



Update to Review of Housing Requirements for Stratford-on-Avon District Council

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1.1 INTRODUCTION

- 1.1.1 The purpose of this Update is to examine the conclusions of the ERM *“Review of Housing Requirements for Stratford-on-Avon District Council”*, April 2013 (the Review) in the light of plan-making developments since that date and to recommend any changes necessary to the housing requirements. The Update should be read in conjunction with the Review.
- 1.1.2 It is important to recognise that population, economic and housing projections are inherently uncertain and liable to change in response to new data as it becomes available. For Local Plan/Core Strategy purposes, it is necessary to derive a robust up-to-date set of figures which will serve adequately for a number of years. To provide agencies and developers with reasonable certainty for their decision-making, it is not advisable to make frequent reviews of key planning targets in response to each new data release. However, we appreciate that Stratford-on-Avon District Council (SoADC) will need to demonstrate that the housing requirement in its Submission Draft Core Strategy is based on the latest available data and therefore an update of the recommendations in ERM’s Review is required .
- 1.1.3 The Review recommended that SoADC should set a housing requirement of between 9,500 and 10,000 additional dwellings for the then proposed Core Strategy period 2008 to 2028. The lower end of this range was considered to be sufficient to accommodate an annual average of 1,000 net in-migrants to the district as well as natural change in the existing population and to maintain the employed population, at least at 2008 levels. The estimates of housing numbers used to support these conclusions were derived from the demographic projections set out in the then draft ‘Housing Provision Options Study Update’ (HPOSU) for Stratford-on-Avon District (SoAD) produced by GL Hearn in December 2012.
- 1.1.4 In spring 2013, five local authorities in Coventry and Warwickshire jointly commissioned the preparation of a Joint Strategic Housing Market Assessment (the CWSHMA) for their functional housing market area. SoAD falls partially within the Housing Market Area (HMA) defined for that assessment and, although SoADC did not participate in commissioning the work, the CWSHMA covered the District in its entirety. The Final Report of the CWSHMA was published in November 2013 and includes district-wide data, projections and analysis for SoAD which represent an update of much of the content of the HPOSU. The assessment is for the period 2011 to 2031 and takes into account demographic data and analysis that have become available since the completion of the Review. It also responds to new draft Government Guidance on Assessment of Housing Need, published in the new on-line format in August 2013.

- 1.1.5 Since the ERM Review, SoADC has decided to roll on the Local Plan period from 2008 to 2028 to 2011 to 2031. This in itself will affect the derivation of a housing requirement figure in a number of ways ⁽¹⁾.
- 1.1.6 This Update examines the impact of the new demographic data, analysis, guidance and plan period on the Review’s recommendations.

1.2 NEW DEMOGRAPHIC DATA

- 1.2.1 *Table 1:* sets out a comparison of key demographic assumptions adopted in the HPOSU and the CWSHMA.

Table 1: Changes in projection assumptions between the HPOS Update and CWSHMA

Factor	HPOS Update	CWSHMA
Average household size by end of period (i.e. 2028 for HPOSU and 2031 for CWSHMA)	2.25 in 2028	2.23 in 2031 (2011-based) Also: 2.16 in 2031 (2008-based) 2.19 in 2031 (Midpoint)
Net in-migration trend based on 10 yr period (2001-11)	963 ppa	1,000 ppa (PROJ 2 – 10 yr trend) 1,056 ppa (PROJ 1A – ONS-based)
Net in-migration trend based on 5yr period (2006-11)	800 ppa	860 ppa
Life expectancy by end of period (i.e. 2028 for HPOSU and 2031 for CWSHMA)	male – 83.1 female – 86.3	male – 83.5 female – 86.7
Total fertility rate by end of period (i.e. 2028 for HPOSU and 2031 for CWSHMA)	1.87	1.86
Employment rate by end of period (i.e. 2028 for HPOSU and 2031 for CWSHMA)	80.4	79.0
Vacancy rate throughout period	2.5%	3%

Household projections and household formation rates

- 1.2.2 The most important relevant new data to become available since the HPOSU are the CLG 2011-based Interim Sub-National Household Projections (SNHP), published in April 2013, which cover the ten year period, 2011 to 2021. These take on board the findings from the 2011 Census that the total number of households in 2011 was significantly lower than had been estimated in the previous, 2008-based, household projections, indicating that the household formation rates adopted in those projections had been too high. The 2011-based Interim SNHP therefore showed lower numbers of households for future years than previously projected,

(1) For example, in SoADC’s “*Intended Proposed Submission Core Strategy*” (July 2013), the housing requirement for the district is stated as 9,500 dwellings for the period 2008 to 2028, comprising 375 dwellings p.a. between 2008 and 2012 and 500 dwellings p.a. for the remainder of the period. If the annual rate of 500 net new dwellings were to be rolled on for the years 2028 to 2031, the total requirement over the period 2011 to 2031 would become 9,875.

implying a reduction in expected housing numbers needed to accommodate any given population growth.

- 1.2.3 The HPOSU population projections adopted basic demographic relationships used in the ONS 2010-based Sub-National Population Projections (SNPP) covering the period 2011 to 2031 and the Interim 2011 SNPP for the period 2011 to 2021. Although the latter took account of the results of the 2011 Census, with its higher than previously forecast population (as opposed to household) levels, the HPOSU's conversion of population projections to households, which is essential for assessing housing requirements, was based on CLG's previous Sub-National Household Projections (SNHP), published in 2010. These used 2008-based household formation rates, which were significantly higher than the 2011-based rates now being used by CLG in the latest 2011 Interim SNHP.
- 1.2.4 The demographic projections in the CWSHMA adopt the lower household formation rates from the 2011-based SNHP, except in projections exploring the sensitivity of these main projections to changes in assumptions on these key rates.
- 1.2.5 As a consequence, the main CWSHMA projections indicate lower housing requirements than would have been indicated by the HPOSU for any given population change.

Net in-migration rates

- 1.2.6 Assumptions on likely future net migration rates were a key element in setting the housing requirement in the Review (as required by para 159 of the National Planning Policy Framework). Several of the HPOSU and CWSHMA projections are based on assumptions about how trends in net migration may develop over their respective plan periods. The HPOSU collated data on net in-migration to SoAD for a ten year period 2001 to 2011 (including an estimate for the year 2010-11) and calculated average rates of 963 ppa for the whole period and 800 ppa for the last five years only (see *Table 2*). The equivalent figures from the CWSHMA (which incorporate the official ONS figure for 2010-11) are 1000 and 860 ppa. The Review adopted a figure of 1,000 ppa to represent likely net in-migration demand, based on the ten year average and taking account of the fact that there was no continuous upward trend during the 2000s but rather a rise to and descent from a peak in 2005-6. The updated figure in the CWSHMA supports the net in-migration assumption adopted in the Review.

Table 2: Annual net migrants to SoAD, 2002 to 2012, by Source

Year		Net in-migrants per year			
		HPOS Update	CWSHMA	ONS	
2002		800	800	918	
2003		800	800	909	
2004		600	600	657	
2005		1,500	1,500	1,589	
2006		1,934	2,000	2,112	
2007		1,744	1,800	1,958	
2008		1,075	1,200	1,324	
2009		250	200	382	
2010		631	400	627	
2011		300	700	914	
2012				-244	
		2002-2011	2002-2011	2002-2011	2003-2012
10 year	total	9634	10,000	11,390	10,228
	p.a.	963	1,000	1,139	1,023
5 year	total	4,000	4,300	5,205	3,003
	p.a.	800	860	1,041	601

Source: HPOSU, CWSHMA and ONS (see footnotes)

1.2.7 However, since the Review was prepared, the ONS has produced revised estimates of the components of population change between 2001 and 2011, recalibrated to comply with the results of the 2011 census ⁽¹⁾, and has extended these to 2012. These estimates are not referenced in the CWSHMA. They show a higher peak of net in-migration in the mid 2000s but a lower dip after the peak, including a substantial net outflow in the final year, 2011-12 ⁽²⁾ (see *Table 2*). The resulting ten year average for the years 2002 to 2012 is 1023 while the latest five year average is only 601. Based on this latest evidence, the Review's assumption of 1,000 ppa net in-migration p.a. as a trend based on past experience, should be increased to 1,025 ppa.

(1) Mid-2002 to 2011 Detailed estimates and components of change, ONS Aug 2013, at <http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/pop/august-2013/index.html>, ONS

(2) Components of Change for England and Wales Mid-2012, ONS June 2013

Other factors

- 1.2.8 The CWSHMA makes a number of other adjustments to the demographic assumptions used in the HPOSU. Minor changes in assumptions on fertility and life expectancy which, as in the case of the HPOSU, are derived from the assumptions adopted in the 2010 and 2011-based SNPP, are a consequence of rolling the plan period forward from 2008 to 2028 to 2011 to 2031. The CWSHMA does not present data on its assumptions on the demographic structure of in-and out-migrants, although it may be reasonably assumed that these have been rolled forward from those set out in the HPOSU.
- 1.2.9 A small reduction in assumed long term economic participation (employment) rates may possibly also be partly explained in this way but the derivations of the figures in the HPOSU and CWSHMA are not expressed in a way which allows direct comparison.
- 1.2.10 The CWSHMA uses a slightly higher vacancy rate than the HPOSU, 3% compared with 2.5%. It is reasonable to adopt this higher figure as it is a widely used assumption to represent the vacancy rate required to allow for satisfactory turnover in the housing stock.

1.3 *IMPLICATIONS OF CWSHMA REVISED DEMOGRAPHIC ASSUMPTIONS FOR PROJECTED DWELLING REQUIREMENTS*

Dwellings required to accommodate 1,025 net in-migrants per year

- 1.3.2 Several of the scenarios for which housing requirements were projected in the HPOSU were also examined in the CWSHMA under its revised assumptions. Some of the key outputs from these projections are set out in *Table 3*. A comparison of outputs for the zero net in-migration projections shows that the CWSHMA assumptions on natural increase factors result in lower population levels than pertained under the HPOSU assumptions. However, the population increase resulting from projecting the relatively similar recent ten year trend in migration (963 migrants p.a. under HPOSU and 1,000 migrants p.a. under CWSHMA) is 1,560 higher under the CWSHMA assumptions, i.e. the contribution to future population of a given level of net in-migration is higher.

1.3.3 Nevertheless, it is also apparent that the CWSHMA projections demand a lower number of dwellings than their HPOSU equivalents under some scenarios. Of particular significance is the number of dwellings required to provide for zero net in-migration, which can be considered broadly equivalent to meeting the needs of natural increase only ⁽¹⁾. This decreases markedly from 2,500 dwellings under the HPOSU assumptions to around 730 under those of the CWSHMA. This result is mainly due to the lower rate of household formation, which affects the average household size in all housing, i.e. both the new and the existing stock. The implication of this result is that under the CWSHMA basic assumptions, all housing provision beyond the first 730 dwellings (rather than beyond the first 2,500 dwellings according to the Review) is generated by net in-migrants.

Table 3: Housing requirement over Core Strategy period under comparable projections in HPOSU and CWSHMA

Projection (First-mentioned PROJ ref no is from HPOSU and second from CWSHMA)	HPOSU dw nos (2008-based hhld formation rates) 2008 to 2028	CWSHMA dw nos (2011-based hhld formation rates) 2011 to 2031	CWSHMA dw nos adjusted to Midpoint hhld formation rates (ERM adjustments in italics)
'ONS' (PROJ 1 & PROJ 1A)	11,288 (19,178 pop) (1,307 mig p.a.) 564 p.a.	9,581 (15,960 pop) (1,056 mig p.a.) 479 p.a.	10,758 (15,960 pop) (1,056 mig p.a.) 538 p.a.
Dwellings required to accommodate 10 yr migration trend (PROJ 2 & PROJ 2)	8,989 (963 mig p.a.) (13,214 pop) 449 p.a.	9,150 (1,000 mig p.a.) (14,774 pop) 457 p.a.	10,301 (1,000 mig p.a.) (14,774 pop) 515 p.a.
Dwellings assuming zero net in-migration PROJ 5 & PROJ X)	2,500 (-3687 pop) 125 p.a.	734 (-8376 pop) 37 p.a.	1734 (-8376 pop) 87 p.a.
Dwellings required to maintain workforce (PROJ 6 & PROJ Y)	9,450 (14,391 pop) 472 p.a.	8691 (13,502 pop) 435 p.a.	9834 (13,502 pop) 492 p.a.

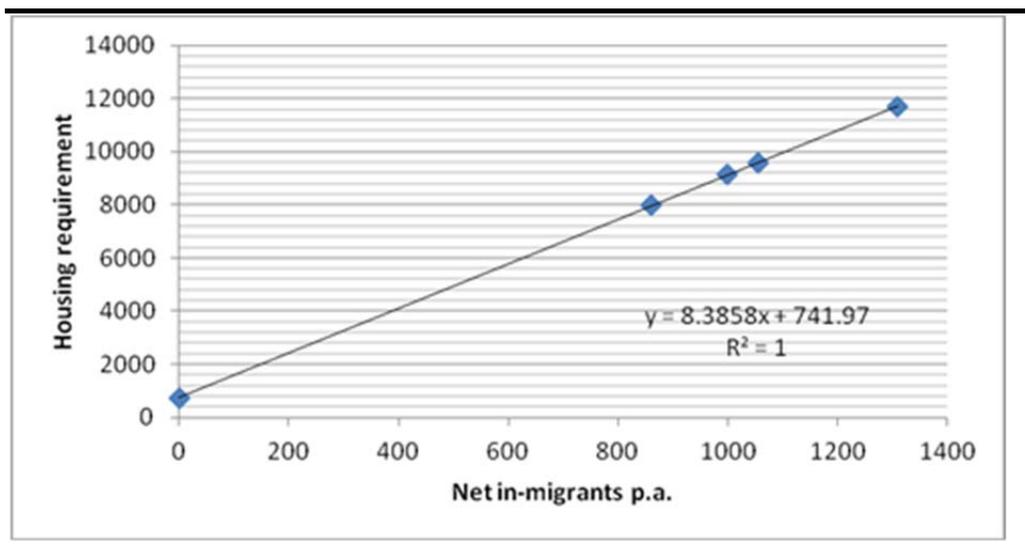
1.3.4 Figure 4.5 of the Review charts the relationship between numbers of net in-migrants p.a. and the additional housing requirement resulting from the consequent additional population under the various HPOSU migration-related scenarios. It shows that these projections imply a requirement of 6.7 dwellings for every additional annual net in-migrant over a twenty year period (ie 6.7 dwellings for every 20 migrants). Figure 1: repeats this chart for the equivalent CWSHMA projection outputs and indicates a requirement of 8.4 dwellings per additional annual net in-migrant ⁽²⁾. These changes result mainly from ONS' revised

(1) Although in fact it incorporates the net result of the different demographic characteristics of the equal numbers of in-migrants and out-migrants that result in zero net migration.

(2) As noted in the Review these figures for dwellings per annual net migrants are calculated from the outputs of the HPOSU and CWSHMA projections and reflect marginal not average impacts.

demographic assumptions arising from analysis of the 2011 Census output. Thus, although under the CWSHMA assumptions fewer new dwellings are needed to accommodate net in-migrants, those in-migrants require more dwellings per head. As a result, when the number of in-migrants rises to around 1,000 p.a. (the assumption adopted for projections of housing requirements in the Review), the number of new dwellings required under the CWSHMA assumptions (9,150) is similar to the number required under the HPOSU assumptions (8,989), i.e. around 9,000, as estimated in the Review.

Figure 1: Net additional dwellings required by net in-migrants p.a., from CWSHMA outputs



1.3.5 In the case of the Review, the total requirement of 9,200 dwellings comprises 2,500 required to accommodate zero in-migration and 6,700 to accommodate the 1,000 net in-migrants per year over the period 2008 to 2028. In the case of the CWSHMA, the total requirement of 9,150 comprises 730 dwellings to accommodate zero in-migration, and 8,420 to accommodate 1,000 net in-migrants per year over the period 2011 to 2031.

1.3.6 Taking the revised ten year migration figure of 1,025 ppa, the total dwelling requirement at 8.4 dwellings per annual migrant is around 9,350.

Dwellings required to maintain the number of employed residents

1.3.7 Both the HPOSU and the CWSHMA include projections showing the number of dwellings required to provide for zero employment growth in SoAD. This was 9,450 dwellings in the case of the HPOSU (PROJ 6) but is reduced to 8,690 under the CWSHMA assumptions (PROJ Y). The reduction is mainly the result of the lower household formation rates used in the CWSHMA, by which any given population, including the population in both existing and new housing stock, is projected to be accommodated in fewer dwellings.

1.4 NEW DRAFT GUIDANCE ON THE ASSESSMENT OF HOUSING AND ECONOMIC DEVELOPMENT NEEDS (AUGUST 2013)

- 1.4.1 In assessing the level of housing provision required in SoAD, the HPOSU aimed to follow the principles set out in the National Planning Policy Framework (NPPF) in March 2012 and, in more detail, in the Government 's Practice Guidance on Strategic Housing Market Assessments (August 2007). In July 2013, CLG introduced a national planning practice guidance web-based resource, which aims to refresh, streamline and bring up to date all pre-existing planning practice guidance, bringing it fully in line with the NPPF. Government's intention is that, following consideration of comments on the draft Guidance, the new Guidance will be finalised, although any Local Plans/Core Strategies submitted before this occurs may rely on the previous guidance.
- 1.4.2 The new guidance includes pages on "*Assessment of housing and economic development needs*", which will ultimately replace the 2007 Practice Guidance. As SoADC's Submission Core Strategy may not be submitted until after the finalisation of the online Guidance, it is important to ascertain whether there are any elements of the new guidance which might affect the recommendations of the Review, as amended in this Update.
- 1.4.3 As with the 2007 Practice Guidance, the draft Guidance does not specify precisely how housing requirements should be assessed but sets out a series of principles which should be followed and suggests potential data sources that could be used. It makes it clear that 'there is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need'. The draft Guidance expects the starting point used by local planning authorities to be the latest set of household projections published by CLG, but these need to be extended from 2021 to the end date of the plan, in this case 2031, before conversion into an estimate of housing numbers that would be sufficient to accommodate them.
- 1.4.4 The draft Guidance then states that local planning authorities should consider whether adjustments need to be made to the baseline projected household numbers to reflect:
- a) possible suppression of household formation rates due to historical undersupply or worsening affordability of housing;
 - b) local demographic circumstances such as migration levels or age structure;
 - c) undersupply of the local labour force compared with projected job growth; and
 - d) market signals indicating affordability issues.
- 1.4.5 Adjustments should be based on informed judgments of the available evidence.

1.5 IMPLICATIONS OF NEW DRAFT GUIDANCE

Baseline projections

- 1.5.2 GL Hearn in the CWSHMA take the ONS Interim SNHP, which covers the period 2011 to 2021, as their starting point and extend this to 2031 using 2011-based household formation rates. They conclude that the resulting PROJ 1A represents the baseline 'official' household projections from which any adjustments that might be appropriate in response to factors (a) to (d) above may be made. We accept this as a reasonable baseline projection as required by the Guidance, to which adjustments according to factors (a) to (d) may need to be made. The minimum level of housing requirement under this projection is 480 dwellings per year, or 9,600 in total.

Adjustments to allow for local demographic circumstances

- 1.5.3 The CWSHMA baseline projection (PROJ 1A) incorporates an average net in-migration rate of 1,056 persons p.a. The updated figures presented in the CWSHMA show a ten year average of 1,000 p.a. More recent revised data from ONS on Components of Change mentioned above show that the ten year average was around 1025 but the drop from the 2006 peak was more substantial than previously assumed and there was a net outflow of migrants in the year 2011-12. We therefore consider it justifiable to adopt a projection based on an average 1,025 p.a. net migration as a base to which to apply further adjustments.

Adjustments to allow for suppression of household formation rates

- 1.5.4 GL Hearn note that their analysis of market signals indicates that there has been a degree of suppression of household formation across the whole HMA. As discussed above, long term household projections made before the Census results were published were based on the assumption that long term trends in household formation since 1971, resulting in steadily decreasing household sizes, would continue. The Census showed that this trend had slowed considerably between 2001 and 2011.
- 1.5.5 The CWSHMA refers to a report produced by the Cambridge Centre for Housing and Planning Research (CCHPR) for the Town and Country Planning Association in September 2013 ⁽¹⁾, suggesting that this slowdown in household formation rates is likely to be partially due to the recession and its impact on the housing market. At the national level the report estimates a 'shortfall' of 375,000 households between the 2011 Census and the 2008-based projections for that year, adjusted to take account of the higher than projected population in 2011. It assumes that 200,000 (53%) of this total is due to an over-projection of immigrant households which will not be reversed, and the remainder was due to the state of the economy and the housing market, from which recovery may eventually be expected.

(1) "New estimates of housing demand and need in England, 2011 to 2031" by Alan Holmans, CCHPR (Sept 2013)

- 1.5.6 The CCHPR report takes the 2008-based household formation rates used hitherto in the CLG's household projections to represent the long term trend, and those used in the latest 2011-based interim projections (to 2021) to represent a trend under 'suppressed' demand. The key issue for any assessment of housing requirements over a twenty year period is the rate at which household formation rates may be expected to recover from their 'suppressed' position. The CCHPR report produces an 'extended official projection', which extends the 2011-based ONS population and household projections at national level from 2021 to 2031, and a 'modified trend projection' which allows for a gradual return toward 2008-based household formation rates from 2016 onwards.
- 1.5.7 The CWSHMA follows a similar logic by producing three projections, the first using the 2011-based household formation rates (PROJ 1A), the second, the 2008-based rates (unreferenced) and the third, intermediate rates between the first two (PROJ 1A - Midpoint). The latter combines the 2011-based headship rates over the period to 2021, with the assumption that over the following decade, rates will recover in line with trends shown in the 2008-based SNHP.
- 1.5.8 The CWSHMA states, at para 7.40, that "on the balance of evidence from market signals ... and taking account of the market and economic outlook, this (i.e. PROJ 1A - Midpoint) seems like a reasonable and realistic scenario". The CWSHMA therefore proposes an adjustment to the minimum household requirement of 480 dw p.a. upwards to 540 dw p.a. in line with the 'Midpoint' household formation rates. We agree using the Midpoint rates is a reasonable approach to allowing for the recent suppression of household formation rates (although it should be noted that the 540 dw p.a. figure is based on a higher net in-migration assumption than we have suggested above). We note, however, that all the other projections in the CWSHMA adopt the 2011-based household formation rates. It is therefore necessary to quantify the effect of adjusting the output from these other projections to the Midpoint outcome.

- 1.5.9 PROJ 1A aims to replicate the CLG's 2011-based SNHP, including its inbuilt assumptions on net migration levels, and shows a requirement of 9,580 dwellings. PROJ 1A – Midpoint shows a requirement of 10,760. The 2011 Census indicates 54,800 dwellings in Stratford on Avon. The total dwellings in 2031 under PROJ 1A would therefore be 64,380, while under the PROJ 1A Midpoint they would be 65,560. This represents an increase of 1.8%. Although this value will in practice vary slightly between projections it can be used to give a good indication of how the results from other projections would have been modified if the Midpoint household formation rates had been used.
- 1.5.10 Thus the minimum housing requirement to meet natural increase and net migration of 1,025 ppa assessed above under CWSHMA assumptions as 9,350 dwellings would, at 2011-based household formation assumptions, result in a total of 64,150 dwellings by 2031. This would need to be adjusted upwards by 1.8%, to 65,300, to respond to the 'Midpoint', rather than the 2011-based, household formation rates, giving a requirement of 10,500 dwellings over the 2011 base. (By a similar calculation the housing requirement to provide for zero net in-migration, 730 dwellings using 2011-based household formation assumptions, would become, at 'Midpoint' rates, a requirement of 1,730 dwellings over the 2011 base).
- 1.5.11 Similarly, the housing requirement to maintain the resident workforce unchanged, 8,690 dwellings using 2011-based household formation assumptions, would become, at 'Midpoint' rates, a requirement of 9,840 dwellings over the 2011 base. The ERM adjusted dwelling numbers for the projections listed in Table 3 are shown in the final column of that table.

Adjustments to meet economic projections of labour requirements

- 1.5.12 GL Hearn considers whether the population from their baseline projection would generate a workforce sufficient to support economic growth in south Warwickshire. The HPOSU drew up projections of housing numbers that would be required to meet the labour force requirements of two sets of economic forecasts of future job numbers in SoAD, from Cambridge Econometrics and Experian, while presenting warnings about the unreliability of such forecasts. The Review concluded that it would not be wise to rely on available job forecasts in setting and justifying the recommended housing provision in SoAD, a view confirmed in the report of the Inspector examining the Bath and North East Somerset (BANES) Core Strategy (June 2012), quoted in the Review.
- 1.5.13 For the CWSHMA, GL Hearn prepared projections (PROJ A and PROJ B) based on new job forecasts provided by Experian. Because of the different time horizons for the two sets of projections and in particular the critical significance of job losses during the economic downturn, it is not possible to make a direct comparison between them. The more recent forecasts, however, clearly suggest substantially higher job numbers, as their labour supply requirements in SoAD increase from 5,460 under the HPOSU (PROJ 4) to around 9,500 to 10,000 under the equivalent CWSHMA assumptions (PROJ A & B).

- 1.5.14 PROJA and PROJ B would imply the need for 750 to 780 dwellings per year, depending on allowances which might be made to take account of changes to commuting patterns. The CWSHMA, however, repeats the HPOSU's warnings about the dangers of utilising such forecasts and does not argue for housing provision numbers corresponding to any particular economic forecasts for SoAD. It nevertheless concludes that some uplift in housing numbers above the baseline provision may be advisable to increase labour supply in SoAD, given the relatively older age structure of the local population.
- 1.5.15 The CWSHMA suggests raising the requirement from the 'Midpoint' projection figure of 540 dwellings per year towards 600, although its final proposal is midway between these two figures at 570 dwellings per year, or 11,400 in total. It is notable that the CWSHMA concludes in para 11.16 that "3,750 homes p.a. would represent a reasonable level of provision across the HMA", based directly on the 'Midpoint' projection for the whole HMA, while the 'overall assessed need' for the HMA, shown in Table 97 of the CWSHMA, is higher than this at 3,800 dw p.a. This increase of 50 dw p.a. comprises increases above the Midpoint projection for individual districts of 32 dw p.a. for SoAD, 12 dw p.a. for Warwick, and 10 for North Warwickshire. The 'assessed need' for the other three districts is almost exactly as projected by the 'Midpoint' projection for those districts. The suggested uplift for SoAD is therefore in addition to the assessed need for the whole HMA and comprises the major part of the uplift for the HMA as a whole.
- 1.5.16 In our view the CWSHMA's suggested uplift for SoAD to support economic growth is both arbitrary and unwarranted. There is no particular forecast of job numbers for Stratford on Avon District which needs to be met. We calculate that the number of dwellings required to maintain zero employment growth using 'Midpoint' household formation rates would be 9,800 (lower than it was in the HPOS Update). Any dwellings provided above this level have the potential to accommodate an increase in the resident labour force in support of economic growth but this desired result is likely to be limited by the probability that net in-migrants to SoAD will include disproportionate numbers of retired households and those intending to commute to jobs outside the District.

Adjustments to allow for improved affordability

- 1.5.17 The CWSHMA includes a comprehensive assessment of the number of households likely to require affordable housing over the plan period, in line with the CLG Practice Guidance. For SoAD it projects an average annual requirement for 133 additional affordable dwellings to meet the needs of the existing population and its natural increase. According to paras 8.71 and 8.72 of the CWSHMA, the 133 affordable dwelling p.a. requirement increases by around 100 p.a. if account is taken of the affordable housing needs of in-migrants, although the derivation of this figure is not demonstrated.
- 1.5.18 The CWSHMA notes that house prices are relatively high in SoAD compared with most other districts in the HMA and that it has the highest house price to income ratio. It considers that this justifies some upward adjustment to the baseline

requirement but that this is already covered by increasing the dwelling requirement from 480 per year to 570 per year.

- 1.5.19 It should be borne in mind that the CWSHMA's projected additional households in need of affordable housing are among those already included in the overall household projections and therefore do not require additional dwellings. This view is supported by para 11.14 of the CWSHMA.
- 1.5.20 The key issue is whether a modest increase in the local housing provision figure would be likely to lead to an increase in the supply of affordable dwellings. It is difficult to envisage how this might be the case. There is no evidence from housing research that local or even larger scale increases in housing requirements in local plans (or even delivered on the ground) have any restraining effect on house prices. The principal factors that determine house prices for new housing derive from the local market for the existing private stock, particularly in areas such as SoAD, where prices are well above the costs of building equivalent replacement dwellings. The direct supply of new affordable housing in SoAD, and hence its proportion of total new housing in the district, will be determined principally by local policy (eg through the requirement that developers provide on-site affordable housing) or possibly by national policy changes that affect either the rents charged in the rented sector or the ability of RSLs and SoADC to fund affordable housing provision.

1.6 CONCLUSIONS

- 1.6.1 Given the significant new evidence available on demographic factors since the preparation of the Review, we consider that the housing provision figures for SoAD recommended there should be amended. However, there is no clear evidence to suggest that the original reasoning in the Review has been invalidated by the new data and analysis contained in the CWSHMA or in the new draft Guidance.
- 1.6.2 In our view, the projections in the CWSHMA should replace those in the HPOSU and provide an appropriate and up to date tool for assessing the impact of natural population change and different levels of net in-migration on future housing requirements. However, we do not concur with the CWSHMA's conclusions on the 'assessed need' for net additional dwellings in SoAD. In particular, we do not consider there is a justification for adding any uplift to the dwellings required to meet the 'Midpoint' projections to support economic growth as proposed by the CWSHMA. Having concluded that "*3,750 homes p.a. would represent a reasonable level of provision across the HMA*", based directly on the 'Midpoint' projection for the whole HMA, the CWSHMA nevertheless raises this figure to 3,800 dwellings p.a., principally by the addition of over 30 dwellings p.a. to SoAD's 'Midpoint' figure of 540 dwellings p.a. In our view, this uplift is in addition to the 'objectively assessed need' of the HMA and therefore of SoAD, which is treated by the CWSHMA as forming a part of the HMA.

- 1.6.3 We re-iterate our position, taken in the Review, that the selection of a housing requirement should be broadly based on a realistic assessment of future migration using the recent ten year average, while aiming to support the Council's economic aspirations as set out in its Business and Enterprise Strategy by providing for a modest increase in the resident labour force in the district. The amount of such increase is necessarily a matter of judgement. This judgement needs to take account of the likely success or otherwise of setting a higher housing requirement in achieving an increase in local labour supply in the light of the possible unintended consequences.
- 1.6.4 In line with the new draft Guidance, we follow GL Hearn in considering that projections based on the 'Midpoint' household formation rates are likely to be the most realistic in allowing for a gradual release of suppressed demand arising from the economic downturn. Based on the demographic relationships derived directly from the CWSHMA projections, we estimate that the housing requirement to accommodate a ten year migration trend of 1,025 p.a. is 10,500, while the housing figure to maintain a constant resident labour force is 9,800. The CWSHMA's 'Midpoint' projection for SoAD, which incorporates a higher net migration of 1,056 p.a. embodied in the latest 2011 ONS SNPP, is 10,800. A provision level of 10,500 to 10,800 dwellings over the plan period would therefore allow for 700 to 1,000 households to potentially contribute towards increased employment levels. We, therefore, propose that the housing provision figure in the Review be revised from a range of 9,500 to 10,000 to a range of 10,500 to 10,800 dwellings.
- 1.6.5 It should be noted that only around 1,700 of these dwellings would be generated by natural change in the existing population. The remaining 8,800 to 9,100 would accommodate net in-migrants. While the projections assume that these would include sufficient people of working age to make up for the reduction in labour force due to the ageing of the existing population, this cannot be ensured. There may indeed be a boost to local employment levels, which would support economic growth in the area, but there may equally be a disproportionate number of new out-commuters and of elderly in-migrants who would contribute to further unbalancing the age structure of the population. Because of these risks we would not recommend further increasing the level of housing provision beyond 10,800, the level at which a modest increase in the number of employed persons is considered plausible.

- 1.6.6 The original conclusion of the Review therefore stands, but with the adjustments shown in italics: “In our view, in order that the Local Plan can be found to be ‘sound’, SoADC should set a housing requirement of *between 10,500 and 10,800* dwellings for the local plan period *2011 to 2031*. There is a good case for not setting a figure higher than this at a time when the net job growth outlook is still very uncertain and there would be a risk of further unbalancing the population of the district by attracting a high proportion of retired in-migrants and out commuters. On the other hand, a figure lower than this range would be open to the criticism that it would not be aiming to meet the full objectively assessed need for housing in the district.”
- 1.6.7 There has, to date, been no indication from any neighbouring local authority that it is expecting SoADC to accommodate any specific part of their own objectively assessed housing need. Furthermore, as the proposed range represents the full objectively assessed need for housing in SoAD, it will not be necessary for SoADC to approach any neighbouring local planning authority to agree to accommodate any ‘displaced’ demand.

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