

WARWICK DISTRICT COUNCIL AND HMA
OBJECTIVELY ASSESSED HOUSING NEEDS –
EVIDENCE REVIEW

April 2016

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ANNEXES

- 1. COMPARISON OF HOUSEHOLD FORMATION RATES**

1.0 INTRODUCTION

- 1.1 This review has been prepared by Barton Willmore LLP on behalf of Taylor Wimpey and their development interests in Warwick District.
- 1.2 The purpose of the Report is to summarise the evidence relating to objectively assessed housing needs (OAN) for Warwick District in the context of the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG).
- 1.3 The Report complements evidence previously submitted by Barton Willmore in respect of the objective assessment of housing need within Warwick District and across the wider Coventry and Warwickshire Housing Market Area (HMA).

Report Structure

- 1.4 This review is structured as follows:
- Section 2: National Policy Context;
 - Section 3: OAN Evidence Review and Local Plan Inspector's OAN Findings;
 - Section 4: Objectively-Assessed Housing Needs for Warwick District; and
 - Section 5: Summary and Conclusions.

2.0 NATIONAL POLICY CONTEXT

Planning Practice Guidance (PPG, 06 March 2014)

- 2.1 The PPG was issued as a web based resource on 06 March 2014. Guidance on the assessment of housing development needs (PPG ID: 2a) includes the SHMA requirement set out in NPPF.
- 2.2 The assessment of need is introduced as an objective assessment based on facts and unbiased evidence to which constraints should not be applied (2a-004). The area assessed should be the housing market area (2a-008), reflecting the key functional linkages between places where people live and work (2a-010).
- 2.3 The PPG methodology for assessing overall housing need (2a-014:029) commences with identification of a starting point estimate of overall housing need and is summarised below.

Starting Point Estimate

- 2.4 The PPG states how household projections published by the Department for Communities and Local Government (CLG) provide the starting point estimate of overall housing need. CLG household projections are trend based and may require adjustment to address factors, such as unmet or suppressed need, not captured in past trends (2a-015).
- 2.5 Whether an adjustment to the starting point estimate is required depends on the results of three discreet tests.

Test 1 - Adjusting for Demographic Evidence

- 2.6 Adjustments to household projection-based estimates of overall housing need should be made if justified on the basis established sources of robust demographic evidence, such as the latest projections and population estimates published by ONS. Adjustments might include alternative/ updated components of change and household formation rates (2a-017). Such adjustments will be required to properly account for demographic change, and as such should not be assumed to also account for a market signals adjustment.

Test 2 - Adjusting for Likely Change in Job Numbers

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

Test 3 - Adjusting for Market Signals

2.8 The final test is concerned with market signals of quantity and price. A worsening trend in any indicator will require an upward adjustment to the starting point estimate of overall housing need. Particular attention is given to the issue of affordability. The more significant the affordability constraints, the larger the additional supply response should be (2a-019:20).

Overall Housing Need

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

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

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

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

3.0 OAN EVIDENCE REVIEW AND LOCAL PLAN INSPECTOR'S OAN FINDINGS

a) INTRODUCTION

3.1 This section of the report reviews the Inspector's findings in respect of the objective assessment of housing need within Warwick District, following the initial hearing sessions held between 06 and 12 May 2015; we also comment on the September 2015 Updated Strategic Housing Market Assessment for the Coventry & Warwickshire HMA, published by GL Hearn, which sought to address the Inspector's comments.

b) INSPECTOR'S FINDINGS REGARDING INITIAL MATTERS AND ISSUES (01 JUNE 2015)

3.2 We summarise the Inspector's findings in respect of OAN, below.

i) Duty to Cooperate and Joint Working

3.3 The Inspector acknowledged in his findings that WDC falls within the Coventry and Warwickshire HMA. Furthermore he confirmed his satisfaction that the Duty to Cooperate had been met in respect of housing provision.¹

ii) Demographic Need

3.4 The Inspector concluded that the demographically led OAN of 4,004 dwellings per annum for the HMA, 2011-2031, as set out in the 2014 SHMA Addendum, and read alongside the 2013 SHMA, was a sound starting point for the assessment of objectively assessed need. However he confirmed that this should be seen as a minimum figure, a position concurred with by WDC.²

3.5 The Inspector considers 4,004 dpa to be a minimum on the basis of the most up-to-date 2012-based CLG household projections showing a very similar figure for the HMA (4,100 dwellings per annum) over the same period. However it is important to note that the CLG projections are identified by PPG as the 'starting point estimate' of OAN.

3.6 In this context the Inspector also notes how the 2014 SHMA identified that adjustments for household formation rates (HFRs), market signals, and economic growth would necessitate a higher OAN than 4,004 dpa.

¹ Paragraph 10, page 2, Examination of the Warwick District Local Plan: Inspector's findings regarding initial matters and issues, 01 June 2015

² Paragraphs 11-15, page 3, Examination of the Warwick District Local Plan: Inspector's findings regarding initial matters and issues, 01 June 2015

- 3.7 It is important to note that the OAN of 4,004 dpa across the HMA, and 606 dpa in WDC, considered by the Inspector, is underpinned by a HFR scenario that is now out of date; a partial return to 2008-based rates from the interim 2011-based HFRs. Furthermore the HFR assumption underpinning the two figures is the lower of two HFR scenarios tested in the 2014 SHMA addendum.
- 3.8 The second 'full return 25-34' scenario of the 2014 SHMA addendum results in an increase to HMA-wide demographic-led OAN to 4,373 dpa, 2011-2031. This would equate to an additional 7,380 dwellings over 20 years across the HMA when compared to the OAN figure considered a minimum by the Inspector (4,004 dpa).
- 3.9 In WDC, the increase would be from 606 dpa to 655 dpa, a total of 980 additional dwellings over 20 years.
- 3.10 The Inspector makes no further comment on the higher demographic-led OAN figure we have discussed above, and we consider demographic-led need in more detail later in this study.

iii) Economic led need

- 3.11 The Inspector does not consider economic-led OAN in his findings, other than to note how the 4,004 dpa OAN for the HMA (606 dpa for WDC) is a minimum, and that adjustments for economic growth (amongst other adjustments) would lead to an increased OAN, something openly identified by the 2014 SHMA addendum. His decision also notes how the 2014 SHMA suggested further work be undertaken by individual authorities in respect of economic growth prospects.³
- 3.12 This should be considered in the context of the 2014 SHMA addendum's assessment of economic-led OAN which concluded on there being OAN of 5,084 dwellings per annum across the HMA, and 997 dpa in WDC. We consider economic-led OAN later in this study.

iv) Market Signals

- 3.13 As with economic-led need, the Inspector makes little reference to market signals, other than to say that the 2014 SHMA makes no uplift for market signals pressure. We consider this again later in this study.

³ Paragraphs 12 and 14, page 3, Examination of the Warwick District Local Plan: Inspector's findings regarding initial matters and issues, 01 June 2015

v) Objectively Assessed Housing Need

- 3.14 In concluding on the OAN, the Inspector raises significant concerns in respect of WDC's housing target of 720 dpa, and how this will contribute to the unmet needs of Coventry City, and the potential requirement to address Greater Birmingham's unmet need. He identifies how the 720 dpa figure may be an increase of 114 dpa from the OAN of 606 dpa, but he again reasserts that 606 dpa is the minimum OAN.
- 3.15 In concluding he states how the WDC Local Plan has not been positively prepared owing to the absence of a clear strategy to meet the OAN for the HMA in full, whereby significant unmet need will result across the HMA. He therefore found the Plan unsound.⁴
- 3.16 The remaining section of this Report summarise the findings of the recently published evidence by WDC (seeking to address the Inspector's concerns).

c) UPDATED ASSESSMENT OF HOUSING NEED: COVENTRY-WARWICKSHIRE HMA (C&W SHMA, SEPTEMBER 2015)

i) Introduction

- 3.17 The Updated C&W SHMA was published in September 2015, and seeks to provide an updated assessment of OAN for the HMA. The Report is said to draw together evidence regarding OAN for housing in the HMA, and refers to key evidence including the November 2013 SHMA, September 2014 SHMA Addendum and the C&W Employment Land Study by Atkins (March 2014), as well as a draft Employment Land Study of June 2015 prepared by CBRE.

ii) Housing Market Area OAN

Demographic-led scenarios and migration assumptions

- 3.18 GL Hearn's updated SHMA tests demographic need across the HMA based upon a series of scenarios, all of which assume the 2012-based household formation rates as published, without an adjustment for suppressed household formation. The results are summarised as follows:

- 10 year migration (constant): 5,040 dpa
- 10 year migration (variable): 4,358 dpa
- 2012-based SNPP: 4,197 dpa

⁴ Paragraphs 23-26, page 3-4, Examination of the Warwick District Local Plan: Inspector's findings regarding initial matters and issues, 01 June 2015

- 2014 updated: 4,113 dpa
- UPC adjustment: 3,648 dpa
- **Average: 4,290 dpa⁵**

3.19 In terms of demographic-led OAN and migration, it is considered to be appropriate to exclude the 'UPC Adjustment' scenario on the basis that GL Hearn's previous 2014 SHMA update stated the following:

"there is no clear, defensible basis for making a UPC adjustment to the new SNPP projections" ⁶.

3.20 It is also noteworthy that the range of demographic forecasts is significant, and given the uncertainty surrounding these projections it would seem prudent to plan on the basis of the higher end of the range (5,000 dpa), a figure which also correlates with Barton Willmore's own forecast based on long term net-migration trends.

3.21 In the context of an OAN range, the Planning Inspector's decision in respect of the Brighton & Hove City Council City Plan is noteworthy. The OAN range in Brighton & Hove was agreed as being between 16,000 and 20,000 dwellings, and in concluding on OAN, the Inspector commented as follows:

"Bearing in mind the Framework's requirements that local authorities should assess their full housing needs (Inspector's emphasis), including affordable housing, my view is that the Plan should indicate that the full objectively assessed need is the higher end of the range, i.e. 20,000 new dwellings" ⁷.

3.22 Furthermore, Barton Willmore considers that a 10 year net-migration trend scenario is more representative of demographic change within the HMA, given the existence of the housing moratorium in a number of local authorities in the shorter term. A ten-year trend also allows years of economic boom and recession to be considered.

3.23 However, despite this GL Hearn conclude that the 2012-based SNPP provide a sound demographic projection – indicating a need for 4,197 dpa. The 2012-based ONS SNPP are underpinned by a 5-year period of net-migration, recorded over a period largely represented by economic recession (2007-2012).

⁵ Figure 31, Updated Assessment of Housing Need: Coventry-Warwickshire HMA (September 2015)

⁶ Coventry-Warwickshire SHMA Addendum (September 2014) Paragraph 2.19

⁷ Page 1, Inspector's Initial Conclusions, Brighton & Hove City Plan, 13 December 2013

Household Formation Rates

- 3.24 Furthermore, and despite recognition from GL Hearn that the 25-34 year age group appears to show a degree of suppression in the past, no adjustment is made to household formation rates in establishing demographic need – contrary to the requirements of paragraph 2a-015 of the PPG. Whilst we note that GL Hearn go on to make a minor adjustment to household formation as a market signals adjustment, based on a return to 2001 levels by 2025 in the 25-34 age group, the approach is considered to be flawed, and the impact is de-minimus and is not considered to account for either demographic change or properly adjust for market signals issues.
- 3.25 The recent (February 2016) Inspector's conclusions in respect of the Arun Local Plan and specifically the associated GL Hearn SHMA (prepared for Arun District Council) confirms how the household formation rate adjustment should be considered independently of a market signals adjustment, as follows:
- "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. This would result in a total OAN of 845pa. Overall it is not seen as necessary to make further adjustments to the OAN, since employment-related issues (modestly negative) are seen as generally balanced out by market signals and affordable housing pressures (both modestly positive)."**⁸ (Our emphasis)
- 3.26 In respect of household formation rates the 2012-based household projections continue to project on the basis of recessionary trends in household formation and still fall short of returning to the pre-recessionary trends reflected in the 2008-based household projections. However, as can be seen from the graphs of household formation by 10 year age band (enclosed in Appendix 1), this is most noticeable in those aged 25 to 44 years old. Indeed the 2012-based household formation rates appear to result in levels of household formation in older age groups which more closely align with the 2008-based series rates in 2031.
- 3.27 This pattern is not surprising given that the age group 25 – 44 has been most disadvantaged by the chronic undersupply of housing and the lingering effects of recession on their ability to form households.
- 3.28 In accordance with Paragraph 2a-017 of the PPG an adjustment to the 2012-based household formation rates in the age group 25 – 44 is appropriate, and a return to 2008-based rates by the end of the period (2031) is considered appropriate by Barton Willmore.

⁸ Paragraph 1.28, page 6, Arun Local Plan: Inspector's OAN conclusions, ID18, 02 February 2016

- 3.29 Application of the 2008-based CLG household formation rates would also limit the effect of concealed households in the recessionary 2012-based CLG household projections and formation rates. ONS research (06 February 2014) has shown how there are 289,000 concealed households in England and Wales in 2011, a 70% increase from 2001.
- 3.30 This differs from the approach used by GL Hearn in the SHMA update. GL Hearn's approach is described as follows:

"We have therefore run a sensitivity analysis which considers and seeks to quantify the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025 (from 2015). This assumes that headship rates will improve between 2015 and 2025 and then track the 'trends' suggested in the 2012-based CLG household projections thereafter."⁹

- 3.31 Barton Willmore consider this approach to be flawed, as the return to 2001 levels is applied by GL Hearn in both males and females across the 25-34 age group. However analysis shows how household formation has generally increased for females and declined for males over this period. By applying the return to 2001 levels for both males and females in the 25-34 age group, the response to alleviating household formation suggested by GL Hearn is constrained.
- 3.32 As discussed above, Barton Willmore consider it appropriate to apply a return to 2008-based formation rates in the 25-44 age group between 2011 and 2031.

Job Growth assumptions

- 3.33 The 2015 C&W SHMA update sets out updated econometric forecasts from Cambridge Econometrics (CE, dated March 2015), which show growth of 45,400 jobs over the 2014-2031 period (2,670 jobs per annum) in the HMA. The previous 2013 CE forecast showed much higher growth over the same period (59,800 jobs, 2014-2031 or 3,520 jobs per annum).
- 3.34 However, we note that whilst the Joint SHMA Addendum (September 2014) tested both the implications of Cambridge and Experian job forecasts, the 2015 SHMA update does not seek to provide an equivalent update of the Experian forecasts.
- 3.35 As set out in BW's April 2015 submission (as discussed at the EiP)¹⁰, the March 2015 Experian forecasts produced at the time of the SHMA update forecast growth of 94,500 jobs over the period 2011-2031 (4,725 jobs per annum), equivalent to that previously forecast by Cambridge and assumed within the LEP SEP.

⁹ Updated Assessment of Housing Need: Coventry-Warwickshire HMA (September 2015) Paragraph 7.40

¹⁰ Matter 2 statement, Barton Willmore, participant number 12832, April 2015

3.36 The Updated SHMA (September 2015) summarises the output of the earlier SHMA Addendum confirming that the Report tested two economic growth scenarios as discussed above. In detailing these two scenarios GL Hearn state the following:

‘neither forecast is inherently right or better – they simply reflect differences in the views of the two economic forecasters regarding the performance of different sectors in the economy’¹¹.

3.37 It follows therefore, that when undertaking an assessment of the necessary level of population and housing to meet job growth that one should take a prudent approach and progress on the basis of the higher end of this range – to do anything else could prejudice or place a constraint on the economic growth potential of the area. By excluding the Experian forecast from the 2015 SHMA update, GL Hearn have prejudiced the economic-led OAN.

3.38 In establishing the necessary level of housing to balance with economic growth GL Hearn go on to test various levels of employment growth, drawing both on previous Experian and CE forecasts, as well as the more recent CE forecasts from March 2015. However, GL Hearn argue that given the variance in forecasts over the period 2011-2013, that the period beyond this (2014 – 2031) should be used to establish future job growth. Such an approach, whilst having the effect of reducing likely employment growth fails to properly address employment growth over the study period (2011 – 2031), as well as the fact that many other assumptions are informed by a 2011 base year (including commute ratios). Furthermore, whilst scant detail is provided on the job forecasts for individual years, Figure 33 would appear to show that both the Experian and CE job estimates in 2011 are broadly similar.

3.39 In discounting the potentially significant levels of employment growth that may have occurred between 2011 and 2014, GL Hearn have also failed to account for or identify any changes to the commute ratios and household suppression issues that may have occurred as a result.

3.40 There is no valid justification for assessing employment growth part way through the study period, but its effect is to suppress the level of job growth assessed, the effect of which results in a level of economic led housing growth as follows:

- Experian 2013 forecast (post 2014 employment growth): 3,675 dpa
- Cambridge Econometrics 2013 (post 2014 employment growth): 4,061 dpa
- Cambridge Econometrics 2015 (post 2014 employment growth): 3,584 dpa

¹¹ Updated Assessment of Housing Need: Coventry-Warwickshire HMA (September 2015) Paragraph 2.56

- 3.41 Notwithstanding our concern that GL Hearn have failed to properly consider the implications of economic growth across the study period (2011 – 2031), they have also ignored more recent Experian forecasts and even those highlighted by Barton Willmore in April 2015 (discussed at the EiP in May 2015) which show far higher levels of economic growth (94,500 jobs) over the period 2011 – 2031 than the 2013 series quoted by GL Hearn.
- 3.42 We also note that whilst referencing the most recently published Employment Land Use Study prepared by CBRE and published on behalf of the LEP in August 2015, they fail to acknowledge its findings. The Study is said to assess the objectively assessed need for employment land across the LEP area (the same area as the HMA). The Report concedes that the levels of employment land previously forecast by the Atkins Report of 2014 (660 ha) may be conservative based upon 'take up' within 2014 and 2015.
- 3.43 In doing so the CBRE Report tests a number of employment forecast scenarios ranging from 60,000 to 126,000 jobs, the latter requiring 550 ha of employment land. Following an assessment of recent 'take up' the Report concludes by recommending an appropriate range of between 500 and 660 ha, with sites being identified that can achieve the higher end of this range. Whilst not quantified in the Report, the higher of these employment land requirements would clearly generate greater than 126,000 jobs. There is therefore clear up to date evidence of the need to plan for higher levels of job growth than the LEP SEP figure of 94,500 jobs.
- 3.44 By way of comparison the scenarios presented by GL Hearn demonstrate that it considers that the 2012-based SNPP (after allowing adjusting for commuting, double jobbing and employment rates) will only provide for 61,315 jobs between 2014 and 2031 (figures not provided for the whole study period).
- 3.45 The conclusions of the CBRE Employment Land Use Report would therefore appear to be entirely at odds with the level of job growth tested within the GL Hearn' assessment.
- 3.46 We also note the recent publication by Government of 'The Midlands Engine for Growth' Prospectus. Prepared by the 11 LEPs across the Region, the Prospectus plans to provide for 300,000 jobs over the next 15 years, reinforcing the Coventry and Warwickshire LEPs economic growth aims.
- 3.47 In reality it is appropriate to test the necessary level of population growth and future housing provision to support in excess of 94,500 jobs across the housing market area, to assess any lower provision is likely to constrain future job growth. As we demonstrate in the following section of this Report, and consistent with evidence presented by GL Hearn in its September 2014 SHMA Addendum (Figure 14) it is considered that provision of at least 5,000 dpa is required across the HMA to meet this level of job growth.

Market Signals

- 3.48 In respect of market signals GL Hearn conclude that market conditions are very much 'average'. In respect of affordable need GL Hearn conclude a net need for affordable housing totalling 1,462 units per annum.
- 3.49 However, GL Hearn go on to accept that taking account of evidence of affordable housing need and market signals analysis, there is some basis for considering the case for adjustments to the overall housing need in order to improve affordability. As we have discussed above, GL Hearn seek to apply an upward market signals adjustment by adjusting the household formation rates of those aged 25-34 back to 2001 levels. The effect is to increase GL Hearn's level of demographic need (4,197 dpa) by a further 75 dpa. As we have already detailed, such an adjustment will do nothing to improve affordability and the approach is considered to be flawed (by including both males and females in the adjustment). GL Hearn consider that the OAN of the HMA totals 4,272 dpa (i.e. 4,197 plus 75).
- 3.50 However, given the summary of the components of OAN provided in Table 53, we would question whether **the OAN as reported should in fact total 4,598 dpa**, which is the sum of the individual OAN figures for each of the HMA authorities, reflecting the higher need in some authorities to meet economic growth requirements.

iii) **Warwick District OAN**

Introduction

- 3.51 This section has considered the updated 2015 C&W SHMA in the context of HMA-wide OAN. However in the context of the focus on Warwick District, we consider the OAN in Warwick District in isolation.

Demographic-led scenarios and migration assumptions

- 3.52 As discussed above, the demographic-led OAN for the HMA and its constituent authorities is underpinned by 2012-based CLG household formation rates as published, with no adjustment for household formation suppression. Notwithstanding this the results of the scenarios are as follows:

- 10 year migration (variable): 745 dpa
- 2012-based SNPP: 600 dpa
- UPC adjustment: 589 dpa

- 10 year migration (constant): 550 dpa
- 2014 updated: 524 dpa
- **Average:** **602 dpa.** ¹²

3.53 The GL Hearn SHMA update identifies how demographic-led OAN could be as high as 745 dpa in Warwick District.

3.54 As discussed in detail earlier in this section, Barton Willmore consider that the UPC element should be excluded from net-migration trends, and that a 10-year trend should be used. In alignment with the HMA-wide pattern, the importance of following this approach is borne out by the 2007-2012 period (recessionary based) showing average net out-migration (-40 people per annum). This compares with the 10-year trend which shows net in-migration of 428 people per annum. To rely on the 2012-based CLG projection as published is considered to be a constrained approach.

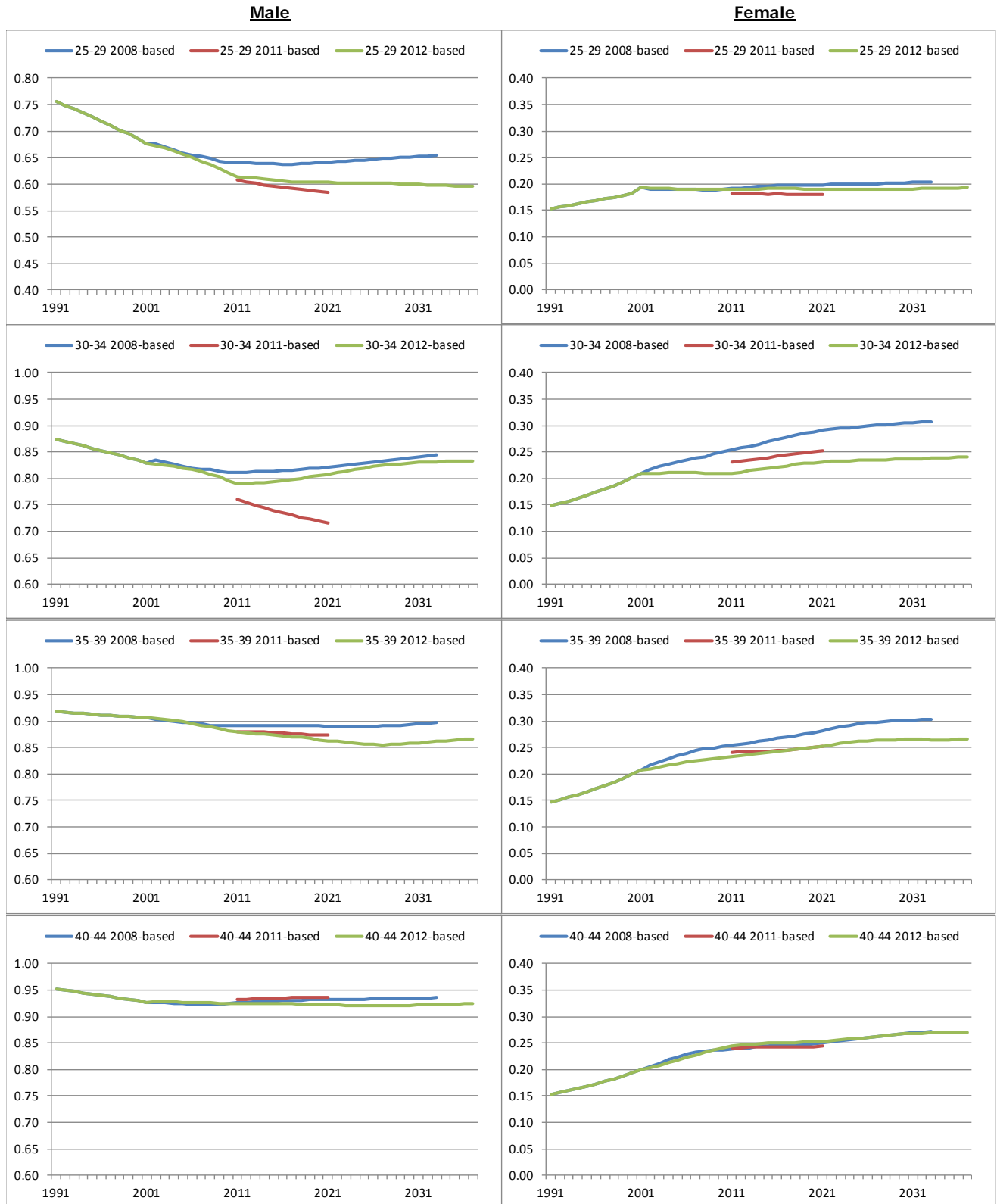
Household Formation Rates

3.55 GL Hearn's approach to household formation rates is not considered appropriate for the reasons outlined in the HMA discussion above. In respect of their approach to returning household formation rates to 2001 levels, the graphs set out below illustrate why the return to 2001 levels should not be applied for both genders.

3.56 As figure 3.1 shows, the return to 2001 levels is appropriate in respect of the male specific household formation rates for each 5-year age group between 25 and 44. However for the female group, 2001 household formation rates are much lower than those projected after 2011. By returning both males and females to 2001 levels GL Hearn are in fact constraining household formation in this age group overall.

¹² Figure 31, Updated Assessment of Housing Need: Coventry-Warwickshire HMA (September 2015)

Figure 3.1: Warwick District Household Formation Rate comparison



Source: CLG

3.57 Of the eight groups identified in Figure 3.1, it would only be appropriate to apply such a sensitivity adjustment in the male population for those aged 25-34 (GL Hearn's preferred age

group), although Barton Willmore would suggest this was extended to the male 35-39 age group.

- 3.58 This refined approach would result in an uplift to the 600 dwellings per annum considered by GL Hearn to represent OAN in Warwick District. Notwithstanding this, Barton Willmore's approach of applying a return to 2008-based rates by 2031 would result in even higher housing growth and is considered justified for the reasons outlined above for the HMA.

Job Growth assumptions

- 3.59 This study considers GL Hearn's approach to assessing OAN based on jobs growth in detail above, in respect of the HMA. The main points to note are the absence of Experian forecasts in the 2015 SHMA update, and the decision of GL Hearn to assess the shorter 2014-2031 period rather than the 2011-2031 period.
- 3.60 In short, the GL Hearn considers economic-led OAN, based on the suppressed household formation rates of the latest 2012-based projections. No adjustment is considered to alleviate this suppression. Furthermore they are based on the application of the 2015 Cambridge Econometrics forecast (585 jobs per annum, 2014-2031) and Experian forecasts are not included.
- 3.61 Reference to the March 2015 Experian forecast shows growth of 1,018 jobs per annum, 2011-2031. Notwithstanding the reasons why Barton Willmore consider the 2011-2031 period should be considered, the 2014-2031 period shows 855 jobs per annum. Both are significantly in excess of the 2015 CE forecast used by GL Hearn in the 2015 SHMA update.

Market Signals

- 3.62 The 2015 SHMA's conclusions show that no uplift is recommended for worsening market signals in Warwick District. However, section 5 of the 2015 SHMA update assesses market signals in the HMA, and concludes as follows:
- House prices and rents above national and regional average. Evidence of above inflation rental growth since 2011. House prices since 2008 have remained stable in real terms.
 - LQ affordability ratio of 7.8 which is above HMA and national averages, but evidence that affordability has improved and the ratio fallen modestly over the last decade.
- 3.63 In this context, to do nothing is not considered appropriate and it is considered that the evidence in the SHMA update justifies an uplift to alleviate worsening market signals. This

should be considered in the context of the Eastleigh Local Plan decision, where a 10% uplift was considered necessary by the Inspector on the basis of 'modest' market pressure.

iv) Summary

- 3.64 For the reasons identified above, and in particular the SHMA's failure to properly assess economic growth over the study period (2011 – 2031) we do not consider that its conclusions provide for the full objectively assessed needs of the housing market area.
- 3.65 The following section of this study focusses on OAN in Warwick District, as determined by Barton Willmore.

4.0 OBJECTIVELY-ASSESSED HOUSING NEEDS FOR WARWICK DISTRICT AND THE HMA

4.1 This section summarises the previous Objectively Assessed Housing Need (WAN) Assessments submitted by Barton Willmore in respect of Warwick District and the HMA (April 2015), as well as presenting two further sensitivity scenarios based on more recently available economic activity rates.

i) Assessment of Warwick District Household Formation Rates

4.2 For the purpose of assessing housing need, PPG advises that the household projection-based (starting point) household formation rates may require adjustment if they have been suppressed historically by under-supply and worsening affordability. That adjustment should be based on evidence of the extent to which household formation is or has been constrained (ID2a-015).

4.3 Prior to addressing the starting point estimate of need for Warwick, we examine the available evidence, determine whether household formation has been suppressed within the District and conclude whether adjustment to the published household formation rates is necessary and what that adjustment should be.

4.4 Household formation or representative (HFR) rates are used by DCLG to convert household population growth projections into household growth projections. For the purposes of this exercise, HFR rates are the same as the household formation rates referred to in PPG. The HFR rate for any given point in time is an estimate of how likely it is, by gender and age group that each individual will 'represent' a household (formerly referred to as head of household).

4.5 Like the population projections, HFR rate projections are trend-based, taking their bearings from Census data. At the time of writing, the 2012-based household projections provide the most up to date HFR rate projections. However they are heavily caveated, particularly across the 25-44 age range, from which first time buyers emerge.

4.6 Detailed analysis (Appendix 1) reveals deterioration in the 2012-based HFR rate between 2001 and 2011 compared to the 2008-based HFR rates which follow a forty year trend (1971 to 2001) and are taken to be the norm.

4.7 Comparative deterioration of the 2012-based rate is indicative of suppressed household formation. That suppression is projected forward and for the most part, the gap widens

between the 2012-based HFR rate and the 2008-based norm over time. Deviation from the 2008-based HFR rates is most pronounced in the 25-34 age group and there is also significant deviation in the age group 35-44 years.

- 4.8 In deviating from the norm, the 2012-based HFR rates are characteristic of the interim 2011-based HFR rates that they have now replaced. Both effectively assume that the ability of the household population to form separate households would be constrained relative to the norm, most especially in the 25-44 age group.
- 4.9 Deterioration in the 2012-based HFR rate relative to the long run trend must be viewed in the context of deteriorating affordability of housing, undersupply and the economic downturn since 2001. The 2012-based HFR rate projections represent a departure from the norm because they are shaped by the bleak socio economic context and outlook of post-recession Britain, that preceded Census day (March 27th) 2011.
- 4.10 The 2011 Census recorded household numbers and sizes at a time of economic uncertainty and restraint for many families and revealed fewer households than expected, because exceptional circumstances were preventing household formation. Census 2011 data on households informs the 2012-based household projections and is responsible for the altered HFR trend that they adopt.
- 4.11 It is fair to conclude that the 2012-based HFR rate projections embody suppressed demand or unmet housing need in Warwick particularly for those aged 25-34 years. That being the case, they should not be relied upon as a basis for predicting household formation in the future, because to do so would lead to the under provision of housing, undermining the planning systems social role and the social dimension of sustainable development (NPPF, paragraph 7).
- 4.12 The fact of the matter is that housing supply needs to be boosted and housing growth maintained. Significantly increasing housing supply will help improve affordability and it is reasonable to assume that the constraints faced by 24-35 and 35-44 year olds in particular could be alleviated over the next 20 years provided that housing growth is maintained. As such a return to long run trend 2008-based HFR rates, across the 25-44 age range by 2031 is merited and so applied in determining OAN.

ii) Starting Point Estimate

- 4.13 The CLG 2012-based household projections for Warwick estimate overall need for **593 dwellings per annum** over the period 2011-2031 (4,079 across the HMA). This has been calculated by applying an adjustment of 3.30% for vacant and second homes to the base

household figures (Source: CLG, CTB 2014 (Second Homes); CLG Live Table 125/615 (Vacant)). This accommodates population growth of 850 persons per annum and the formation of 573 net new households per annum over a 20 year period (3,946 households and 4,075 dwellings per annum across the HMA).

- 4.14 Once suppression adjusted assumptions of household formation are incorporated, the need for dwellings to be built in Warwick increases to **649 dwellings per annum (4,391 dwellings per annum across the HMA)**. It is this figure that we consider to be the starting point, and upon which OAN is built.

iii) Adjustment for demographic evidence

Alternative migration trends

- 4.15 The CLG 2012-based Household Projections are underpinned by the ONS 2012-based Sub National Population Projections. These population projections are based on short term (5 year) migration trends observed over the period 2007/08 to 2011/12. This period was characterised by a severe economic downturn and the resultant migration trend was depressed in a number of local authorities, including Warwick, where net **out**-migration of -40 people per annum was observed. For this reason it is sensible to observe trends over a longer period, including a number of years prior to the downturn, and formulate projections on that basis instead.
- 4.16 As detailed above, the long term net migration trend of 2003/04-2012/13 shows average net **in**-migration of 428 people per annum. The application of the 2012-based household formation rates as published would result in growth of 755 dwellings per annum. However the application of a return to the 2008-based household formation by 2031 in the 25-44 age group results in growth of **816 dwellings per annum**.
- 4.17 At Housing Market Area level the 2012-based rates show growth of 4,581 dwellings per annum. Application of the return to 2008-based rates in the 25-44 age group results in **4,918 dwellings per annum**, 2011-2031.

iv) Adjustment for likely change in job numbers

- 4.18 As discussed above in section 3, the level of job growth considered justified across the HMA remains that set out in the Coventry & Warwickshire Assessment of Sub-Regional Employment Land Study; growth of approximately 94,500 jobs across the HMA, 2011-2031. In Warwick District this equate to approximately 20,360 jobs over 20 years.

- 4.19 For consistency with the previous evidence presented by Barton Willmore in response to the Stratford-on-Avon (SoA) EiP (December 2015), we have sought to continue to apply an assessment of the available labour force, based on an assessment of incremental change to the working age population following changes to the state pension age over time. This results in HMA-wide economic-led OAN of **5,010 dwellings per annum, 2011-2031**, and growth in Warwick District of **1,040 dwellings per annum, 2011-2031**.
- 4.20 Furthermore, Barton Willmore also presented an update to this approach at the SoA EiP, based on economic activity rate projections published by Kent County Council (KCC) and used by Barton Willmore for the latter part of 2015. The KCC method was the only independent source of such projections that Barton Willmore was aware of at the time, and has been used by local planning authorities and private consultancies in addressing economic activity.
- 4.21 The SoA OAN report (December 2016) showed a requirement for **6,297 dwellings per annum** across the HMA, 2011-2031, to accommodate the job growth identified above (94,500 jobs, 2011-2031), based on KCC rates. This represented a significant increase from the previous method presented to the Warwick District EiP (April 2015) which showed 5,005 dwellings per annum.
- 4.22 In Warwick District the OAN increases to **1,150 dwellings per annum, 2011-2031**, based on the KCC rates.
- 4.23 In the intervening period since the December 2015 SoA EiP, a further approach to economic activity has become available, from the Government's Office for Budget Responsibility (OBR, November 2015). Barton Willmore have used this method alongside that of KCC since early 2016, and we have therefore applied the OBR rates as a further sensitivity scenario to the KCC approach.
- 4.24 The OBR sensitivity analysis shows a very similar level of growth across the HMA to the KCC approach presented at the SoA EiP in December 2015. At HMA level application of the OBR rates results in **6,235 dwellings per annum**. This is broadly comparable and suggests that the level of OAN presented at the Warwick EiP in April 2015 was based on an assumption of high activity in the elderly.
- 4.25 At District level the OBR rates show a marginally higher OAN of **1,170 (OBR) dwellings per annum** in Warwick.

v) Market signals based estimate of housing need

- 4.26 Based on the evidence reviewed above, it is clear that a level of housing supply equivalent to at least 5,010 dpa in the HMA, and at least 1,040 dpa in Warwick would exceed the Barker

Review benchmark of increasing supply by 86%. Therefore we conclude that the OAN could be expected to improve affordability over the long term in Warwick and the HMA.

vi) Unmet Need (Memorandum of Understanding relating to the planned distribution of housing within the Coventry & Warwickshire Housing Market Area)

- 4.27 A further consideration in addition to the OAN for Warwick District is unmet need from the wider HMA. The Memorandum of Understanding (MoU, 29 September 2015) reports OAN of 88,160 dwellings across the HMA (4,408 dwellings per annum), based on the 2015 SHMA update discussed in this study. As discussed this is seen as a minimum level of OAN.
- 4.28 Notwithstanding that Barton Willmore consider the 2015 SHMA to underestimate OAN in Warwick and the wider HMA, for the reasons this study sets out, the report informing the MoU comments that Coventry City Council is unable to meet its housing requirement by up to 17,800 dwellings over 20 years (890 dwellings per annum)¹³. This should be seen as a minimum on the basis of the OAN range (5,010 – 6,300 dwellings per annum) set out in this study.
- 4.29 The MoU report identifies how Warwick has the strongest functional relationship with Coventry based on commuting and migration (39.37%), and how the functional relationship should be used to shape the MoU¹⁴. Based on Warwick having the strongest functional relationship with Coventry, the District has a pivotal role in ensuring any unmet need is planned for.

vii) Warwick District's full objectively assessed housing need

- 4.30 As presented in section 2, full housing need is that which addresses and meets in full the latest demographic based need, policy off projected labour demand and the need to improve affordability where a problem is shown to exist, as it does in Warwick.
- 4.31 **For Warwick District, on the basis of the analysis presented in this chapter, that means need in full for between 1,040 and 1,170 dwellings per annum over the period 2011-2031. Across the HMA the range is 5,010 to 6,300 dwellings per annum.**
- 4.32 This level of OAN would meet demographic and economic-led need. The increase to delivery would exceed the Barker Review threshold and a further uplift for worsening market signals is not considered necessary.

¹³ Paragraph 9, page 2, Report to the Coventry, Warwickshire and South West Leicestershire Shadow Economic Prosperity Board, Tuesday 29th September 2015

¹⁴ Paragraph 9, page 2, Report to the Coventry, Warwickshire and South West Leicestershire Shadow Economic Prosperity Board, Tuesday 29th September 2015

4.33 A further consideration is unmet need from Coventry City, and Warwick's role to meet this unmet need through the Memorandum of Understanding.

5.0 SUMMARY AND CONCLUSIONS

- 5.1 This report has considered OAN for Warwick District and the surrounding Coventry & Warwickshire (C&W) Housing Market Area, following the initial conclusions of the Warwick District Local Plan Inspector (June 2015), and the subsequent release of the C&W SHMA Update (September 2015). In summary it is concluded that the 2015 SHMA Update fails to fully account for economic-led OAN in the HMA or Warwick District. In this context, Table 5.1 (below) sets out the OAN for the HMA and Warwick District.
- 5.2 It is concluded that demographic-led need based on the 2012-based ONS SNPP would require provision of between 590 and 650 dpa in Warwick District Council, 2011-2031. The higher of these figures seeks to address the levels of suppression in household formation inherent within the 2012-based household formation rates of younger age groups.
- 5.3 Furthermore, the 2012-based ONS SNPP are underpinned by short-term (5 years) trend in net migration heavily influenced by the housing moratorium in Warwick and are not considered fully representative of past trends. It is considered that demographic-led need is better represented by the long-term (10 years) net-migration trend, resulting in a requirement for between 590 and 650 dpa, 2011-2031.
- 5.4 Demographic-led provision would not however, account for economic-led need based on the provision of 1,020 jobs per annum (2011-2031). Furthermore the demographic-led growth would not account for worsening market signals and affordability.
- 5.5 To meet economic-led need and address worsening market signals, Barton Willmore's assessment of OAN shows a requirement for at least 1,040 dpa in Warwick District, increasing to 1,170 dpa when more recent economic activity rate assumptions are tested (KCC and OBR methods).
- 5.6 Growth of at least 1,040 dpa will support demographic-led and minimum economic-led need in Warwick. Furthermore, the application of a 'full return' to 2008-based household formation rates in the 25-44 age group by 2031 will assist in alleviating the suppressed household formation rates identified in section 3 of this report.
- 5.7 In addition to the OAN, Warwick will be required to deliver unmet need from Coventry. Barton Willmore continue to consider that the HMA wide OAN stands at a minimum 5,010 dpa, and is necessary in order to meet past long term migration trends as well as provide for a sufficient growth in the labour force to balance with LEP job growth demands. The *'Memorandum of Understanding relating to the planned distribution of housing within the Coventry & Warwickshire Housing Market Area'* outlines how there is unmet need of 17,800 dwellings,

2011-2031, based on the 2015 SHMA OAN of 4,408 dpa. Based on Barton Willmore's OAN range (5,010 to 6,300 dpa) the unmet need is likely to be higher than 17,800 dwellings, 2011-2031. Warwick has the strongest functional relationship with Coventry and this will be reflected in any decision to deliver the unmet need, which will be in addition to the OAN of 1,040 to 1,170 dpa identified in this study.

Table 5.1: OAN for Warwick District and Coventry & Warwickshire HMA, 2011-2031

		HMA	Warwick	
Starting point estimate	CLG 2012-based Household Projection (households per annum)	3,950	570	
	CLG 2012-based Household Projection adjusted for household suppression (households per annum)	4,250	630	
A	PPG Starting Point Estimate (dwellings per annum)	4,080 to 4,390	590 to 650	
Net Migration	10-year Net Migration Trend (2004-2013) (households per annum)	4,720	720	
	10-year Net Migration Trend (2004-2013) (dwellings per annum)	4,920	820	
B	Demographic adjustment to starting point required to accommodate 10yr net migration trend (additional dwellings per annum to step A)	+530	+170	
Economic Growth	Employment Forecast 2011-31 (jobs per annum)	4,730	1,020	
	Commuting Ratio (Census 2011)	0.97	0.90	
	Labour Force Requirement 2011-2031 (people per annum)	4,580	920	
	Economic-led Dwelling Requirement (dwellings per annum)	April 2015 EA approach	5,010	1,040
		KCC Economic Activity Rates	6,300	1,150
OBR Economic Activity Rates		6,240	1,170	
C	Economic Growth adjustment (additional dwellings per annum to step B)	+90 to +1,380	+220 to +350	
Market Signals Test	Subtotal Dwellings per Annum (A+B+C)	5,010 to 6,300	1,040 to 1,170	
	Average delivery rate 2001/02 – 2012/13	2,590	500	
	Increase/Decrease vs. Average Annual Delivery 2001-12	+90% to +140%	+110 to +130%	
	Difference vs. Barker Review Threshold (86%)	+4 to +50%	+20 to +40%	
	Further Adjustment Recommended?	No	No	
D	FULL OBJECTIVELY ASSESSED NEED 2011-31 (A+B+C) DWELLINGS PER ANNUM	5,010 to 6,300	1,040 to 1,170	

N.B. Figures rounded to nearest 10

APPENDIX 1

HOUSEHOLD FORMATION RATES COMPARISON

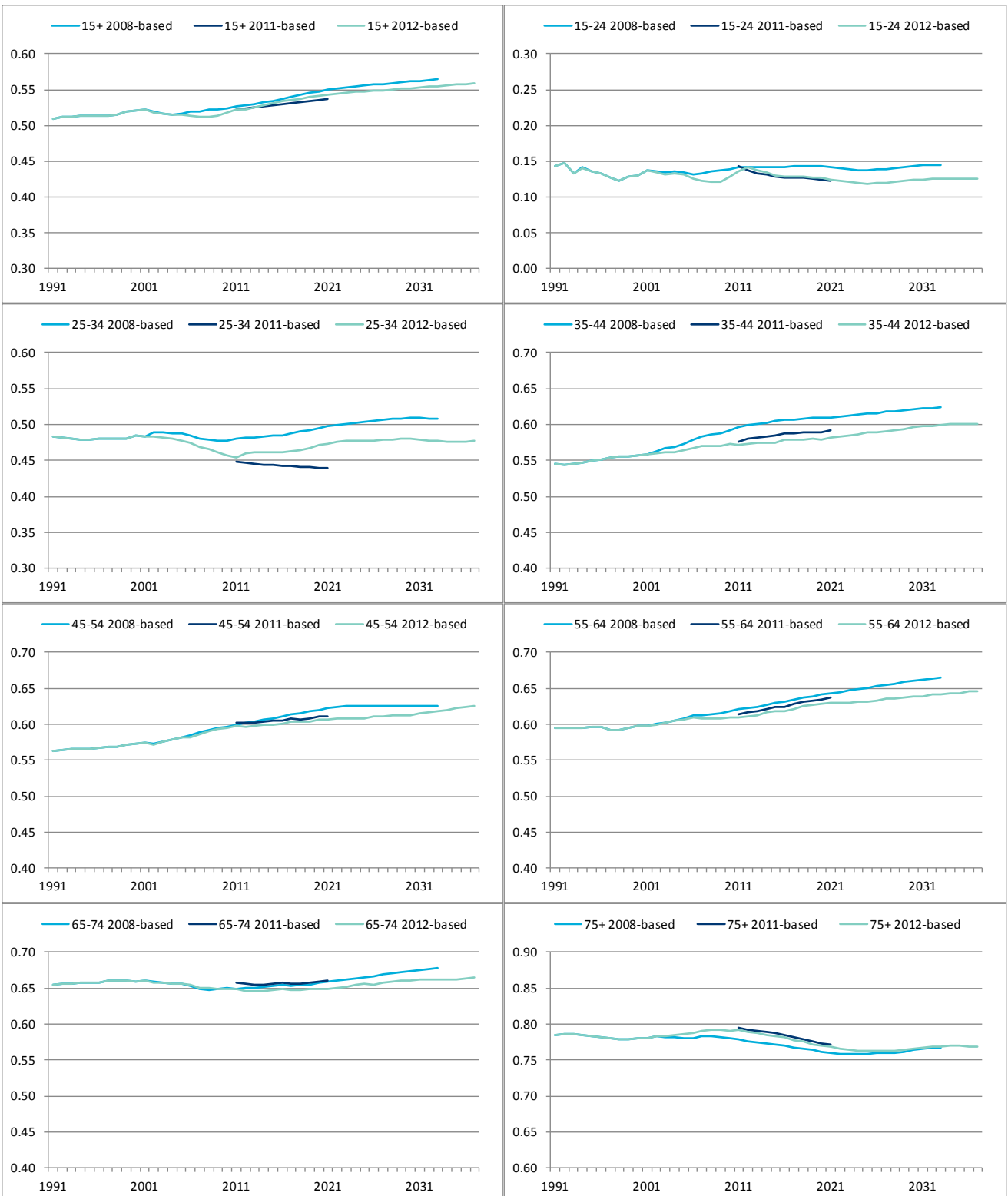
WARWICK DISTRICT AND THE COVENTRY & WARWICKSHIRE HOUSING MARKET AREA

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

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

Local Authority: **Warwick**



Analysis of Household Representative (HR) Rates

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

HMA Name: **Coventry & Warwickshire HMA**

