

**Respondent ID: 4687**  
**The Leamington Society**

## **Examination into the Warwick District Council Local Plan**

### **Matter 2 – Overall provision for housing**

This note from the Leamington Society addresses all of the questions listed under the Matter 2 heading except 8 and 18, but for expositional clarity and to avoid repetition and excessive cross-referencing they will not be addressed *seriatim*, but instead are referenced in the margin. We focus mainly on Warwick, Coventry and the HMA as a whole.

**Q. 2,  
4 & 5**

#### **The joint SHMA**

The joint SHMA made a number of demographic-based projections but only two, labelled Proj 1 and Proj 1A, are relevant here (table 1).

Table 1: Proj 1 and Proj 1A of the joint SHMA

Average annual changes, 2011-31		Proj 1		Proj 1A		
	Proj 1		Proj 1A			
	Population	Households	Population	Households	Population	Households
	number	%	number	%	number	%
Coventry	4377	1.4	1745	1.3	2438	0.8
North Warwickshire	261	0.4	146	0.5	226	0.4
Nuneaton & Bedworth	800	0.6	389	0.7	910	0.7
Rugby	1014	1.0	485	1.1	1317	1.3
Stratford-on-Avon	1090	0.9	585	1.1	798	0.7
Warwick	1119	0.8	631	1.0	1193	0.9
HMA	8662	1.0	3981	1.1	6883	0.8

Source: Joint SHMA, Tables 38-48.

Proj 1's projections were obtained by extending the DCLG's 2011-based projections, as these ran only until 2021, and the growth rates are very similar. The notable feature of Proj 1 is Coventry's rapid population growth (among the fastest in England); yet average household size is expected to increase, as revealed by the fact that population growth exceeds household growth. This increase results from the young average age and the increasing proportion of BME citizens.

Warwick, Rugby and Stratford's population growth is also above the national average.

Turning to Proj 1A, this was put forward in the SHMA as the preferred option. Its striking feature is the huge reduction, compared to Proj 1, in its projections for both population and households growth in Coventry. Population growth falls by no less than 44% and households growth by 41%.

Stratford's population projection was also reduced by almost 30%, Rugby's was increased by a similar percentage, while others including Warwick saw small increases. For the HMA the reductions are 21% and 16% respectively, reflecting the heavy weight of Coventry in the area.

Given that Proj 1A was proposed, and accepted, as *the* conclusion of the SHMA, it is unfortunate that the SHMA is rather vague on the exact differences in data and methodology between Proj 1 and Proj 1A.

The 2011 Census revealed Coventry's population to be 11328 less than had been estimated, leading to revisions of estimated growth 2002–10. It appears that the SHMA responded to this by revising downward its expectations of population growth in 2011–31. At the same time, revisions to age structure in 2002–10 fed through into changes in the projected age structure in 2021–31, affecting projections of household formation.

As well as differing dramatically from Proj 1, Proj 1A for Coventry was also massively at variance with the 2011–based DCLG. Coventry's average annual population growth was almost halved, with the effect that the population growth projected by Proj 1A for the *twenty* years 2011–31 (48760) is only marginally more than that projected by the DCLG for the *ten* years 2011–21 (47180).

It is very surprising that neither GL Hearn nor its client authorities appear to have been troubled by these gross conflicts, which must cast doubt upon their robustness.

### The Addendum

The Addendum was written as a response to the ONS SNPP 2012–based population projections published on 29 May 2014. For ease of comparison we show the SNPP data alongside that of Proj 1A in table 2.

Table 2: Comparison of Proj 1A and 2012–based SNPP

Population, average annual changes, 2011-31				
	Proj 1A		2012-based SNPP	
	number	%	number	%
Coventry	2438	0.8	4089	1.2
North Warwickshire	226	0.4	211	0.3
Nuneaton & Bedworth	910	0.7	680	0.5
Rugby	1317	1.3	785	0.7
Stratford-on-Avon	798	0.7	559	0.4
Warwick	1193	0.9	848	0.6
HMA	6883	0.8	7172	0.8

Sources: Proj 1; SHMA tables 38–48. SNPP; 2012–based SNPP, ONS.

Note: the SNPP numbers here differ slightly from Addendum, figure 2.

For Coventry the SNPP population projection is no less than 68% higher than those of Proj 1A. For Warwick and Stratford, it is nearly 30% lower; for Rugby, 40% lower. The fact that for the HMA overall, the SNPP projection is only 4% higher should not distract us from these huge discrepancies.

Yet such is the uncertainty attaching to population projections this far ahead that it remains possible that Proj 1A will prove to be the more accurate. Figure 5 of the Addendum reports ten projections, all perfectly reasonable, ranging from 360,000 to 420,000 for Coventry's population in 2031. This translates into a difference of about 25,000 houses.

- Q. 6** The Addendum attempts to explain these differences in part by reference to unattributable population change (UPC); that is, errors and omissions in data

collected by the ONS, which may help explain the surprise of Coventry's 2011 Census. The ONS has considered UPC and concluded it is not large or systematic enough to warrant modifying its projections.

The Addendum produced a new projection for housing need, based on the SNPP population data together with a projection of household size. It also produced a projection called 'part return to trend' in which there was an acceleration in decline in household size (table 3).

Table 3: Comparison of 2012-based SNPP and part return to trend

Households, average annual changes, 2011-31		
	2012-based SNPP	Part return to trend
Coventry	1885	1811
North Warwickshire	159	204
Nuneaton & Bedworth	394	422
Rugby	441	453
Stratford-on-Avon	463	508
Warwick	564	606
HMA	3906	4004

Source: Addendum figure 6.

## Household size

Q. 5

Although the part return to trend projection changes the numbers relatively little, it focuses attention on household formation rates and their effect on average household size. This is an important issue. Warwick's housing requirement would fall by about 50% if household size stabilised, and Stratford's by 92%.

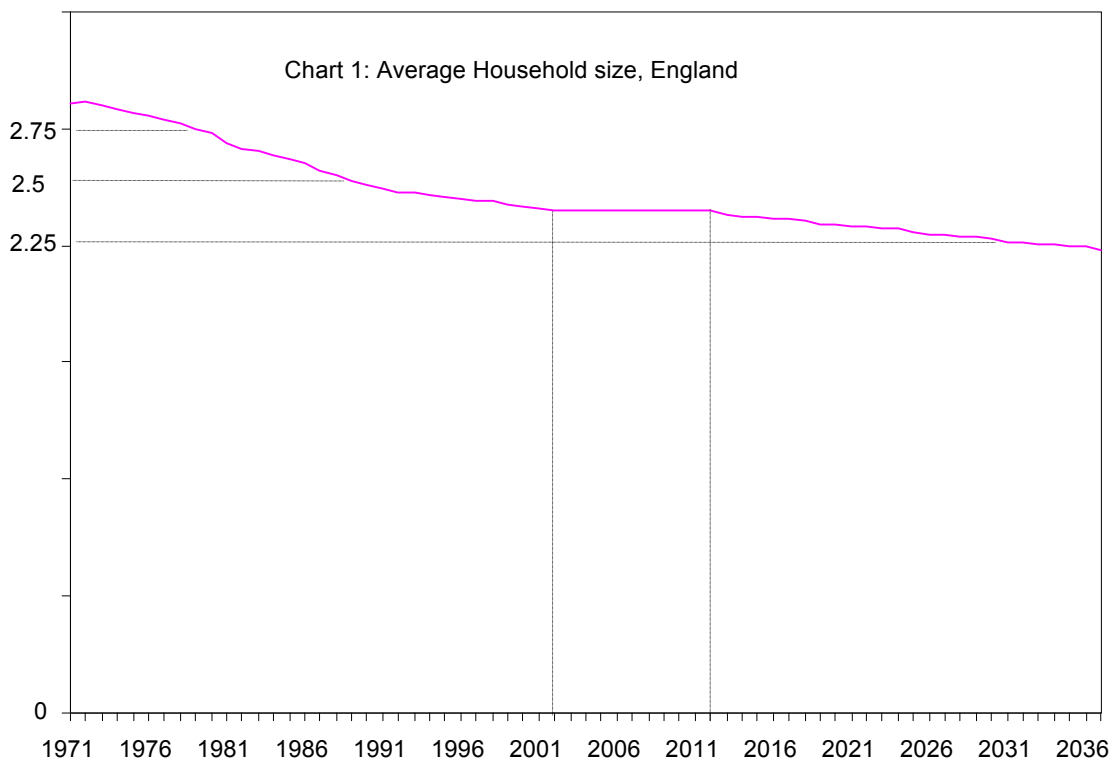
Data on household size for England are shown in chart 1, projected to 2037.

Average household size in England, having shown a reduction in every Census since 1911, remained unchanged (at 2.36 persons) between 2002 and 2012 (see chart). The Addendum argued that since DCLG projections of household size were based on the relatively recent past, this levelling off would result in larger household sizes being projected. The part return to trend scenario assumes that "household formation rates may increase, relative to the trends in the 2011-based Household Projections, as housing market conditions improve" (para. 2.28).

We do not find the reasoning underlying the "part return to trend" scenario convincing. First, it is not correct to say that the DCLG projections of household size are based only on recent past data. The projection process includes fitting trends through the available Census points (1971, 1981, 1991, 2001 and 2011). That explains why, in the chart, the decline in household size is projected to resume, following the standstill of 2002-12, though at a slower rate than observed in the latter part of the 20th century.

Second, as is clear from the chart, household size began to decline more slowly from about 1991, before ceasing altogether from 2002 to 2012. Apart from the last few years, this period coincides with what the former Governor of the Bank of England labelled the "NICE" period – the period of non-inflationary continuous expansion – when low unemployment, rising real incomes and exceptionally easy credit

conditions made it easy for young couples or singles to set up a new household. The argument that adverse economic conditions caused the levelling off of household formation simply does not fit the facts.



Source: Household Projections 2012-based: Methodological Report. DCLG February 2015. Vertical axis is in logarithmic scale so the slope of the graph gives the rate of change.

Third, even if the argument fitted the facts, it is facile to assume that these forces will go into reverse "as housing market conditions improve" (para. 2.28), because we have no way of knowing whether such improvement (which is actually quite difficult to define) will in fact occur. It is hard to see how a significant fall in house prices and rents relative to incomes could occur without destabilising the economy, while unemployment, job insecurity and heavy personal indebtedness are features of many young people's lives that are not likely to disappear in the foreseeable future. Looking at economic prospects more broadly, many economists of international repute believe that the Western economies will never again experience the rapid economic growth of the 60 years ending in 2008.

For these reasons we believe that the resumption of a year-on-year decline in household size is by no means certain. The key point is that the DCLG method of projecting future household size, because it merely consists of fitting a trend line to past data, has absolutely no power to predict a change in trend. It can only follow events; never predict them. Therefore the robustness of all existing projections of household size is highly questionable.

### The DCLG 2012-based Household Projections

- Q. 3** The Addendum's demographic based projections of households have arguably been superseded by these projections, published February 2015. Table 4 compares the DCLG projection of household numbers with those in the Addendum.

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Table 4: Comparison of 2012–based DCLG projections and Addendum

Households, 2011–31, average annual change	2012- based DCLG	Addendum	
		2012-based SNPP	Part return to trend
Coventry	1935	1885	1811
North Warwickshire	165	159	204
Nuneaton and Bedworth	445	394	422
Rugby	462	441	453
Stratford-on-Avon	466	463	508
Warwick	590	564	606
HMA	4064	3906	4004

Sources: table 3 above; DCLG. For comparability with the Addendum, DCLG numbers have been increased by 3% to allow for empty and second homes.

Of the three, we regard the DCLG as the most authoritative. A full evaluation however should take account of economic projections of labour supply and demand, which we now consider.

### Economy–based projections

- Q. 7** The SHMA made some forecasts of economic growth in the HMA and the associated increase in the demand for labour (job creation), in association with Experian (table 5).

Table 5: Forecasts of economic growth and labour demand (Experian)

2011-31, Rates of growth %	Econ growth pa	Jobs (demand for labour) p.a.	Implied lab. productivity growth p.a.	Jobs (demand) total
Coventry	1.9	0.7	1.2	15.0
North Warwickshire	1.9	1.0	0.9	21.3
Nuneaton and Bedworth	1.7	0.5	1.2	9.7
Rugby	1.9	0.7	1.2	14.0
Stratford-on-Avon	1.6	0.7	0.9	15.0
Warwick	1.7	0.6	1.1	11.8
HMA	n.a.	0.7	n.a.	14.3
UK	2.0	0.5	1.5	11.1
W.Midlands	1.7	0.7	1.0	14.0

Sources: joint SHMA, tables 30 and 31; author's calculations

Space limitations preclude a full examination of these projections. However, the extreme sensitivity of labour demand to small variations in growth of output or labour productivity requires emphasis. From the table we see that if output were to grow ¼%

more slowly and productivity  $\frac{1}{4}\%$  faster, growth of jobs would become nil or negligible in every authority in the HMA except for North Warwickshire. (For comparison, labour productivity for the UK economy as a whole grew at an average of 1.7% per year 1973–2003 and at 1.6% per year 1994–2007.)

Moving now to the Addendum, this reconsidered the Experian-based forecast and another forecast made by Cambridge Econometrics.

### **Commuting**

As an arithmetic necessity the growth in local residents' employment equals the growth of local labour demand minus the growth of net inward commuting. Despite its importance in housing policy, commuting receives little consideration in either the SHMA and the Addendum.

Projections of local residents' employment growth, with *ad hoc* allowance for commuting, are reported in Addendum figures 11 and 12. Unfortunately the treatment is unclear (para. 3.18). We will consider only the labour demand column since it appears to differ from labour supply only in its assumptions about commuting. Both appear to measure the potential increase in local employment.

The key question is how this increase (measured here in terms of houses) matches the demographic-based housing projections.

In the Experian forecast (Addendum, figure 11), for the HMA as a whole the discrepancy is about 10%, well within the margin of statistical error. The same is true of Nuneaton and Bedworth, Rugby and Warwick. The only serious mismatch is in Coventry, where it appears that a housing policy that responded to demographic change would build around 800 homes per year more than a policy that responds to growth of local labour demand.

In the Cambridge Econometrics forecast (Addendum, figure 12), for the HMA as a whole the mismatch is again within the margin of statistical uncertainty. For Coventry, the mismatch is significantly smaller than in the Experian forecast, but the mismatches for Rugby, Stratford and Warwick is significantly larger. However, the Cambridge Econometrics employment forecast is notably optimistic in its prediction that employment growth in the HMA 2011–31 will be 50% faster than in the UK as a whole, and 25% faster than in the West Midlands. This suggests that all of its numbers for the HMA are too high.

### **Conclusions**

**Q. 7  
& 10**

We conclude that, for the HMA as a whole, given the margins of error, there is insufficient basis in the economic models for changing the housing requirement for the HMA indicated by demographic models. The Addendum supports this view (para. 5.30).

For Coventry it appears that there is possibly a significant prospective excess supply in the local labour market. However this can be resolved in several ways: most obviously, by wage adjustment that promotes job creation and reduces net immigration (which accounted for 83% of Coventry's population growth in 2012), and by increased outward commuting.

The alternative, of building more houses in other parts of the HMA to encourage Coventry residents to relocate, has several dangers. First, it echoes Soviet-type

planning in its failure to recognise that it is not just the physical availability of homes, but also their price and many other criteria, that influence a person's choice whether to move into an area to take up a job or commute from outside. This is particularly relevant to Warwick, where the prices of homes and rents are among the highest in the sub-region. Even 'affordable' housing in the district is unaffordable by Coventry standards. This is not likely to change significantly in the foreseeable future.

**Q. 14-17** Second, the growth of jobs in Warwick is also very uncertain, and housing growth could well outstrip local jobs growth. This point is important because planners often assume that while building too few houses has social costs, building too many does not. This encourages an upward bias in the adoption of target numbers. However many houses are built, they will always be occupied eventually, so it will always appear that the 'right' number was built. But if housing growth exceeds local jobs growth then as well as overloading the local infrastructure this must lead to increased outward commuting; arguably, a cure that is worse than the disease.

Taking all these factors into account, our view is that the appropriate housing target for Warwick district is the 590 per year of the 2012-based DCLG (table 7, column 2 above). This is, after all, the most up to date and (with apologies to GL Hearn) most authoritative projection. Of course, the Addendum's 2012-based SNPP projection is negligibly different (column 3). For reasons already explained, we reject the Addendum's 'part return to trend' projection (column 4). As explained, we believe that adding to these numbers in order to provide a 'safety margin' would be a mistake incurring significant social costs.

#### **The totals agreed by the HMA authorities**

**Q. 1, 9  
& 13**

As LP20 indicates, the leaders of the HMA authorities have agreed that the huge upward revision of Coventry's target between Proj 1A of the SHMA and the Addendum could not be met, and the excess numbers should be redistributed, initially in part, to the other authorities in the HMA (table 6).

Table 6: Redistribution of Coventry's housing requirement to other districts

Annual, 2011-31	Addendum, part return to trend	Redistribution	New total	% increase or decrease
Coventry	1811	-631	1180	-35
North Warwickshire	204	-29	175	-14
Nuneaton and Bedworth	422	73	495	17
Rugby	453	207	660	46
Stratford-on-Avon	508	32	540	6
Warwick	606	114	720	19
Unallocated	0	234	234	
HMA	4004	0	4004	

Source: LP20

It should be noted this redistribution is only partial; a further 234 houses per year are at present in limbo. The small redistribution from North Warwickshire is explained by special factors.

**Q. 13** We object to this redistribution; first, because the process has been in clear breach of Policy DS20. The agreement has been entered into hastily, without any evaluation of

the costs and benefits to the authorities concerned, without any evaluation of the alternatives, and without any consultation of elected members, much less the public.

At the very least, we would have expected, when the Addendum proposed a huge jump in Coventry's total (from 1038 to 1811), that Coventry would have taken a fresh look at its land supply to see whether, perhaps with more stringent criteria, land could be found that would have enabled the increment to be delivered, if only partly. Possible sites should then have been compared with alternatives in other authorities in order to achieve a ranking of sites across the HMA in terms of their sustainability and environmental impact.

No such due diligence has occurred. Coventry's Draft Strategic Housing Land Availability Assessment (SHLAA), September 2014, reported that it had considered sites totalling 974 ha. of which 488 ha. were accepted – just sufficient for the 1180 houses per year of the SHMA. The remaining 486 ha. were rejected. In many cases the grounds for rejection seem unconvincing, e.g. 'site provides important garage and off-street parking for local residents'. It is hard to believe that none of this land was suitable for building.

The accepted sites were just sufficient to meet the 1180 houses per year of the SHMA. The SHLAA noted that the Addendum had increased this target to 1811, but stated "There does appear to be a commitment to continuing with the distribution of housing need identified within this study [the SHMA] *regardless of the latest ONS projections...*" (para. 4.56, our emphasis). It therefore concluded that by identifying enough land for 1180 houses per year, its work was done. It remarked however on "the need to undertake additional evidence (sic) through the Joint Green Belt Review and environmental analysis....". Clearly the redistribution should have awaited the outcome of this Review.

The hasty way in which the redistribution has been agreed, without further thought or consultation, suggests the mistaken belief that the correct allocation of the HMA total between authorities is of lesser importance than getting the total right. But in the public's eyes a house built in Warwick is a very imperfect substitute, and possibly no substitute at all, for a house built in Coventry. This tendency to focus on supply without any proper consideration of demand is reflected in the language used in LP20, which refers to the "redistribution of housing need", when of course it is actually housing supply, not demand, that is being redistributed. The implicit assumption is that demand will obediently migrate in response.

This redistribution takes Warwick's total to 720 (though for some reason the Plan specifies, in para. 2.19, 12860 2011–29, which is 714 per year). We believe that if the redistribution is nevertheless to go ahead, it should be in addition to the 590 that we identified above as an appropriate target, bringing Warwick's total to 590+114 = 704.