

Report to the Coventry, Warwickshire and South West Leicestershire Shadow Economic Prosperity Board

Tuesday 29th September 2015

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

Introduction

- 1 At its meeting on 6th July 2015, the shadow Economic Prosperity Board (sEPB) agreed to a process and timetable to develop a Memorandum of Understanding (MoU) to ensure the Housing Market Area's (HMA) housing need is planned for in full, through the current round of plan-making.
- 2 This report seeks the agreement of the Shadow Economic Prosperity Board (sEPB) to the Memorandum of Understanding which is set out in **Appendix 1**.
- 3 The preparation of the MoU and this covering report is based on an intensive period of research and cooperation between the six planning authorities with responsibility for planning for housing need, as well as Warwickshire County Council.
- 4 The report to the sEPB on the 6th July, set out the key tasks to be undertaken to enable a robust, evidence based MoU to be developed. Four key tasks have been undertaken as follows:
 - Task 1: Develop proposals for the distribution of any unmet need arising in the HMA
 - Task 2: Confirmation of Housing Need across the HMA and at an individual local authority level and alignment with employment needs
 - Task 3: Confirmation of each authority's capacity for housing
 - Task 4: Identification of an aligned housing and employment need across the HMA alongside a proposed distribution of that needFurther details of the outcomes from each of these tasks is set out in Appendix 1 and explained in paragraphs 15 to 23 below.

Explaining the Memorandum of Understanding

- 5 The Memorandum of Understanding seeks to ensure that the housing needs of the C&W HMA are met in full.
- 6 The MoU is set out in full in **Appendix 1**. Based on the 2015 updates to the SHMA, it seeks to agree a need for 88,160 dwellings within Coventry and Warwickshire between 2011 and 2031 (4408 dwellings per annum), and proposes that these dwellings area distributed as follows:

Table 1

	TOTAL PER ANNUM	TOTAL 2011-2031
Coventry	1230	24,600
North Warwickshire	264	5,280

Nuneaton & Bedworth	703	14,060
Rugby	620	12,400
Stratford-on-Avon	659	13,180
Warwick	932	18,640
C&W Total	4408	88,160

7 **Evidence:** The MoU is based on a robust evidence base which has been developed since the 6th July. This includes:

- Updated Housing Needs and Employment Forecasts Study: GL Hearn, August 2015. A summary of this report is included as **Appendix 2**. The conclusions from this study regarding OAN are:

Table 2

	A: Housing need based on demographic projections	B: Change based on housing need to support Economic Growth (taking account of commuting patterns within the HMA)	C: Total for the C&W HMA (A+B)	Additional change required to support Economic Growth (taking account of commuting patterns outside C&W HMA)
Coventry	2,120	-190	1,930	-
North Warwickshire	190	16	206	31
Nuneaton & Bedworth	429	73	502	0
Rugby	480	0	480	0
Stratford-on-Avon	458	101	559	100
Warwick	600	0	600	0
C&W Total	4,277	0	4,277	131

- Updates to the capacity assessments (Strategic Housing Land Availability Assessments or SHLAAs) in Coventry CC and Rugby BC areas. These are published on the websites of the respective authorities. In addition, Stratford DC and Warwick DC have undertaken further SHLAA work to update their overall capacity. As a result of this work a clearer position regarding the capacity of each authority is emerging, although it should be noted that work is ongoing, particularly in Nuneaton and Bedworth to ensure that all the SHLAA's across the HMA have been completed according to a consistent methodology.

8 **Conclusions on the scale of Unmet Need:** With regard to Coventry, the 2015 SHLAA demonstrates that the City is unable to meet its housing requirement within the City boundary and that the shortfall is up to 17,800. The City Council has prepared a SHLAA in accordance with the agreed sub-regional methodology and has provided its work to each of the Warwickshire Districts for scrutiny to demonstrate that their conclusions on capacity are robust.

9 **Redistribution of the Unmet Need:** the evidence shows that there is a shortfall of up to 17,800 dwellings between Coventry's demographic housing need and the

capacity in the City. This represents the unmet housing need of the HMA which needs to be addressed through the MoU.

10 Officers have considered a range of ways to redistribute the 17,800 dwellings to ensure the agreed approach is firmly supported by evidence and offers an objective and fair way forward. The options considered by officers fall into two broad approaches: spatial options and functional relationship options.

11 **Spatial Options:** the starting point for the spatial options was to consider the most sustainable spatial options regardless of administrative boundaries. To do this, 6 spatial options were appraised:

- Edge of Coventry
- No delivery within the green belt
- Extensions to principal urban areas
- Growth Corridors
- Dispersed across all settlements (i.e principal urban areas and smaller settlements)
- New Settlement

A simple sustainability appraisal was undertaken on each of these options. The outcome of this work is shown in **Appendix 3**. This indicated that the Edge of Coventry and Growth Corridor options are likely to be the most sustainable spatial approaches

12 **Functional Relationship Options:** these options looked at the relative relationships of each of the Warwickshire Districts/Boroughs with Coventry City, based on existing migration and commuting trends. Two options were considered: relationship with Coventry based on two way commuting flows and relationships with Coventry based on gross migration flows. The data relating to these two options is shown in **Appendix 4**. Consideration of these two options indicated that both were important and a valid means of assessing functional relationships and that therefore they should be given equal weighting. As a result, officers developed an approach which applied the average percentage of migration and commuting flows to the functional redistribution approach. The resulting approach is set out in paragraphs 15 to 23 below.

13 Following discussions with the members' reference group, it was concluded that the functional relationship approach should be used to shape the MoU. It was felt that this approach best reflected existing patterns of movement, provided a robust and objective methodology and retained local sovereignty in terms of the spatial approach to be used by each Borough/District to meet the resulting housing requirement. The spatial approach has therefore not been used to influence the MoU but provides shared evidence which should be considered in preparing the spatial strategies within local plans.

14 Applying the functional relationship approach indicates that Warwick and Nuneaton and Bedworth have the strongest relationships with Coventry, with Rugby also having a significant relationship and Stratford-on-Avon and North Warwickshire having weaker relationships. The evidence suggests that the following percentages should be applied as the basis for this redistribution approach:

Table 3

	Functional Relationship Percentage (commuting and migration)
North Warwickshire	5.15
Nuneaton and Bedworth	32.30
Rugby	16.51
Stratford-on-Avon	6.51
Warwick	39.37

- 15 **Final Proposed Redistribution Approach:** The final approach to redistribution which has been used to inform the MoU has two stages. The second stage is to take account of the functional relationships as set out in table 3 above. However before applying these percentages, the approach has considered the impact of the economic uplift for Nuneaton and Bedworth, Stratford-on-Avon and North Warwickshire arising from the GL Hearn Report and shown in Table 2 above.
- 16 The GL Hearn report indicates that North Warwickshire's demographic housing need should be uplifted by 47 dwellings per annum to take account of the need to support economic growth. Similarly Stratford-on-Avon's and Nuneaton and Bedworth's uplifts are 101 and 73 dwellings per annum respectively.
- 17 To an extent, these uplifts involve redistribution of need from Coventry because they impact on commuting flows rather than the overall housing requirement of the HMA. However, a part of the uplift should also be seen as a redistribution from neighbouring HMAs (particularly Greater Birmingham). Applying data relating to functional relationship between the three local authorities concerned and neighbouring HMAs, it can be concluded that the following percentages of the economic uplift can be used to inform an initial redistribution as follows:

Table 4

	Total Uplift to support economic growth (dwellings per annum)	% internal to HMA	Total within HMA (dwellings per annum)
North Warwickshire	47	33%	16
Stratford-on-Avon	201	50%	101
Nuneaton and Bedworth	73	100%	73
Total stage 1 redistribution from Coventry			190

- 18 As a result of this stage 1 redistribution, 190 dwellings per annum of Coventry's need has been addressed.
- 19 **Appendix 5** shows how the functional relationship formula set out in table 3 above has been applied to the remaining shortfall. This results in the final distribution set out in the MoU and in Table 1 above.
- 20 It should be noted that the MoU deals directly with the housing needs arising from within the Coventry and Warwickshire HMA. It does not address any shortfall arising within the Greater Birmingham HMA. Although work to assess the shortfall from the Greater Birmingham HMA is progressing, at this point in time it is not clear to what extent any unmet need will have to be met within Coventry and Warwickshire and in

particular Stratford-on-Avon and North Warwickshire. It is recognised that this could add further pressures to provide additional housing within the HMA, but until more is known, this cannot be effectively addressed, nor can it form part of the formal agreement.

- 21 At this point in time, the evidence shows that there is some uncertainty about the ability of Nuneaton and Bedworth BC to meet the whole of the additional requirement that the evidence suggests should be allocated within the Borough. Nuneaton and Bedworth BC is still in the process of updating its SHLAA to assess whether there will be a resulting further unmet need and if so what the scale of this will be. The MoU recognises this position in clause 4 by providing for an early review in the event that updated SHLAA work indicates that the redistributed housing requirement cannot be met in full.
- 22 Within Warwickshire, responsibility for identifying and planning for housing need lies with the District and Borough Councils through the local plan process. Formally, the parties to the agreement are therefore the 5 District/Borough Councils within Warwickshire, plus Coventry City Council. However, Warwickshire County Council has been involved in the process for preparing the MoU, because all parties understand the importance of their role in supporting the delivery of housing through infrastructure planning and provision. Therefore, although Warwickshire County Council are not formally a party to agreement, the importance of their role is recognised in the MoU.
- 23 Monitoring of the MoU will be important to ensure the housing requirements it sets out are delivered. The Coventry and Warwickshire local authorities have already established a monitoring group which seeks to ensure consistent and effective monitoring across the sub-region and which is providing data to support sub-regional planning, including the C&WLEP. This group, under the supervision of the Policy Officers' Group, will be responsible for establishing the indicators that will be used to monitor the MoU and for ensuring the measures are collected, collated and reported on at least an annual basis.

Background to the Memorandum of Understanding

- 24 **Legislation and National Policy:** The Localism Act 2011 places a legal duty on local planning authorities, county councils in England and public bodies to engage constructively, actively and on an ongoing basis. The duty requires that engagement should be constructive, active and ongoing. It requires cooperation to take place that is for the mutual benefit of neighbouring authorities. Importantly, Councils are expected to cooperate on strategic matters. This includes planning for housing need.
- 25 As well as the legal requirements set out in the Localism Act, the National Planning Policy Framework (NPPF) sets out the national policy regarding the Duty (see paragraphs 178 to 181). Specifically it indicates that:
- The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.
 - Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework
 - Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. Could be by way of plans or policies prepared as part of a joint committee, a memorandum of

understanding or a jointly prepared strategy which is presented as evidence of an agreed position.

- 26 To enable Local Plans to progress successfully through examination, this legislative and policy framework therefore requires cooperation to be demonstrable, diligent and effective in delivering solutions. It also indicates that where a need is identified, the cooperation process should provide the mechanism to ensure that this need is met in full
- 27 **Inspector's Findings - Warwick Local Plan:** In May 2015, the submitted Warwick District Local Plan was subject to 5 days of hearings. In June 2015, the Inspector wrote to the Council setting out his initial findings. A key element of his findings was concern that there was an identified unmet housing need in Coventry and Warwickshire (at least 234 dwellings per annum). He required this to be addressed (jointly with the other authorities in the Housing Market Area). He rejected the collaborative process that had been agreed by the authorities within the Coventry and Warwickshire Housing Market Area to address the unmet need – namely that the unmet need can be dealt with through adopting individual Local Plans and then undertaking early plan reviews. Instead he has asked for the unmet need to be addressed in the current plan making round. There are therefore implications for all of the Coventry and Warwickshire authorities in his findings.
- 28 **What are the implications of failing to reach agreement?** The Duty to Cooperate means that resolving HMA's housing need in full is essential to enable each Local Plan to progress. Without an agreement none of the Councils within the Housing Market Area can expect to be able to prepare plans which will be found sound. The Inspector for Warwick's Local Plan has made it clear that for any plan (not just Warwick's) within the HMA to progress, it must be done within the context of a robust agreement about how the HMA's housing requirement will be met in full and that it is not something that can be dealt with through a future plan review.
- 29 Failure to reach an agreement will therefore hinder plan making across the whole HMA and will inevitably lead to some major challenges in relation to decisions taken on planning applications. Without a mechanism to demonstrate that the HMA's housing requirement will be met, it is likely that all Councils will face applications on unwanted sites and will find these far harder to resist. The result could be unsustainable development and significant difficulties in identifying and funding infrastructure to support that development. A further issue linked to slow or no plan progress is that badly needed development within the green belt will not be able to progress. Some substantial housing releases are proposed within the green belt as is the sub-regional employment site in the vicinity of Coventry Airport. This will potentially be damaging to the sub-regional economy and will undermine the desire to demonstrate that Coventry and Warwickshire is "open for business".
- 30 Failure to agree an MoU and therefore to progress local plans exposes all the Councils in the sub-region to the risk of Government intervention in the plan making process. In his July Ministerial Statement, the Planning Minister indicated the Government's intention to publish league tables setting out local authorities' progress on their local plans and in cases where no local plan has been produced by early 2017 - five years after the publication of the National Planning Policy Framework - it will intervene to "*arrange for the plan to be written, in consultation with local people, to accelerate production of a local plan*".
- 31 Therefore, whilst it is recognised that the MoU provides major challenges for all the authorities within the HMA, failure to agree has very significant consequences now and on an ongoing basis in to the future.

- 32 **Where is the evidence to justify the figures in the MoU?** The proposals within the MoU are difficult for all the Warwickshire authorities. The additional housing requirement arising from this work is substantial in each case. However, as set out in paras 7 to 23 above, the MoU is based on an objective assessment of the evidence and on a robust methodology that seeks to ensure the redistribution is fair. Further evidence and detail are provided in the appendices to this report. This evidence should be read alongside each Council's most recent Strategic Housing Land Availability Assessment (SHLAA). In addition, it is important to emphasise that the Warwickshire authorities have carefully reviewed and challenged Coventry City Council's SHLAA. As a result of this, officers are satisfied that the City's SHLAA has been carried out in accordance with the agreed methodology and provides a robust piece of evidence to show that the City's capacity has been appropriately assessed.
- 33 **Why do we need to do deal with this quickly?** Given that Warwick and Stratford-on-Avon's plans are both in Examination, and the former in particular requires the agreement to enable the examination to progress there is a real urgency to reach agreement. However the urgency also applies to those Councils (Rugby, Coventry and Nuneaton and Bedworth) that want to progress their plans to publication stage within a few months. In other words, it is in all the six Councils' interest to not only reach agreement on these matters, but to do so as soon as possible
- 34 The withdrawal of the Warwick Local Plan would have repercussions on the progress of the adjoining Local Plans in the sub-region. Without up to date Local Plans in the Sub-region would create a policy gap for the proper development within each council area that could put in jeopardy the funding for strategic transport, education, and other infrastructure to support growth. The timely delivery of infrastructure plays a significant part in driving the economy of the sub-region. The policy gap would indicate uncertainty and lack of ambition for growth to existing businesses and inward investors and make desirable schemes less likely to happen. For example, the delay may mean significant delay for the delivery of the sub-regional employment site (The Gateway) and for the new jobs that it is expected to bring. The Gateway forms a key site for the development contained in the Strategic Economic Plan of the Coventry and Warwickshire Local Enterprise Partnership. Therefore, delay of the Local Plan will slow the pace of growth in the wider area.
- 35 A further issue to consider in relation to the timing of the MoU and plan preparation is that in 2016 the ONS will be releasing updated population projections. Whilst this in itself will not necessarily render local plans or the MoU out of date, it is likely to complicate matters further if an MoU has not been agreed and if Local Plans are not progressed. Recent population and household trends and forecasts show a rapidly growing population and housing need in Coventry. In recent years, Coventry has been the fastest growing city outside London and as a result, the housing need forecasts for the City have increased in each of the last four housing projections. There is therefore a strong possibility that the 2016 could show a further increase in the City's population forecasts and without an MoU in place, the issues associated with this could be even harder to resolve and agree. In other words, it is perhaps preferable to "bite the bullet" now as the issues are unlikely to be easier in the future.
- 36 **How does the MoU relate to Birmingham's housing capacity shortfall?** The MoU has been prepared at a time when it is understood that Birmingham City Council has a substantial shortfall in capacity to meet its housing requirement. This shortfall amounts to 37,900 dwellings. **Appendix 6** shows how the Greater Birmingham HMA overlaps with the Coventry and Warwickshire HMA in relation to Stratford-on-Avon and North Warwickshire. The authorities within the Greater Birmingham area have

been working together to identify spatial options for addressing Birmingham's shortfall. A number of these options potentially impact on Stratford and North Warwickshire and therefore on the HMA as a whole. However, at the moment no conclusions have been reached regarding the preferred spatial options and involvement of North Warwickshire and Stratford in the process has been limited. The Coventry and Warwickshire MoU therefore cannot and does not directly address the potential implications of Birmingham's shortfall as these are unknown.

- 37 **Is there a joint Spatial Strategy for Coventry and Warwickshire?** No. The merits of different spatial approaches have been assessed and are set out in **appendix 3**. However this does not form part of the MoU and it has been an important principle underpinning the preparation of the MoU that the "sovereignty" of each Council to prepare a local plan according to a locally derived spatial strategy must be adhered to. The MoU therefore sets out the quantum of housing to be delivered by each authority, but does not constrain the spatial strategy to provide this housing.
- 38 **Does the level of housing align with the employment forecasts for the HMA?** Yes. The employment forecasts have been closely examined within the work undertaken by GL Hearn. This shows that for the HMA as a whole, the working age population required for the level of jobs forecast will comfortably be accommodated within the proposed level of housing. In the case of three authorities (Stratford, Nuneaton and Bedworth and North Warwickshire), an uplift in the housing requirement has been agreed to address specific local issues regarding employment growth.
- 39 **How does the MoU relate to the Strategic Economic Plan?** As explained in para 37 above, the MoU does not set out a preferred spatial strategy. However it will be important that the distribution of housing across the HMA takes account of the location of major employment growth centres.

Recommendations

The Shadow EPB is recommended to:

Recommendation 1: Agree the principle of a redistribution in line with the methodology set out in paragraphs 12 to 19 above

Recommendation 2: Agree the Memorandum of Understanding set out in Appendix 1, noting that at this moment in time, clause 4 of the MOU and paragraph 21 of this report, is pertinent to Nuneaton and Bedworth BC.

Recommendation 3: Agree that each of the six Local Plan Authorities within the HMA will seek to formally endorse the MoU by end of November 2015

Appendix 1:



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

PARTIES TO THE MEMORANDUM

The Memorandum is agreed by the following Councils:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton & Bedworth Borough Council
- Rugby Borough Council
- Warwick District Council
- Stratford–on-Avon District Council
- Warwickshire CC

PURPOSE

This memorandum of understanding seeks to ensure that the housing needs of the C&W HMA are met in full.

This memorandum of understanding establishes a framework for co-operation between the constituent authorities with respect to the delivery of housing across the Coventry and Warwickshire HMA. It is framed within the Localism Act 2011 and the duty to cooperate set out in Section 110. This sets out the way in which the Councils will consult one another and work together on matters which affect more than one local authority area.

There is clear evidence that Coventry City Council is unable to meet its full objectively assessed housing needs within the city boundary and thus is unable to meet the requirements of paragraph 47 of the NPPF. It is agreed that for plan making purposes there is a primary housing market area comprising Coventry and the whole of Warwickshire. As a result the City Council and the five Borough/District Councils within Warwickshire have collaborated to assess the full housing needs of the market area and to establish realistic assumptions about the availability, suitability and viability of land to meet that need, in accordance with paragraphs 159 and 160 of the NPPF.

The focus of this memorandum is to ensure that housing needs arising from the growth of the city's population but not capable of being met within Coventry itself will be met within the HMA as a whole. Each local authority will make best endeavours to deliver the housing as set out in this MoU.

POINTS OF AGREEMENT

The Memorandum has the following broad objective:

The Warwickshire authorities accept that Coventry City Council is unable to accommodate its full housing need. Each Council will therefore cooperate to establish a revised distribution of housing which ensures that the overall needs across the housing market area will be met.

To achieve this objective, it is agreed that:

1. The OAN for the HMA is 85,540 (2011-2031).
2. The table below contains the OAN of each authority within it.

	Average annualised total	Total OAN* (2011-2031)
Coventry	2,120	42,400
North Warwickshire	237	4,740
Nuneaton & Bedworth	502	10,040
Rugby	480	9,600
Stratford-on-Avon	659	13,180
Warwick	600	12,000

Source: Updated assessment of housing need for the C&W HMA, September 2015.

**OAN for NWBC and SDC contains need external to the HMA (2,620 gross dwellings). There is also an element of economic uplift in SDC, NWBC and NBBC which will support redistribution of housing from Coventry (3,800 gross dwellings).*

3. As of September 2015, the table below reflects an appropriate and robust distribution of housing across Coventry and Warwickshire

	TOTAL (2011-2031)
COVENTRY	Minimum of 24600 *
NORTH WARWICKSHIRE	5280
NUNEATON AND BEDWORTH	14060
RUGBY	12400
STRATFORD-ON-AVON	13180
WARWICK	18640
TOTALS	88160

* Should Coventry's capacity increase then the number redistributed to Warwickshire authorities will be considered against the methodology underpinning this report.

4. In the event that, as a result of the completion of Strategic Housing Land Availability Assessment's (to the agreed C&W methodology) it is shown that the distribution in the Table above cannot be delivered, this MOU will be reviewed so that the overall housing requirement is met within the HMA.
5. In the event that, as a result of co-operation with a local authority outside the housing market area, additional development is to be accommodated within the CWHMA at a level that materially affects the distribution set out in this document, the MoU will be reviewed.
6. Each local planning authority will prepare a Local Plan that reflects the agreed distribution.
7. Each local authority will ensure the most efficient use of land is promoted when delivering housing sites across their area. In doing so density assumptions should be appropriate, justified and deliverable.
8. The plan making process will ultimately establish the capacity of each area and quantities of housing that can be delivered. Through the plan making process, the Councils will continue to monitor the capacity of the HMA and in particular any authority that is unable to meet its OAN or redistributed housing requirement. In this instance, the Councils will seek to maximise the quantity of housing delivered in these authorities.
9. Each local authority is committed to ongoing cooperation and engagement by both officers and members in relation to delivery of housing for the C&W HMA.

LIMITATIONS

For the avoidance of doubt, this Memorandum shall not fetter the discretion of any of the Councils in the determination of any planning application, or in the exercise of any of their statutory powers and duties, or in their response to consultations, and is not intended to be legally binding but shows clear commitment and intent to meeting the full housing needs of the market area.

LIAISON

Member level representatives of the Local Authorities through the Shadow Economic Prosperity Board (EPB) will meet as a minimum yearly or more frequently when appropriate, in order to;

- Maintain and update the memorandum, as necessary.
- Monitor the preparation of Local Plans across the six authorities and discuss strategic issues emerging from them

TIMESCALE

The Memorandum of Understanding is intended to run up to 2031 to align with the timescale of the evidence.

MONITORING

Annual monitoring will be carried out to ensure that housing delivery is maintained throughout the HMA. This will be overseen by the C&W monitoring group which will agree monitoring targets to include permissions, completions and densities. However, due to fluctuations in the market and sites coming on stream a review trigger will come into force if there is a persistent under delivery of housing (against the HMA annualised target) over a consecutive 3 year period.

REVIEW

The document will be reviewed no less than every three years but will be reviewed when new evidence, that renders this MOU out of date, emerges

**Signed on behalf of Coventry City Council
Councillor Ann Lucas**

Date:

**Signed on behalf of North Warwickshire Borough Council
Councillor David Humphreys**

Date:

**Signed on behalf of Nuneaton & Bedworth Borough Council
Councillor Dennis Harvey**

Date:

**Signed on behalf of Warwickshire County Council
Councillor Isobel Seccombe**

Date:

**Signed on behalf of Rugby Borough Council
Councillor Michael Stokes**

Date:

**Signed on behalf of Warwick District Council
Councillor Andrew Mobbs**

Date:

**Signed on behalf of Stratford-on-Avon District Council
Councillor Chris Saint**

Date: