby delivering nearly 60% of this figure. The average completion rate is slightly above the previous RSS-based target of 2,180 dwellings per annum. This average rate is, however, positively influenced by strong delivery performance in the earlier years; the 5-year trend (2008/9 to 2012/12) is significantly lower at just 1,757 dwellings per annum – 21% lower than the RSS-based target.

House Prices

1.7   The second indicator taken into account is median house price. House prices are influenced by a wide variety of factors and can vary significantly within a district; the median house price has been used to limit the influence of extreme high and low values. Figure 1.2 tracks the median house price across the HMA (with and without Coventry) over the period 1997-2012, indexed against their 1997 levels, whilst Table 1.1 summarises sales values at 5 year intervals.

Figure 1.2: Median House Price 1997-2012 (Index 100 =1997 prices)

Source: Office for National Statistics/Land Registry, via CLG Live Table 586

Table 1.1: Increases in Median House Price 1997-2012

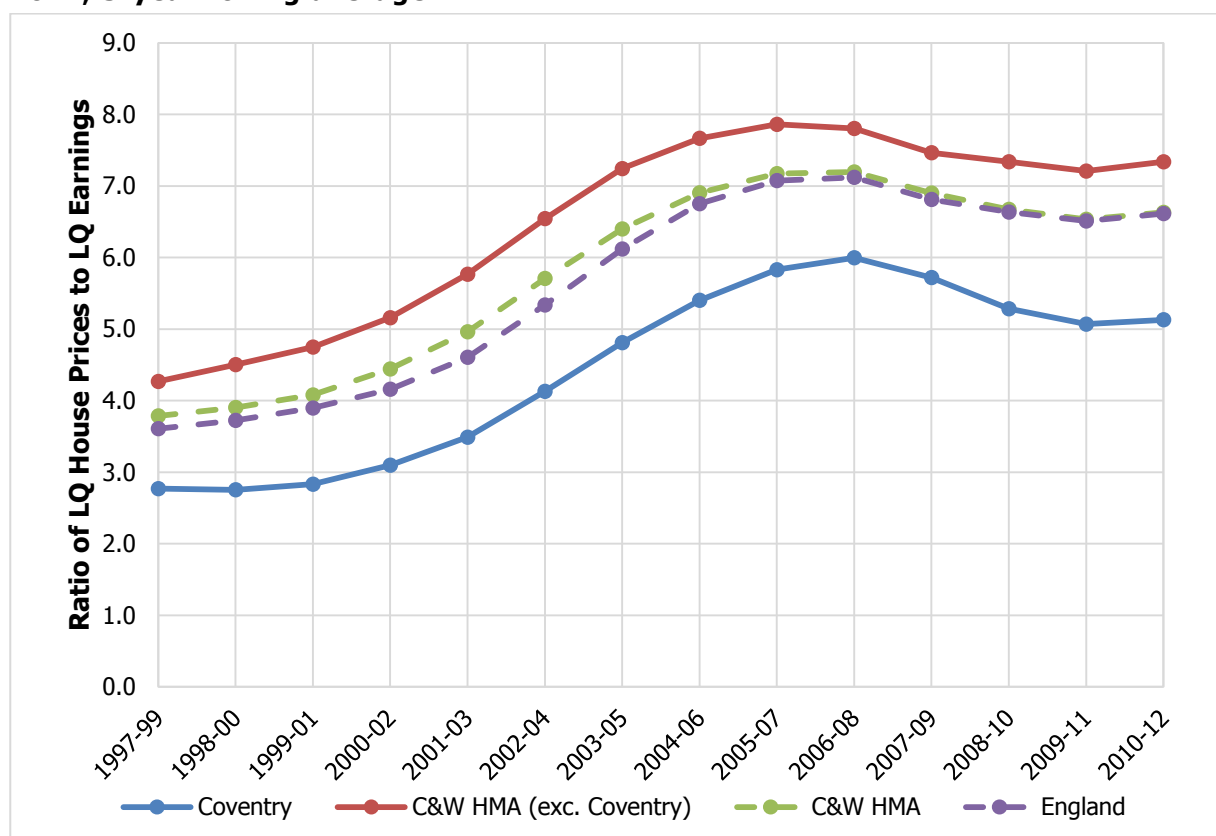|	1997	2002	2007	2012	Total Increase 1997-2012		Total Increase 2002-2012	
Coventry	£44,000	£75,000	£130,000	£122,627	£78,627	179%	£47,627	64%
North Warwickshire	£58,000	£92,000	£149,500	£147,000	£89,000	153%	£55,000	60%
Nuneaton and Bedworth	£49,998	£76,500	£132,500	£127,000	£77,003	154%	£50,500	66%
Rugby	£56,000	£108,000	£159,000	£159,950	£103,950	186%	£51,950	48%
Stratford-on-Avon	£89,325	£158,500	£229,604	£245,000	£155,675	174%	£86,500	55%
Warwick	£72,000	£140,000	£199,000	£209,950	£137,950	192%	£69,950	50%
C&W HMA	£60,340	£104,446	£161,790	£166,565	£106,225	176%	£62,119	59%
England	£60,000	£114,000	£178,000	£183,500	£123,500	206%	£69,500	61%

Source: Office for National Statistics/Land Registry, via CLG Live Table 586

1.8   The median house price across the HMA in 2012 was around 10% lower than national average, but with significant variation between districts. Over the total fifteen year period, £106,000 was added to the median price – an increase of 176%. Over the last decade, Nuneaton and Bedworth has shown the highest growth in percentage terms within the HMA, with median prices 66% higher in 2012 than in 2002.

Affordability – Lower Quartile

1.9   The third indicator taken into account is affordability, assessed using the ratio between lower quartile house prices and lower quartile earnings. This indicator is particularly salient given the well-publicised barriers to ownership faced by many first time buyers and low-earners. Figure 1.3 below tracks the affordability ratio for each LPA 1997-2012. Given that the ratio is a product of two independent data sources, a three year rolling average has been used to limit the effects of volatility in either data source. Table 1.2 shows the differential between the ratio in 1997/2002 and 2012.

Figure1.3: Ratio of Lower Quartile House Prices to Lower Quartile Earnings 1997-2012, 3-year rolling average

Source: Office for National Statistics/Land Registry, via CLG Live Table 57

Table 1.2: Affordability ratio change 2002-2011

	1997	2002	2007	2012	Total Change 1997-2012		Total Change 2002-2012	
Coventry	2.9	3.4	6.3	5.2	2.3	77%	1.8	54%
North Warwickshire	4.0	4.3	6.8	6.4	2.4	61%	2.1	49%
Nuneaton and Bedworth	3.0	4.1	6.7	5.5	2.5	81%	1.4	34%
Rugby	2.9	4.6	7.1	6.2	3.4	118%	1.7	36%
Stratford-on-Avon	5.5	7.8	9.0	8.9	3.4	61%	1.1	14%
Warwick	4.4	6.5	8.6	7.7	3.3	74%	1.2	19%
C&W HMA	3.8	4.9	7.3	6.6	2.9	77%	1.7	36%
England	3.6	4.5	7.2	6.6	3.0	85%	2.1	48%

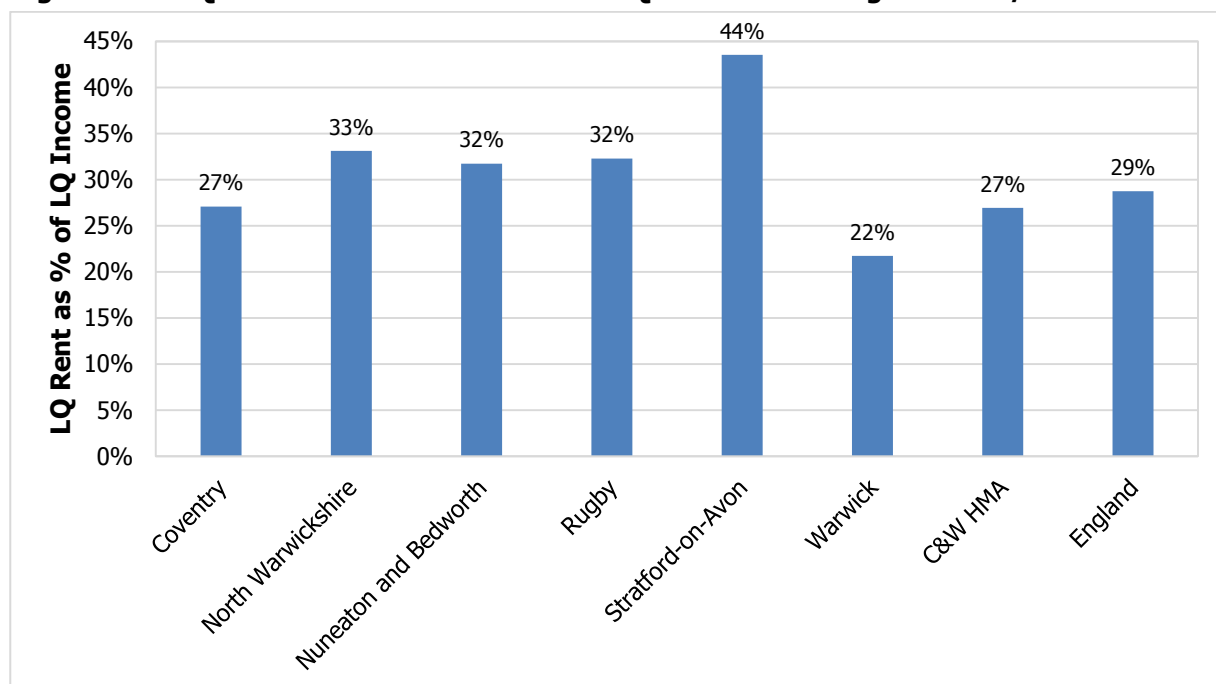Source: Office for National Statistics/Land Registry, via CLG Live Table 576

1.10   The affordability ratio has worsened for all areas assessed, including England as a whole, as a result of lower quartile house prices rising more quickly than lower quartile earnings. In 1997, the affordability ratio for the HMA was close to the typical mortgage borrowing multiplier of 3.5, meaning that for many buying a house was a realistic prospect. By 2007 (the pre-recession peak in many areas) the affordability ratio had reached 6.6, an impassable barrier for many newly forming households.

1.11   The most pronounced affordability problems can be found in Stratford-on-Avon (8.9) and Warwick (7.7).

Residential Rents

1.12   The fourth indicator taken into account is residential rent. Figure 1.4 below shows the ratio between Lower Quartile personal income and Lower Quartile private rent, both annualised.

Figure 1.4: LQ Residential Rents as % of LQ Annual Earnings – 2012/13

Source: Valuation Office Agency

1.13   Across CWHMA as a whole, a Lower Quartile private rented property costs (on average) 27% of Lower Quartile Earnings (on the same basis as the purchase affordability calculation shown in Figure 1.3) – slightly lower than national average. Private rents are highest (relative to earnings) in Stratford-On-Avon and lowest in Warwick. Table 1.3 analyses growth in residential rents between 2010/11 and 2012/13.

Table 1.3: Residential Rents (per Month) 2010/11 – 2012/13

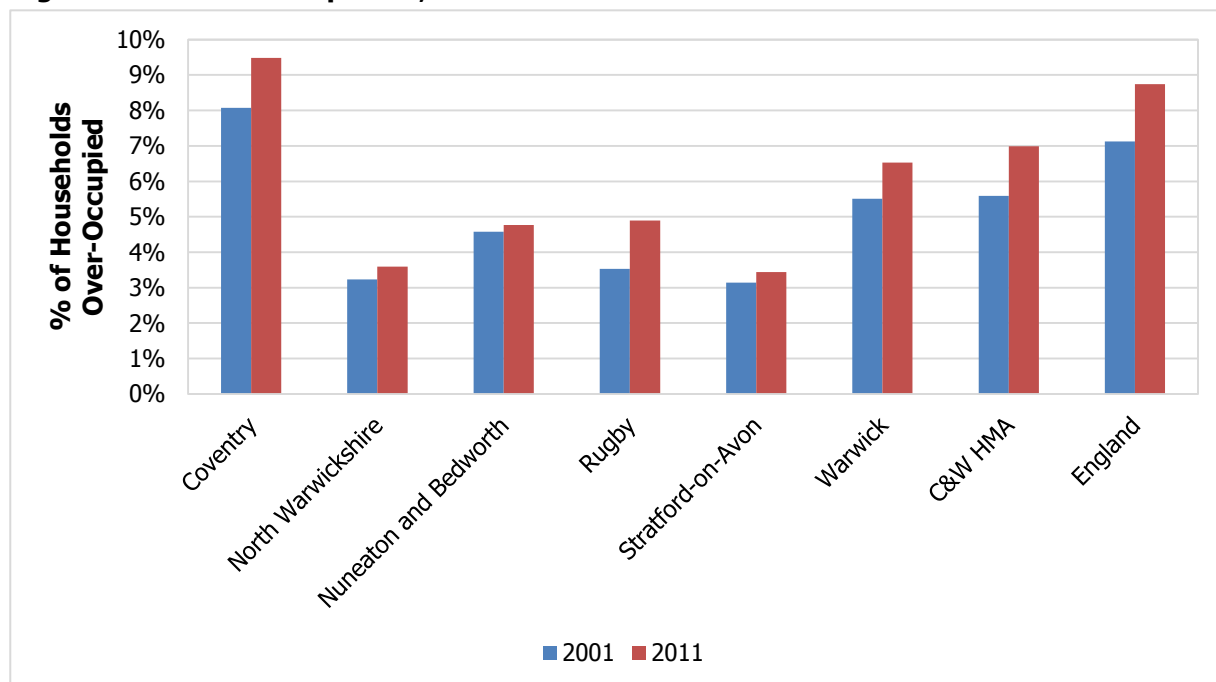|	Lower Quartile			Median		
	2010/11	2012/13	% Change	2010/11	2012/13	% Change
Coventry	£400	£425	6.3%	£495	£525	6.1%
North Warwickshire	£475	£495	4.2%	£525	£550	4.8%
Nuneaton and Bedworth	£400	£405	1.3%	£475	£495	4.2%
Rugby	£450	£460	2.2%	£500	£550	10.0%
Stratford-on-Avon	£575	£625	8.7%	£650	£725	11.5%
Warwick	£400	£342	-14.5%	£595	£625	5.0%
C&W HMA	£419	£427	1.8%	£536	£573	6.8%
England	£450	£455	1.1%	£575	£595	3.5%

Source: Valuation Office Agency, Private Rental Market Statistics – All property types, data for year ending 30th September.

1.14 Compared with the average for England, Lower Quartile rents were 6% lower in the HMA in 2012/13, whilst Median rents were 4% lower. Between 2010/11 and 2012/13, lower quartile rents increased by 1.8% (compared to a 1.1% increase across England), whilst Median rents grew by 6.8% (3.5% across England as a whole).

Overcrowding

1.15 The final indicator is Overcrowding, taking into account the proportion of households which are over-occupied (i.e. having fewer rooms than required for the number of usual residents) and Concealed households (multiple households living in a single dwelling).

1.16 Figure 1.5 below compares the proportion of households classified as over occupied in the 2011 census compared against the 2001 census.

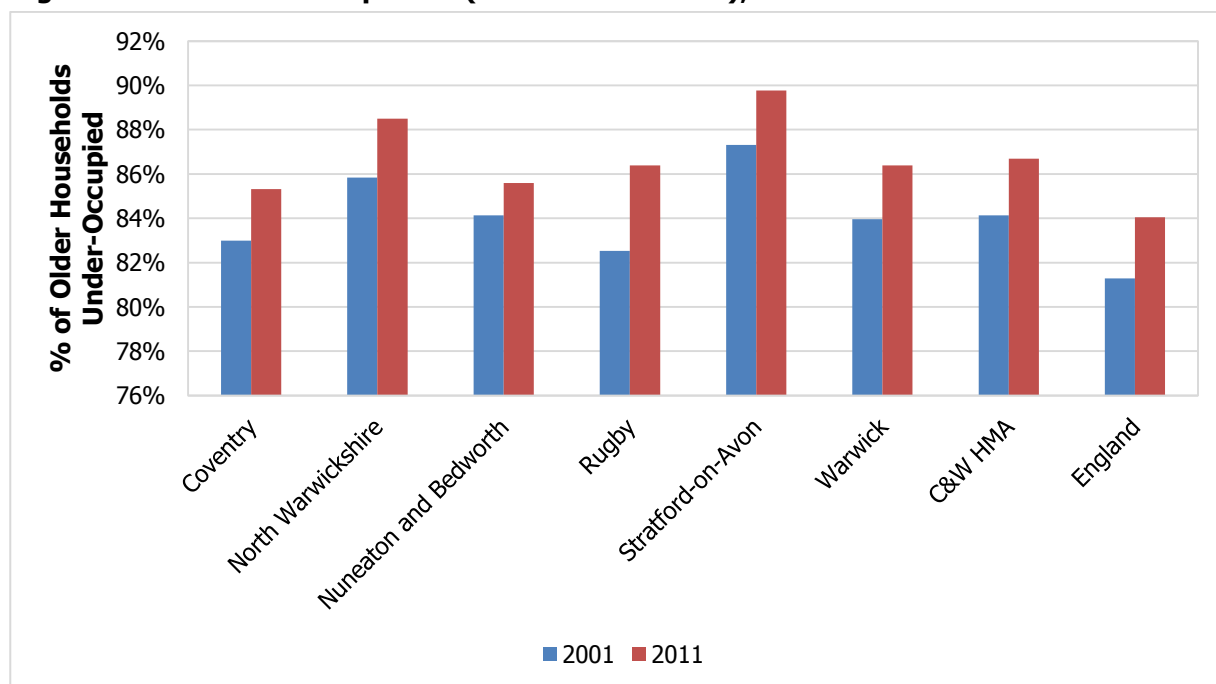**Figure 1.5: Over-occupation, 2001 vs. 2011**

Source: Office for National Statistics, Census 2001/2011

1.17 Although over-occupation across the HMA as a whole is below national average, the proportion has grown by 25%.

1.18 Figure 1.6 shows the proportion of Older Households which were under-occupying in 2011 compared against the proportion in 2001.

Figure 1.6 – Under-occupation (older households), 2001 vs. 2011

Source: Office for National Statistics, Census 2001/2011

1.19   Under-occupation among Older Households (where all occupants are retired) has also increased between censuses, and remains higher than national average. This trend suggests that as the population ages, the shortage of larger properties available for families will decline.

1.20   The second aspect of overcrowding taken into account is Concealed Households. One dwelling typically houses a single household. Concealed households occur when multiple households occupy the same dwelling, often due to affordability issues, although in some cases there are strong cultural traditions of extended families living together in the same dwelling. Table 1.4 summarises the number of concealed families within CWHMA.

Table 1.4: Concealed Households by age of Family Reference Person (FRP) – Census 2001/11

	Concealed - FRP Under 25 (2011)	Concealed - FRP 25-34 (2011)	Concealed - All Ages (2011)	Concealed - All Ages (2001)
Coventry	10.3%	4.4%	2.4%	1.5%
North Warwickshire	18.9%	3.4%	1.5%	1.1%
Nuneaton and Bedworth	11.0%	3.7%	1.6%	1.0%
Rugby	9.5%	2.8%	1.2%	0.9%
Stratford-on-Avon	14.5%	4.4%	1.2%	0.8%
Warwick	12.3%	3.6%	1.7%	1.1%
C&W HMA	**11.3%**	**3.9%**	**1.8%**	**1.2%**
England	**12.8%**	**4.0%**	**1.9%**	**1.2%**

Source: ONS, Census 2001 & 2011

1.21   The proportion of Concealed households in CWHMA is slightly below the national average, but has worsened in all parts of the HMA since 2001. The age group with the highest proportion of concealed households is 24 and under, a reflection of the difficulties faced by young people in being able to afford their own homes.

1.22   In addition to concealed families, there are many concealed individuals who would like to form their own household but have not been able to due to the recession. Whilst it is not possible to derive the number of these individuals from the Census, research by Bramley et al. (2010) suggests that single adults account for around half of concealed households[3].

Summary

1.23   The rate of housing delivery since 2006/07 has averaged at a similar level to the RSS figure for the HMA. However, this is skewed significantly by higher delivery in the earlier years; delivery over the last 5 years is 21% lower than the previous RSS-based target. House

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[3] Bramley et al. (2010), Estimating housing need, Department for Communities and Local Government

Prices at HMA level remain below national average, although some parts of the HMA (Stratford-on-Avon and Warwick) are significantly above average. At HMA level, affordability (measured in terms of the ratio between lower quartile house prices and earnings) is in line with national average, with a lower quartile-priced property costing 6.6 times the lower quartile income in 2012.

1.24   Overcrowding is also broadly in line with national average, but still remains an issue (and has worsened between censuses). North Warwickshire and Stratford-on-Avon both show high proportions of concealed households where the family reference person is aged under 25 – a clear indicator that household formation among younger people in particular is being suppressed by poor affordability.

1.25   This analysis of market signals suggests that the C&WHMA requires a significant increase in housing supply to improve affordability and widen access to the private housing market. Failure to improve the affordability of house purchasing will inevitably cause increases in rents as demand for the relatively low supply of this tenure grows.

1.26   It is likely that the future supply of housing will need to significantly exceed delivery rates experienced in the recent past in order to alleviate the pressures on the housing market observed through market signals.