FEBRUARY 2024

Further Advice on Housing & Employment Land Needs

ICENI PROJECTS LIMITED ON BEHALF OF WARWICK & STRATFORD-ON-AVON DISTRICT COUNCILS

Iceni Projects Limited on behalf of Warwick & Stratford-on-Avon District Councils

February 2024

Iceni Projects
London: Da Vinci House, 44 Saffron Hill, London, EC1N 8FH
Glasgow: 177 West George Street, Glasgow, G2 2LB
Manchester: 68 Quay Street, Manchester, M3 3EJ

t: 020 3640 8508 **| w:** iceniprojects.com | **e:** mail@iceniprojects.com
linkedin: linkedin.com/company/iceni-projects | **twitter**: @iceniprojects

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1. EXECUTIVE SUMMARY

1.1 This Paper has been prepared by Iceni to provide independent advice and consideration of issues raised by Members regarding the assessment of housing needs for South Warwickshire. It responds to issues raised by Members in December 2023.

1.2 Government has made revisions to the NPPF in December 2023. These emphasise the importance of having an up-to-date Local Plan, in particular to amendments to the requirements to demonstrate a five year housing land supply. With an up-to-date Local Plan the Councils will be better able to refuse speculative applications on greenfield sites for housing.

1.3 The Paper has reviewed the basis for calculating housing needs for all local plans which have been submitted for Examination over the last 5 years, since the introduction of the standard method. It finds that:

- Two thirds of local plans have used the standard method in Planning Practice Guidance;
- The remaining third of plans have planned for higher housing need, to support economic growth, affordable housing delivery or to take account of past housing delivery. These are all issues which are relevant to drawing conclusions on housing needs in South Warwickshire;
- There are no examples of plans successfully passing through the Examination process which have argued that housing need is below the standard method, nor any which have successfully challenged the basis of the affordability uplift applied within the standard method.

1.4 Through amendments to the NPPF related to assessing housing need, the Government appears to be recognising that the 2014-based demographic projections used in the standard method are increasingly old; and there may be cases related to the particular demographic characteristics of areas (and potential more recent demographic data) that justify the use of an alternative approach to calculating housing needs.

1.5 The HEDNA showed that the use of 2014-based projections do not provide a robust basis for assessing housing need for South Warwickshire. They are based on historic data. The ONS data which fed into them has been shown since to substantially over-estimate Coventry's population; which in turn will have influenced the population projections for Warwickshire authorities. In addition, they were based on a period (2008/9-2014) when housing delivery in South Warwickshire was constrained by policies implementing a housing moratorium. The NPPF amendments thus provide support for the HEDNA approach.

Local Needs Evidence

1.6 The HEDNA interrogated a range of demographic data available at the time it was prepared, including initial 2021 Census data, concluding that there was a need for 1679 homes a year in South Warwickshire.

1.7 Whilst this was based on using updated demographic projections, the wider evidence within the HEDNA provides supporting evidence of a need for higher housing provision than the standard method. It shows that this is necessary to support economic growth, particularly in the short/ medium-term, and to support the delivery of affordable housing.

1.8 The HEDNA evidence points to an acute need for affordable housing from local households in South Warwickshire – with a need for 1386 affordable homes per year. It provides clear local evidence which justifies planning for housing provision at or above the HEDNA level.

1.9 The HEDNA also takes account of the need to provide a suitable choice of homes for South Warwickshire's growing older population.

Alternative Demographic Projections

1.10 The 2022 HEDNA's assessment of housing need was based on demographic data at the time it was produced. The Paper initially extends the HEDNA projection to 2050, to align with the plan period. This has the effect of reducing the housing need but does need to be considered alongside more recent demographic data – in particular as the NPPF (Para 31) expects the preparation of plans to be underpinned by relevant and up-to-date evidence. A range of alternative demographic scenarios are then considered including 5-, 10-, 15- and 20-year migration trends; and a Zero Net Migration Scenario. The zero net migration scenario is not taken forward as there is no basis in national policy for planning on this basis and it would not be accepted at Examination.

1.11 The range of scenarios considered all show housing need above the standard method. There is no realistic scenario for planning for housing provision below this. The implications of using different demographic projections to calculate housing need are shown in the table below.

Table 1.1 Review of Projections for Housing Need for South Warwickshire

Projection	Implications
Standard method (1238 dpa)	• Consistent with national method but uses 2014-based Projections which are now significantly dated; • Projections based on period (2009-14) when demographic trends were constrained by influence of housing moratorium in South Warwickshire; • Potential for objections from other Coventry & Warwickshire local authorities because of risks to their Plans; • Evidence indicates would constrain economic growth in South Warwickshire in short/medium-term; • Reduction in housing delivery by more than a 1/3 on 10 year trends could impact on affordability; • Very substantial shortfall in affordable housing with potentially significant social implications for vulnerable households locally; • Iceni consider significant risks to achieving a sound Local Plan at Examination – unlikely to be considered sound.
15-year Migration (1391 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle. However reduction in migration relative to 10 year trend is inconsistent with national position of upward adjustments to demographic growth; • Potential for objections from other Coventry & Warwickshire local authorities because of risks to their Plans; • Evidence indicates would constrain economic growth in South Warwickshire in short/medium-term; • Reduction in housing delivery by 30% on 10 year trends could impact on affordability; • Very substantial shortfall in affordable housing with potentially significant social implications for vulnerable households locally; • Iceni consider significant risks to achieving a sound Local Plan at Examination – unlikely to be considered sound.
20 -Year Migration (1509 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle. However reduction in migration relative to 10 year trend is inconsistent with national position of upward adjustments to demographic growth; • Reasonable alignment with HEDNA projection modelled to 2050 to align with plan timeframe for the South Warwickshire Local Plan; • Broad alignment with HEDNA evidence on economic growth over period to 2032 and 2050;

	• Reduction in housing delivery by 24% on 10 year trends could impact on affordability; • Reduction in affordable housing delivery relative to HEDNA with substantial shortfall remining, with associated consequences for vulnerable households; • Reduction in housing need relative to HEDNA would make Examination challenging.
HEDNA Conclusions (1679 dpa)	• Consistent with HMA-wide evidence, which is a position which we would expect an Inspector to support; • Provides sufficient housing provision to support economic growth over period to 2032 and 2050, with potential to support stronger employment growth more in line with past trends; • Sufficient housing provision overall to provide close to half of the affordable housing need; • Housing provision level which is moderately below 10 year housing delivery trends; • Revised national demographic data and more recent local data since HEDNA publication point towards upward impact on overall housing need. National policy sets out that this should be taken into account.
Updated 10 year Migration (1919 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle; • Use of 10 year migration position consistent to position for other HMA authorities; • Sufficient housing provision overall to provide more than half of the affordable housing need; • Overall Iceni recommended scenario as best aligns with updated evidence, HEDNA and national policy.
5 year Migration (2808 dpa)	• Takes account of more recent demographic data, with 5 year period aligning with approach ONS uses for national demographic projections; • Meets highest proportion of the affordable housing need (potentially over 80%); • Provides sufficient housing provision to support economic growth over period to 2032 and 2050, with potential to support stronger employment growth more in line with past trends; • Highest end of the range. Well above housing delivery achieved over economic cycle and even 5 year trend raising significant questions over deliverability.

1.12 Iceni consider that overall there would be significant risks to achieving a sound plan from planning for the 15- or 20-year scenarios (or the HEDNA projection to 2050 which sits within this range), with the very substantial reduction in housing delivery relative to 10 year trends contrasting against rising demographic growth projections at a national level, an inconsistency with the published sub-regional evidence, and in particular the resultant reduction in affordable housing delivery, being difficult to justify to a Planning Inspector. At the other end of the range, Iceni consider that whilst there are benefits to affordable housing delivery from the 5 year trend projection and it aligns with the ONS approach; there are potential issues of deliverability associated with maintaining this high level of housing growth across an economic cycle.

1.13 The balance of evidence continues to support housing provision at least in line with the HEDNA (1679 dpa). However as the plan-making process progresses, the evidence in this report indicates that there are likely to be pressures to take account of more recent demographic evidence which points to stronger demographic growth. Iceni's recommendation would therefore be to take forward the updated 10 year migration trend projection (1919 dpa) as this is the projection which best aligns with the HEDNA approach at a sub-regional level, whilst taking account of up-to-date data, and supporting both affordable housing delivery and economic growth in South Warwickshire.

2. INTRODUCTION

2.1 Stratford-on-Avon District Council and Warwick District Council are working together to prepare the South Warwickshire Local Plan. Iceni has worked for the Councils, and others across the Coventry and Warwickshire Housing Market Area, to prepare a Housing & Economic Development Needs Assessment (HEDNA) which provides an evidence base on the need for housing and employment land. The HEDNA was published in November 2022.

2.2 Members of the two Councils have been keen to interrogate the HEDNA. Iceni has responded in writing to a list of queries, which included both questions from Members and raised by third parties on housing and employment land needs in December 2023, and has prepared a 2-page Non-Technical Summary (NTS) of the HEDNA. Iceni then attended the South Warwickshire Local Plan Advisory Group Meeting on 21st December 2023.

2.3 Following on from this meeting a number of further questions have been raised, which this Paper seeks to consider. The questions are:

1). Alternative models to the Standard Method & HEDNA: Review any alternative models to that used in the Standard Method & HEDNA for understanding and calculating housing and employment needs for the SWLP. This will consider whether other models have been used by other local authorities in local plan production, which have been found to be robust and sound at Examination.

2). NPPF: Review the new version of the NPPF (published on 19th December 2023) to consider whether this changes wider government planning policy relating to (a) the use of the Standard Method or alternative approaches in calculating housing needs or (b) other matters which are relevant to how SDC and WDC consider and use evidence of housing and employment need to inform and underpin the SWLP.

3). Use of 10-year trends in the HEDNA: Iceni to set out alternative housing and employment needs projections to the 10-year trends used in the HEDNA (e.g. 5 years or 20 years), and to advise on the robustness of such projections. Alongside this, Iceni to comment on the robustness of these alternative approaches and consistency with national policies.

4). Understanding Local Needs: Iceni to set out what evidence of local housing and employment needs was used to inform and underpin the HEDNA. This will include:-

- evidence of a growing older population and the needs of older people and those with disabilities;
- Affordability pressures and the need for affordable homes; and

- Growth of South Warwickshire's economy.

2.4 In addition to this, Iceni to prepare a prepare a projection for household growth that excludes migration assumptions to assist members in understanding the "local needs" component of any total housing need requirement. Alongside this, Iceni to comment on the robustness of using such a this or the alternative demographic projections as the basis for understanding housing needs for the Local Plan.

5). Exceptional Circumstances: Consider whether there may be any exceptional circumstances (including, but not limited to, anything within the NPPF) which may justify SDC and WDC taking a different approach to that set out in the Standard Method/HEDNA to understand housing and employment needs.

3. ALTERNATIVE MODELS

Review any alternative models to that used in the Standard Method & HEDNA for understanding and calculating housing and employment needs for the SWLP. This will consider whether other models have been used by other local authorities in local plan production, which have been found to be robust and sound at Examination.

3.1 The standard method was introduced by Government through revisions to the NPPF in December 2018 with the intention of providing a simpler, quicker and more transparent means of calculating housing need; with the intention of speeding up plan-making. The Planning Practice Guidance[1] however makes clear that:

- The standard method generates a minimum local housing need. Where a Council can show that an alternative approach generates a need higher than the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach is usually considered to be sound as it will have exceeded the minimum starting point.

- There may be circumstances where planning for a higher need than the standard method may be appropriate; including where there are growth strategies, strategic infrastructure improvements or where an authority agrees to take on unmet need.[2] The Guidance also makes reference to situations where previous levels of housing delivery in an area are significantly greater than the standard method as relevant to whether it is appropriate to plan for a higher level of need than the standard method suggests. It also obliquely refers to cases where higher housing provision might support economic growth.

- The Guidance also specifically identifies that the relationship between overall housing need and affordable housing need should be considered and 'an increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes'[3] whilst recognising that the affordable housing provision may equally be influenced by what can viably be delivered.

[1] https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments

[2] Para ID: 2a-010-20201216

[3] Para ID: 2a-024-20190220

- The housing need is intended to be assessed first and separately from considering land supply and development constraints. These factors however may influence whether the housing need can be met.

3.2 In considering the above question, we are particularly interested in Plans which have been scrutinised (and upheld) as part of the Examination process as providing examples from elsewhere which can be relied upon; and Iceni has therefore focused on considering Plans which have been submitted for Examination.

3.3 We have therefore reviewed all local plans which have been submitted for Examination since January 2019 and considered the basis on which the Plans calculate housing needs; and how the housing requirements are calculated. This five year period reflects the period since the standard method was introduced.

3.4 The 2018 NPPF included "transitional arrangements" whereby Plans submitted before 29th January 2019 would be examined against previous national policies (in the 2012 NPPF) – there are 8 plans to which these transitional arrangements applied, which are set aside, as they were examined in the context of a different national policy framework for calculating housing needs.

3.5 Since the end of January 2019, 76 plans have been submitted for Examination. However of these 13 are in London Boroughs, where the policy framework is different – housing provision being set having regard to the London Plan (which was examined under the transitional arrangements). A further 4 relate to National Parks where there is no standard method figure (as it is built up from local authority geographies) and a different national policy framework. Six plans have been withdrawn (mostly at an early stage of the Examination process). This leaves 57 plans which are relevant comparators which Iceni has assessed.

3.6 Our analysis indicates in respect of housing need:

- Two-thirds of these plans (67%, 38 plans) have been based on an assessment of housing need using the "standard method" set out in the Planning Practice Guidance;

- The remaining third of Plans (32%, 18 plans) are based on planning for higher housing need. The principal reasons put forward for this included supporting economic growth; supporting affordable housing delivery; and taking account of past delivery.

- Over the 5 year period, there has been just one local plan (in North Norfolk) which has argued that its housing need is below the standard method. The Examination of this has yet to substantively commence.

3.7 Of those plans which are planning for a higher need, demographic factors have particularly influenced the conclusions for three Local Plans.

3.8 The evidence for the Oxford Local Plan 2036 recognised issues with ONS demographic data for the City and included remodelling of this and ultimately set a much higher housing need to reflect in particular the affordability pressures and affordable housing need. This was accepted and the Plan adopted in 2020.

3.9 The Darlington Local Plan 2016-36 evidence identified issues with ONS population data for the Borough, which was considered to underestimate population growth. An alternative approach based on administrative data and long-term (20yr) migration was developed (384 dpa); with adjustments then overlaid to support economic growth resulting in a need for 492 dpa – significantly above the standard method figure of 162 dpa. The Plan was adopted in Feb 2022.

3.10 The Hambleton Local Plan similarly considered that long-term (15 yr) migration trends provided a more robust assessment of likely future growth (235 dpa); with further upwards adjustments then included to support projected future jobs growth, deriving a need for 322 dpa, which was well above the standard method figure (196 dpa). This Plan was found sound and adopted in Feb 2022.

3.11 Overall a total of 13 plans have been submitted providing for higher housing need than the standard method to support economic growth objectives. These are generally based on forecasts / scenarios for future economic growth and then associated modelling of the housing needs implications of this.

3.12 Five plans have planned for higher growth (relative to the standard method) taking into account stronger recent housing delivery. Similarly four local plans have, in deciding to plan for higher growth, specifically taken into account the need to support delivery of affordable housing. This will have been a consideration in a range of other cases (where the specific calculations for instance rely on the economic growth forecasts).

3.13 It is notable that there have been no plans which have successfully passed through the Examination process over the last 5 years using demographic evidence to justify a lower housing need than the standard method. The evidence would suggest the prospects of successfully arguing housing need is below the standard method are therefore low.

3.14 Equally the evidence does not point to any local authorities which have put forward arguments that the market signals uplifts calculated by the standard method are inappropriate. Instead the evidence illustrates how the calculation of uplifts to be applied to take account of market signals has become standardised since the introduction of the standard method in 2018.

Implications

Our analysis of how Inspectors' have examined housing need in other areas indicates that whilst the standard method has treated as a starting point, there are no examples of other Councils over the last 5 years who have successfully argued that housing need is lower.

In contrast, around a third of Councils who have submitted a Plan over the last 5 years have done so on the basis of a housing need above the standard method consistent with treating it as a 'minimum starting point' as the NPPF sets out.

At Local Plan Examinations, Inspectors consider whether there are factors which would lead to housing need being higher than the standard method – including:

- the need to support expected economic growth;
- planned growth strategies and infrastructure investment; and
- to support affordable housing delivery.

In South Warwickshire, the HEDNA evidence points to a need for higher housing provision than the standard method to support the economy and affordable housing delivery. These issues are considered further in later sections.

4. NPPF CHANGES

Review the new version of the NPPF (published on 19th December 2023) to consider whether this changes wider government planning policy relating to (a) the use of the Standard Method or alternative approaches in calculating housing needs or (b) other matters which are relevant to how SDC and WDC consider and use evidence of housing and employment need to inform and underpin the SWLP.

4.1 In considering these questions, Iceni has reviewed the text of the December 2023 NPPF, as well as had regard to the Government's response to Consultation which was released alongside the NPPF on 19th December 2023. We comment particularly on four issues:

- The importance of an up-to-date Local Plan;
- The distinction between the housing need and the housing requirement;
- The use of a justified alternative approach in calculating housing need; and
- Changes related to Green Belt.

Importance of an Up-to-date Local Plan

4.2 A central theme of the changes made to the NPPF has been to emphasise the importance of up-to-date Local Plans.

4.3 For Councils with an up-to-date local plan, the revisions have removed the requirement to demonstrate a five year housing land supply. Whilst monitoring of the housing supply is still required, the land supply position no longer triggers the presumption in favour of sustainable development for a period of 5 years from adoption of the plan. This is likely to limit speculative applications and sites granted at appeal on greenfield sites which are not allocated in the Local Plan.

4.4 Furthermore, there are also incentives to progress with new Local Plans. Over the period to December 2025, the Government has reduced the requirement for a 5 year land supply to a 4 year supply for local authorities who have a draft Plan which includes a policies map and draft allocations towards meeting housing need (Para 226). This is also intended to be an incentive to progress new local plans.

4.5 Alongside the NPPF, Central Government also appears to be more willing to intervene in the plan making process of individual Councils which do not have an up-to-date Plan. In December 2023, the

Secretary of State wrote to a number of Councils[4] where plan-making has been delayed (using powers set out in the Section 15 of the 2004 Planning & Compulsory Purchase Act), directing them to update their Local Development Scheme and work with Government officials to put a local plan in place. The Secretary of State has also been intervening to prevent Councils from withdrawing local plans. These actions sit within a framework of the Government's ambition that all Councils have an up-to-date Plan by 2026.

4.6 Ultimately there are significant benefits for the Councils which arise from having an up-to-date Plan in terms of the Councils retaining control of decision-making, being better able to refuse speculative development on greenfield sites, and in deterring (and being able where appropriate to defend) speculative applications at appeal.

Distinction between Housing Need and Requirement

4.7 The December 2023 revisions to the NPPF emphasise that the outcome of the standard method is an '**advisory starting point**' for establishing a housing requirement through the plan-making process. To understand what this means, Paras 61 and 67 need to be read together.

4.8 First it is appropriate to recognise the difference between the 'housing need' and the 'housing requirement.' As set out in the Planning Practice Guidance:

"*housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this …"*

4.9 National policy thus requires need to be assessed first, separately and before considering issues such as constraints and land availability. These factors are then overlaid in considering the housing requirement – in terms of if need can be accommodated in a sustainable way.

4.10 The additional NPPF wording **emphasises the difference between the 'housing need' and a 'housing requirement'**. A housing requirement figure may be different from the housing need as:

- There are strategic constraints, as set out in Para 11b or Footnote 7 in the NPPF, which affect the ability to sustainably accommodate housing need in full; or

[4] Amber Valley, Ashfield, Basildon, Castle Point, Medway, St Albans & Uttlesford

- There is unmet need that cannot be accommodated in neighbouring areas, as established through Statements of Common Ground (see Para 11b and Footnote 6); and/or

- It reflects growth ambitions linked to economic development or infrastructure, which for instance might justify planning for higher housing provision. This is now explicitly recognised in the NPPF in Para 67.

4.11 The insertion of references to an 'advisory starting point' therefore reaffirm the distinction between the assessment of housing need (which neither takes account of land availability, constraints, policy ambitions or unmet need) and the requirement or target which does take into account these factors. It simply confirms the long-standing distinction between these which can be traced back to the Hunston Properties Judgement in the Court of Appeal in 2013.[5]

Standard Method or a Justified Alternative Approach

4.12 The NPPF defines local housing need as:

"The number of homes identified as being needed through the application of the standard method set out in national planning guidance (or in the context of preparing strategic policies, this may be calculated using a justified alternative approach as provided for in Para 61 of the Framework."

4.13 The NPPF revisions have not changed this definition of local housing need. The test for the application of any alternative approach (particularly where need is lower than the standard method) has equally remained one of needing to be able to demonstrate 'exceptional circumstances.'

4.14 What has been inserted into NPPF Para 61 is some limited further guidance on what may constitute exceptional circumstances. The NPPF amendments (shown underlined or by strikethrough) are as follows:

"To determine the minimum number of homes needed, strategic policies should be informed by a local housing needs assessment, conducted using the standard method in national planning guidance. The outcome of the standard method is an advisory starting point for establishing a housing requirement for the area (see Para 67 below). There may be ~~unless~~ exceptional circumstances including relating to the particular demographic characteristics of an area[25] which justify an alternative approach ~~which~~ to assessing housing need in which case the alternative approach should also reflect current and future demographic trends and market signals. In addition

[5] St Albans Council v Hunston Properties [2013] EWCA Civ 1610

to the local housing need figure, any needs which cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for."

4.15 The amendments thus provide an example of what might constitute exceptional circumstances for using a justified alternative approach, setting out that this may relate to the **particular demographic characteristics of an area**. Footnote 25 sets out that such particular demographic characteristics could, for example, "*include areas that are islands with no land bridge that have a significant proportion of elderly residents*." This appears to be a specific reference to the Isle of Wight; but the broader point is that the Government appears to be providing specific confirmation that the demographic characteristics may provide a justification for deviating from the standard method.

4.16 Reading the Government's consultation response alongside this, this appears to reflect a recognition the age of the 2014-based household projections (which are used in the standard method) and calls for use, in some circumstances, of more up-to-date demographic data.

4.17 It is relevant to note that **the HEDNA does use more recent demographic data which reflect the demographic characteristics and trends in South Warwickshire**. This approach is supported by the NPPF changes.

4.18 The NPPF amendments make clear that the Government expects housing need to be informed by both demographic trends (including migration) and upward adjustments to this taking account of market signals (to improve affordability).

4.19 Iceni would note that in a Parliamentary debate on 23rd January 2024, the Minister for Housing, Planning and Building Safety (Lee Rowley MP) in a debate on the NPPF amendments commented on the changes, including the **importance of areas having up-to-date plans**. He set out that having regard to the NPPF changes, he expected there would be more exceptional circumstances cases to be put forward by Councils in the future than in the past; but that it will be for the Planning Inspectorate to consider and determine whether exceptional circumstances exist on a case-by-case basis. This means that there will be a need for robust evidence to justify them.

Green Belt and Other Constraints

4.20 The NPPF has also been amended in respect of its policies relating to Green Belt. Para 145 now states that *"there is no requirement for Green Belt boundaries to be reviewed or changed when plans are being prepared or updated. Authorities may choose to review Green Belt boundaries where exceptional circumstances are fully evidenced and justified, in which case proposals for change should be made only through the plan-making process."*

4.21 However the NPPF needs to be read as a whole and retains a strong emphasis on meeting need. There are no consequential changes to the Presumption in favour of Sustainable Development (Para 11) nor soundness tests for local plans (Para 35) which continue to emphasise that plans should, as a minimum, fully meet housing need and contribute to unmet needs from other areas where it is sustainable to do so.

4.22 There will still be a requirement to test and consider different options (such as those related to the scale of growth and spatial options) through the plan-making process. In a context where across South Warwickshire, the majority the land area (64%) falls outside of the Green Belt[6], it seems unlikely that the NPPF changes relating to the Green Belt will provide a basis for not fully meeting housing need.

4.23 There is nothing in the NPPF which would prevent the Councils from undertaking a Green Belt Review. Indeed spatial options for growth would be significantly constrained if Green Belt land is not considered. It is for the Councils to balance any impacts on Green Belt against other considerations including what represents a sustainable pattern of development, and the impacts of different spatial options for growth on climate change, and the aim to meet as much of the identified housing need as possible, through the plan-making process.

Implications

A central theme of the Government's recent amendments to national planning policies has been to emphasise and enhance the importance of councils having up-to-date local plans. There are significant benefits which arise from this, including a 5 year period where the Councils would not have to demonstrate a 5 year housing land supply and associated protections against speculative development on sites which members may not want to see developed.

Through amendments to national policies related to assessing housing need, the Government appears to be recognising that the 2014-based demographic projections used in the standard method are increasingly old; and there may be cases related to the demographic characteristics of areas (and potential more recent demographic data) which justify the use of an alternative approach to calculating housing needs.

As we come onto in the next section, recent trends are of increasing population growth; with ONS revising demographic projections upwards at a national level.

In South Warwickshire, the HEDNA showed that the use of 2014-based projections do not provide a robust basis for assessing housing need. They are based on historic data. The ONS data which fed into them has been shown since to substantially over-estimate Coventry's population; which in turn will have influenced the population projections for Warwickshire authorities. In addition, they were based on a period (2008/9-2014) when housing delivery in South Warwickshire was constrained by policies implementing a housing moratorium.

The HEDNA considered that an alternative approach was therefore justified. The NPPF changes provide increased support for this.

[6] Green Belt makes up 33% of land in the Plan area

5. ALTERNATIVE DEMOGRAPHIC PROJECTIONS

Iceni to set out alternative housing and employment needs projections to the 10-year trends used in the HEDNA (eg: 5 years or 20 years), and to advise on the robustness of such projections. Alongside this, Iceni to comment on the robustness of these alternative approaches and consistency with national policies.

5.1 The HEDNA's core demographic projection was based on migration trends over the 10 year period between the 2011 and 2021 Census using initial data from the Census published when the HEDNA was prepared. Taking account of Members' comments, this Section provides a further consideration of demographics. This includes:

- Developing projections to 2050 – this takes projections developed in the HEDNA (which looked at a 10-year period 2022-32 to be consistent with the Standard Method) and rolls them forward to 2050. An affordability adjustment as per the Standard Method is then applied to derive an estimate of need;
- Variant projections based on migration over different time periods – consideration of likely population growth and housing need if trend-based projections look back at trends over the past 5 years, 15 years or 20 years (rather than a 10-year period used in the HEDNA) as well as an updated 10 year projection using the latest data.
- Zero net migration – modelling the implications for population and household growth (and economic participation) of there being no net migration into either local authority in the future (modelled for a 10-year period (2022-32) to be consistent with the HEDNA).

Developing Projections to 2050

5.2 Table 5.14 of the HEDNA set out estimates of housing need using the Standard Method but replacing household projection figures from the 2014-based subnational household projections (SNHP) with projections developed looking at migration trends over the previous 10-years (based on migration data for 2010-20 with additional information drawn from the 2021 Census). The projections looked

at a 10-year period (2022-32) to be consistent with the Standard Method[7] and the table below summarises the estimates of need for Stratford-on-Avon and Warwick Districts.

Table 5.1 Standard Method Housing Need Calculations using revised demographic projections

	Stratford-on-Avon	Warwick	South Warwickshire
Households 2022	61,131	65,503	126,634
Households 2032	67,271	71,215	138,486
Change in households	6,140	5,712	11,852
Per annum change	614	571	1,185
Affordability ratio (2021)	10.62	10.73	-
Uplift to household growth	41%	42%	-
Total need (per annum)	**868**	**811**	**1,679**

Source: HEDNA Table 7.14

[7] The standard method uses data from the 2014-based Household Projections over a 10 year period looking forward from the point at which the calculation was undertaken, which in the HEDNA was in 2022.

5.3 However the Plan period for the South Warwickshire Local Plan is to 2050. We have therefore first extended the demographic projections to this point to align with the plan period, using the same assumptions around future migration as set out in the HEDNA report.

5.4 Net migration was projected to reduce in the longer term, consistent with national population projections at that time. If the longer-term projections are rolled out to 2050 and then the Standard Method affordability uplifts applied, then the estimated need reduces from 1,679 dwellings per annum to 1,464 dpa (-13%).

Table 5.2 Standard Method Housing Need Calculations using revised demographic projections (projections 2022-50)

	Stratford-on-Avon	Warwick	South Warwickshire
Households 2022	61,117	65,518	126,635
Households 2050	75,433	80,133	155,565
Change in households	14,315	14,615	28,930
Per annum change	511	522	1,033
Affordability ratio (2021)	10.62	10.73	-
Uplift to household growth	41%	42%	-
Total need (per annum)	**723**	**742**	**1,464**

Source: Derived from demographic projections

Implications

Whilst extending the HEDNA projection to 2050 has the effect of reducing the housing need, this does need to be considered alongside more recent demographic data – in particular as the NPPF (Para 31) expects the preparation of plans to be underpinned by relevant and up-to-date evidence. This is therefore considered next.

Testing Alternative Migration Periods

5.5 As noted above, the HEDNA derived an estimate of need by looking at migration trends over a 10-year period. This included looking at Office for National Statistics (ONS) mid-year population estimates (MYE) for the 2010-20 period and including an adjustment for differences between estimated population and the population shown by the 2021 Census. This analysis provided a 'start point' for migration modelling with future years taking account of how a changing population size (both locally and nationally) might impact on migration. In both areas there was a general assumption that migration would fall slightly over time, consistent with national projections at the time.

5.6 Since the HEDNA was prepared, ONS has published new data on migration, bringing this up to 2022. To be robust, it is necessary that the additional scenario modelling in this report takes account of the latest available data.

5.7 We have tested below migration estimates for a series of different time periods to see how these compare with the estimates used in the HEDNA. To be consistent with the analysis in the HEDNA, the figures presented below take account of both migration as recorded by ONS and a modest adjustment to take account of 2021 Census population estimates. The projections considered are:

- **Past 5-years** (data to 2021 and 2022) – a 5-year period is the typical period used for trends by ONS in its subnational population projections (SNPP);
- **Past 10-years** (again data to 2021 and 2022) – a 10-year period is often used in projections as it can be considered more stable. A 10-year period is typically one of the variants run by ONS and is consistent with the period considered in the HEDNA;
- **Past 15- and 20-years** (to 2021 and 2022) – linked to a 15- or 20-year period as requested by Members in December 2023.

5.8 The table below shows the 'start point' estimates of net migration from the HEDNA and other time periods based on more up-to-date information. This shows migration has generally been stronger, particularly in the short-term than had been assessed in the HEDNA.

5.9 Interestingly, looking back over 20-years does provide a migration estimate very similar to that in the HEDNA with 15-years being slightly below. Overall, the analysis does point to higher migration than had been assumed in the HEDNA and would therefore point to the HEDNA projections as being on the low side.

5.10 It can also be observed that **the migration estimates used in the HEDNA are below those now shown for different 10-year periods in the table below**. This is due to the HEDNA only having migration data to 2020 and more recent information (from ONS) has shown stronger migration in both 2020-21 and 2021-22.

Table 5.3 Average Net Migration for Different Time Periods

	Stratford-on-Avon	Warwick	South Warwickshire
HEDNA Estimate	1,607	656	2,263
5-years to 2021	2,743	937	3,680
5-years to 2022	**2,919**	**1,326**	**4,245**
10-years to 2021	1,739	752	2,491
10-years to 2022	**2,023**	**907**	**2,930**
15-years to 2021	1,446	511	1,957
15-years to 2022	**1,523**	**631**	**2,154**
20-years to 2021	1,370	815	2,185
20-years to 2022	**1,478**	**831**	**2,309**

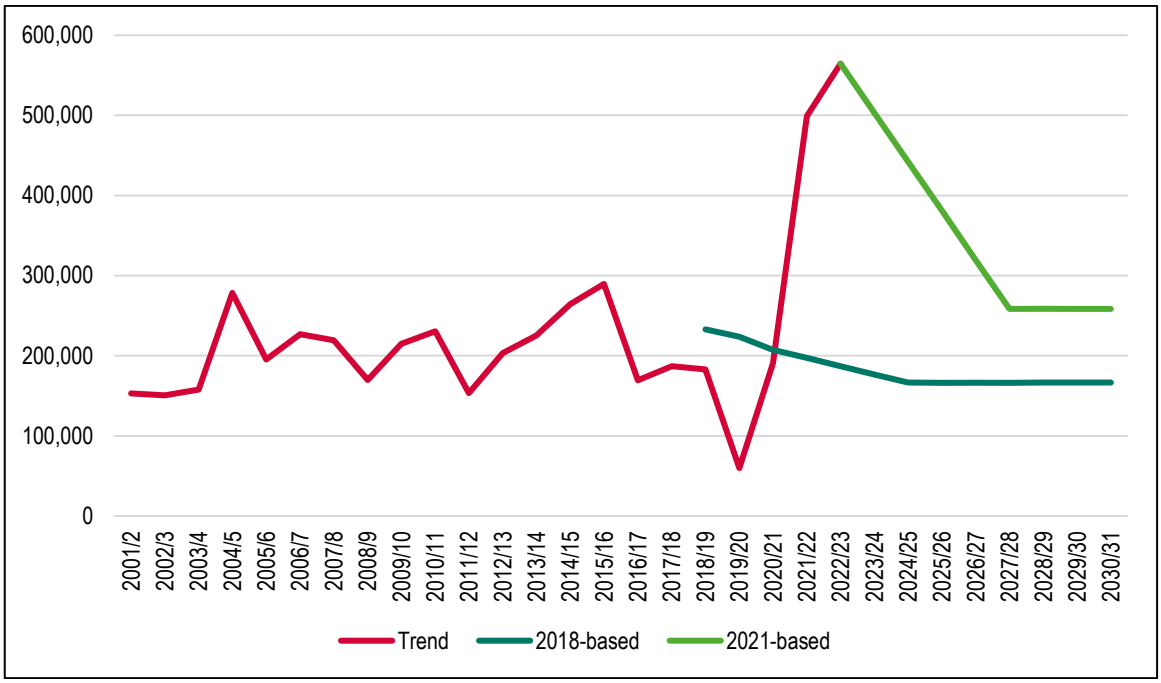
Source: HEDNA and ONS

5.11 At a national level, the last few years have seen very high international migration to the UK. On 30th January 2024, ONS released a new set of national population projections for the UK. These latest ONS national projections project faster population growth mainly resulting from international migration to the UK. These latest projections show net migration in excess of 500,000 people for 2022-24 before setting at a level of 259,000 by 2027-28. The bullet points below show the long-term migration estimates for past national population projections releases, back to 2014:

- 2021-based = 259,000
- 2020-based = 170,000
- 2018-based = 167,000
- 2016-based = 144,000
- 2014-based = 165,000

5.12 The figure below shows net migration trends to England back to 2001 and how these have been projected in the ONS 2021-based National Projections and also the 2018-basedPprojections (which were the latest figures used at the time of the HEDNA). ONS has thus revised upwards its estimates of national population growth. This means that the HEDNA is no longer consistent with the ONS national projections.

Table 5.4 Past trends in net migration to England and 2018- and 2021-based projections



Source: ONS

5.13 The evidence for South Warwickshire similarly shows that **taking account of more recent migration data seems to be pointing to higher levels of migration (and by definition population growth) in South Warwickshire**. The NPPF sets out that local plans should be underpinned by relevant and up-to-date evidence.[8] Iceni consider that this will inevitably need to be taken into account in the preparation of the Local Plan.

5.14 In Table 5.5 below, we have set out the equivalent household growth and overall housing need (with the affordability adjustment) using the latest data. We consider trends over a 5, 10, 15 and 20 year period.

5.15 Relative to the HEDNA figure of 1,679 dpa:

- The 10 year migration scenario modelled to 2050 now results in a figure of 1,919 dpa (+14%);
- A 5 year migration scenario, with the affordability uplift would equate to a need for 2,808 dpa (+67%);
- The 15- and 20 year migration scenarios are the only ones which would point to a lower housing need (1,391-1,509 dpa).

[8] NPPF Para 31

5.16 In the context of upward revisions to international migration at a national level, Iceni do not consider that the 15- or 20-year migration trend projection would be robust. Equally, the HEDNA Projection builds in a reduction in migration levels over time which is no longer consistent with the national evidence. All three of these projections (HEDNA to 2050, 15- and 20-yr trends) would result in a substantial reduction in housing delivery relative to trends over the last 10 years which would constrain the delivery of affordable housing (which is considered further in Section 6) and which we do not consider would be defensible in the context of rising national population growth projections.

Table 5.5 Estimated Housing Need (households and dwellings to 2050) – Alternative Migration Scenarios

	Stratford-on-Avon		Warwick		South Warwickshire	
	Household growth	Housing need (dpa)	Household growth	Housing need (dpa)	Household growth	Housing need (dpa)
HEDNA Projection to 2050	511	723	522	742	1,033	1,465
5-years to 2022	1,114	1,574	869	1,234	1,983	**2,808**
10-years to 2022	702	993	652	926	1,354	**1,919**
15-years to 2022	473	668	509	723	982	**1,391**
20-years to 2022	452	639	613	870	1,065	**1,509**

Source: Derived from demographic projections. Housing need figures include affordability uplifts.

Implications

Overall, Iceni do not consider that the alternative longer-term migration scenarios (15- and 20-year) provide any basis for adopting a lower housing need figure for South Warwickshire than the HEDNA figure. These scenarios do not sit well with rising national population projections and would constrain the delivery of affordable housing (as considered in Section 6).

The Councils should note that more recent demographic data tends to point to a case that housing need is instead higher.

Zero Net Migration Scenario

5.17 At Members' request, a zero net migration scenario has been run. This is to see the demographic implications of having no net migration into either area. The modelling adjusts in- and out-migration so they are equal.

5.18 It can be seen that migration is an important component of population dynamics, and helps to keep a balance between different cohorts. Indeed, particularly for Stratford District, no net migration would

see a significant ageing of the population and reductions in households and the economically active population.

5.19 The table below provides some summary data for modelling with no net migration – figures are all for a 2022-32 ten-year period; the economic activity figures are based on OBR data (so do include an uplift to rates) and the range of household growth is based on data with and without assumptions for there to be a part-return to past (less constrained) trends.

5.20 In Stratford-on-Avon this scenario is projected to see a substantial population decline (of around 6,100 people over a decade) with a similar projected decline in the number who are economically active – the number of households is also projected to decline of the period, but at a lesser rate than seen for population.

5.21 In Warwick, this projection still sees a modest population increase (of around 500 people over the decade) and also a modest increase in the economically active population (1,100 people). There is projected to be some growth in households (about 290-340 per annum).

5.22 When data for the two areas is combined it shows a substantial decline in both population and the economically active population and a modest increase in households of between about 250 and 320 per annum.

Table 5.6 Key outputs from modelling of a zero net migration scenario (data for 10-year period (2022-32)

	Population change 2022-32	Household change 2022-32	Economically active population 2022-32
Stratford-on-Avon	-6,055	-155 to -427	-6,160
Warwick	538	2,893 to 3,372	1,144
South Warwickshire	-5,517	2,466 to 3,217	-5,016

Source: Developed from demographic projections

5.23 For information, the two tables below show how the population age structure is projected to change. Both areas are projected to see declines in the population aged under 65 with significant increases in the number and proportion of older people. In Stratford-on-Avon, the population aged 65 and over is projected to increase by 6,200 people, at the same time as population decline of 12,300 people aged under 65.

Table 5.7 Projected population change 2022 to 2032 by broad age bands – Stratford-on-Avon (zero net migration)

	2022	2032	Change in population	% change from 2021
Under 16	22,169	19,784	-2,385	-10.8%
16-64	77,828	67,943	-9,885	-12.7%
65 and over	34,662	40,878	6,216	17.9%
Total	134,660	128,605	-6,055	-4.5%

Source: Demographic Projections

Table 5.8 Projected population change 2022 to 2032 by broad age bands – Warwick (Zero Net Migration)

	2022	2032	Change in population	% change from 2021
Under 16	25,209	22,954	-2,255	-8.9%
16-64	94,691	93,348	-1,343	-1.4%
65 and over	28,757	32,892	4,135	14.4%
Total	148,657	149,194	538	0.4%

Source: Demographic Projections

Implications of a Zero Net Migration Scenario

The implications of a zero net migration and significant and severe:

- Population growth would occur only in those aged over 65.
- South Warwickshire's workforce would contract, with the potential implications being that businesses would struggle to recruit and would increasingly need to do so from those living outside of the area – adding to congestion.
- A rising 'dependency ratio' would make it increasingly difficult to sustain public service delivery.
- School rolls would fall and some schools would likely have to close.
- With constrained housing supply and rising housing costs, local households on lower incomes would likely find it increasingly difficult to find homes. The Councils could see growth in households presenting themselves as homeless. In other areas, this is putting increasingly significant financial pressures on Councils.

Iceni do not consider that it is realistic or consistent with national policy to plan on this basis. Whilst this scenario thus shows the influence which net migration has on population growth in South Warwickshire, there is no support in national policy for progressing a Plan on this basis and it would be very unlikely that a sound Plan could be achieved.

6. UNDERSTANDING LOCAL NEEDS

Iceni to set out what evidence of local housing and employment needs was used to inform and underpin the HEDNA. This will include:-

- evidence of a growing older population and the needs of older people and those with disabilities.
- Affordability pressures and the need for affordable homes.
- Growth of South Warwickshire's economy.

In addition to this, Iceni to prepare a prepare a projection for household growth that excludes migration assumptions to assist members in understanding the "local needs" component of any total housing need requirement. Alongside this, Iceni to comment on the robustness of using such a this or the alternative demographic projections as the basis for understanding housing needs for the Local Plan.

6.2 The HEDNA has looked comprehensively at the drivers of housing needs in South Warwickshire. Additional housing is needed as:

- South Warwickshire's has a growing older population, with life expectancy increasing, and this is contributing to declining household sizes. This means more homes are needed to house the current population;
- The area has a growing economy and this means people can be expected to move into South Warwickshire to work, both as a result of growth in jobs and to replace those who are moving in the existing workforce who are retiring;
- To meet the acute need which exists for affordable housing, including households on the Councils' Housing Registers and those in Temporary Accommodation; and to improve market housing affordability, in line with national policy objectives.

6.3 We consider these issues below, drawing on the evidence in the HEDNA and associated demographic modelling. Having regard to Members comments on the position in respect of local needs, this section drill into these issues to summarise the influence of key local factors on South Warwickshire housing needs.

6.4 Alternative demographic scenarios, including Zero Net Migration, have been considered in Section 5. However this section does review the implications of these projections on workforce growth and the effect on potential economic growth.

Growing Older Population

6.5 An important driver of overall housing need is a growing older population. 19% of Warwick District's population and 25% of that in Stratford-on-Avon was aged 65+ in 2021. However as the existing residents age and because of improvements in life expectancy, the population in older age groups is expected to grow. Over the plan period to 2050, the core HEDNA demographic projection[9] expected:

- Growth of 23,600 in the population aged over 65 across South Warwickshire, with 20,600 growth in those aged 75+ influenced in particular by improving life expectancy.
- An associated increase in residents with mobility problems which influences a need to deliver accessible and adaptable homes which can respond to households changing needs, and specialist accommodation;
- An estimated need for 4,200 units of specialist housing including retirement housing and extra care homes to provide a choice of good quality homes for older residents and support for those who are vulnerable. Alongside this there would be a need for around 1,450 care and nursing home bedspaces.[10] This specialist accommodation accounts for 13% of overall housing need.

6.6 A growing older population influences the housing market as older people tend to move less frequently; reducing turnover of existing homes. Whilst many older households will stay in their own homes, new housing is important in providing a choice of good quality homes – including facilitating households who want to downsize into a more suitable, energy efficient home; providing specialist housing including for those who need support; as well as providing homes for younger households to move into.

6.7 In addition, a growing older population influences the types of homes which are needed. The HEDNA assumes many older households will want to remain in existing homes and recommends that new housing is delivered to "accessible and adaptable" standards so that it can be modified over time to meet residents' changing needs as they get older. This emphasises building homes which can provide step-free access, and which could be adapted as older people's mobility reduces.

6.8 But the HEDNA also identified a need for households to develop the supply specialist homes to meet the needs of a growing older population – including retirement housing, extra care and residential

[9] Based on 10 yr trends

[10] The Housing Delivery Test Rulebook sets out that every 1.8 bedspaces delivered in communal establishments such as care homes counts as the equivalent to 1 dwelling for the purposes of monitoring housing delivery

care/nursing home spaces. This is appropriate to provide a choice of good quality homes which meet the changing needs of a growing older population in South Warwickshire.

Supporting South Warwickshire's Economy

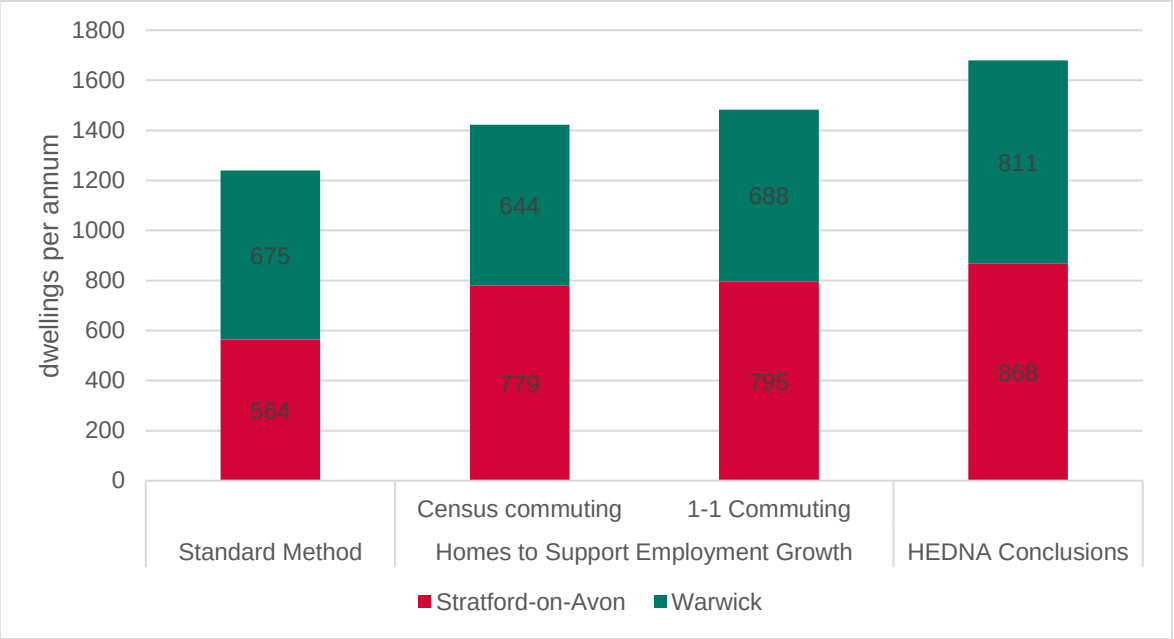
6.9 Another important local driver of the need for additional homes is economic growth. Additional housing is necessary to support employment growth; as well as to replace those who are moving out of the workforce as they retire over the plan period to 2050 but remain living in the area. It enables businesses to recruit workers.

6.10 The HEDNA in Section 7 sought to consider the interaction between housing need and economic performance. **The HEDNA indicated that South Warwickshire's economy was expected to drive a higher need for homes than in the standard method.** The HEDNA found (see Table 7.9) that 1483 homes a year would be needed in South Warwickshire to balance growth in jobs and homes – 20% above the standard method figure. The Census commuting scenario should be preferred as it is realistic to expect some commuting out to larger employment centres such as Birmingham and Coventry.

Table 6.1 Annual Housing Need – HEDNA Modelling Scenarios

2022-32	Standard Method	Minimum Homes to Support Employment Growth		HEDNA Conclusions
		Census commuting	1-1 Commuting	
Stratford-on-Avon	564	779	795	868
Warwick	675	644	688	811
South Warwickshire	1239	1423	1483	1679

Table 6.2 HEDNA Scenarios – Exploring the Relationship between Jobs and Homes (2022-32)



6.11 This analysis was based on assumptions that economic participation would increase in the future (notably more older people and females forming part of the labour force).

6.12 Below, the analysis has been rerun to look at the implications of there being no improvements to economic participation, the opportunity has also been taken to look at 2021 Census commuting patterns, although these were not dissimilar to patterns shown in 2011 (and used in the HEDNA).

6.13 In the HEDNA, it was estimated that, with increasing age and sex specific economic activity rates, there would be a need for 1,423-1,483 dwellings per annum (dpa) to meet economic needs in the 2022-32 period, this range being below the 1,679 dpa HEDNA conclusions on housing need. However when modelling with constant economic activity rates (i.e. assuming current levels of economic participation are maintained) the need increases to 1,655-1,728 dpa, which is relatively similar to the HEDNA conclusions on housing need (1679 dpa).

6.14 By implication, there is essentially a relatively broad alignment between jobs and homes with the HEDNA figures to 2032 if economic activity rates remain constant. However the scope for growth in women in the workforce and later retirement provide some scope for stronger employment growth could be supported.

Table 6.3 Testing Alternative Economic Activity Rates – Housing Need (2022-32)

	Increasing economic activity (HEDNA data)		Constant economic activity (revised figures)	
	Census commuting	1:1 commuting	Census commuting	1:1 commuting
Stratford-on-Avon	779	795	910	931
Warwick	644	688	745	797
South Warwickshire	1,423	1,483	1,655	1,728

Source: Range of sources

Rebasing the Economic Forecasts & Extending the Projections to 2050

6.15 The HEDNA's analysis of this was however a) based on consideration of the jobs/homes relationship over a 10 year period 2022-32[11] rather than the plan period to 2050 and b) was built in assumptions of growth in women in work and later retirement. We have therefore sought to test this jobs/homes relationship further – including in aligning the analysis to the plan period.

6.16 Firstly, the economic forecasts used in the HEDNA were from Spring 2021. They were prepared by Cambridge Econometrics (CE). Data on employment growth is now available for the period from 2019 through to 2022 which was not available at that point. We have therefore sought to 'rebase' the forecasts to take account of the actual shape of economic recovery since Covid. This is shown below. More recent data indicates that employment has recovered more quickly from Covid than the 2021 forecasts had expected, with employment in 2022 almost 11,000 jobs higher.

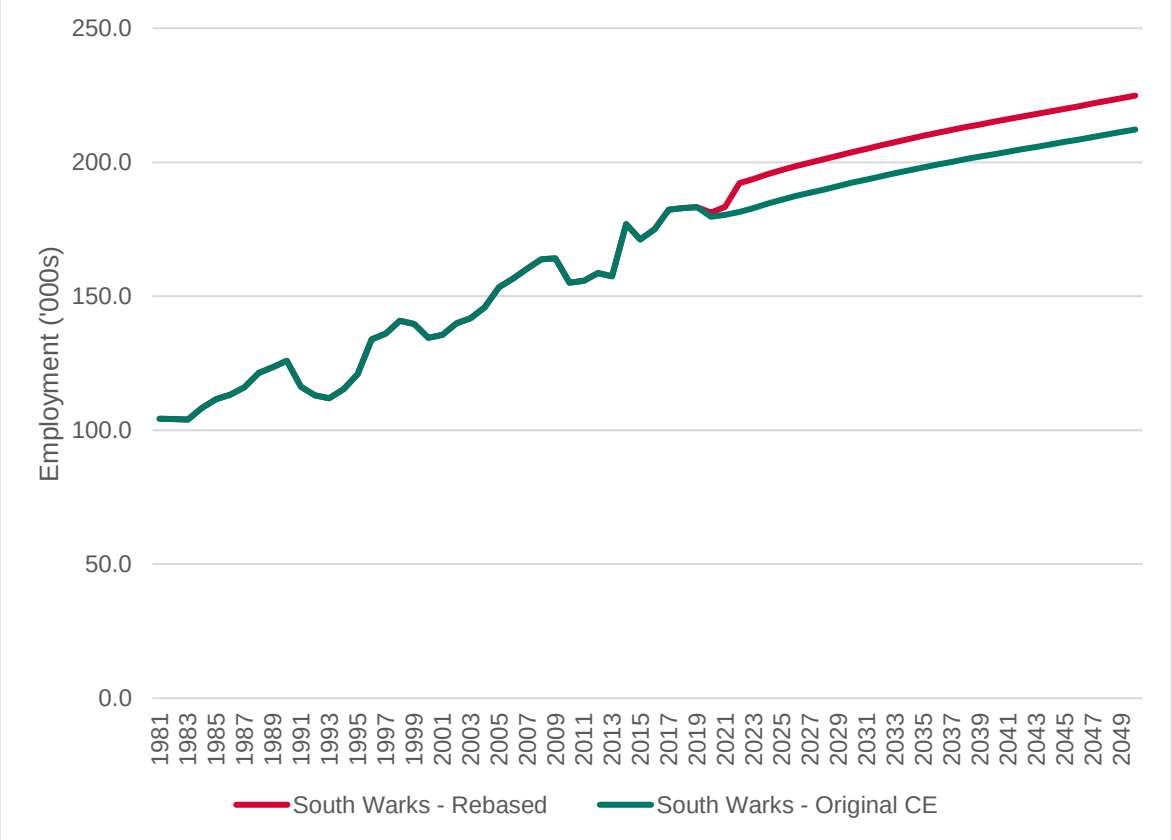
6.17 Secondly, we have extended the forecasts over the plan period to 2050. The rebased forecasts show total employment of 225,000 across South Warwickshire in 2050 – instead of 212,000 based on projecting forwards the original HEDNA data. This is equivalent to raising the annual growth rate (CAGR[12]) modestly from 0.6% to 0.7% per annum.

6.18 This growth rate across South Warwickshire (0.7% pa) is consistent with that across Coventry & Warwickshire as a whole. It however remains cautious relative to the long-term historical growth rate in South Warwickshire's economy (1.5% pa). There is every change that the economy will perform more strongly.

[11] To align with the approach used in undertaking the standard method calculation

[12] Compound Annual Growth Rate (CAGR) which here describes the percentage annual increase in employment

Table 6.4 Forecast Employment Growth in South Warwickshire to 2050



6.19 For the purposes of this paper, estimates of need have been updated using these rebased forecasts. The table below shows estimated job growth for different periods and includes the HEDNA figures for reference.

Table 6.5 Forecast job growth from different periods and sources

	HEDNA (2022-32)	Rebased (2022-32)	Rebased (2022-50)
Stratford-on-Avon	6,387	6,556	14,425
Warwick	6,910	7,515	18,214
South Warwickshire	13,297	14,071	32,639

Source: HEDNA and Cambridge Econometrics

6.20 The series of tables below update estimates of need based on these rebased forecasts. For both tables figures are provided for increasing economic activity and constant activity and separated between Census and 1:1 commuting assumptions. For all of these the Census commuting is now based on 2021 Census data. The two tables look at the 2022-32 period and then 2022-50.

6.21 Over the 10-year period to 2032, needs are shown to be slightly higher than previously analysis (due to higher job forecasts) with constant economic activity sitting above the need shown in the HEDNA

(1679 dpa). **The jobs forecasts provide clear evidence of the need to plan for higher housing provision than the standard method (1238 dpa) in the short-to-medium-term.**

6.22 In the longer-term (to 2050) the estimated level of housing needed to support the economic growth forecasts does fall slightly, due to reducing job growth within the forecasts – the upper end need shown by this analysis is for 1,442 dwellings per annum.

Table 6.6 Annual housing need under different scenarios for economic participation (2022-32)

	Increasing economic activity rates		Constant economic activity rates	
	Census commuting	1:1 commuting	Census commuting	1:1 commuting
Stratford-on-Avon	784	805	920	942
Warwick	668	725	778	834
South Warwickshire	1,452	1,530	1,698	1,776

Table 6.7 Annual housing need under different scenarios for economic participation (2022-50)

	Increasing economic activity rates		Constant economic activity rates	
	Census commuting	1:1 commuting	Census commuting	1:1 commuting
Stratford-on-Avon	579	597	684	703
Warwick	597	651	685	739
South Warwickshire	1,176	1,248	1,369	1,442

Implications

Housing provision above the standard method (1238 dpa) is necessary in the short/medium-term to support South Warwickshire's economy.

Over the longer-term, the standard method may be sufficient to support economic growth if improvements in economic participation, such as people working longer, are achieved. The HEDNA alternative scenario to 2050 (1464 dpa) is more akin to the constant economic activity scenario. However there is clearly considerable uncertainty associated with predicting economic performance and jobs growth over the period to 2050 given the range of potential influences on how the economy might develop. Standing back from the data, there is greater potential for the

economy to perform better than in the forecasts, as it has done so in the past.

Affordability and the Need for Affordable Housing

6.23 The HEDNA pointed to particular affordability pressures in South Warwickshire. The analysis showed:

- South Warwickshire had the highest house prices in Coventry/Warwickshire, with median prices 29% above the sub-regional average in Warwick and 32% above the average in Stratford District. South Warwickshire also had the highest rents. These point to stronger relative housing demand;
- Over the previous 10 years, there had been substantial house price growth – with prices increasing by £85,000 in Stratford-on-Avon and £104,000 in Warwick District – again well above the average across the sub-region and wider West Midlands;
- Housing affordability was containing the ability of younger households to form. The HEDNA found that around 40% of newly-forming households in South Warwickshire had insufficient income to be able to afford to rent privately without financial support;
- More than a quarter of households living in the Private Rented Sector aspired to buy a home but could not do so without financial support;
- First-time buyers were very reliant on Government support through the Help-to-Buy Scheme to get on the housing ladder.

6.24 The evidence points to South Warwickshire being both less affordable than other parts of the region; and seeing a relative worsening of its relative affordability over the last 20 years. The chart below shows that the ratio of entry-level (lower quartile) house prices to incomes. It shows that affordability is notably worse in South Warwickshire than across the wider region; and has deteriorated notably over the last decade, rising from 8.2 to 11.2 in Stratford-on-Avon District and from 8.1 to 9.9 in Warwick. These factors feed into the affordability uplift applied (following the Government formula) within the housing need calculations.

Table 6.8 Change in LQ House Price – Income Ratio

6.25 The need for affordable housing from local households was considered in detail within the HEDNA. The affordable housing need is influenced by both market housing costs relative to incomes, and the available supply of existing affordable homes.

6.26 The HEDNA identified that households needed an annual income of almost £30,000 to be able to afford to rent homes without financial support; and an income of almost £50,000 as well as savings to be able to buy a home. The analysis showed that:

- There was a backlog of almost 4,400 households needing affordable housing in South Warwickshire, including concealed and homeless households and those living in unsuitable housing, such as in overcrowded homes or homes which don't meet their needs;
- Around 40% of newly-forming households were in need of rented affordable housing, whilst a number of existing households were falling into need each year (such as being evicted from private rented homes). There were thus additional needs arising from 1,410 households each year;
- However the supply of affordable homes to new tenants from the existing stock fell well short of the needs, with the HEDNA estimating just 622 rented homes a year became available for new tenants (excluding transfers).
- Relets within the current stock are thus running at a rate which is meeting just 44% of the need arising in South Warwickshire each year; meaning that no inroads are being made to meeting the backlog of households waiting for affordable housing.

- If the backlog of current need is met over a 10 year period, around 1,000 rented affordable homes would need to be delivered each year.

- In addition, the HEDNA indicated around 390 households each year aspire to become homeowners but would require low cost home ownership housing, such as shared ownership, rent-to-buy or First Homes to be able to do so.

6.27 Bringing the above together, the affordable housing needs identified in the HEDNA is summarised below.

Table 6.9 Annual Need for Affordable Homes shown in the HEDNA

	Rented affordable homes	Affordable home ownership	Total affordable housing needed
Stratford-on-Avon	419	129	547
Warwick	582	258	839
South Warwickshire	1001	387	1386

6.28 Since the HEDNA was prepared it is unlikely that the affordable housing need position has improved. The number of households on the two authorities housing registers has climbed from 7,048 in April 2021 to 7,684 in April 2023.

6.29 Overall, **the evidence points to an acute need for affordable housing from local households in South Warwickshire.**

6.30 The Planning Practice Guidance[13] provides guidance in interpreting the affordable housing need and its relationship to overall housing provision. It sets out that:

"The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups [such as the need for affordable housing]

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups [such as here for affordable housing] will often be calculated having consideration to the whole population of an

[13] ID: 67-001-20190722

area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- *the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);*
- *the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and*
- *the anticipated deliverability of different forms of provision, having regard to viability.*

Authorities must also consider the implications of their duties under the Equality Act 2010, including the Public Sector Equality Duty."

6.31 The affordable housing need is thus not calculated in the way as the overall housing need: it is influenced by the needs of existing households as well as newly-forming households; and the stock of existing affordable homes which contribute to meeting those needs. However it does represent a locally specific assessment of the need for affordable housing arising in South.

6.32 Following national policy, **the affordable housing needs position is a relevant consideration in setting out the housing target**. As set out in Section 3, it is a consideration which a number of authorities have taken into account in planning for above the standard method. **In South Warwickshire the affordable needs position provides a clear basis for planning above the standard method.**

6.33 The table below shows that notionally upwards of 2,000 homes a year would be needed to meet the affordable housing need in full.

Table 6.10 Notional Overall Housing Provision to Meet Affordable Need in Full

South Warks	Annual Affordable need	Overall supply (dpa) to deliver affordable need		
		at 35%	at 40%	at 50%
Rented Need	1,001	2,860	2,503	2,002
Total Affordable Need	1,386	3,960	3,465	2,772

6.34 In the final table below, we have then considered how much affordable housing would be met for different scenarios. The table assumes 40% of homes are delivered as affordable housing.

6.35 The standard method would see just 36% of affordable housing need being met. **The affordable housing need thus provides a clear basis for housing provision above the standard method (and indeed at or above the HEDNA level).** Equally planning on the basis of 15- or 20-year migration projections or the HEDNA Projection to 2050 would result in well below half of the affordable housing need being met.

6.36 Iceni consider that the affordable housing need provides a strong basis planning for housing provision in line with or above the need shown in the HEDNA.

Table 6.11 Proportion of Affordable Housing Need met in Different Housing Need Scenarios

	Housing Need (dpa)	Affordable Housing Delivery @40%	% Affordable Need Met
Standard Method	1238	495	36%
15 Yr Migration	1391	556	40%
HEDNA Projection to 2050	1465	586	42%
20 Yr Migration	1509	604	44%
HEDNA Projection to 2032	1679	672	48%
10 Yr Migration	1919	768	55%
5 Yr Migration	2808	1123	81%

6.37 In addition the evidence continues to support wider actions to maximise the level of affordable housing delivery including the use of public sector land, the role of exceptions sites policies to deliver small affordable housing schemes, and actions to leverage external funding to support affordable housing delivery.

Implications

The affordable housing needs position provides clear evidence supporting an overall housing need above the standard method figure (1238 dpa). or longer-term 15/20 year migration scenarios (1391-1509 dpa). Planning for housing at this level would reduce overall housing delivery in which the wider evidence points to a growing affordable housing need.

Planning for housing provision below the HEDNA figure would have consequences for affordable housing delivery which need to be weighed up. In many areas Councils have effectively relied on the Private Rented Sector to discharge their homelessness duties. This is however becoming more difficult with rising rents and some landlords exiting the sector. The risk is that if affordable housing delivery does not increase, the Council could be left having to rely more heavily on costly temporary accommodation which could have notable financial consequences.

The affordable housing need provides clear local evidence which justifies planning for housing at or above the HEDNA level.

7. DRAWING TOGETHER: EXCEPTIONAL CIRCUMSTANCES

Consider whether there may be any exceptional circumstances (including, but not limited to, anything within the NPPF) which may justify SDC and WDC taking a different approach to that set out in the Standard Method/HEDNA to understand housing and employment needs.

7.1 In this final section, Iceni has sought to draw the evidence together to provide advice on the appropriate housing needs figures to take forward in the preparation of the South Warwickshire Plan. We have structured this to compare key housing need scenarios presented in this Paper.

7.2 The range of scenarios considered all show housing need above the standard method. There is no realistic scenario for planning for housing provision below this. The zero net migration is not taken forward as there is no basis in national policy for planning on this basis and in our experience it would not be accepted at Examination.

Table 7.1 Review of Projections for Housing Need for South Warwickshire

Projection	Implications
Standard method (1238 dpa)	• Consistent with national method but uses 2014-based Projections which are now significantly dated; • Projections based on period (2009-14) when demographic trends were constrained by influence of housing moratorium in South Warwickshire; • Potential for objections from other Coventry & Warwickshire local authorities because of risks to their Plans; • Evidence indicates would constrain economic growth in South Warwickshire in short/medium-term; • Reduction in housing delivery by more than a 1/3 on 10 year trends could impact on affordability; • Very substantial shortfall in affordable housing with potentially significant social implications for vulnerable households locally; • Iceni consider significant risks to achieving a sound Local Plan at Examination – unlikely to be considered sound.
15-year Migration (1391 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle. However reduction in migration relative to

	10 year trend is inconsistent with national position of upward adjustments to demographic growth; • Potential for objections from other Coventry & Warwickshire local authorities because of risks to their Plans; • Evidence indicates would constrain economic growth in South Warwickshire in short/medium-term; • Reduction in housing delivery by 30% on 10 year trends could impact on affordability; • Very substantial shortfall in affordable housing with potentially significant social implications for vulnerable households locally; • Iceni consider significant risks to achieving a sound Local Plan at Examination – unlikely to be considered sound.
20 -Year Migration (1509 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle. However reduction in migration relative to 10 year trend is inconsistent with national position of upward adjustments to demographic growth; • Reasonable alignment with HEDNA projection modelled to 2050 to align with plan timeframe for the South Warwickshire Local Plan; • Broad alignment with HEDNA evidence on economic growth over period to 2032 and 2050; • Reduction in housing delivery by 24% on 10 year trends could impact on affordability; • Reduction in affordable housing delivery relative to HEDNA with substantial shortfall remining, with associated consequences for vulnerable households; • Reduction in housing need relative to HEDNA would make Examination challenging.
HEDNA Conclusions (1679 dpa)	• Consistent with HMA-wide evidence, which is a position which we would expect an Inspector to support; • Provides sufficient housing provision to support economic growth over period to 2032 and 2050, with potential to support stronger employment growth more in line with past trends; • Sufficient housing provision overall to provide close to half of the affordable housing need;

	• Housing provision level which is moderately below 10 year housing delivery trends; • Revised national demographic data and more recent local data since HEDNA publication point towards upward impact on overall housing need. National policy sets out that this should be taken into account.
Updated 10 year Migration (1919 dpa)	• Takes account of more recent demographic data and smooths out effects of housing market/ economic cycle; • Use of 10 year migration position consistent to position for other HMA authorities; • Sufficient housing provision overall to provide more than half of the affordable housing need; • Overall Iceni recommended scenario as best aligns with updated evidence, HEDNA and national policy.
5 year Migration (2808 dpa)	• Takes account of more recent demographic data, with 5 year period aligning with approach ONS uses for national demographic projections; • Meets highest proportion of the affordable housing need (potentially over 80%); • Provides sufficient housing provision to support economic growth over period to 2032 and 2050, with potential to support stronger employment growth more in line with past trends; • Highest end of the range. Well above housing delivery achieved over economic cycle and even 5 year trend raising significant questions over deliverability.

7.3 Iceni consider that overall there would be significant risks to achieving a sound plan from planning for the 15- or 20-year scenarios (or the HEDNA projection to 2050 which sits within this range), with the very substantial reduction in housing delivery relative to 10 year trends contrasting against rising demographic growth projections at a national level (pointing to potentially higher housing need), an inconsistency with the published sub-regional evidence and in particular the resultant reduction in affordable housing delivery being difficult to justify to a Planning Inspector.

7.4 At the other end of the range, we consider that whilst there are benefits to affordable housing delivery from the 5 year trend projection and it aligns with the ONS approach; there are potential issues of deliverability associated with maintaining this high level of housing growth across an economic cycle.

7.5 In our view, more central modelling scenarios are the most appropriate. The balance of evidence continues to support housing provision at least in line with the HEDNA (1679 dpa). However as the plan-making process progresses, the evidence in this report indicates that there are likely to be pressures to take account of more recent demographic evidence which points to stronger demographic growth. Our recommendation would therefore be to take forward the updated 10 year migration trend projection (1919 dpa) as this is the projection which best aligns with the HEDNA approach at a sub-regional level, whilst taking account of up-to-date data, and supporting both affordable housing delivery and economic growth in South Warwickshire.