

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. Policies DS2, DS6 and DS20

Questions

1) Does the Coventry and Warwickshire Joint Strategic Housing Market Assessment (SHMA) of September 2015 provide a robust evidence base for Objectively Assessed Need (OAN) in the Housing Market Area (HMA) and individual authorities and is the methodology appropriate?

The Coventry & Warwickshire Joint SHMA methodology is compatible with the requirements of the NPPF, advise in the NPPG and best practice in the PAS Guidance but the appropriateness of a number of assumptions used in the OAHN is questionable which indicates that the evidence is not as robust as it could be. These assumptions are :-

- No adjustments for longer term migration trends (see answer to Q2) ;
- Only small adjustments to household formation rates in younger age groups and in the case of Warwick no adjustment (see answer to Q2) ;
- Using HFR as a mechanism to improve affordability in response to market signals (see answers to Q2 & Q7) ;
- No increase to help deliver affordable housing (see answer to Q7) ;
- Misalignment of economic growth forecasts and re-distribution of unmet needs from Coventry to support economic growth elsewhere (see answer to Q6).

2) What are the assumptions in terms of population change, migration, household size and household formation rates? What is the basis for these and are they justified?

The 2012 SNPP are underpinned by net migration over the short-term trend (5 years). This period 2007 – 2012 records a period largely represented by economic recession whereas a longer term 10 year trend covers a period of both economic boom and recession. In the Coventry & Warwickshire HMA the shorter period also covers a period during which housing development moratoriums were enforced across a number of authorities in the HMA including Warwick. It is considered that the long-term (10 years) net-migration trend is more representative of demographic change within the HMA and therefore demographic-led housing need is better represented by the 10 year net migration trend. The sensitivity testing of 10 year migration trends in the

2015 SHMA shows a variation of +20% (5,040 dwellings per annum) but it is concluded that the 2012 SNPP figure of 4,197 dwellings per annum remains valid. In its recommendations for a standard methodology for the calculation of OAHN the recently published Local Plans Expert Group (LPEG) Report to Government recommends that after sensitivity testing the higher of the 10 year and 5 year migration trend should be used. (Flowchart Step A in Appendix 6). The application of this recommendation would sizably increase the demographic led housing need for the Coventry & Warwickshire HMA.

It is agreed that an adjustment to HFR in younger age groups is appropriate (NPPG para 2a-017-20140306) because although the 2012 SNHP draw upon long term trends since 1971 the methodology applied means there is a greater reliance upon trends experienced over the last 10 years rather than to those experienced over the longer term. The implication of this bias is that the latest SNHP continue to be affected by suppressed trends in HFRs associated with the impacts of the economic downturn, constrained mortgage finance, past housing undersupply and the preceding period of increasing unaffordability which particularly affected younger households. There is also evidence to show that HFR for these groups are likely to recover as the economy improves (Town & Country Planning Tomorrow Series Paper 16, *“New estimates of housing demand and need in England, 2001 to 2031”* by Alan Holman). However the applied uplifts based on a return to 2001 levels by 2025 in the 25-34 age group are overly modest and in the case of Warwick no uplift is applied.

Furthermore the HFR adjustment is used as mechanism to respond to market signals in order to improve affordability. This approach is inappropriate and the impact is not considered to properly account for either demographic change or identified worsening market signals. It is noted that recently the Inspector’s conclusions on the Arun Local Plan confirmed that a HFR adjustment should be considered independently of a market signals adjustment stating *“The Hearn report’s upward adjustment of 26-28dpa (rounded to 25pa) should be added to the 820pa to assist an increase in household formation for the key 25-34 age group, mainly as a demographic adjustment”* (para 1.28 of Arun Local Plan: Inspector’s OAN Conclusions dated 2nd February 2016). This is also the approach recommended in the LPEG Report for a standard methodology for OAHN whereby adjustments to HFR in younger age groups and for worsening market signals are separate and both are required (Flowchart Steps A & B in Appendix 6). Indeed the adjustment to HFR in younger age groups (25 – 44 years old) recommended as an adjustment of 50% between 2008 and 2012 HFR should occur at the beginning of the assessment in the same way as any 10 year migration adjustment in order to establish the demographic starting point before any further uplifts to support economic growth and / or worsening market signals are applied. It is understood that an alternative OAHN prepared by Barton Willmore submitted in response to the modifications consultation proposes a return to 2008-based HFR by the end of the period (2031).

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

The sensitivity testing shows a variation of -13% (3,648 dwellings per annum) if UPC is included. It is agreed that no adjustment for UPC should be applied as it would have a significant negative counter-effect on projected population growth.

4) Are the figures it arrives at for demographic based housing need appropriate? What would alternative assumptions suggest and is there a justification to use these?

It is suggested that the appropriate demographic housing need should be based on SNPP and SNHP with upward adjustments for 10 year migration trends and improving HFR for younger age groups. This would increase OAHN for Coventry & Warwickshire HMA above 85,540 dwellings (4,277 dwellings per annum) and for Warwick above 600 dwellings per annum.

Using the 2016 SHMA figures the demographic starting point would be no less than 5,115 dwellings for the HMA based on 5,040 dwellings per annum (10 year migration trend) plus 75 dwellings per annum (HFR adjustment). However this figure is suggested without prejudice to the validity of alternative OAHN calculations submitted by other parties as the HFR adjustment in the 2015 SHMA is considered to be overly small.

5) Now that the 2014 based population projections and 2014 based household projections are available should they be used to review the figures? How do they differ from previous projections and what effect would this have?

As set out in the NPPG (ID 2a-016-20140306) a re-assessment of OAHN is only necessary if a meaningful change has been identified by the publication of these projections. A comparison of 2012 SNHP and 2014 SNHP shows a change of less than 1.5% across the Coventry & Warwickshire HMA. In the HMA household growth increases in Coventry whilst elsewhere household growth declines. So in Warwick the inevitable consequence is that any fall in household growth is counter-acted by a comparative increase in unmet housing needs from Coventry therefore a review is unlikely to produce any significant change in the overall OAHN for the HMA.

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

There are concerns about the misalignment of economic / employment growth assumptions. There is no justification for assessing employment growth for the period 2014 – 2031 only rather than the full period of 2011 – 2031. The resultant effect is to lower the level of job growth by discounting levels of employment growth between 2011 and 2014 which in turn suppresses the level of economic led housing growth. In addition to this time period misalignment there is also a disconnection between economic growth in the SHMA and the growth aspirations of the Midlands Engine and the Warwickshire Local Enterprise Partnership (LEP) Strategic Economic Plan (SEP).

There is also the misconception between supporting economic growth and the re-distribution of unmet housing needs. The 2015 SHMA concludes that in some parts of the HMA *“trend based demographic projections do not support growth in the workforce as strongly ... increase to support economic growth”* (para 7.15). The re-distribution of unmet needs from Coventry to North Warwickshire, Nuneaton & Bedworth and Stratford upon Avon to support economic growth was extensively discussed during the Stratford upon Avon Local Plan Examination (see Inspector’s Final Report paras 57 – 60 & 62). This debate was concerned with *“the economic led projection is needed to meet the level of jobs created and so meets the needs of the District. Nevertheless it is reasonable to say a very modest component of the OAHN would contribute to the unmet needs of others”* therefore *“it should not be based on an incorrect assumption that everything over and above the demographic need is surplus and available to meet the needs of others”*. Since only a small proportion of such adjustments should be attributed to meeting unmet needs the assumption in the 2015 SHMA suppresses the OAHN by up to 189 dwellings per annum.

7) How have market signals and affordable housing needs been taken into account? Is this justified?

The appropriateness of using the adjustment for suppressed HFR in younger age groups as mechanism to respond to market signals is questionable (see answer to Q2). Moreover the adjustment applied is relatively modest only 2% (+75 dwellings per annum) in HMA for worsening affordability pre 2007 and in the case of Warwick no adjustment is applied despite evidence of :-

- “greater affordability issues in ... Warwick relative to other parts of HMA” (para 2.24) ;
- “Warwick ... average house prices in 2012 ... above national average and notably above the West Midland average” (par 5.3) ;
- “Stratford upon Avon and Warwick Districts continue to have highest house prices in HMA ... average house prices in these areas have risen comparatively more strongly in absolute terms” (para 5.6) ;
- “since mid-2012 house prices have increased in all of the HMA authorities ... In absolute terms the strongest growth in price was in Warwick District (£23,000 12.7%) (para 5.9) ;
- “in Warwick and Stratford upon Avon Districts average rental costs are above the West Midland and national averages (para 5.27) ;
- “the analysis shows comparatively stronger growth in private rental prices in Warwick where median monthly price has grown by £130 (22%) since September 2011 ... these authorities saw growth above West Midland rate of 10% for this period and well above CPI growth of 5.5%” (para 5.29) ;
- Table 46 : Lower Quartile Affordability Ratio 2013 in Warwick 7.82, HMA average 6.54 and England 6.45 ;
- Table 45 : Affordable Housing as % of Demographic based projections in Warwick 47% (Demographic based projection 600 dwellings per annum / Affordable Housing Need 280 dwellings per annum) ;

- “the affordable housing need however represents a higher % of demographically based need in ... Warwick District. In these areas some adjustment to overall housing provision might be appropriate to increase delivery of affordable housing” (para 6.59).

The NPPG confirms that worsening trends in market signals should be considered which may necessitate an upward adjustment above demographic projections (ID 2a-018-20140306 & 2a-019-20140306). The NPPG is explicit in stating that a worsening trend in any one of the market signal indicators will require an upward adjustment to planned housing numbers (ID : 2a-020-20140306). In comparison to the 2% uplift in HMA and 0% in Warwick, in the Eastleigh Local Plan Inspector’s Preliminary Conclusions on Housing Need a 10% uplift was proposed as a cautious approach to modest pressures on market signals whilst the Uttlesford Local Plan Inspector’s Conclusions found an overall increase of 10% was appropriate to achieve the objective of improving affordability. Likewise the LPEG Report recommends an uplift of up to 25% dependant on house price and rental affordability ratios (text in Appendix 6 of LPEG Report). On the basis of affordability ratios in Warwick the uplift should be at the upper end of the range proposed by the LPEG Report.

The affordable housing need for the HMA and Warwick were assessed as 1,462 dwellings per annum and 280 dwellings per annum respectively. It is suggested that insufficient consideration to increasing housing supply to help support delivery of affordable housing was undertaken. As set out in the NPPG an increase in the total housing included in a Plan should be considered where it could help to deliver the required number of affordable homes (ID : 2a-029-20140306). The 2015 SHMA concluded that some adjustments might be appropriate for additional needs arising from concealed and homeless households (para 6.59 & 6.76) but no uplift was applied. The re-distribution of unmet housing needs from Coventry also assumes that 50% of its affordable housing needs will be met elsewhere in the HMA. Whilst it is acknowledged that affordable housing needs may be met in Warwick this is not true elsewhere in the HMA due to viability constraints. By way of comparison it is known that other Local Plans have included significant uplifts to meet affordable housing needs for example in Canterbury there is an uplift of 30% (paragraphs 20, 25 & 26 Canterbury Local Plan Inspectors Note on main outcomes of Stage 1 Hearings dated 7 August 2015) and in Bath & North East Somerset there is an increase of 44% (paragraphs 77 & 78 BANES Core Strategy Final report 24 June 2014). Most recently the Gloucester, Cheltenham & Tewkesbury Joint Core Strategy Inspector’s Interim Conclusions propose a 5% uplift to help deliver affordable housing needs. The Forest of Dean Inspector is also suggesting a 10% uplift in his Interim Findings *“to seek to deliver all of the identified affordable housing need as a proportion of market housing would result in unrealistic and undeliverable allocations. But it does not necessarily follow that some increased provision could not be achieved ...I consider that an uplift of 10%, which has been found reasonable in other plan examinations, would be more appropriate here”* (para 63). The LPEG Report recommends significant uplifts to meet in full OAHN for affordable housing (Flowchart Steps C & D in Appendix 6).

8) 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 demographic projections been adjusted?

The effect of these factors on the OAHN have been negligible (see Table 52 & 53 of 2015 SHMA Report) representing only 2% uplift in the HMA as a whole and for Warwick 0%. The OAHN for Warwick is unchanged from the demographic projection of 600 dwellings per annum.

9) Are the figures in the September 2015 SHMA for OAN in the HMA and Warwick District appropriate? Is there a basis to arrive at alternative figures?

It is considered that the OAHN in the 2015 SHMA under-estimates OAHN for both the HMA 83,940 dwellings (4,197 dwellings per annum) and Warwick (600 dwellings per annum).

It is suggested that either the 2012 or 2014 SNHP plus adjustments for 10 year migration trends and HFR in age group 25 – 34 multiplied by a vacancy rate allowance would provide a sound demographic based starting point. This demographic figure should then be uplifted for economic growth and / or market signals. It is acknowledged that adjustments for economic growth and market signals are not mutually exclusive so both may not necessarily be needed.

It is known that at the time of the proposed modifications consultation an alternative OAHN prepared by Barton Willmore estimates the OAHN for the Coventry & Warwickshire HMA for 2011 – 2031 as between 100,200 – 126,000 dwellings (5,010 – 6,300 dwellings per annum) and for Warwick between 20,800 – 23,400 dwellings (1,040 – 1,170 dwellings per annum). If this alternative OAHN is correct then the OAHN for the HMA could be under represented by circa 17% - 34%.

10) How will unmet needs from Coventry be met? What is the basis for calculating the distribution of unmet needs to other authorities and is this justified?

It is proposed that the unmet needs from Coventry are met elsewhere within the Coventry & Warwickshire HMA. The proposed re-distribution is based on a mathematical calculation of the percentage of migration patterns / house moves and commuting patterns between the city and its neighbouring authorities. The basis of this re-distribution is reasonable but it is suggested that this proposal should have been subject to some form of Sustainability Appraisal testing for the HMA as a whole. Without this high level assessment the re-distribution strategy risks been found unsustainable in one of the authority areas at a later stage in the plan making process jeopardising the meeting of Coventry's unmet needs elsewhere in the HMA and therefore not meeting OAHN in the HMA.

11) Does the Memorandum of Understanding (MOU) between authorities effectively deal with this issue? What does this commit authorities to and is this sufficient? How does this relate to existing and emerging plans?

The Memorandum of Understanding commits the Coventry & Warwickshire HMA authorities to using their best endeavours to deliver housing numbers defined as OAHN for HMA of 85,540 dwellings between 2011 – 2031 and 88,160 dwellings (including 2,620 dwellings for growth arising outside the HMA) as set out in the re-distribution Table in order to ensure housing needs from Coventry not met within the city itself are met within the HMA as a whole. The authorities are expected to prepare Plans that reflect these agreed housing numbers subject to the completion of SHLAA work. The Memorandum of Understanding will be reviewed as a result of co-operation with authorities outside the HMA and / or monitoring which identifies housing needs are not been met.

12) What is the position with Nuneaton and Bedworth Borough Council and the MOU? How does this affect the situation? What are the implications for other authorities?

Nuneaton and Bedworth Council have not signed the Memorandum of Understanding. Unfortunately this means despite the HMA authorities best efforts over the last 12 months the Councils have moved no closer to resolving the strategic matter of meeting OAHN in full in the HMA.

In the December 2015 consultation the pre submission Nuneaton & Bedworth Local Plan proposed a housing requirement of 10,040 dwellings (502 dwellings per annum) rather than 14,060 dwellings (703 dwellings per annum) thereby making no provision for unmet needs from Coventry. Nuneaton & Bedworth's default from the figures set out in the Memorandum of Understanding results in an unmet need of 4,020 dwellings across the HMA a figure not dissimilar to the previous 4,680 dwellings of undistributed unmet housing needs yet to be re-distributed at the time of the initial Examination Hearing Sessions for the Warwick Local Plan. So the same level of uncertainty about whether or not OAHN for Coventry & Warwickshire HMA will be met in full remains.

13) What effect does the situation in Birmingham have i.e. in terms of unmet need, the relationship to Coventry and Warwickshire authorities and the Birmingham Development Plan? Has this been taken into account?

As stated by the Stratford upon Avon Inspector "*a comprehensive approach to meeting Birmingham's unmet need is yet to be agreed*" (para 62 of Stratford upon Avon Inspector's Final Report). The Birmingham Development Plan confirms an unmet need of circa 38,000 dwellings and a mechanism whereby Birmingham City Council will monitor progress of neighbouring authorities in meeting this unmet need over the next 3 years. If this unmet need is not satisfactorily met then the Birmingham Development Plan itself will be reviewed. The Coventry & Warwickshire HMA authorities directly affected by

Birmingham's unmet needs are North Warwickshire and Stratford upon Avon however as a consequence of the scale of the unmet needs there may be knock on ripple effects throughout the Coventry & Warwickshire HMA. It is unlikely that the proposed Modifications 17 & 18 to Policy DS20 provide enough detail to deal with the relationship between the Coventry & Warwickshire HMA and Birmingham.

14) Is the level of housing now proposed by the Council i.e. 932 dwellings per annum appropriate? Would it meet OAN in the District and make an appropriate contribution to meeting unmet needs from Coventry?

If the OAHN of 600 dwellings per annum for Warwick is an under-estimation there is scope within the 932 dwellings per annum to increase this figure. However the inevitable consequence of such a change is the proportion of unmet housing needs from Coventry met in Warwick reduces. There is also the disparity in time periods between the SHMA which calculates OAHN for the period 2011 – 2031 and the Warwick Local Plan period of 2011 – 2029 to account for to ensure that OAHN in full are met.

15) What would be the implications for population change, migration and employment growth? Is this realistic and how does it sit with other aspects of the Local Plan e.g. employment and infrastructure growth?

16) Should the amount of housing now proposed (932 dwellings per annum) be increased or decreased? If so to what level and on what basis?

The amount of housing should be increased (see answers to preceding questions).

17) Is the approach to a review of the Local Plan (Council's suggested modification to Policy DS20) appropriate?

It is suggested that Policy DS20 provides further clarification about the inter-relationship of the proposed review within 5 years set out in Policy DSNew1 and Policy DSNew2 concerning post adoption safeguarded land.

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