

Warwick District Local Plan Examination

Matter 2 – Overall Provision for Housing **Statement on behalf of Barwood Strategic Land II LLP**

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1 INTRODUCTION

1.1 In response to the Inspector's Initial Matters and Issues paper, this report considers whether the submitted Warwick 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. We answer all questions in the negative, because we consider that the housing proposed target of 714 net new dwellings per annum (dpa), and the objectively assessed need of 720 dpa on which it is based, are too low. This is demonstrated below through answers to selected Inspector's questions:

- Section 2 considers alternative versions of the official population and household projections addressing the Inspector's questions 2) and 3).
- Section 3 shows that according to the Council's own evidence the proposed housing numbers are too low to support the employment growth that is expected and being planned for (Inspector's question 7)).
- Section 4 demonstrates that these numbers do not take proper account of market evidence, which points to severe past undersupply of housing land against need (Inspector's question 8)).
- Section 5 provides conclusions and proposes alternative housing numbers (Inspector's questions 9, 14, 15 and 17)).

2 THE OFFICIAL DEMOGRAPHIC PROJECTIONS

- 2.1 The housing provision target of 714 dpa in the submitted plan is based on the objectively assessed housing need calculated in the Coventry and Warwickshire SHMA (November 2013, HO04). Over the period 2011-31 this assessed need is 720 dpa¹ for Warwick District and 3,750-3,800 dpa for the Coventry and Warwickshire housing market area (HMA). It was derived from the interim 2011-based official demographic projections, which were the latest available at the time.
- 2.2 The SHMA Addendum (September 2014, HO08) updated the OAN calculation in the light of a new official population projection, the 2012-based SNPP. The Addendum translated the new population projection into household growth and housing need, using similar assumptions on household formation to the original SHMA. For all but one of the Warwickshire district this reduced the assessed need; in Warwick's case the reduction was from 720 to 600 dpa. The reduction for Warwickshire was offset by a much higher need for Coventry, so that the total assessed need for the HMA increased to 4,004 dpa (Table 2.1).

Table 2.1 Housing need – alternative projections

New dwellings p.a. 2011-31	SHMA 2013	Addendum 2014	Difference
Warwick	720	606	-114
Rest of Warwickshire	1,900	1,587	-313
Coventry	1,180	1,811	631
Coventry and Warwickshire	3,800	4,004	204

Source: GL Hearn

- 2.3 Since the Addendum was produced its findings have been supported by the CLG 2012-based household projection February 2015 – of which the Addendum projections were in effect a preview. This new official release implies housing needs of 590 dpa for Warwick and 4,100 dpa for the HMA.
- 2.4 In focused consultation, an objector suggested that the housing target in the emerging Local Plan be reduced to reflect the new projections. The Council responded:

*'Whilst the updated ONS projections indicate that the District's objectively assessed need is lower... this is not the case for the HMA as a whole. In line with the NPPF and the Duty to Cooperate, the Council is committed to working with other Councils in the HMA to ensure the whole of the Housing Market Area's needs are met. For this reason the Council contends that the District's Housing Requirements should remain at 714 dwellings per annum.'*²

¹ Sometimes quoted as 718.

² LP14

- 2.5 Although as discussed later we consider that the Council's housing number is too low, we agree that the SHMA figure of 720 dpa is the correct demographic starting point for calculating it. This is because, as discussed in the SHMA Annex (paragraphs 5.29-5.30) the projected distribution of population and households between districts is unstable – especially since the change in that distribution between the two official projections is largely due to Unattributable Population Change (UPC), which is an error in the official statistics. Therefore, as the SHMA Addendum also advises, projections for individual districts should be regarded as indicative, and the HMA total deserves greater weight.
- 2.6 The new projections may or may not be technically superior to the old ones, depending partly on the unknowable truth about the UPC. But if the new projections are better, so the needs for Warwick and Warwickshire are reduced, this reduction will be more than offset by increased need in Coventry. Given that Coventry is severely constrained, the reduction in Warwickshire's projected need will return to Warwickshire in the form of cross-boundary unmet need from Coventry, which under national planning policy they must accommodate if they have the sustainable capacity to do so – just like their own need.
- 2.7 These realities are recognised in the Economic Prosperity Board agreement of 21 November 2014, which has been endorsed by all the authorities in the HMA (LP20, LP22). According to this agreement, the starting point that will inform housing provision targets across the HMA is:
- For the HMA as a whole, the need of 4,004³ dpa calculated in the 2014 SHMA Addendum ;
 - For individual local authority areas, the needs calculated in the 2013 SHMA, including 720 dpa for Warwick.
- 2.8 As noted earlier the HMA total is larger in the Addendum than the original SHMA, leaving a 'shortfall' of 234 dpa. The Prosperity Board agreement does not assign this to any local authority, leaving its distribution to a later stage.
- 2.9 The Prosperity Board also agreed that Coventry does not have the capacity to accommodate housing in line with the 2014 SHMA, let alone any of the 'shortfall'. So, if Warwick or other Warwickshire authorities decide unilaterally to reduce their housing numbers to match the Addendum projections, the HMA collectively would fail to meet its demographically projected need – regardless of which projection is the correct measure of that need.
- 2.10 In summary, the demographically projected needs of 720 dpa for Warwick and 4,004 dpa for the HMA are the correct demographic starting point for the OAN calculation. But they should be adjusted upwards to take account of future jobs and past underprovision, as discussed in the next two sections.

³ Sometimes quoted as 4,000.

3 FUTURE JOBS

Evidence

- 3.1 The NPPF (paragraphs 70 and 158) says that planning should integrate housing and employment / economic uses (as well as other land uses). In practice, as indicated by the PPG and planning Inspectors, this means that plan-makers should consider if the resident labour force resulting from their proposed housing numbers will be enough to support the expected job growth, without unsustainable increases in commuting. If demographically derived housing numbers fail this test, they should be adjusted upwards.
- 3.2 For Warwick, future job growth was assessed in the Employment Land Review Update produced by GL Hearn for the Council (May 2013, ECO3). The Update used a baseline employment forecast by Cambridge Econometrics (CE), taken from the Economic and Demographic Forecast Study (2012, HO02). The forecast showed growth of 537 jobs per annum in the plan period 2011-30, which the Update study translated into a need for 36 hectares of employment land, equal to 1.9 ha per year.
- 3.3 This calculation underpins the employment land target at Policy DS8 of the submitted Local Plan⁴. We find it difficult to believe, because, as shown at Figure 23 of the study, it assumes that 87% of the growth in full-time equivalent (FTE) jobs relates to 'B-class jobs' – those that occupy 'employment land', which means industrial space, warehouses and offices. In most local authority areas B-class jobs account for around half of all jobs, and their share of job *growth* is typically less, because non-B sectors such as retail, leisure, education and health services tend to grow faster than the economy as a whole.
- 3.4 The 2013 SHMA set out to consider the alignment of jobs and housing across the HMA. For this it did not use the CE forecast discussed above, because that forecast was only available for Coventry and Warwick. Rather, the SHMA chose Experian forecasts, which were available across the HMA. For Warwick this choice makes no material difference, as the 2013 Experian forecast shows almost the same job growth as the 2012 CE one – 515 jobs per year. For the HMA as a whole Experian forecasts growth of 3,130 jobs p.a. The SHMA estimated that its demographically derived housing numbers would not provide quite enough workers to support this future job growth, but given the uncertainties involved the deficit was too small to justify an uplift to the demographic numbers. This seems to be a robust conclusion.

However in October 2014 a new economic study was published, offering a very different analysis. The Coventry and Warwickshire Strategic Employment Land Study (ELS, ECO1), commissioned by the LEP, aims to '*provide a robust evidence base and associated policy recommendations to assist in the preparation of CWLEP's Strategic Economic Plan and to also provide evidence for the local authorities... to inform the preparation or revision of each Council's Local Plan*'. The 2014 ELS

⁴ See Table 2.26.

provides two alternative job forecasts. The 'base scenario', is a newer version of the CE forecast used in the 2013 Update. The 'baseline+ growth' scenario adds more jobs, to align with the aspirations of the LEP's Strategic Economic Plan and prediction of the City Deal's impact on the advanced manufacturing and engineering sectors. In our analysis we look at the base forecasts only, setting aside the more aspirational baseline+ scenario.

- 3.5 This ELS job forecast is very different from earlier ones. For Warwick, it shows 945 net new jobs p.a. – almost double the number in the 2013 Employment Land Update and the very similar Experian number whose housing implications were tested in the 2013 SHMA. For the HMA as a whole, it shows 4,525 jobs p.a., almost half as much again as the Experian number whose housing implications were tested in the SHMA. From the information provided in the reports we cannot tell why these numbers are so different.
- 3.6 In relation to Warwick's employment land need, the greatly increased job numbers in the ELS make little difference. The 2014 ELS estimates this future need at 1.6 ha per year, against 1.9 ha per year in the 2013 Update and the submitted Local Plan. The main reason why the newer study shows almost twice as many additional jobs, but slightly less additional employment land, relates to the share of total jobs that are B-class jobs. While as noted earlier the Update assumes that 87% of net new jobs are B-class jobs, in the 2014 ELS that share is a much more credible 44%.
- 3.7 However the ELS job forecasts do have a large impact on housing need. This impact is assessed in the 2014 SHMA Addendum; indeed one of the reasons why the Addendum was commissioned was to consider the implications of these much increased job forecasts. The Addendum estimates that to support the job growth forecast in the 2014 ELS would require 825 dpa for Warwick and 4,546 dpa for the HMA – 15% and 14% respectively above the demographically derived need in the 2013 SHMA. The Addendum advises:

'5.26 ... CE forecast higher employment growth [than Experian]. The implication is that housing provision could be higher than shown in the 2012 SNPP, reinforcing the case for treating this as a minimum level of provision.'

5.27 In developing local plans, we would advise the local authorities to consider how the housing evidence matches their evidence regarding economic prospects, and to adjust as appropriate their conclusions regarding assessed housing need to take account of their detailed local evidence regarding economic growth prospects.'

Conclusion

- 3.8 Warwick Council in the submitted plan has chosen to use the job forecasts in the 2013 Employment Land Review Update in preference to the more recent 2014 ELS. This choice in our view is wrong. The plan should be informed by the ELS, because that study is more up to date; and, rather than considering Warwick in isolation as the Update does, it provides an integrated view across the HMA as required by national policy.

- 3.9 This wrong choice has little impact on the assessed need for employment land in Warwick, probably because the 2013 Update miscalculates that need. But it does make a large difference to assessed *housing* needs, both in Warwick and the HMA as a whole. On the evidence of the SHMA Addendum, if 720 dpa are built in Warwick and 4,004 dpa in the HMA as currently proposed the area will not have enough resident workers to support the baseline job growth forecast in the 2014 Strategic Employment Land Study – even excluding the aspirational further growth predicted by the LEP’s Strategic Economic Plan. To fill the gap would require 825 dpa for Warwick district and 4,546 dpa for the HMA– 15% and 14% respectively above the ‘starting point’ figures in the submitted Local Plan and the Economic Prosperity Board agreement.

4 PAST PROVISION AND MARKET SIGNALS

4.1 Both the 2013 SHMA and the 2014 SHMA Addendum analyse the past balance of demand and supply in the housing market. In the SHMA this analysis uses market signals mentioned at paragraph 19 of the NPPG, including house prices, rents and affordability ratios. It concludes that *‘overall the market evidence does not point towards a particular supply-demand imbalance at the time of writing.’* The Addendum addresses the same question from a different angle, using the evidence of household formation, and reaches a different conclusion - suggesting that market signals would justify an uplift of around 8%, which would increase housing need for the HMA from the demographically derived 4,004 dpa to 4,316-4,360 dpa. As an alternative to this uplift, the Addendum suggests that the authorities consider

‘either an upwards adjustment to housing provision, setting [the demographically derived] housing targets as minima, or including a clear monitoring mechanism to ensure that housing supply can be increased should the evidence suggest (moving forwards) that housing demand is exceeding housing supply (or adopting a combination of these).

4.2 To supplement the above evidence we have made a different analysis of the demand-supply balance, which responds directly to paragraph 015 of the PPG:

‘The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.’

4.3 To see if past population growth and household formation have been constrained by planned land supply, we have analysed housing completions in the light of past planning policies both for Warwick and the HMA as a whole. This analysis is in the Appendix below (we submitted an earlier version in the original Local Plan consultation). It finds that planned land supply severely suppressed housing development, and hence net migration, household formation or (more likely) both, in Warwick and the HMA as a whole at least since the early 2000s. Therefore, in line with the PPG the demographic projections that roll forward trends from that past period understate the true housing need and should be adjusted upwards.

4.4 The PPG does not quantify such adjustments, saying only that they should be ‘reasonable’ (paragraph 020). But more specific indications have been provided in recent months by EiP Inspectors. Thus for Eastleigh, the Inspector’s report (February 2015) advised that *‘exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA’*. For Uttlesford (December 2014), the Inspector reviewed a range of market evidence giving mixed

messages and concluded that to *'increase provision... with a view to relieving some of the pressures... it would be appropriate to examine an overall increase of around 10%'*.

- 4.5 The situation in Warwick justifies a greater uplift than Eastleigh and Uttlesford, because there is clear evidence that planning drastically underprovided housing need in the past. A conservative view of this uplift is 15%, which would suggest that the correct number for Warwick is $720 \times 1.15 = 828$ and for the HMA $4,004 \times 1.15 = 4,600$ dpa. These estimates are very close to the job-led figure of 825 proposed in Section 3 above.

5 CONCLUSION

- 5.1 The housing target of 714 dpa proposed in the submitted Local Plan, and the assessed housing need of 720 dpa on which it is based, are too low. Therefore the target does not meet the soundness criteria at paragraph 182 of the NPPF, in that it is:
- Not positively prepared, because it fails to meet Warwick’s objectively assessed housing need, to make a proper contribution to Coventry’s unmet need, or both - without demonstrating that it would not be sustainable or reasonable to meet those needs.
 - Not justified, because the Council has not tested the impact of a higher housing target.
 - Not effective, because joint working across the HMA has resulted in underestimated housing needs and a too-low housing target.
 - Not consistent with the NPPF, which requires local planning authorities to meet objectively assessed needs unless doing so would cause adverse impacts that demonstrably outweigh the benefits or would contravene restrictive policies in the Statement.
- 5.2 A sound housing target would be at least 825 dpa. Therefore Policy DS& should read:
‘The Council will provide for 12,860 new homes between 2011 and 2029’.

APPENDIX PAST PROVISION AND MARKET BALANCE

- 1 This note provides supporting analysis to Section 4 of the main report, to examine how far planning in Warwick and the housing market area has constrained housing delivery since the beginning of the century. Below, we first summarise the strategic policy that applied over the period and then look at local planning and delivery, first for Warwick district and then (in less detail) for the HMA as a whole.

Strategic policy

- 2 Until 2013 housing provision targets across the West Midlands were set by the regional strategy, initially known as RPG11 and since 2004 as the West Midlands RSS. A central objective of the RSS was to concentrate development, especially housing development, in the major urban areas (MUAs), comprising Birmingham/Solihull, Coventry, the Black Country, and the North Staffordshire conurbation. Conversely, development outside the MUAs was to be restricted:

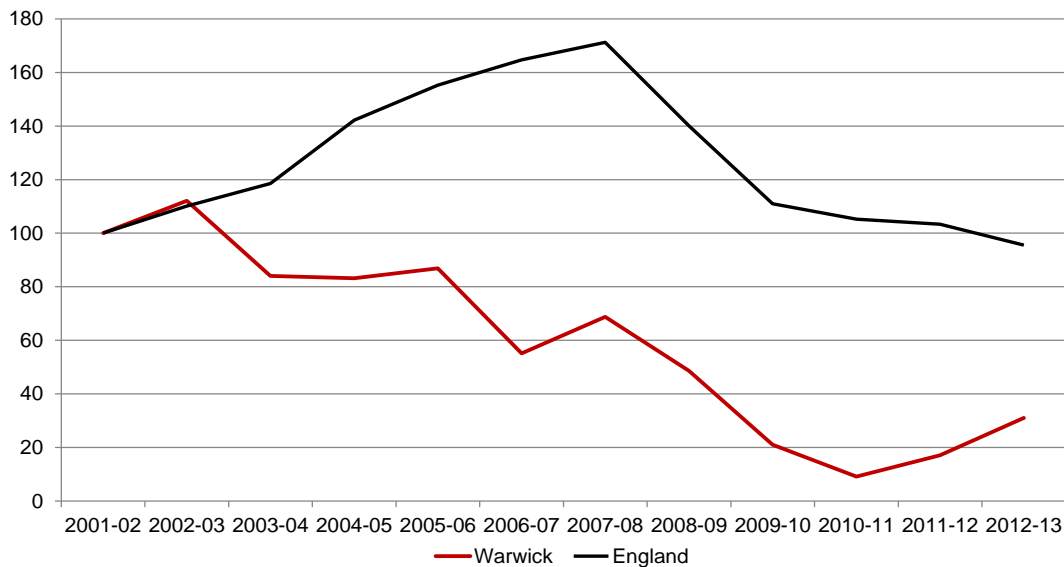
'The Spatial Strategy in this RPG requires a significant redistribution of housing provision... To support this, residential environments within the MUAs will need to be made more attractive, so that they can increasingly retain their populations. At the same time new housing provision in the other areas will need to be reduced to levels where it is largely meeting local needs, hence discouraging decentralisation.'

- 3 To help bring this about, RSS housing targets outside the MUAs were set as maximums— so that authorities were not required to plan for any housing at all, but only to restrict development below certain levels. These maximum figures were to tighten over time: for the Warwickshire authorities they totalled 2,000 gross new dwellings p.a. from 2001-02 to 2006-07, then 1,500 dpa until 2010-11 and 1,350 dpa until 2020-21. Conversely, for the MUAs the regional strategy set minimum targets; for Coventry these equalled 650 dpa gross from 2001-02 until 2010-11 and 830 dpa thereafter. For the HMA as a whole, therefore, housing development was intended to reduce gradually over time, from 2,650 dpa at the beginning of the plan period to 2,180 dpa at the end.

Policy and delivery - Warwick district

- 4 Chart A1 below shows net housing completions for Warwick, compared to the England total, since 2001-02. In England completions rose in the long boom of that ended in 2007, before falling in the recession. By contrast, Warwick completions were on a steep downward trend though almost the whole of the period, until a slight recovery in the last two years of the series. Demographic data (shown in our earlier representations) show that net migration in Warwick was on similar downward trend throughout the period.

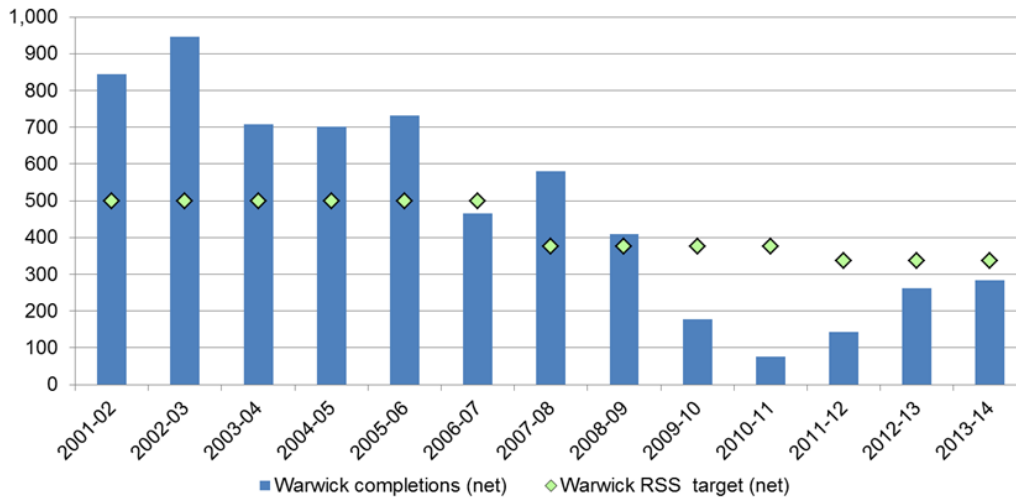
**Figure A1 Housing completions in Warwick and England
Index 2001-01 = 100**



Source: ONS mid-year population estimates, Warwick Council Annual Monitoring Reports

- 5 By themselves, these data do not tell us anything about the direction of any cause-and-effect relationship. It might be inferred that that the steep fall in migration and housebuilding reflected reduced demand, as fewer people wanted and could afford to live in Warwick and therefore fewer houses were built.
- 6 But this would be wrong, because a demand effect would follow the market cycle that is evident from the England total, which rose in the boom and fell in the recession. In Warwick the trajectory was different: the trend was already downward in the boom (though it became even steeper in the recession), suggesting that a local supply constraint was at work. In other words, falling land supply caused falling completions, which in turn constrained population and household growth. This is clear if we relate the time profile of completions to the district's planning history.
- 7 As is clear from Figure A2 below, in the early years of the last decade housing development exceeded the maximum set in the RSS – showing that demand was already above the targets. From the middle of the decade onwards the planning constraint tightened, as land allocations dwindled in the attempt to implement the RSS.
- 8 Thus, the Warwick District Local Plan 1996-2011 (adopted 2007) was required by the RSS to make provision for 1,300 dwellings between 2005 and 2011. The Council found a total available supply of 4,026 dwellings – a 2,726 dwelling over-provision. Therefore, the Council did not seek to allocate new sites, expecting to rely on previous Local Plan allocations that had planning permission as well as windfalls.

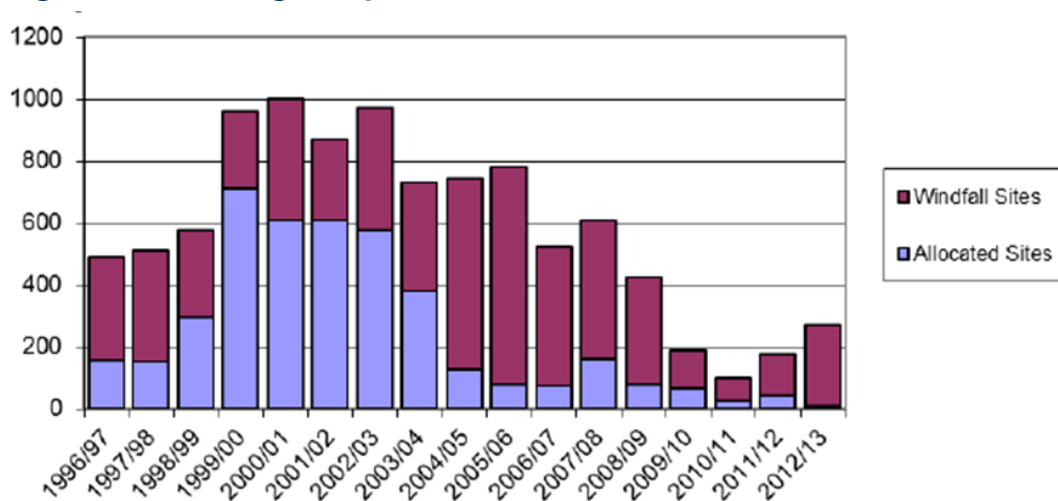
Figure A2 Net housing completions, Warwick



Source: AMRs

- 9 Figure A3 shows that these allocations came forward in the early part of the 2000s, and provided the bulk of supply compared with windfalls. But by 2004-05 windfalls dominated. The Council’s Housing Monitoring Report (2006) demonstrates that the only allocations left to come forward were South Sydenham (70 dwellings remaining) and South West Warwick (over 650 dwellings remaining). Further Monitoring Reports to 2008 confirm that these allocations continued to come forward, but beyond 2008 there is no available monitoring report; thus we can assume that the low delivery from 2008 to 2012-13 was due to allocations becoming exhausted, as no new plan has been adopted to allocate new sites.

Figure A2 Housing completions on allocated and windfall sites, Warwick



Source: Warwick Local Plan: Estimating a windfall allowance: publication stage (April 2014)

- 10 Not only did the Council make no new allocations, but also from 2005 onwards it imposed a moratorium on new windfall housing permissions, which remained in force till 2009. The Council document titled Warwick Local Plan: Estimating a Windfall Allowance (2014) notes that this ‘artificially suppressed supply’, so that it did not significantly exceed the Regional

Spatial Strategy’s maximum housing requirement’. The same document comments as follows on the combined impact of the moratorium and the other restrictive policies which were in force over the period:

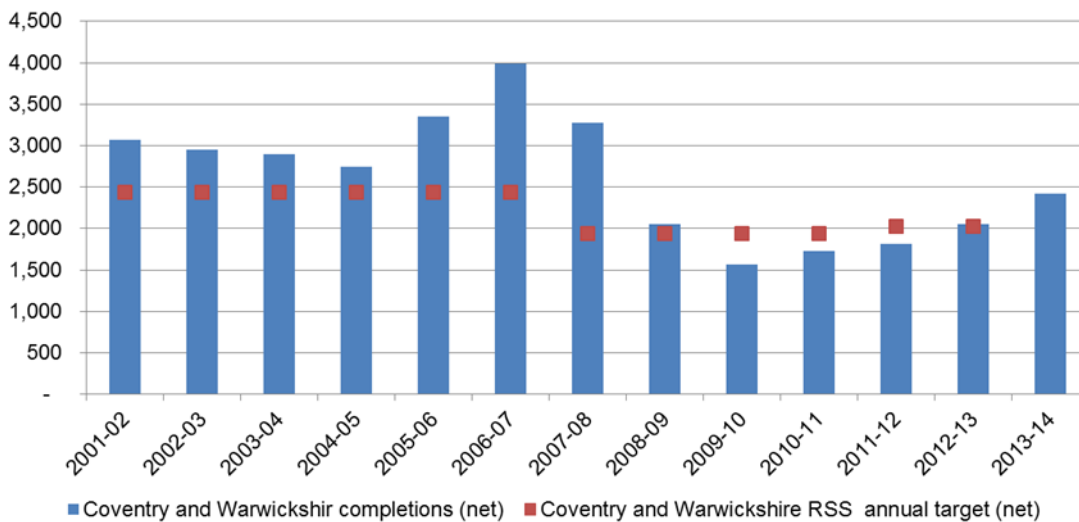
4.11 In rural areas, windfall development has been restricted in the past by planning policy. This is partly due to the Green Belt designation in most of the northern part of the District, but also by Structure Plan and Regional Spatial Strategy policy which restricted growth in the rural areas. Regional policy restricted growth to sustainable villages with a reasonable level of services and to the provision of homes to meet local needs only, as evidenced by a needs survey or assessment. Only five villages in the District have a reasonable level of services and so windfall development has, in the past, been particularly constrained and limited to barn conversions, limited infill development in certain villages only, conversions and rural exception sites.’

- 11 To sum up, the evidence shows in the years to 2011 Warwick’s planned land supply fell well short of housing demand and need, largely because under previous planning policies the district was an area of restraint. The SHMA’s demographic projections carry forward that underprovision into the future. Therefore these projections understate housing need and should be adjusted upwards.

The HMA

- 12 The chart below shows total housing completions for the HMA and compares them to the RSS targets applicable at different times.

Figure A4 Housing completions, Coventry and Warwickshire



Source: AMRs

- 13 Up to and including 2007-08 total delivery was steadily above the RSS targets – around 3,000 net new dwellings in most years, except for 2006-07 when it rose to almost 4,000. This over-delivery against target was due to development the Warwickshire part of the HMA exceeding the maximum set in the RSS; in Coventry completions were at or below target. In 2008-09 delivery across the HMA fell steeply to some 2,000 dwellings and it remained around that level for the final years of the series.

- 14 Again, the area's planning history shows that these trends were driven by planning constraints:
- Stratford Council, like Warwick, adopted a moratorium on new sites coming forward, in order to correct for earlier over-delivery against its RSS target. Stratford's moratorium lasted longer than Warwick's, from 2006 to 2011, and the Council's Annual Monitoring report notes that its time-lagged effects were still felt in 2013.
 - Nuneaton and Bedworth and North Warwickshire, also like Warwick, in recent years have been in a planning vacuum. In Nuneaton and Bedworth there has been no new plan to allocate new sites since the previous plan expired in 2011; two appeal decisions in recent years established¹ that the district did not have a five-year housing land supply. In North Warwickshire, whose previous plan also expired in 2011, a new plan was only adopted in October 2014 (and that new plan does not make any housing land allocations).
 - Coventry similarly struggled to get a new plan in place to follow the Coventry Development Plan, which expired in 2011. An emerging Core Strategy was found sound in 2010 but the Council decided not to adopt it, and a new Core Strategy was withdrawn further to the Inspector's preliminary findings in 2013.
- 15 This planning history clearly demonstrates the severe and growing impact of planning constraints on housing delivery in Coventry and Warwickshire:
- For Warwickshire the first part of the last decade delivery consistently exceeded the maximum targets set in the RSS, showing that these targets were restrictive, as indeed was intended. In later years supply tightened as Councils adopted moratoriums to correct for earlier excesses, and failed to put new plans in place when old ones became time-expired.
 - In the spirit of the RSS, the shrinking supply in Warwickshire should perhaps have been offset by additional development in Coventry, where the regional strategy sought to encourage development and the housing target was a minimum. But in practice this did not happen.
- 16 The net result is that across the HMA as a whole planning seriously undersupplied housing demand and need.

¹ Appeal Refs: APP/W3710/A/11/2153247; APP/W3710/A/11/2160148