

**WARWICK DISTRICT LOCAL PLAN EXAMINATION**

**MATTER 2 : OVERALL PROVISION FOR HOUSING**

**Inspector's Key Issues and Questions in bold text.**

**Issue**

**Whether the Local Plan has been positively prepared and whether it is justified, effective and consistent with national policy in relation to the overall provision for housing.**

**Questions**

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

The OAHN for C&WHMA is set out as follows :-

SOURCE	OAHN (dwellings per annum)
2013 SHMA	3,753
2014 up-date SHMA Addendum (household formation rates (HFR) part return to trend for all age groups)	4,004
2014 up-date SHMA Addendum (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)	4,373
2014 up-date SHMA Addendum jobs led scenario using Cambridge Economics (CE) forecast (HFR part return to trend for all age groups)	4,546
2014 up-date SHMA Addendum jobs led scenario using CE (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)	5,046
2014 up-date SHMA Addendum jobs led scenario using Experian forecast (HFR part return to trend for all age groups)	3,646
2014 up-date SHMA Addendum jobs led scenario using Experian forecast (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)	3,950

In March 2014 the C&WHMA authorities confirmed support for an OAHN of between 3,750 – 3,800 dwellings per annum as identified in the 2013 SHMA (Duty to Co-operate Statement paragraph 5.2.4). The C&WHMA authorities also agreed a distribution for OAHN across the HMA as :-

C&WHMA AUTHORITY	DISTRIBUTION OF OAHN (dwellings per annum)
Coventry	1,180
North Warwickshire	175
Nuneaton & Bedworth	495
Rugby	660
Stratford upon Avon	540
Warwick	720
TOTAL	3,770

In November 2014 the C&WHMA authorities agreed a higher OAHN of 4,004 dwellings per annum as identified in the 2014 up-dated SHMA Addendum based on HFR part return to trend for all age groups scenario (Duty to Co-operate Statement paragraph 5.2.8). However the re-distribution of this higher OAHN across the HMA was not agreed. The previously agreed distribution was proposed as a starting point but 234 dwellings per annum were left undistributed.

The agreed distribution also assumed that Coventry City Council would accommodate its apportioned distribution of 1,180 dwellings per annum within its own administrative boundary, which at this time remains unproven. The proposed distribution also assumes that authorities such as Rugby and Nuneaton & Bedworth would undertake reviews of existing adopted plans which have lower housing provision target figures. It is also noted that until 1st December 2014 the submitted Local Plan for Stratford upon Avon was not meeting its apportioned distribution of OAHN as agreed.

## **2) What do population and household projections indicate?**

The 2012 based SNPP show projected population growth of 7,165 per annum across the C&WHMA.

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

In the Council's Report "*2012 Household Projections Up-date*", the 2012 based household projections are converted into dwellings by the application of a vacancy rate. This calculation equates to 4,100 dwellings per annum for the C&WHMA, which is higher than the proposed OAHN of only 4004 dwellings per annum.

The NPPG confirms that the official 2012 based household projections published on 27<sup>th</sup> February 2015 represent the most up to date estimate of future household growth (ID 2a-016-20150227) which is the starting point for OAHN (ID 2a-015-20140306).

## **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 2013 SHMA and 2014 up-date SHMA Addendum methodology is reasonably aligned with advice contained within the NPPG and PAS “Objectively Assessed Need & Housing Targets” Technical Advice Note dated June 2014.

However there is disagreement over the use of assumptions relating to migration, household formation rates (HFR) and the lack of any upward adjustments for economic growth, market signals and affordability as set out in answers to Questions 5 – 9 below.

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

It is noted that the 2013 SHMA and 2014 up-date SHMA Addendum are based upon 5 year migration trends. Whilst the alternative OAHN prepared by Barton Wilmore on behalf of a consortium of house builders illustrates that a 10 year migration trend is higher.

It is interesting to note that in recent evidence prepared by Neil McDonald of Cambridge Centre for Housing & Planning Research (CCHPR) acting on behalf of Stroud District Council submitted that *“The case for adjusting the population projections to reflect 10-migration flows within the UK is based on the ONS’s 2012-based projections (2012 SNPP) having taken 2007-12 as their trend period, a period that included the deepest and longest recession for more than a generation. During this period in many areas flows were significantly different from the preceding 5-year period: for 60% of authorities the net flow in 2007-12 was more than 50% larger or smaller than in the period 2002-07. This would suggest that using that period as the trend period is likely to result in population projections that are either too high or too low (paragraph 2.2 of Response to Inspector’s Initial View REX B17). The case for adjusting the 2012 SNPP to reflect longer term migration patterns has recently been strengthened by the London Plan Inspector accepting the GLA’s proposal based on migration patterns partially returning to previous trends<sup>1</sup>. (This would have an effect similar to basing migration flows on 10-year averages as those averages would be part-way between the pre-recession levels and the levels during 2007-12). The effect is that the draft London Plan is based on a net outflow over the period 2012-37 that is 380,000 larger than that suggested by the 2012 SNPP. Unless local authorities outside London make complementary adjustments no one will be planning to house those people (paragraph 2.3). London Plan Inspector’s Report on the Examination in Public into the Further Alterations to the London Plan, 18 November 2014”*. It is not unreasonable to assume that some of this unmet need will be attracted to the West Midlands in particular the Greater Birmingham HMA and the C&WHMA especially given the existing train commuting times of less than 1 hour 30 minutes and the Government’s proposals for High Speed 2 (HS2).

It is acknowledged that household projections are only projections of past trends and not forecasts as such these projections reflect past influences on household formation. Housing shortages over the last two decades, and poor housing affordability, have restricted the ability of many young people to form

independent households. Therefore such projections under-estimate future requirements by building into future housing provision the adverse impacts on household formation of past undersupply and very weak economic and market conditions between 2008 and 2012. So it is argued that 2011 and 2012 based projections reflect recessionary trends whilst 2008 based projections are pre-recessionary. Therefore it is inherent that in any partial return to trend scenario adverse recessionary effects such as concealed households will still persist at the end of the plan period.

The 2014 up-date SHMA Addendum models two alternative assumptions on HFR. These are :-

- part return to trend for all age groups which assumes HFR are somewhere between the rates of 2011 and 2008 based household projections (4,004 dwellings per annum) ;
- improved HFR aged 25 – 34 which assumes for the 25 – 34 age group a full return to 2008 based household projections over 2011 – 2031. All other age groups are assumed a part return to trend as defined above (4,373 dwellings per annum).

The criticism of projecting forward recessionary trends applies to the demographic projection of part return to trend for all age groups chosen by the C&WHMA authorities as its OAHN for the HMA in preference to the improved HFR aged 25 – 34 scenario.

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

Unattributable population change (UPC) has been excluded from the calculation of OAHN. Such an approach accords with the recommendations of the ONS Consultation 2012-based SHPP for England Report on UPC dated 20<sup>th</sup> January 2014.

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

The preferred OAHN of 4,004 dwellings per annum chosen by the C&WHMA authorities will not satisfy the economic and employment growth shown in the jobs led scenarios based on Cambridge Economics forecasts (see Table in answer to Question 1). This is a serious flaw as it undermines the Coventry & Warwickshire Local Enterprise Partnership (LEP) Strategic Economic Plan (SEP). It should also be noted that the OAHN set out in the 2014 update SHMA Addendum jobs led scenarios based on Cambridge Economics forecasts is a conservative estimates of economic growth and is not fully representative of the 94,500 jobs growth proposed in the Coventry & Warwickshire LEP SEP.

Indeed this issue of not meeting economic growth and aligning housing requirements accordingly is highlighted in the Stratford upon Avon Local Plan Examination Inspector's Interim Conclusions dated 18<sup>th</sup> March 2015. The Inspector states "*there remains a case for considering an uplift to housing*

*numbers in order to support economic growth” (paragraph 27). The labour force adjustments in the assessment are not justified and fail to demonstrate an adequate labour force supply will be available to meet projected jobs growth. The Inspector concludes that “the demographic led projection is inadequate to meet future changes in the District’s labour market ... job growth ...is likely to exceed labour supply ... the housing figure is not aligned to employment growth ... the Council appears to be planning for a situation in which a key part of its labour force cannot live in the District” (paragraph 43).*

The disregard of the jobs led scenarios for OAHN of 4,546 and 5,046 dwellings per annum is not justified especially given that in the Full Council & Executive Meeting Report dated 23<sup>rd</sup> April 2014 paragraph 8.10.2 Warwick District Council commits to “ensuring alignment with the SEP”. This commitment is repeated in Policy DS20 of the Local Plan.

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

There is no upward adjustment for market signals. Although the modelling of full return to trend of HFR for age group 25 – 34 is a recognition of difficulties faced by younger people in forming their own households this adjustment is not part of the OAHN of 4,004 dwelling per annum preferred by the C&WHMA authorities.

The main justification for the rejection of any upward adjustment above demographic projections is that local market signals mirror national trends. However this is not a satisfactory justification. It is acknowledged by all political parties that there is a national housing shortage. The response of the C&WHMA authorities to the Governments overall growth agenda and in particular the NPPF requirement “to boost significantly the supply of housing” (paragraph 47) is overly cautious rather than positive.

### **9) What effect have all of 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?**

In the OAHN for the HMA as proposed by the C&WHMA authorities factors associated with economic growth, market signals and affordability have had no effect. The preferred OAHN of 4,004 dwellings per annum for the HMA is assessed exclusively on a recessionary based demographic projection. This proposed OAHN is below the official 2012 based household projections confirmed as the most up to date estimate of future household growth and the starting point for the OAHN in the NPPG. The proposed OAHN will not :-

- meet economic growth ;
- improve affordability ;
- boost significantly housing supply.

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

There is a risk of unmet housing needs arising unless the C&WHMA authorities confirm :-

- the distribution of full OAHN across the HMA (our emphasis) ;
- the distribution of OAHN to each individual authority can be met within its own administrative boundaries.

At present an estimate of potential unmet needs arising from within the C&WHMA includes :-

- an undistributed OAHN of 234 dwellings per annum equivalent to 4,680 dwellings between 2011 – 2031 based on the preferred OAHN of 4,004 dwellings per annum ;
- the latest consultation (ended 31<sup>st</sup> October 2014) suggested that Coventry city had a capacity on brownfield sites for only 16,500 dwellings against 23,600 dwellings as its apportioned distribution of OAHN (1,180 dwellings per annum x 20 years) meaning a potential unmet need of 7,100 ;
- Rugby Core Strategy (adopted in 2011) includes a housing provision of only 540 dwellings per annum between 2006 – 2026 compared to 660 dwellings per annum as its share of distributed OAHN representing a difference of 120 dwellings per annum and a potential accumulated unmet need of 480 dwellings since 2011 ;
- 56 dwellings per annum difference between Nuneaton & Bedworth Preferred Options consultation (439 dwellings per annum) and its apportioned distribution of 495 dwellings per annum.

There is also a potential unmet need of circa 38,000 dwellings arising from Birmingham beyond the C&WHMA together with uncertainties arising from a recently adopted plan in Solihull which is not based on an OAHN.

### **11) Will these needs be met elsewhere in the HMA? Is this clear?**

At this time it is unknown where these potential unmet needs arising from within and beyond the HMA will be met. Paragraphs 1.22 – 1.24 of the Warwick Local Plan confirms state *“each of the authorities within the sub region is at a different stage in preparing their local plan or core strategy. The capacity of the other districts to deliver their housing requirement in full is therefore not known. In this context, the potential remains that one or more of these authorities will not be able to meet their housing requirement within their boundaries”*.

### **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?**

The C&WHMA authorities approach is set out in paragraphs 1.22 – 1.24 and Policy DS20 of the Warwick Local Plan which state that :-

- *“Warwick District Council has therefore been working closely with the other authorities in Coventry and Warwickshire to agree a robust process to address this issue should it arise. This process has been agreed by the Coventry and Warwickshire Joint Committee. It involves three broad stages (1) ensuring a robust and up to date joint evidence base, (2) agreeing a sub-regional strategy for meeting any shortfall in housing provision and (3) reviewing Local Plans where necessary. If required, the Council is committed to an early review of its Local Plan to address any shortfall in the sub region’s housing provision. The Council and along with the other Councils in the Coventry and Warwickshire sub-region have also cooperated with Councils in neighbouring housing market areas, particularly the Birmingham area. Whilst it is not anticipated that Warwick District Council will be approached directly to accommodate any housing shortfall from the Greater Birmingham area, there is a possibility that other Councils within the Coventry and Warwickshire sub-region will be. This could have knock on effects for the District. It has therefore been agreed, that any housing shortfall arising from within the Greater Birmingham area will also be addressed using the approach described above”.*
- *Policy DS20 Accommodating Housing Need Arising from Outside the District - “the existence of unmet housing need arising outside the District will not render this Plan out of date. However, the Plan will be reviewed if evidence demonstrates that significant housing needs arising outside the District should be met within the District and cannot be adequately addressed without a review ... The six LPAs within the Coventry and Warwickshire HMA have agreed to cooperate together to ensure the HMA’s housing need of 3,750-3,800 dwellings per annum is met in full. It is recognised that this is important in supporting the growth ambitions of Coventry and Warwickshire as set out in the Strategic Economic Plan as well as ensuring local plans and core strategies within the sub-region comply with national policy and guidance ... A further issue that may need to be addressed through this process is the potential for a shortfall in housing land arising from outside the Coventry and Warwickshire HMA, in particular from the Greater Birmingham area. In the event that such a shortfall may need to be partially addressed within the Coventry and Warwickshire HMA, the six local planning authorities have agreed to work together using the process described above“.*

Already based on the Council’s own evidence the figures are no longer representative of the OAHN for the HMA. Therefore further additional work is required including :-

- C&WHMA authorities to agree full OAHN for the HMA ;
- C&WHMA authorities to agree an appropriate distribution of housing across the HMA to meet OAHN in full together with confirmation that individual authorities can meet their respective apportionment of OAHN within their own administrative boundaries. If necessary accelerating forward commencement and completion of work on the Joint Core Strategy for the sub-region setting out OAHN for the C&WHMA and distribution thereof (currently proposed to start no later than 2017 and

finish in 2020). The start, end and review dates of plans within the C&WHMA should also be aligned ;

- Further consideration to incorporate the BDP Examination Inspector's Interim Conclusions concerning Birmingham's unmet needs and the Stratford upon Avon Inspector's Interim Conclusions on the C&WHMA OAHN and the Reserved Sites Policy proposed by the Stratford upon Avon District Council which would facilitate meeting Birmingham's unmet housing needs even earlier than via a review process. (see HBF Hearing Statement on Matter 1).

**13) Is the approach of the Local Plan to this issue (in particular Policy DS20) appropriate? What are the implications of this approach in terms of soundness?**

The approach is not appropriate the implications of this approach mean the Warwick Local Plan is not sound. The plan is not compliant with national policy (the NPPF) in particular, it fails to comply with the following paragraphs of the NPPF :-

- 47 to boosting significantly the supply of housing and ensuring that the Local Plan meets the full objectively assessed needs for market and affordable housing in the housing market area, consistent with other policies ;
- 158 & 159 to have an adequate, up-to-date and relevant evidence base, including a SHMA that assesses the full housing needs of the area.

Therefore the plan cannot be considered to be positively prepared, justified nor effective.

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

The OAHN for Warwick is set out below :-

SOURCE	WARWICK OAHN	C&WHHMA OAHN
2013 SHMA	718	3,753
Apportioned distribution of OAHN agreed in March 2014	720	3,770
2014 up-date SHMA Addendum (household formation rates (HFR) part return to trend for all age groups)	606	4,004
2014 up-date SHMA Addendum (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)	Not specified	4,373
2014 up-date SHMA Addendum jobs led scenario using Cambridge Economics (CE) forecast (HFR part return to trend for all age groups)	825	4,546
2014 up-date SHMA Addendum jobs led scenario	933	5,046

using CE (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)		
2014 up-date SHMA Addendum jobs led scenario using Experian forecast (HFR part return to trend for all age groups)	604	3,646
2014 up-date SHMA Addendum jobs led scenario using Experian forecast (HFR full return to trend for 25 – 34 age group & part return to trend for all other age groups)	653	3,950
2012 household projections converted into dwellings	592	4,100

The criticisms for the calculation of OAHN across the HMA as a whole equally apply to the specific figures illustrated above for Warwick as an individual authority.

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

The housing requirement set out in Policy DS6 of the submitted plan is 12,860 dwellings (714 dwellings per annum) between 2011 – 2029. This is not sufficient to meet the OAHN distributed to Warwick of 720 dwellings per annum (equivalent to 12,960 dwellings).

Neither is this housing requirement sufficient to meet OAHN of 4,004 dwellings per annum in the HMA as the C&WHMA authorities have failed to distribute the totality of this OAHN across the HMA. There are also concerns that Coventry city will not be able to accommodate the amount of OAHN allotted to the city. As part of the Greater Birmingham HMA North Warwickshire and / or Stratford upon Avon may have to assist with the accommodation of circa 38,000 dwellings of unmet need from Birmingham.

The choice of 4,004 dwellings per annum for the HMA is a recessionary based demographic projection which is below the official 2012 household projections. This propose OAHN will not meet the economic growth planned by the Coventry & Warwickshire LEP nor address affordability issues in expensive parts of the HMA such as Stratford upon Avon and Warwick.

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

The implication of further population change, migration and employment growth would increase OAHN.

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

The level of housing planned is not appropriate. The level of housing planned should be increased to provide for a sufficient workforce and to address affordability issues. The OAHN should be :-

- **no less than 4,100 dwellings per annum** (official 2012 household projections) ;
- plus further adjustments to combat projecting forward recessionary trends in HFR suggest **4,397 dwellings per annum** ;
- plus an upward adjustment to meet economic growth but still not achieving Coventry & Warwickshire LEP SEP job growth in full suggests **5,046 dwellings per annum** ;
- the alternative OAHN prepared by Barton Wilmore suggests **5,100 dwellings per annum**.

After establishment of the overall OAHN for the HMA the C&WHMA authorities must agree a distribution of this OAHN in full (our emphasis) across the HMA based on realistic and achievable targets for each constituent authority. There should be no deferment of this commitment to meeting OAHN in full until a later date. The unmet needs arising from beyond the HMA should also be resolved. At this time it is impossible to determine the apportionment of OAHN to Warwick District but it is likely to be greater than 720 dwellings per annum.

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

The proposed plan period is too short. If the Local Plan is adopted in 2015 only fourteen years would remain. The NPPF states that “*local plans should be drawn over an appropriate time scale, preferably a 15 year time horizon*” (paragraph 157). Therefore the plan period should be extended.

Moreover it is nonsense for authorities in the same HMA and using the same SHMA evidence to be working to different plan dates the new plans for Coventry, Rugby and Stratford upon Avon have start dates of 2011 and end dates of 2031. The C&WHMA authorities should be aligning plan periods across the HMA. The NPPG also promotes approach so that future housing reviews take place at the same time (ID 2a-007-20140306).

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