



MAY 2022

Nuneaton & Bedworth Housing & Economic Development Needs Assessment

Final Report

Iceni Projects Limited on behalf of Nuneaton
and Bedworth Borough Council

May 2022

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ICENI PROJECTS LIMITED
ON BEHALF OF NUNEATON
AND BEDWORTH BOROUGH
COUNCIL

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CONTENTS

1.	INTRODUCTION	2
2.	NUNEATON AND BEDWORTH'S ECONOMY	4
3.	COMMERCIAL PROPERTY MARKET DYNAMICS	13
4.	HOUSING MARKET DYNAMICS	18
5.	DEMOGRAPHIC TRENDS	28
6.	OVERALL HOUSING NEED	35
7.	AFFORDABLE HOUSING NEED	39
8.	NEED FOR DIFFERENT TYPES OF HOMES	62
9.	FUTURE EMPLOYMENT LAND NEEDS	83
10.	CONCLUSIONS	94

1. INTRODUCTION

- 1.1 Nuneaton and Bedworth Borough Council has commissioned Icen Projects (“Icen”) to prepare this Housing and Economic Development Needs Assessment (“HEDNA”) to inform and support the preparation of its Local Plan Review Preferred Options, the consultation on which is scheduled for Summer 2022.
- 1.2 The NPPF requires the preparation and review of local plans to be underpinned by relevant and up-to-date evidence, and take into account relevant market signals. It sets out a framework through which development needs should be assessed first, and then plans should seek to these objectively assessed needs, together with unmet needs from neighbouring areas, where this is consistent with achieving sustainable development. An important first step in preparing local plans is therefore to assess an area’s development needs.
- 1.3 The HEDNA considers the following:
- Overall housing needs – it sets out the standard method calculation and considers alternative scenarios for housing need taking account of the latest demographic evidence and wider considerations including future economic performance;
 - Economic development needs – the HEDNA considers economic and commercial market dynamics, considers future economic performance, and triangulates different data sources to provide an assessment of local employment land needs for both industrial and office space;
 - Housing mix – it provides evidence regarding the need for different types of homes, including the need for affordable housing, for different sizes of properties, and the housing needs of a growing older population.
- 1.4 This HEDNA report draws on ongoing being undertaken to prepare a HEDNA report for the Coventry and Warwickshire Sub-Region. Coventry and Warwickshire are recognised as constituting the relevant functional Housing Market Area (HMA) and Functional Economic Market Area (FEMA).¹
- 1.5 This report has been prepared to present interim outputs to allow Nuneaton and Bedworth’s Local Plan Review to progress and inform the Preferred Options Consultation. The findings will need to be reviewed as plan-making progresses, including to take account of the outputs of the 2021 Census

¹ As confirmed through the last round of local plans across the sub-region.

which are not available at the time of writing; and further progress on the sub-regional HEDNA which will take these into account.

Report Structure

1.6 The remainder of this report is structured as follows:

- Section 2: Nuneaton and Bedworth's Economy;
- Section 3: Commercial Property Market Dynamics;
- Section 4: Housing Market Dynamics;
- Section 5: Demographics;
- Section 6: Overall Housing Need;
- Section 7: Need for Different Types of Homes;
- Section 8: Future Employment Land Needs;
- Section 9: Conclusions.

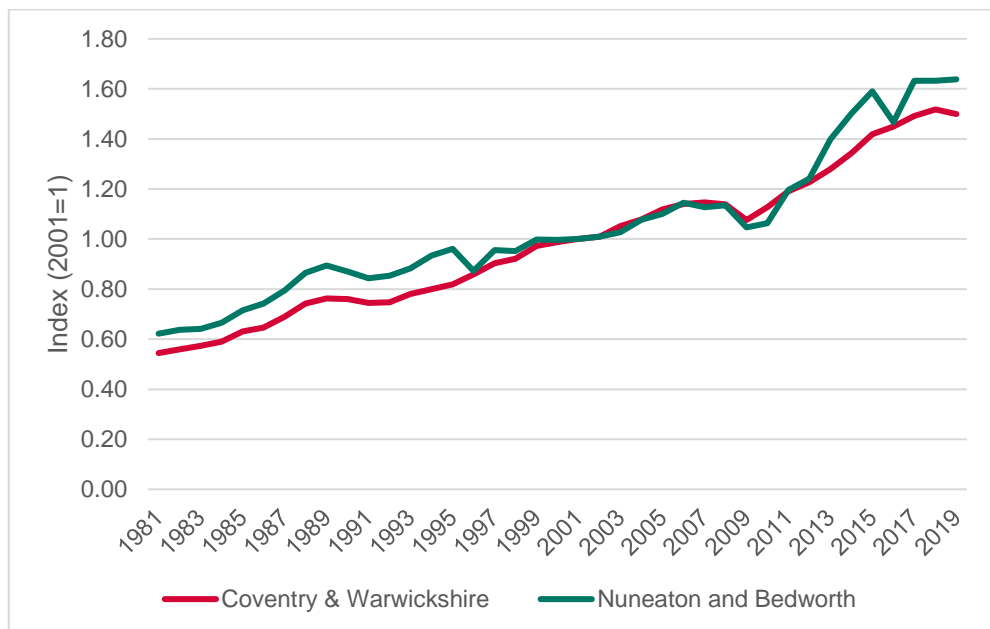
2. NUNEATON AND BEDWORTH'S ECONOMY

2.1 This section of the report provides a profile of the local economy, its past performance and labour market dynamics.

Economic Size and Structure

2.2 Nuneaton and Bedworth Borough is a £2 billion economy which accounts for around 7% of total GVA across Coventry and Warwickshire. GVA growth, as the chart below shows, has out-performed that of Coventry and Warwickshire as a whole over the period since 2012; whilst the sub-region has out-performed wider regional and national trends.

Figure 2.1: Historical GVA Growth

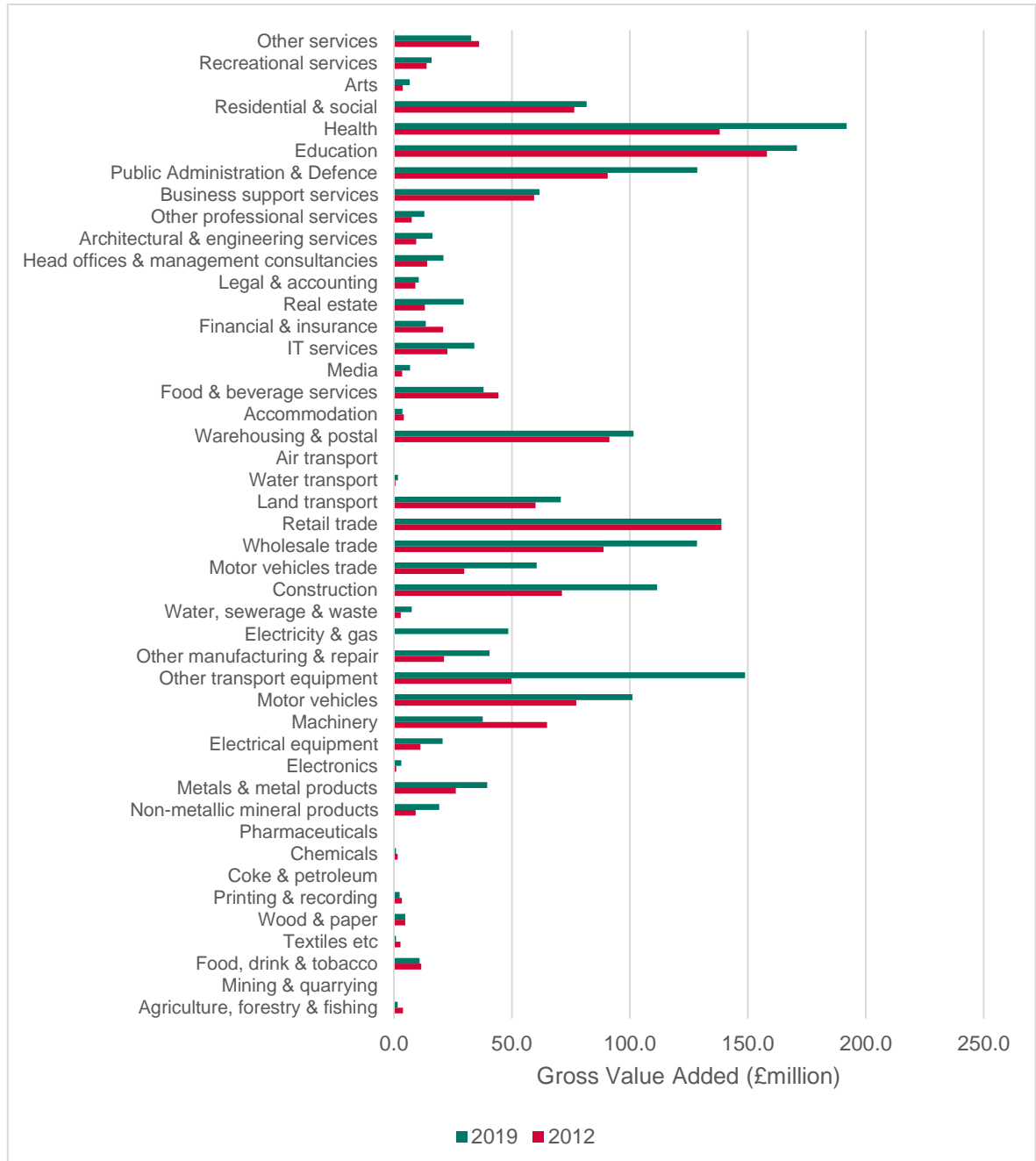


Source: Icen/Cambridge Econometrics

2.3 The chart overleaf shows how the composition of GVA has changed over this 2012-19 period; and the main sectors in the local economy. The largest sectors include health, education and retail (as is the case across many areas). Manufacturing is significant and accounts for 22% of GVA. A similar proportion of total GVA is associated with transport, warehousing and retail activities, which illustrates the strength in warehousing and logistics within the area.

2.4 Of total GVA growth over the 2012-19 period, a substantial 26% reflected growth in the automotive sector (as narrowly defined)² with other key growth areas linked to public administration, education and health, utilities wholesale/trade of motor vehicles, and logistics-related activities.

Figure 2.2: Changing Composition of the Nuneaton & Bedworth Economy – GVA by Sector, 2012-19



Source: Icen/Cambridge Econometrics

² Motor vehicles and other transport equipment

- 2.5 Whilst overall economic growth, as measured by GVA, has been strong, the Borough's economic productivity is below average with GVA per job of £36,800. This is below that of other authorities in the sub-region, and regional/national benchmarks. The West Midlands average is £47,600.
- 2.6 The sub-regional economy across Coventry and Warwickshire shows concentrations of employment in manufacturing (LQ 1.8) as well as activities associated with warehousing/logistics (such as wholesale trade, warehousing and postal). There is a slightly higher representation of education employment.
- 2.7 Nuneaton & Bedworth had around 54,800 jobs in 2019, accounting for around 10.4% of jobs across the sub-region. The structure of employment by sector is shown in the table below. Manufacturing is a large sector, accounting for 11.2% of employment. Wholesale/retail and transport/warehousing activities are also strongly represented; and there is an above average proportion of employment in public administration and health (which may reflect a weaker private sector business base). Higher value service sectors such as financial and professional services are under-represented. This influences the Borough's overall productivity performance.

Table 2.1 Employment by Sector, 2019

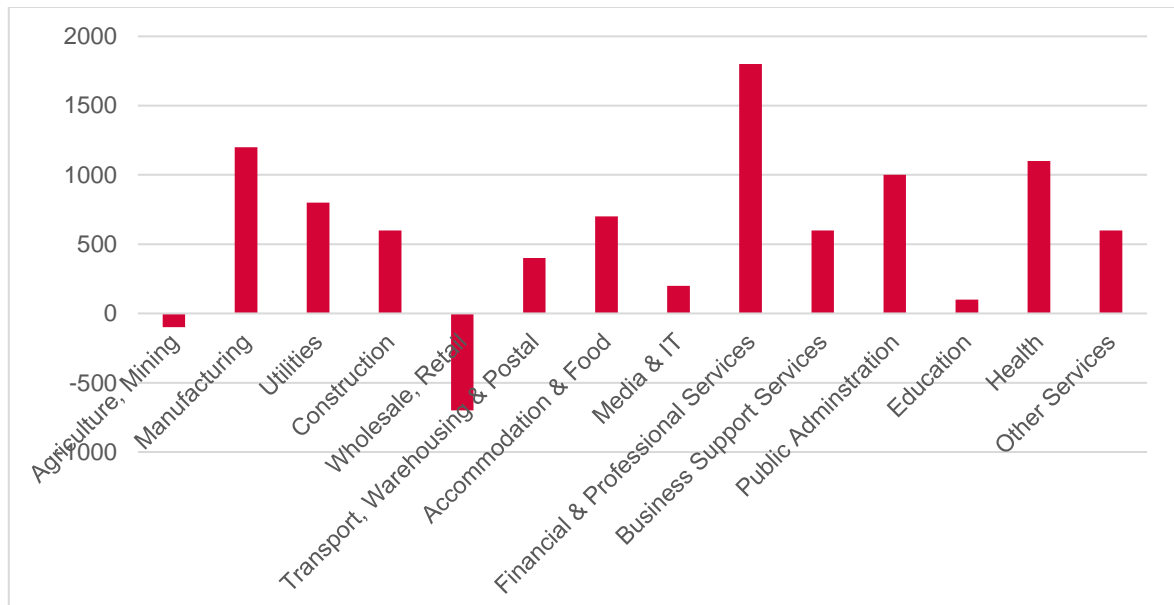
	Nuneaton & Bedworth		% Employment Coventry & Warwickshire
	Jobs ('000s)	% Employment	
Agriculture, Mining	0.3	0.6%	1.0%
Manufacturing	6.1	11.2%	11.0%
Utilities	0.9	1.7%	2.1%
Construction	3.9	7.1%	6.0%
Wholesale, Retail	8.8	16.0%	15.0%
Transport, Warehousing & Postal	4.5	8.2%	7.1%
Accommodation & Food	2.6	4.7%	6.2%
Media & IT	0.9	1.6%	3.0%
Financial & Professional Services	4.5	8.2%	12.3%
Business Support Services	4.3	7.9%	8.3%
Public Administration	2.6	4.7%	3.3%
Education	4.6	8.4%	8.8%
Health	5.2	9.6%	5.8%
Other Services	5.6	10.2%	10.0%
Total	54.8	100%	100.0%

Source: Icen/Cambridge Econometrics

- 2.8 Key manufacturing sub-sectors include automotive (employing around 1800) and metals and metal products (employing 1600) followed by machinery manufacturing (600 jobs).

2.9 The chart below profiles employment changes by broad sector over the 2012-19 period. The strongest growth has been in professional services (and within this in other professional services and business support services) with an increase of 1,800 jobs. Public administration jobs have increased by 1000, with 1100 additional jobs in health. However manufacturing employment has equally increased, growing by 1200 jobs. Only agricultural employment (-100) and wholesale/retail jobs (-700) have fallen.

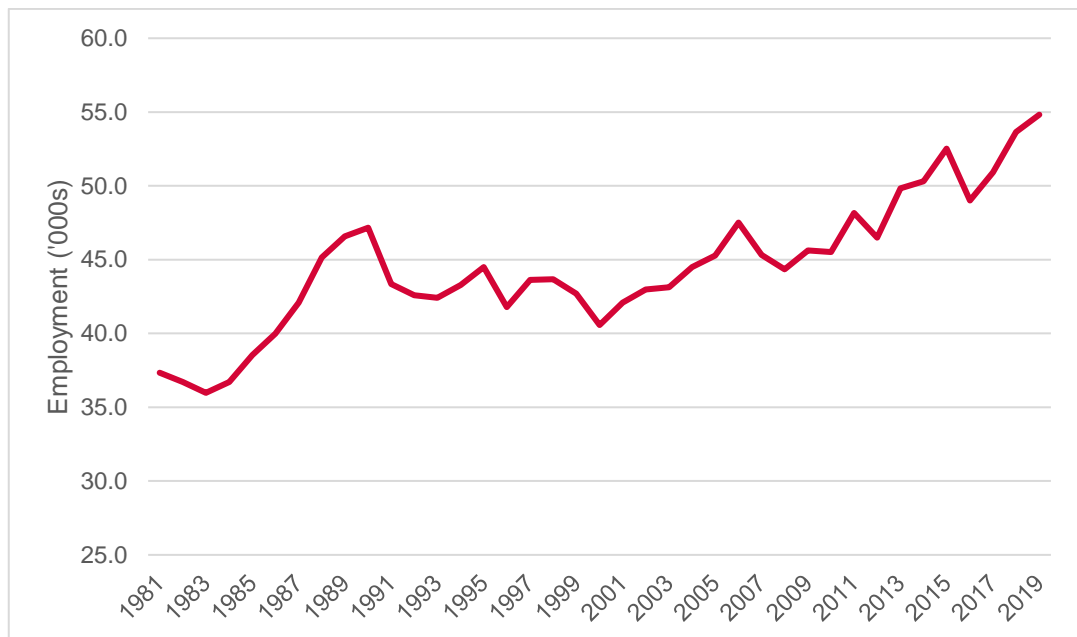
Figure 2.3: Changes in Employment by Sector in Nuneaton & Bedworth, 2012-19



Source: Icen/Cambridge Econometrics

2.10 The chart below shows how employment in the Borough has grown over time. Employment grew sharply in the 1980s, fell during the 1990s in net terms before resuming growth in the 2000s. It has performed relatively well in recent years, with a general upward trend evident since 2008.

Figure 2.4: Total Employment – Nuneaton and Bedworth



Source: Icen/Cambridge Econometrics

Business Base

- 2.11 There were 4,330 active businesses in the Borough in 2019. This represents a business density, relative to the population aged 16-64, of 54 per 1000. This is below the sub-regional and regional averages (62 and 65 per 1000) and substantially below the national average (85 per 1000) based on ONS Business Demography data.
- 2.12 There is a particularly strong representation of transport and storage businesses within the Borough relative to the national average. Manufacturing businesses are also over-represented.

Labour Market

- 2.13 The latest ONS data from the Annual Population Survey points to a high level of economic participation, with an economic activity rate in the Borough of 82.6%.³ This is well above the regional average of 77.7%.
- 2.14 Taking a three year average, to smooth out variance within the data, the employment and economic activity rates in the Borough are above sub-regional, regional and national averages. High levels of economic participation are shown.

³ NOMIS, Oct 2020-Sept 2021

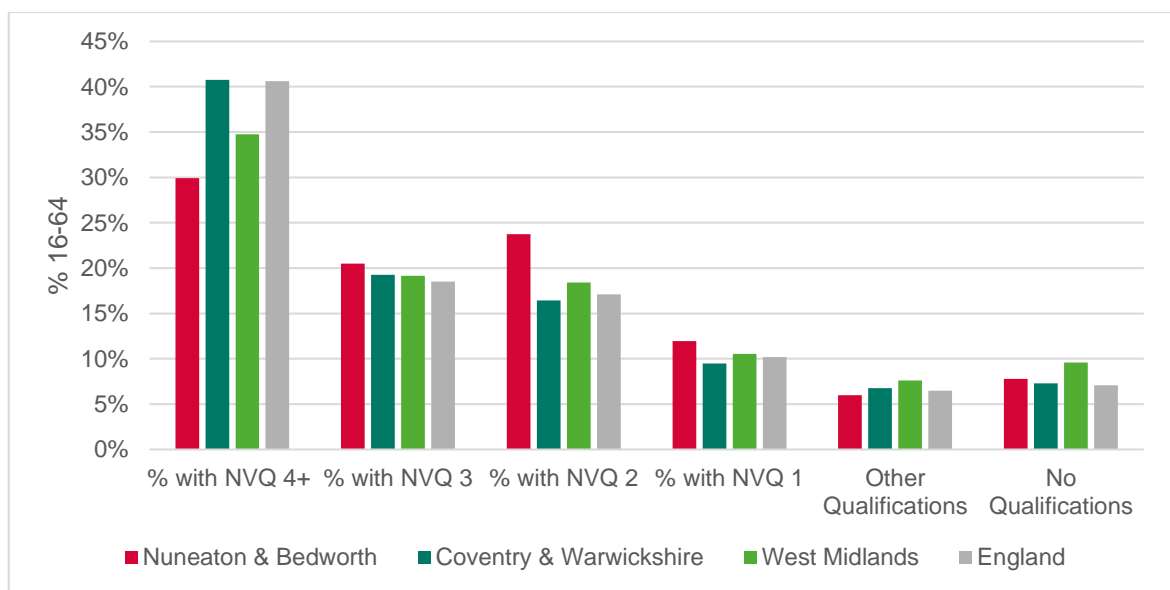
Table 2.2 Economic Participation

% aged 16-64	Nuneaton & Bedworth	Coventry & Warwickshire	West Midlands	England
Economic activity rate	81.1%	79.4%	77.6%	79.1%
Employment rate	79.7%	76.3%	73.6%	75.6%

Source: Annual Population Survey

- 2.15 The Borough’s skills/qualifications profile shows a below average proportion of residents with Level 4+ skills (equivalent to a degree), at 30% compared to 41% at a sub-regional and national level. Conversely there are above average proportions of residents with Level 1 and Level 2 skills.

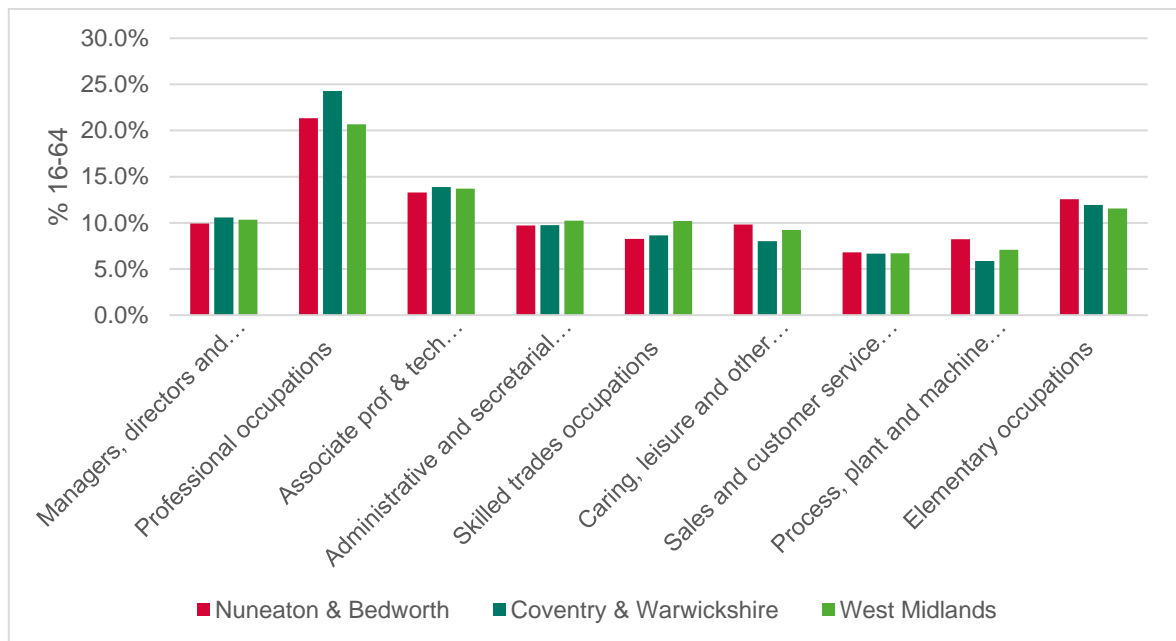
Figure 2.5: Qualifications



Source: Annual Population Survey (3 year average using data to Dec 2020)

- 2.16 The profile of residents’ occupations reflects the skills profile, with a stronger representation of people employed in lower paid/skilled roles such as process, plant and machine operatives, elementary occupations, and care, leisure and other services.

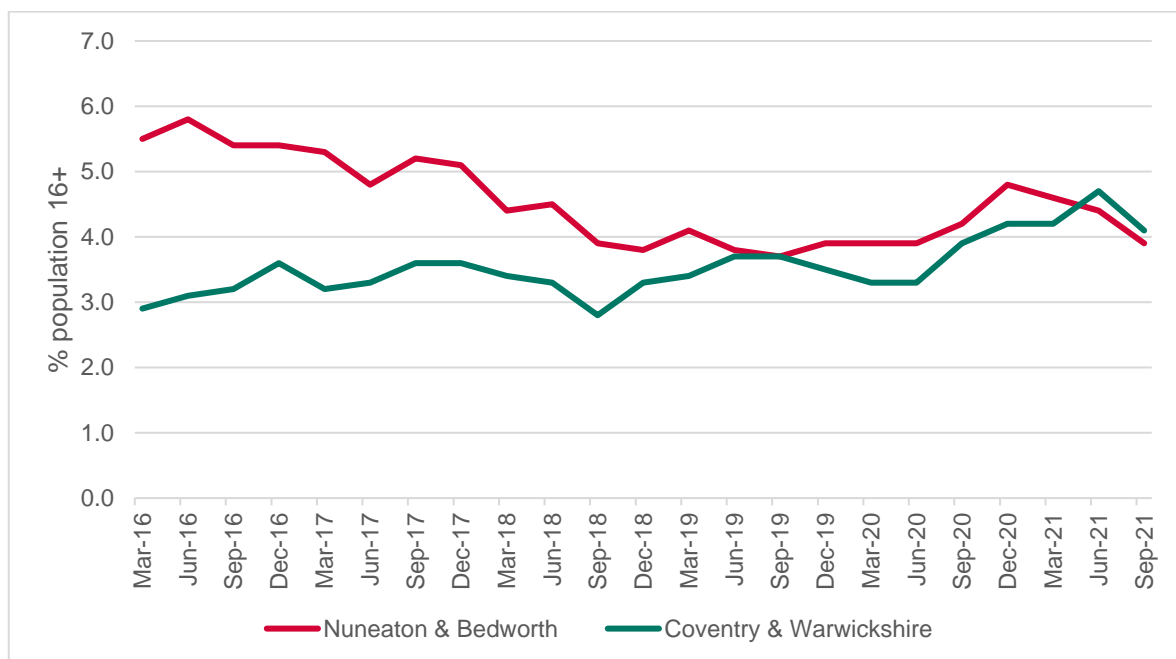
Figure 2.6: Occupational Profile



Source: Annual Population Survey (3 year average using data to Sept 2021)

2.17 Consistent with the preceding analysis of a high employment rate, the medium-term trend in unemployment in the Borough has been downwards. The Covid-19 pandemic evidently resulted in an increase in unemployment, which grew from 3.9% in late 2019 to a peak of 4.8% in late 2020. The unemployment rate has however since been falling and at 3.9% in Sept 2021 was marginally below the sub-regional average. In actual terms the latest data points to 2,700 unemployed persons.

Figure 2.7: Unemployment Rate

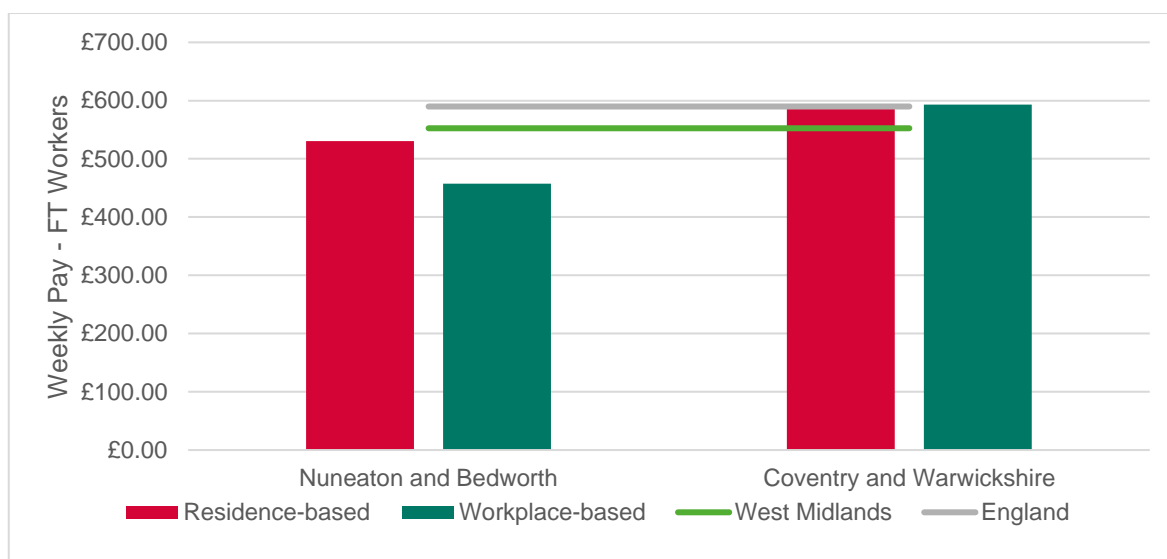


Source: ONS Model-based Estimates

2.18 The ONS data on unemployment claimants points to a claimant count of 4.6% of those aged 16-64, which sits between the regional and national averages (5.4% and 4.4%) as at February 2022. In actual terms, this equates to 3,655 claimants.

2.19 The earnings of those working in the Borough fall 23% below the sub-regional average, showing that the nature of jobs and skills of residents influence the Borough's weaker productivity performance. Residents' earnings are higher pointing to out-commuting of some high paid residents to work.

Figure 2.8: Comparison of Residence- and Workplace-based Earnings (2020)



Source: Annual Survey of Hours and Earnings

2.20 The Borough has a jobs density of 0.64 in 2020, which is notable below the 0.80 figure across the West Midlands and 0.84 nationally. Jobs density describes the ratio of jobs to residents aged 16-64. The low jobs density is a function in particular of out-commuting from the Borough to work – particularly to Coventry – and reflects the Borough's geography and strong functional relationship to the City.

Key Messages

Overall, the economic profile of the Borough is mixed. It's economy has an annual GVA of £2 billion and supported 55,000 jobs pre-pandemic. It has particular strengths in manufacturing, a sector in which employment has been growing; as well as in logistics/distribution but has also seen growth in jobs in sectors such as health, education and public administration which are driven in particular by population growth.

The evidence however points to issues associated with the quality of jobs, and skills profile of the Borough's population. There is a low representation of higher skilled workers, and indeed relatively

low levels of enterprise. Investment in skills development is needed to help attract and develop better quality jobs and improve economic resilience. The Borough would also benefit from an enhanced focus on enterprise development and small business growth.

3. COMMERCIAL PROPERTY MARKET DYNAMICS

3.1 This section of the report considers commercial property market dynamics, addressing first the office market and then the industrial market. This informs consideration of employment land needs in Section 8.

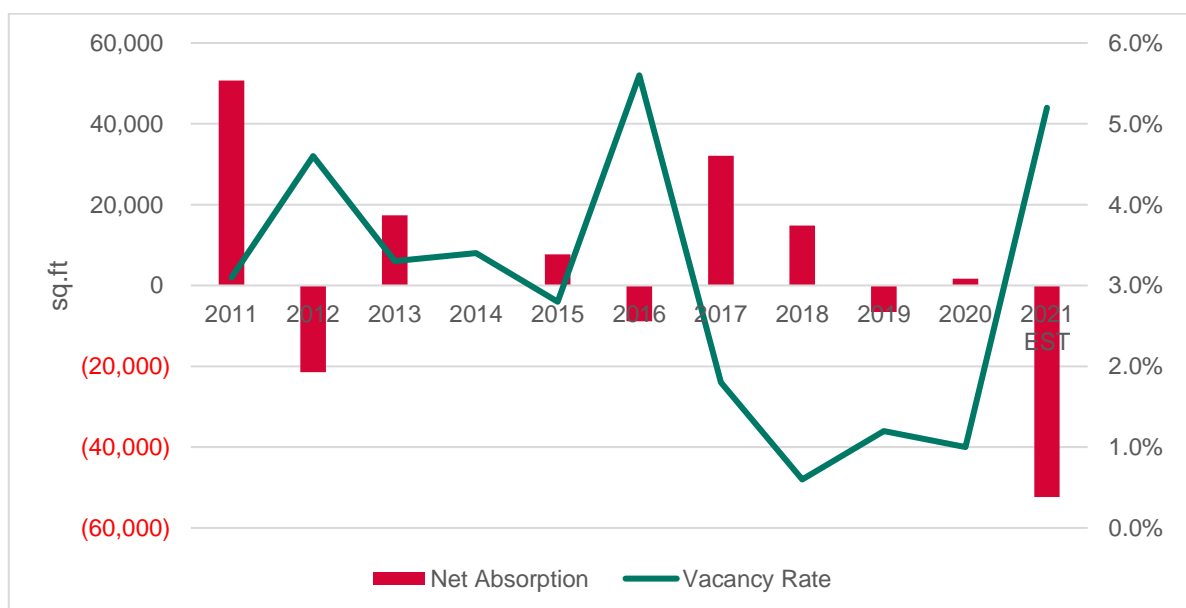
Office Market

3.2 Nuneaton and Bedworth has a relatively modest-sized office market, with CoStar recording a total of 1.26 million sq.ft of office space in the Borough (116,700 sq.m). The quantum of office floorspace in the Borough has remained relatively stable, growing by a modest 1% over the previous decade (2011-21).

3.3 CoStar records around 65,000 sq.ft of vacant floorspace in 2021, equating to a vacancy rate of 5.2%. The level of vacant space has grown, with the vacancy rate increasing from a historic low of 1.0% in early 2020, but remains relatively low recognising that some vacant space is needed to facilitate turnover within a functioning market. Total availability, including space in the pipeline, is of just over 20,000 sq.ft.

3.4 The chart below shows the trend in net absorption of office floorspace over the last decade, and the inter-relationship between this and vacancy levels. Net absorption relates to the change in occupied floorspace (so positive net absorption will see the level of vacant space decrease, and visa-versa).

Figure 3.1: Net Absorption and Vacancy of Office Floorspace, Nuneaton and Bedworth

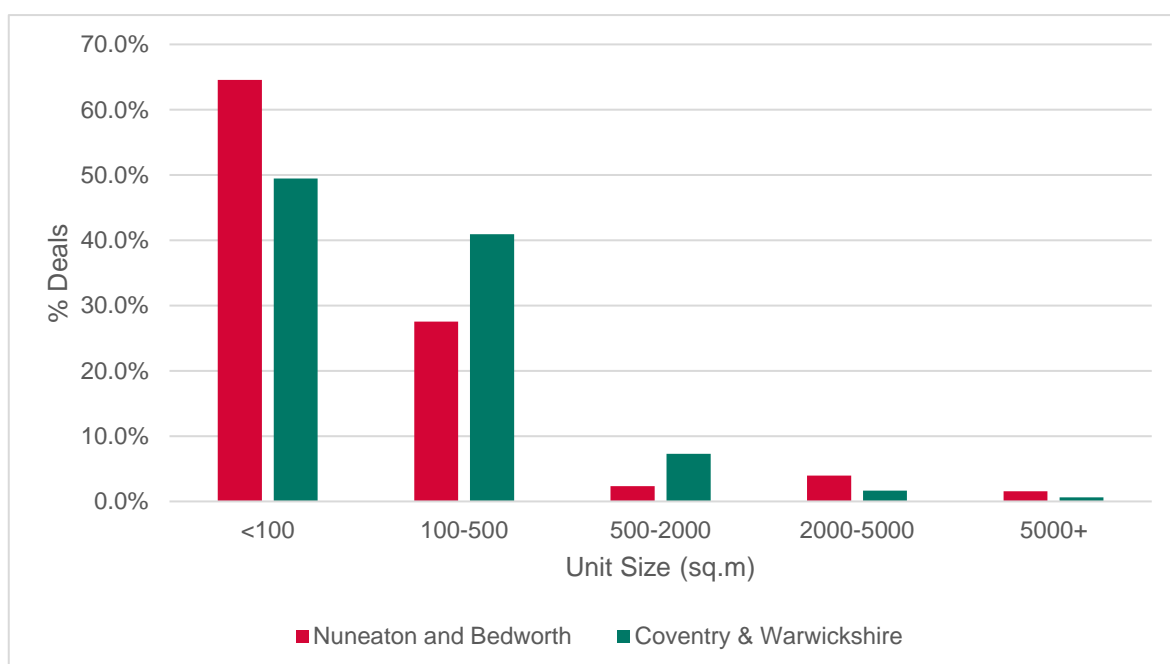


Source: CoStar/Iceni Analysis

3.5 Gross take-up of office space in the Borough has averaged around 20,000 sq.ft (c. 1900 sq.m) per annum over the last decade. But net absorption over this period (2012-21) has been modestly negative (-1600 sq.ft pa). This is consistent with a market outlook where demand for office space has been modest; and the stock position which is of little growth (but equally no net loss) of office floorspace.

3.6 The chart below shows the profile of office deals by size-band. 92% of deals recorded on CoStar over the period since 2011 have been of less than 500 sq.ft indicating a focus of the office market in the Borough on smaller SME businesses.

Figure 3.2: Office Deals by Size Band – Nuneaton and Bedworth (2011-21)



Source: CoStar/Iceni

3.7 The most recent larger deal recorded by CoStar was the letting of almost 50,000 sq.ft of space at £10.95 psf to the retailer, Holland & Barrett, in the Bermuda Industrial Estate in 2017.

3.8 The Council's 2021 Authority Monitoring Report identifies development of just 4476 sq.m of B1a office space over the 2011-21 decade. Office space in the Borough is likely to be delivered principally through office provision within industrial/ warehousing units.

3.9 There is no Grade A office space on the market or under construction at the time of writing. Wider office market conditions are characterised by market uncertainty as the market adjusts to changing working patterns, and potentially less reliance on being at a desk in a workplace five days per week. We give further consideration to these issues in Section 8. There is potential for office vacancy rates to rise further in the short-term, which will limit new-build development of standalone offices.

3.10 Rental values vary based on the age and quality of space, with CoStar recording average rents of around £16 psf. Speculative office development is not anticipated to be commercially viable given

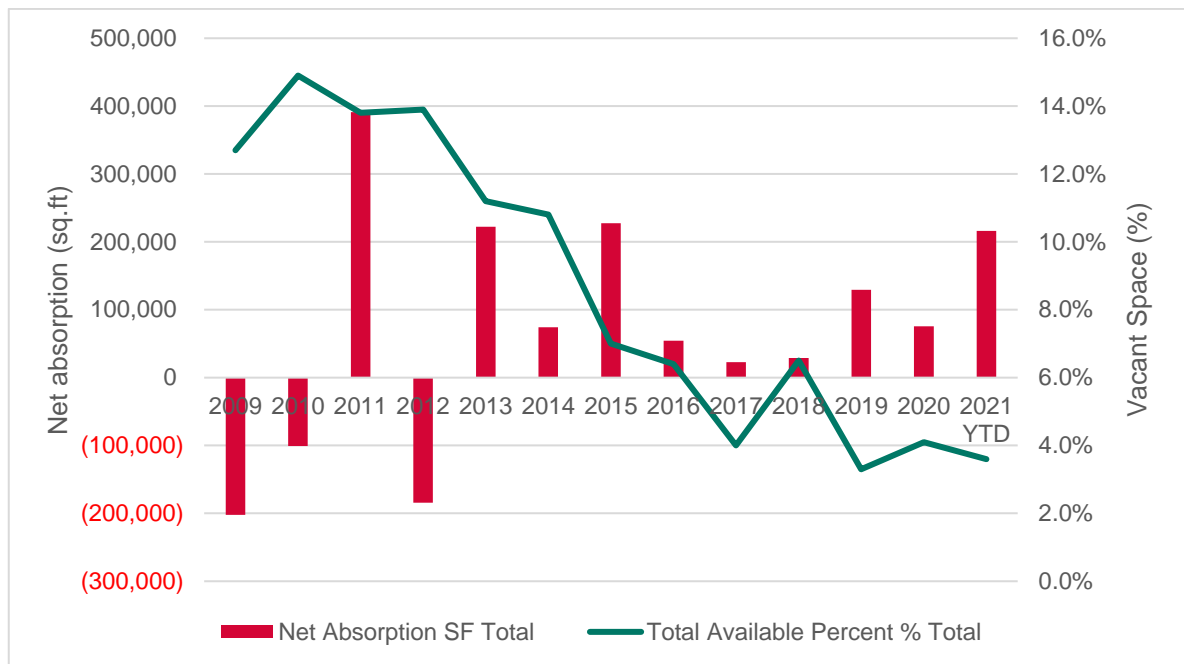
the rental tone and nature of the localised market. Occupier interest is limited and development is likely to require a pre-let at a premium, or development to be subsidised by higher value uses such as residential.

- 3.11 There has been some loss of office space through permitted development, but this appears to have declined since 2017, with levels relatively modest.

Industrial Market

- 3.12 Nuneaton and Bedworth exhibits a strong market for industrial premises influenced both by the strength of the manufacturing sector in the Borough and wider sub-region and the location within the wider logistics 'Golden Triangle' at the centre of the country, with major population centres within a 4.5 hour drivetime.
- 3.13 2020 and 2021 have seen record levels of market activity within the industrial and logistics sectors, with market demand being buoyed by the growth in on-line retail activity (e-retailing) together with growth in stock holding requirements of firms influenced by trade disruption. At a national level, take-up hit 78 million sq.ft in 2021. Take-up in the West Midlands region in 2021 was of almost 10 million sq.ft, almost a third up on the 5-year average. With a rapidly diminishing supply of land and premises, industrial rents have grown sharply. Around Coventry, rents that were £6.50 psf a couple of years ago are now at over £8 psf, with agents reporting strong demand across size bands.
- 3.14 Nuneaton and Bedworth had 876,000 sq.m of industrial floorspace in 2020, with total floorspace recorded by the VOA has having declined 6% over the previous decade. The Borough's industrial floorspace equates to around 11% of the total across Coventry & Warwickshire. CoStar on the other hand records an increased inventory of industrial stock rising by 8% over this period.
- 3.15 CoStar records around 231,200 sq.ft of vacant space in 2021, equating to a 2.7% vacancy level. This is modest and points to limited availability of built stock. The majority of available space is Class B stock (94%). The vacancy level has however been relatively low for some time, influenced by the trend towards build-to-suit development. In total there is 307,100 sq.ft available, equating to a rate of 3.6%, but this represents a notably tighter position than pre-2015 when availability of over 7.0% was evident.
- 3.16 The chart below shows the trend in net absorption against the availability rate. Net absorption has been positive year-on-year since 2013, with net absorption over the last 10 years equating to almost 90,000 sq.ft per annum (8050 sq.m pa). 2021 has seen the highest net absorption level shown.

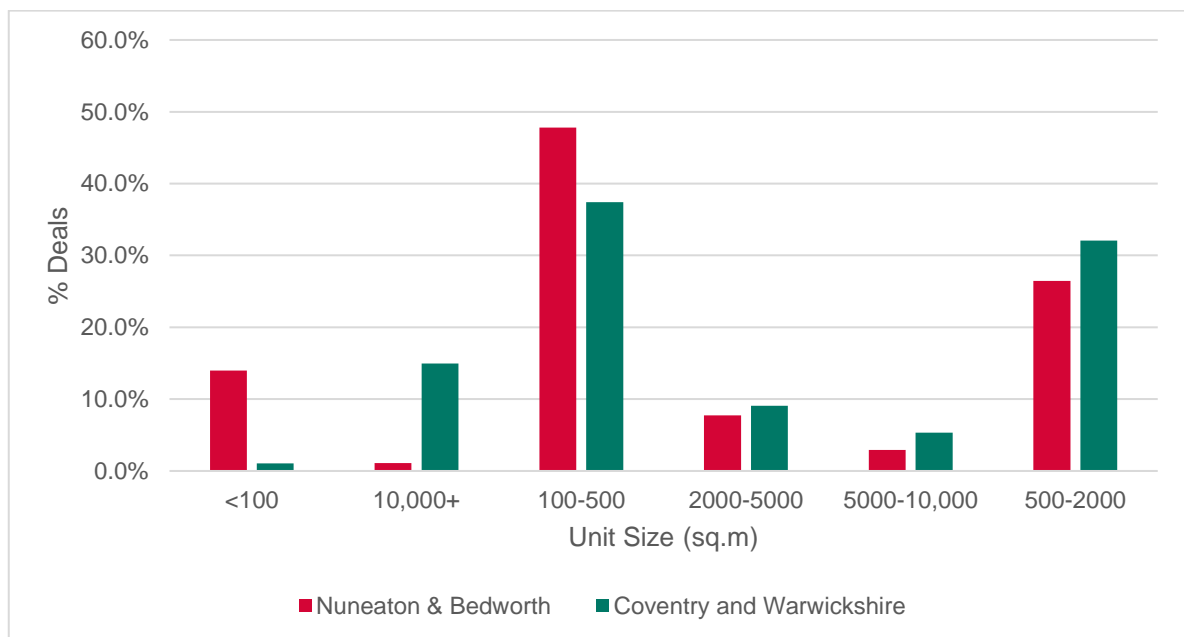
Figure 3.3: Net Absorption and Availability of Industrial Floorspace, Nuneaton & Bedworth



Source: CoStar/Iceni

3.17 The chart below shows the profile of deals by unit size. The evidence points to a particular concentration of transactions for units of between 100 – 500 sq.m (c. 1000 – 5000 sq.ft), but equally there are a significant number of deals of mid box and big box units (> 500 sq.m).

Figure 3.4: Industrial Deals by Size Band – Nuneaton and Bedworth, 2011-21



Source: CoStar/Iceni

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- 3.18 Strong market conditions and declining availability in the industrial market have been supporting strong rental growth, with the average rent recorded by CoStar growing from £5.65 in 2019 to £6.31 in 2021. Headline rents have risen from c. £6.50 psf to nearer £8 psf.
- 3.19 There is a pipeline of development schemes coming forwards; however a number of the local plan allocations have yet to have progressed to market.

Key Messages

The Borough has a relatively modest and localised office market, which is focused on small SME businesses; but has a large stock of industrial properties and is an attractive location for industrial space. Market conditions in this sector are very strong at the time of writing, with availability and the immediate pipeline of space low which set against strong market conditions had led to rising rents and land values. This points to a need to bring forward additional sites.

4. HOUSING MARKET DYNAMICS

4.1 This section profiles housing market dynamics, addressing first the sales market and then the lettings market.

Sales Market

4.2 The median house price in Nuneaton and Bedworth at £185,000 this compares to £247,000 across the C&W Housing Market Area over the year to Dec 2020. This means that house prices in Nuneaton and Bedworth are around one third lower than the wider HMA, which itself was 5% below the national average.

4.3 We have seen some growth across all geographies in 2021, such that the latest data – for the year to September 2021 – indicates a median house price of £196,000. This compares to £285,000 across England.

Table 4.1 Median House Price, Year to Dec 2020

	Median House Price, Year to Dec 2020	Difference to HMA Average
Nuneaton and Bedworth	£185,000	-33%
C&W HMA	£247,000	0%
West Midlands	£206,000	-20%
England	£259,000	5%

Source: ONS Small Area House Price Statistics Dataset 9

4.4 House prices in Nuneaton have grown over the last 20 years (2000-2020) by an average of 6.9% per annum. This is modestly above average for both the region and nationally and in particular reflects stronger recent house price growth.

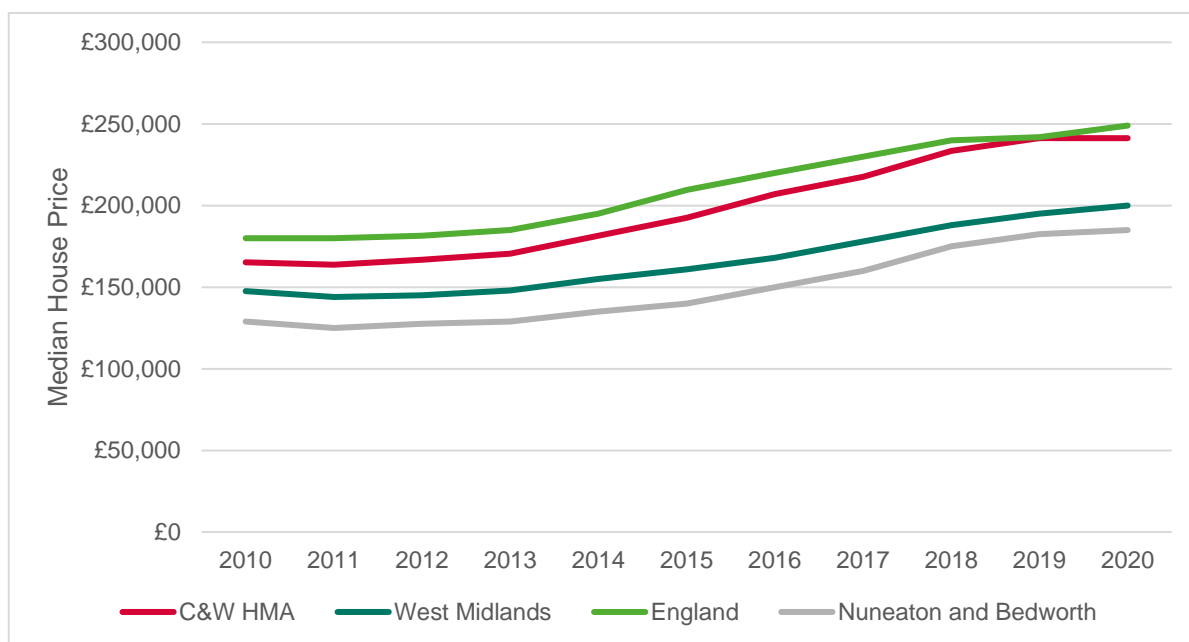
Table 4.2 Annual House Price Growth over different Periods (% CAGR)

CAGR	2005-10	2010-15	2015-20	20 Year
C&W HMA	1.6%	3.1%	4.6%	6.9%
West Midlands	1.0%	1.8%	4.4%	5.7%
England	1.3%	3.1%	3.5%	5.8%

Source: Derived from ONS Small Area House Price Statistics Dataset 9

4.5 As the chart below shows, we have seen stronger house price growth in the HMA relative to the regional and national average since 2013. The median house price in 2020 was £41,000 above the West Midlands average across the HMA. However, Nuneaton and Bedworth is £15,000 below the West Midlands average. Using the latest data to Sept 2021, this difference to the regional average has grown to £29,000 indicating slightly weaker price growth in the short-term.

Figure 4.1: House Price Trends in HMA, 2010-2020



Source: Derived from ONS Small Area House Price Statistics Dataset 9

4.6 Analysis of actual changes in values also produces interesting results. Over the last 5 years, Nuneaton and Bedworth house prices have grown by £45,000 stronger than across the West Midlands region but below the rest of the HMA, albeit to a moderate degree.

Table 4.3 House Price Growth in C&W Local Authorities

	1 Year	5 Year	10 Year
Nuneaton and Bedworth	£2,500	£45,000	£56,000
C&W HMA	£0	£48,700	£76,000
West Midlands	£5,000	£39,000	£52,500

Source: Derived from ONS Small Area House Price Statistics Dataset 9

4.7 Analysis of house prices show that for all types, Nuneaton and Bedworth are lower than cross the Region and Country. This is particularly the case for flatted stock which about 18% lower than the region.

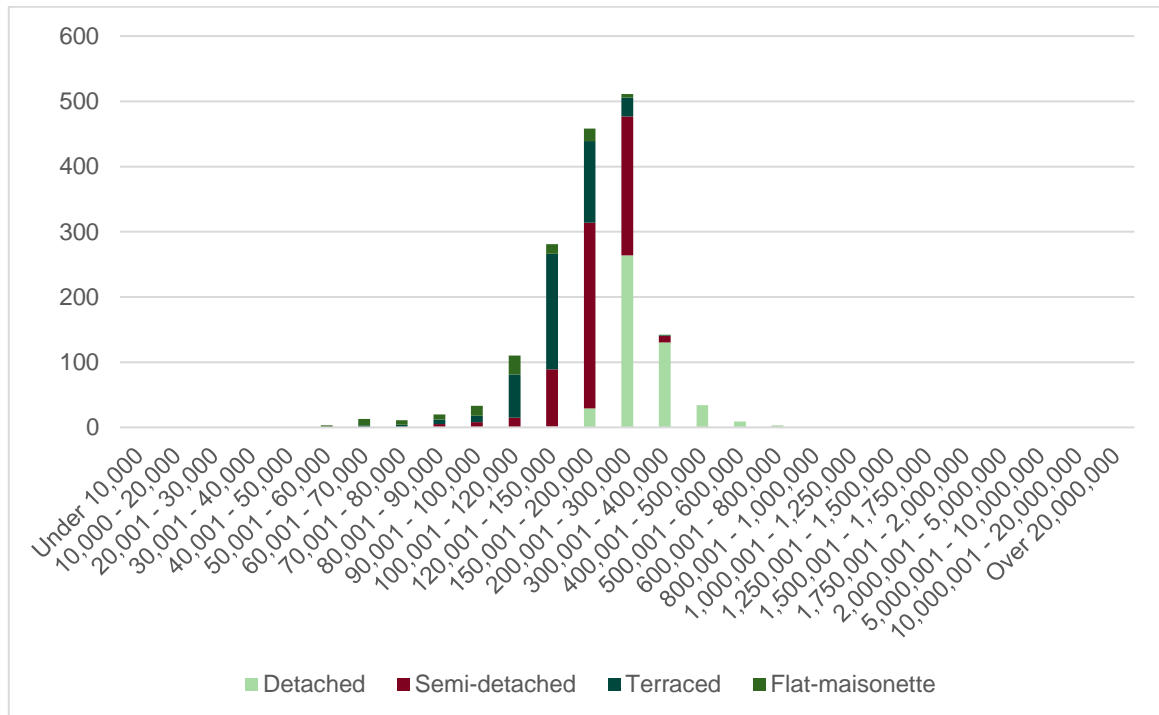
Table 4.4 Median House Prices by Type, Year to Sept 2020

	Detached	Semi-Detached	Terraced	Flat/Maisonette
Nuneaton and Bedworth	£278,000	£180,000	£138,000	£105,000
West Midlands	£319,000	£190,000	£159,000	£127,500
England	£350,000	£223,000	£195,000	£216,000

Source: Derived from ONS Small Area House Price Statistics Dataset 9

4.8 The graph below analyses the distribution of property sales by type across the Borough. It shows that most property sales (for the 2020 calendar year) were for properties valued at between £120,000 - £300,000. There is however a level of sales of larger properties – particularly detached – which command higher values still.

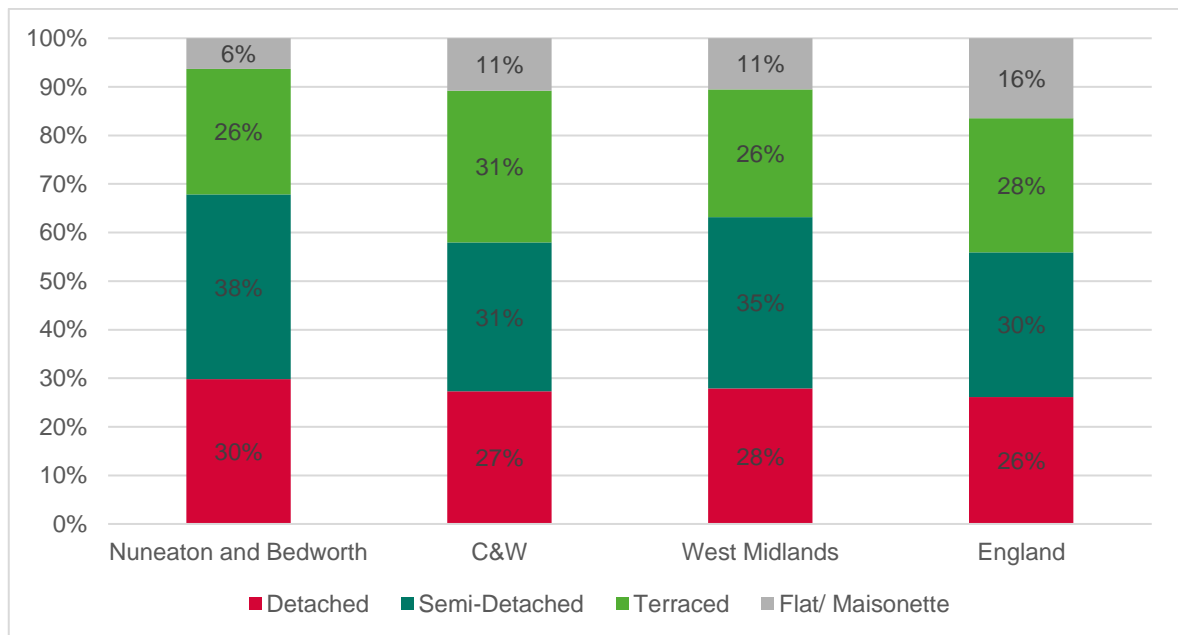
Figure 4.2: Distribution of Sales – Nuneaton and Bedworth (2020)



Source: HM Land Registry House Price Index

4.9 The profile of sales by type across the HMA is generally fairly balanced between terraced, semi-detached and detached stock; with a modest volume of flatted sales which accounted for just 11% of sales in 2020. In comparison only 6% of sales in Nuneaton and Bedworth were flats. This was balanced out by a greater percentage of detached and semi-detached sales. The profile of market demand is thus focused more towards larger homes.

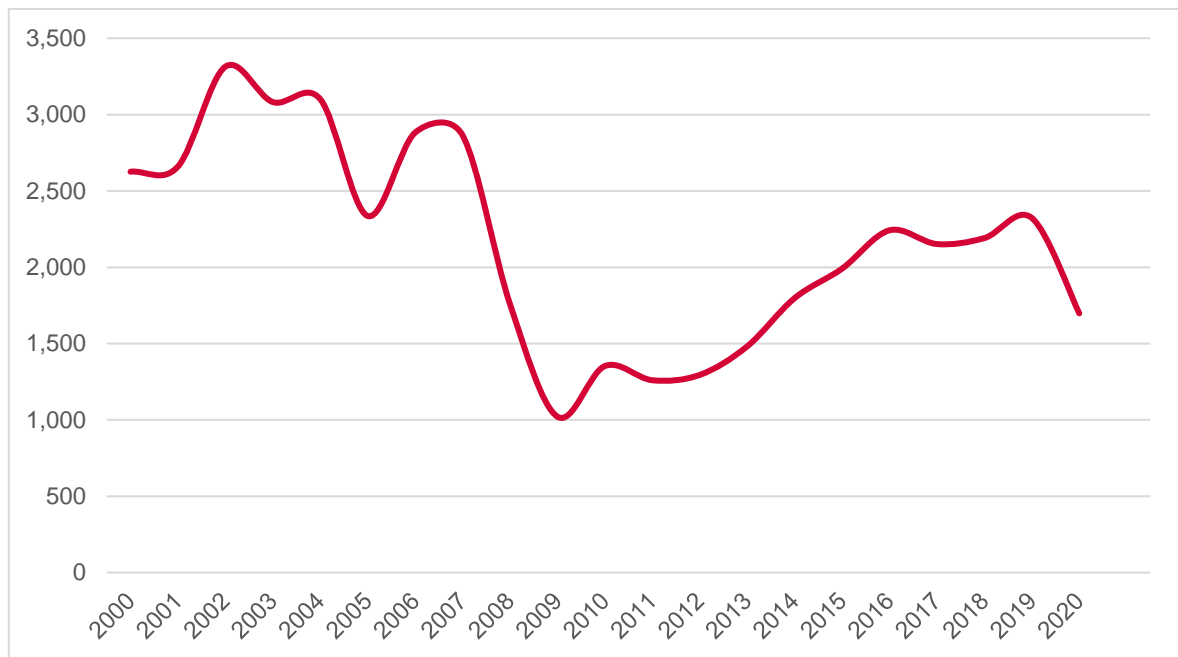
Figure 4.3: Distribution of Sales by Type, Year to Sept 2020



Source: Derived from ONS Small Area House Price Statistics Dataset 6

- 4.10 The trend in market housing sales over time highlights the influence of macro-economic factors. A rise in interest rates saw a notable drop in sales in 2005; whilst the onset of the ‘credit crunch’ in 2007 saw a dramatic fall in the ability to access mortgage finance and combined with reduced market confidence and falling values saw a notable drop in sales volumes and market activities between 2007-9.
- 4.11 A substantive recovery in market conditions was not seen before 2013, from which point the Bank of England’s Funding for Lending Scheme saw improved mortgage availability; which together with improved economic confidence and the Government’s Help-to-Buy Scheme supported a recovery in the market.
- 4.12 Sales volumes between 2014-2018 averaged 14,000 a year across Coventry & Warwickshire; which was 40% down on the pre-recession average (pre 2007). Indeed we have seen a decade of lower sales volumes. There are a complex set of factors which appear to have contributed to this, including: a low inflation environment such that inflation is not reducing the value of debt in real terms as it did in previous decades (pre-2000); longer mortgage terms; an ageing population who typically move infrequently; and a policy focus on caring for older persons in their home (resulting in fewer moves). Added to this have been increasing transactional costs of moving, particularly associated with rising values and the costs of Stamp Duty, which have affected both home owners and investors (with 3% additional Stamp Duty applicable to investment purchases from April 2016).

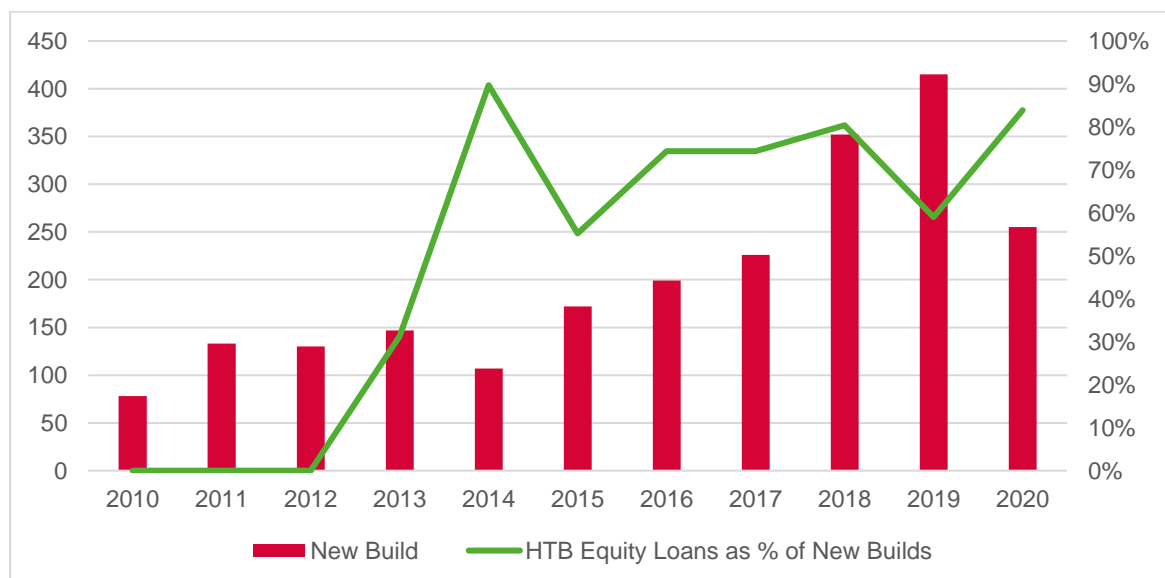
Figure 4.4: Sales Volumes – Nuneaton and Bedworth



Source: Derived from ONS Small Area House Price Statistics Dataset 6

- 4.13 The Government’s Help-to-Buy Equity Loan scheme has played an important role in supporting the housing market. Across the HMA it has supported 50% of new-build sales over the last 5 years (to Sept 2020). It will have particularly helped younger households (without existing equity) to buy a home. However, in Nuneaton and Bedworth the number of new build sold with Help-to-Buy over the last 5 years has averaged 71%.

Figure 4.5: New-Build Sales in HMA supported by Help-to-Buy Equity Loan Scheme



Source: Icen Analysis of ONS Small Area House Price Statistics Dataset 6 & MHCLG Help-to-Buy Equity Loan Scheme Statistics

4.14 Icenis’s analysis indicates that 87% of those supported by the Help-to-Buy Scheme in the HMA have been First-time Buyers, this rises to 90% in Nuneaton and Bedworth. It is very clear that the Help-to-Buy scheme has played a very important role in supporting First-time Buyers to purchase properties.

Table 4.5 First Time Buyers Supported by Help-to-Buy Equity Loan, to Sept 2020

	HTB Equity Loan Sales	Sales to First-time Buyers	% First-time Buyers
Nuneaton and Bedworth	1,083	1,206	90%
C&W HMA	6,201	7,136	87%

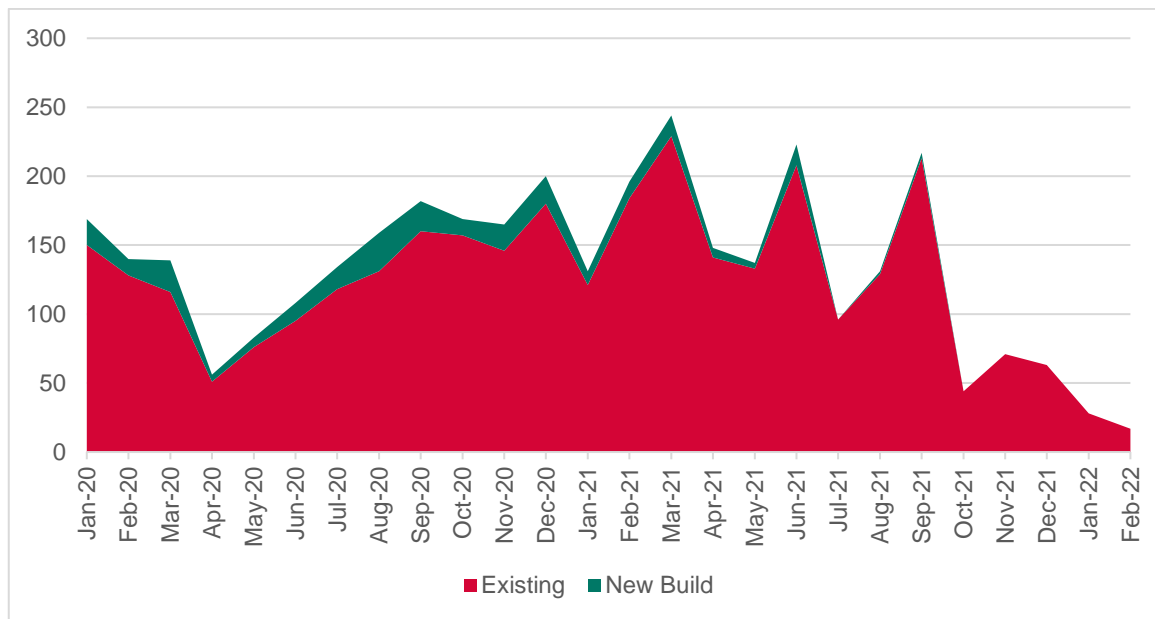
Source: MHCLG Help-to-Buy Equity Loan Scheme Statistics

4.15 It is very clear that the Help-to-Buy scheme has played a very important role in supporting First-time Buyers to purchase properties.

4.16 A more detailed recent picture of market activity can be gleaned by analysing HM Land Registry monthly data. This shows a particular dip in sales in April and May 2020 influenced by the first Covid-19 lockdown. Sales volumes however grew through the second half of 2020 recovering to around 200 sales per month; but this remains below longer-term trends and does not point to particular buoyancy within the local markets. As the figure below also shows, there has been a downward trend in new-build sales. This can in part be attributed to reduced availability of labour and materials which is slowing the delivery of new build housing.

4.17 Furthermore, a combination of rising house prices and limited availability of mortgages with higher loan-to-value ratios has been restricting first-time buyer numbers; with first-time buyers also more likely to be younger and affected by the furlough scheme or rising unemployment. There are however signs of the availability of mortgages with a 5% or 10% deposit improving and the Government has provided support through the Mortgage Guarantee Scheme. The change to the Help-to-Buy Scheme may be having some impact.

Figure 4.6: Short-term Sales Volumes – Nuneaton and Bedworth



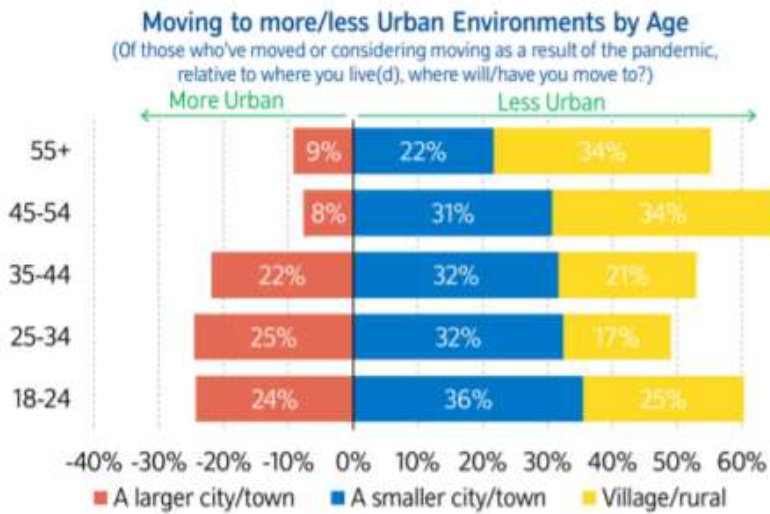
Source: Derived from HM Land Registry House Price Index

4.18 Monthly house price data from the HM Land Registry index shows a month-on-month growth in house prices over the last year across the HMA. Whilst growth has not been seen in every month for Nuneaton and Bedworth there is a clear upwards trend. For example the first 2 month in 2020 median house prices in the Borough were £176,000 while in 2022 they have reached £202,500. Strong market conditions appear to have been influenced by a variety of factors including:

- Government support to the market through the Help-to-Buy scheme and the Stamp Duty Holiday, which was due to end in March 2021 but was extended to June 2021;
- The influence of the pandemic on people’s housing need and choices, from both a growth in home working which is reducing the requirement for being close to a workplace (with evidence that households are looking further from the workplace as a result) to changing space requirements including space to work and a requirement for outdoor space.

4.19 Nationwide reported in May 2021 house price growth of 10.9% over the last year nationally (which accords with our analysis), with values growing at the fastest rate since 2014. Whilst their research suggested that the Stamp Duty Holiday was a factor, three quarters of homeowners surveyed indicated that they would have been moving even if the Stamp Duty Holiday had not been extended. Of those moving or considering a move they found 33% were moving to a different area, whilst nearly 30% were doing so to access a garden or outdoor space more easily. The majority were looking to move to less urban areas, as the chart below shows.

Figure 4.7: Preferences of those looking to move, Spring 2021



Source: Nationwide House Price Index Press Release, May 2021

- 4.20 However over a third (36%) of those surveyed also indicated that they were more likely to consider enhancing their home as a result of Covid, with nearly half (46%) of these looking to add or maximise space; and 35% looking to improve energy efficiency or reduce their home's carbon footprint.
- 4.21 Savills forecast further house price growth but for this to slow over the next five years. This is the case for both the West Midlands and the UK with a slightly stronger level of growth in the West Midlands.

Table 4.6 Savills House Price Forecasts, November 2021

	2022	2023	2024	2025	2026
West Midlands	4.0%	3.5%	3.0%	2.5%	2.0%
UK	3.5%	3.0%	2.5%	2.0%	1.5%

Source: Savills UK Housing Market Update, November 2021

Sales Market Commentary

- 4.22 IcenI has engaged with a number of estate and lettings agents to gather information and market insight around house prices, sales, rental values and overall buoyancy to supplement our data analysis from national sources. This engagement took place in early August 2021. The sub-sections below deal with each area of the market in turn.
- 4.23 Nuneaton has remained busy with some slight tail off in the July and August period, but the market has always been consistently busy. There has been a mix profile of buyers but as many as 70% of are first-time buyers. Young professionals are looking, as well as a handful of investors. The bottom of the market seems to be doing better than the higher end, with properties up to £250,000 going

very quickly and for over asking price, although one agent said prices have and will remain static. A majority of movers have come from Warwickshire, but also from Milton Keynes, Luton and London.

4.24 Agents in Nuneaton expect the market to continue to be strong. Demand from Londoners and city-dwellers is expected to continue as Nuneaton benefits from good transport links, good schools and a great community.

Lettings Market

4.25 Across Nuneaton and Bedworth, median monthly rents at £600 are slightly below the regional average of £650 per calendar month. The Nuneaton and Bedworth rents are also lower than any other local authority in the HMA.

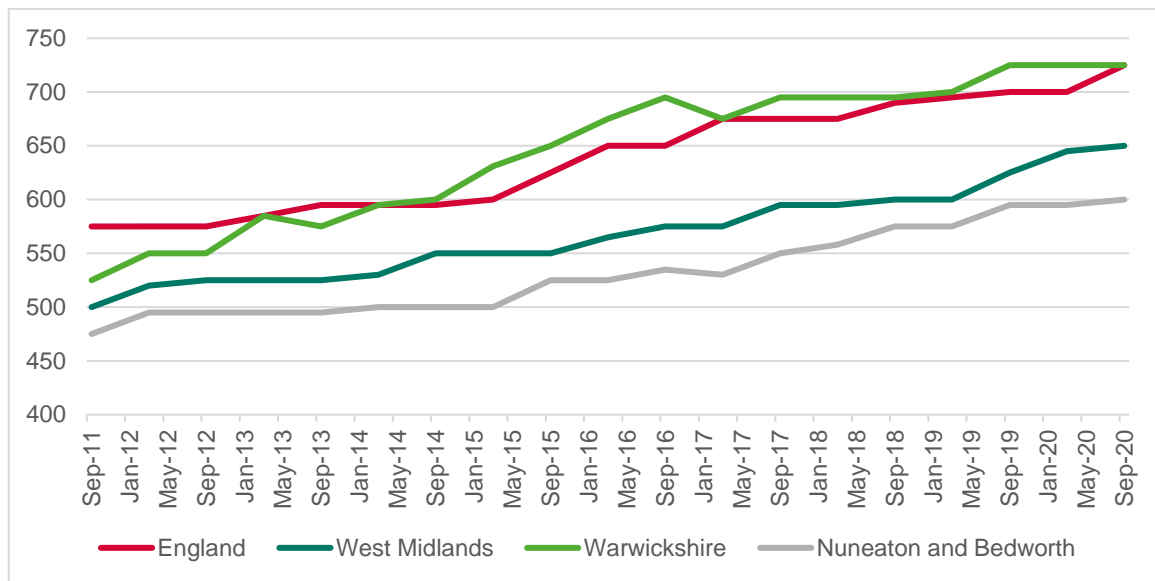
Figure 4.8: Median Rents, Year to Sept 2020



Source: ONS/VOA Private Rental Market Statistics

4.26 The chart below tracks changes in rental costs over time. Over the period since 2011 the medium-term trend has been of rental growth in line with the regional trend although it is notably lower in the borough.

Figure 4.9: Median Rents, 2011-20



Source: ONS/VOA Private Rental Market Statistics

4.27 The table below considers growth in median and lower quartile (entry level) rents over the last 5 years. Nuneaton and Bedworth over the last 5 years (2014/15 – 2019/20) has seen relatively strong absolute growth in comparison to the wider areas.

Table 4.7 Trends in Median and Lower Quartile Rents

	Median Rent	5 Year Growth	LQ Rent	5 Year Growth
Nuneaton and Bedworth	£ 600	£ 125	£ 540	£ 90
Warwickshire	£ 725	£ 75	£ 600	£ 75
West Midlands	£ 650	£ 100	£ 550	£ 100
England	£ 725	£ 100	£ 550	£ 56

Source: ONS/VOA Private Rental Market Statistics

Key Messages

The median house price in the Borough appears to have recently risen to just over £200,000. The local market is one which is relatively affordable compared to some other parts of the region. A high proportion of new homes sales have been supported by the Help-to-Buy Equity Loan Scheme in recent years, the majority of which have been purchases by First-time Buyers.

Rental values at around £600 PCM remain below the Warwickshire average, but have grown broadly in line with regional trends.

5. DEMOGRAPHIC TRENDS

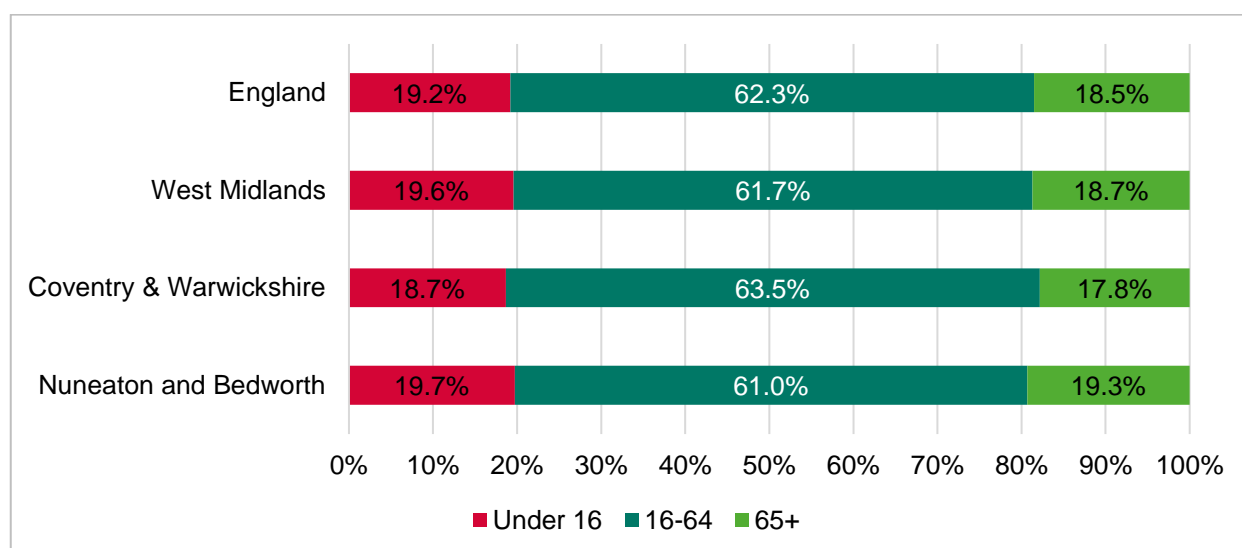
5.1 This section of the report considers demographic trends as a precursor to interrogating overall housing need in Section 6. It considers and interrogates ONS Mid-Year Population Estimates, treating these initially 'as read' but recognises that there have been some significant criticisms of the accuracy of this data within the HMA but particularly for Coventry. The evidence interrogated supports this view, and the section therefore seeks to provide an alternative set of estimates for likely population growth.

5.2 It should be noted that population estimates from the 2021 Census can be expected at some time in 2022⁴ and these will help to provide a better view of population trends. These can inform future iterations of the Borough Plan Review.

Demographic Trends

5.3 ONS estimates for the population of Nuneaton and Bedworth to be 130,373 in 2020. This comprises around 13.5% of the HMA population. The figure below considers the broad age profile and shows a broad alignment between Nuneaton and Bedworth and the wider West Midlands. However the borough has both a slightly older and slightly younger population than the other comparators as a result the working age population is smaller in comparison.

Figure 5.1: Population Profile (2020)



⁴ Initial findings are due in early Summer 2022, with further releases scheduled over the period to March 2023. Population and household estimates at LAD level are in the first phase of released, so potentially Summer/Autumn 2022

Source: ONS Mid-Year Population Estimates

- 5.4 ONS Mid-Year Estimates suggest that over the 2011-20 period, Nuneaton & Bedworth (4%) has seen more notably modest change to population than the wider HMA (11.5%).

Table 5.1 Change in Population by Local Authority (2011-20)

	2011	2020	Change	% Change
Nuneaton and Bedworth	125,409	130,373	4,964	4.0%
Coventry & Warwickshire	863,469	963,173	99,704	11.5%

Source: ONS

Accuracy of Population Estimates and Relationship with Coventry

- 5.5 ONS population estimates for Coventry have been criticised by a number of parties - most notably by CPRE (Warwickshire) - as being too high and therefore having an impact on future projections (which in turn lead to estimates of housing need). ONS estimates that Coventry's population is estimated to have increase at a substantially faster rate than seen across Warwickshire, or indeed other comparable cities.
- 5.6 The Statistics Authority has undertaken a Review which has identified that population estimates for Coventry do appear to be inconsistent with a number of other data sources. The Authority suggested that ONS takes a sensible approach to population estimates but that they may miss the 'bigger picture' of what the population data informs; it was suggested that ONS should be more open to reflecting any local challenges highlighted and that any feedback should be used to help sense check the official figures. Overall it was concluded that ONS should a) improve methods; b) enhance communication; and c) embrace challenge.
- 5.7 ONS has responded recognising that there were concerns about population estimates and projections (specifically mentioning Coventry) and that this can have an impact on household projections and therefore calculations of housing need. They have recognised the issue and set out a number of recommendations to address it; but have not developed alternative estimates of the City's population. In due course, Census 2021 data will provide greater clarity on Coventry's population.
- 5.8 Icen consider that a number of data sources do point to Coventry's population having been over-estimated by ONS. This has implications for Nuneaton and Bedworth as ONS' model is dynamic, and a higher population in Coventry will influence migration dynamics with Nuneaton and Bedworth. There is net migration from Coventry to authorities in Warwickshire, in particular to Warwick and Nuneaton and Bedworth.

5.9 A revised estimate of Nuneaton and Bedworth's population has thus been derived linked to two indicators:

- Dwelling completions – considering what population growth might have occurred having regard to the level of housing delivery since 2011;
- Patient Register – considering data from the Patient Register and what this reveals about population growth, having regard to the regional and national relationship between PR and MYE (as not all people re-register on moving away).

5.10 Applying this approach indicates that Nuneaton and Bedworth's population in 2020 may be slightly higher than estimated by ONS. The evidence indicates that the Borough's dwelling stock has increased by 6.7% between 2011-20, but the MYEs estimate only 4.0% population growth. We estimate that the population has grown by 5.3%.

Table 5.2 Estimated Population in 2020

	MYE (2020)	Estimated (2020)	Difference
Nuneaton & Bedworth	130,373	132,093	1,720

Projected Population Growth

5.11 As well as adjusting the historic population growth these trends would also impact on the future population growth and subsequently housing need. Projections have therefore been developed to look at estimates of population growth relative to estimates by ONS with adjustments being made to official projections to take account of the differences in estimates. For the analysis, the latest (2018-based) SNPP (alternative internal migration variant) are used as a base with adjustments made to levels of migration so that a lower or higher level of population growth is achieved in line with the estimates above.

5.12 The method used is not without its pitfalls, for example, when looking at death rates, the figures in the SNPP are used, however if the population against which deaths are measured (to calculate a rate) is too low (as is the case in Nuneaton and Bedworth) then the rates as calculated will be too low. There is also an issue with fertility rates as the number of births will be applied to an incorrect population of females of child-bearing age. For this analysis, these points are noted, but there has not been any attempt to make adjustments. The main reason for this (as well as potential difficulties in amending the official rates) is the ultimately the projections are used to look at household growth (to lead into housing need) and it is unlikely that amending birth and death rates will have any notable impact on household figures. For births, it is the case that no one born in the 2021-31 period will form a separate household, whereas the majority of deaths occur in the older person population – it is this

population which is less influenced by the amendments made to population structure within the alternative estimates.

- 5.13 There is also an issue in relation to migration. Firstly it is possible the age structure of migrants is different in the estimated figures than the SNPP. Secondly, within the SNPP levels of migration are variable over time. This is overcome by linking migration adjustments in the modelling to relative population estimates which for Nuneaton and Bedworth slightly increases net migration.
- 5.14 Overall, the method to provide an alternative projection is to look at the population growth in the 2013-18 period (which is the trend period used by the SNPP) and compare this to estimated population growth in the 2015-20 period (the most recent 5-year period for which data has been estimated).
- 5.15 The table below sets out estimated population growth in the 2021-31 period based on the assumptions about past population growth, figures are contrast with those from the SNPP for context. Across the borough, the alternative projection shows higher level of projected population growth than the SNPP, a population increase over 10-years of 10,135, compared with 5,921; the percentage increase is also lower (7.6% vs. 4.5%).

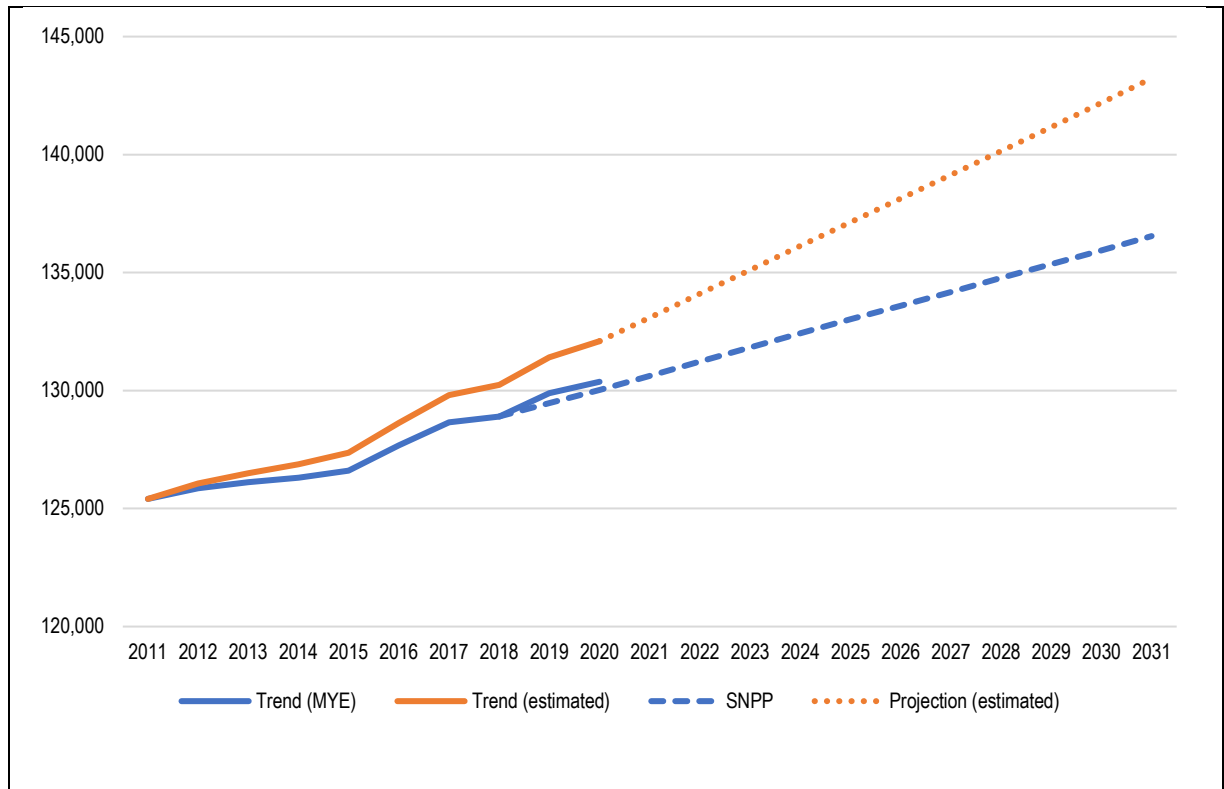
Table 5.3 Projected Population Change in the SNPP and the Alternative Projection (based on updated population estimates) – 2021-31

	Population 2021	Population 2031	Change in population	% change
SNPP	130,624	136,545	5,921	4.5%
Alternative	133,096	143,232	10,135	7.6%

Source: ONS and JGC Population Estimates

- 5.16 For information, the figure below shows past population trends (from both ONS and the alternative) and the projections through to 2031 (SNPP and alternative). Generally, given the estimated past trends it is considered that the projections look to be reasonable for each authority.

Figure 5.2: Past trends and projected population change in the SNPP and the alternative projection (based on updated population estimates)



5.17 With the alternative projections will come a different projected age structure. The 65+ age group will continue to see the most significant change (both in number and percentage terms), although the population aged 16-64 is projected to see stronger growth than in the SNPP as these age groups will have comprise a greater percentage of migrants.

Household Projections

5.18 We have next sought to use this information to estimate changes in households. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

5.19 The latest HRRs are as contained in the ONS 2018-based subnational household projections (SNHP). It would be fair to say that recent SNHP (since the 2016-based release) have come under some criticism, this is largely because they are based only on data in the 2001-11 Census period which would suggest that it builds in the suppression of household formation experienced in that time. Typically for the 25-34 age group there was a notable drop in formation rates from 2001 to 2011, and ONS are projecting some continuation of this moving forward as far as 2021 (following which the rate is held broadly stable).

5.20 The 2014-based data has the advantage of using more data points for analysis (looking at a time series back to 1971). It should also be noted that the 2014-based figures do take a slightly different approach to establishing the households reference person. In the 2014-SNHP a male is taken as a default HRP where there is a couple household (of different sexes) whereas the 2018-SNHP uses the Census definition of a HRP which takes account of the economic activity and age of people in a household.

5.21 Therefore, two scenarios have been developed, firstly using the HRRs in the 2018-based SNHP and secondly using the same data but from an earlier (2014-based) release. For clarity these two scenarios have been labelled as:

- 2018-HRRs; and
- 2014-HRRs.

5.22 The table below show estimates of household growth with each of the two HRR scenarios as well as the published growth from the 2018 and 2014-based household projections, recognising the PPG emphasises use of the 2014-based Household Projections as a starting point for considering housing need.

5.23 As shown, in Nuneaton and Bedworth the alternative projections show a higher level of household growth of 512 per annum using 2018-based rates. Application of 2014-HRRs increases this number slightly to 524 pa. In comparison to the official published household projections show a growth of between 345 - 354 pa.

Table 5.4 Projected Household Growth in Alternative Population Projection and HRRs from 2018-SNHP

Scenario	Households 2021	Households 2031	Change in households	Per annum
2014-Based As Published	56,155	59,691	3,536	354
2018-Based As Published	55,788	59,236	3,448	345
Alternative Population and 2014-based SNHP HRRs	56,793	62,031	5,238	524
Alternative Population and 2018-based SNHP HRRs	56,754	61,877	5,123	512

Source: JGC Demographic Projections

5.24 There is evidently some uncertainty related to population trends in Coventry, and in Nuneaton and Bedworth. Using the evidence currently available indicates that population growth can be expected to be stronger than shown in either the 2014- or 2018-based SNPP. Icen consider that the most

appropriate approach based on the current evidence is to use the Alternative Population Projection developed, and apply the 2014-based headship rates to this. This approach generates average annual household growth of 524 dpa.

5.25 The 2014-based household projections use headship rates based on long-term trends looking back to 1971, whereas more recent household projections use only more recent trends (based on data from the 2001 and 2011 Census) and are therefore influenced by supply-side constraints and declining affordability in this period which affected the ability of households (and particularly younger households to form). This is a key reason why the PPG outlines that more recent projections should not be used in the standard method. The resultant overall housing need is considered in Section 6.

5.26

Key Messages

Evidence of development trends and from the Patient Register indicates that Nuneaton and Bedworth's population may have been under-estimated in ONS' latest Mid-Year Population Estimates. Icen, working with JGC, has therefore sought to develop alternative trend-based projections for population growth taking account of the inter-relationship of ONS data with other data sources. These suggest population growth of 5.3% between 2011-20.

If these revised trends are projected forward, Nuneaton and Bedworth could be expected to see population growth of 7.6% between 2021-31, in comparison to 4.5% in the 2018-based (Internal Migration Variant) projections; and stronger growth than seen in the ONS 2014-based SNPP. We consider that these revised projections provide a sensible basis for considering overall housing need at the current time. This will need to be reviewed once 2021 Census data begins to be released, and ONS updates its population projections to take this into account.

6. OVERALL HOUSING NEED

- 6.1 This section of the report moves on to consider future projections of population and household growth. As with the previous section, the analysis begins by considering ONS projections ‘as read’ before moving on to look at alternative projections that take account of the revised population estimates developed.

Standard Method

- 6.2 The analysis below considers the level of local housing need for Nuneaton and Bedworth having due regard to the Standard Method. The methodology for calculating housing need is clearly set out by Government in Planning Practice Guidance and follows a four-step process worked through in the following sub-sections.

Step One: Setting the Baseline

- 6.3 The first step in considering housing need against the Standard Method is to establish a demographic baseline of household growth. This baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten-year period, with the current year being the first year i.e. 2021 to 2031. This results in household growth of 3,536 households (354 per annum) over the ten-year period for the Borough. We have also applied the alternative projection linked to the household formation rates in the 2014-based SNHP which shows a household growth of 524 dpa.
- 6.4 Although this figure is calculated over a ten-year period from 2021 to 2031, Paragraph 12 of the PPG states that this average household growth and the local housing need arising from it can then “be applied to the whole plan period” in calculating housing need.

Step Two: Affordability Adjustment

- 6.5 The second step of the standard method is to consider the application of an uplift on the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available.
- 6.6 The latest (workplace-based) affordability data is for 2021-based and was published by ONS in March 2022. The Government’s Guidance states that for each 1% increase in the ratio of house prices to earnings, above 4, the average household growth should be increased by 0.25%, with the calculation being as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

6.7 The ratio for Nuneaton and Bedworth is 7.39 meaning the median house price is 7.39 times the median earnings of those working in the Borough. This gives an uplift of 23%. The specific calculations are set out in Table 6.1.

Step 3: The Cap

6.8 The third step of the standard method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:

- The first, which applies to Nuneaton and Bedworth, is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.
- The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.

6.9 However, given that the affordability ratio give an uplift of less than 40% there is no cap applied in Nuneaton and Bedworth.

Step Four: Urban Uplift

6.10 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift ensures that the Governments stated target of 300,000 dwellings per annum is met and that “homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.” (Paragraph: 035 Reference ID: 2a-035-20201216).

6.11 Nuneaton and Bedworth is not listed within the top 20 urban areas in the country it is therefore not subject to this additional uplift.

Standard Method Calculation

6.12 The table below works through the Standard Method calculations for Nuneaton and Bedworth shows a need for 631 dwellings per annum using the alternative population projection. This compares to 437 using the 2014-based Household Projections.

Table 6.1 Standard Method Housing Need Calculations using 2014-based Household Projections

	2014-based Household Projections	Alternative Household Projections
Households 2021	56,155	56,793
Households 2031	59,691	62,031
Change in households	3,536	5,238
Per annum change⁵	354	524
Affordability ratio (2021)	7.73	7.73
Uplift to household growth	23%	23%
Initial need (per annum)	437	646
Capped	NA	NA
Urban uplift	0%	0%
Total need (per annum)	437	646

Source: Derived from a range of ONS and MHCLG sources

- 6.13 The Government is clear that the Standard Method should be based on the slightly dated 2014-based SNHP – this is to ensure a need of 300,000 across the Country. However, it is also clear that this need is a minimum need and that there may be appropriate times to plan for a higher housing number. The PPG also goes on to add (at Reference ID: 2a-015-20190220) that:

“Where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point.”

Key Messages

The standard method, as published and using the 2014-based Household Projections, generates a need for 437 dpa. However we consider that recent population growth may have been stronger and taking this into account a more appropriate assessment of overall housing need, based on the current evidence is for 646 dpa. This would equate to a need for 9,690 homes over the proposed 2014-39 plan period in the Borough.

⁵ The projections for the 2022-23 period show a growth of 353 dpa therefore the use of the 2021-31 period used for the development of alternative projections (as we have completions data for this period) is unlikely to be a material consideration.

The higher housing provision proposed, relative to the standard method stating point, will assist in the delivery of affordable housing in the Borough. A need for up to 653 affordable homes is identified taking account of current affordability and the existing stock position.

The evidence does not point to any upward adjustments as necessary at this level to support economic growth at the borough or sub-regional level.

The assessment of overall housing need herein should be reviewed once 2021 Census data and new ONS Mid-Year Estimates are available. These will help provide a more accurate assessment of past trends, which can be used to develop population and household projections.

In addition to the need identified, it will be important as the plan-making process progresses for the Borough to engage through the Duty to Cooperate with adjoining areas to consider any issues of unmet housing need. Through the last round of local plans, an unmet need was identified from Coventry. Whilst there is uncertainty regarding the City's demographics, there is a reasonable prospect that an unmet need will again arise; and given the strong functional relationship between Nuneaton and Bedworth and Coventry, this may be an important consideration in considering overall housing provision within the Borough Plan Review.

7. AFFORDABLE HOUSING NEED

7.1 This section provides an assessment of the need for affordable housing in Nuneaton and Bedworth. It considers the need for social and affordable rented housing; and for affordable home ownership products, which include First Homes.

7.2 The approach considers the current affordable need (which is then converted into an annual flow); newly-arising need (on an annual basis) from newly-forming households and existing households falling into need; and then assesses this total need against the supply position (such as through relets of existing stock).

House Prices, Rents and Affordability

7.3 The analysis below considers the entry-level costs of housing to both buy and rent using Land Registry and ONS data on rents. A lower quartile figure is used to reflect the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.

7.4 The data shows in Nuneaton and Bedworth that entry-level costs to buy are estimated to start from about £88,000 for a flat and rising to £240,000 for a detached home.

Table 7.1 Lower quartile cost of housing to buy (existing dwellings) – year to March 2021

	Flat/ maisonette	Terraced	Semi- detached	Detached	All dwellings
N & B	£88,000	£125,000	£160,000	£240,000	£145,000

Source: Land Registry (data year to March 2021)

7.5 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). There is typically less information about 1-bedroom homes and so these price estimates should be treated with some caution.

Table 7.2 Estimated lower quartile cost of housing to buy by size (existing dwellings)

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All dwellings
N & B	£85,000	£120,000	£175,000	£270,000	£145,000

Source: Land Registry and Internet Price Search (data year to March 2021)

7.6 A similar analysis has been carried out for private rents using ONS. The analysis shows an average lower quartile cost of £550 per month in Nuneaton & Bedworth.

Table 7.3 Lower Quartile Market Rents, year to March 2021

	Nuneaton & Bedworth
Room only	-
Studio	£395
1-bedroom	£425
2-bedrooms	£550
3-bedrooms	£625
4-bedrooms	£863
All properties	£550
Ex. room only	£550

Source: ONS

- 7.7 Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes. An income distribution for Nuneaton and Bedworth has been constructed for 2020. Across the Borough the median household income of £30,700 is calculated.
- 7.8 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying).
- 7.9 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used depending on local housing costs.
- 7.10 At £550 per calendar month, lower quartile rent levels in Nuneaton and Bedworth are similar to those seen nationally (a lower quartile rent of £565 for England in the year to March 2021). This would suggest that a proportion of income to be spent on housing at 25% would be reasonable. However, in reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs. Given this, it is considered that a threshold of 30% is reasonable in a local context. Based on an expenditure threshold of 30%, to afford the median rent of £550 pcm this would imply a gross household income of about £22,000.
- 7.11 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when

looking at the need for affordable home ownership. For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. For Nuneaton and Bedworth this means that in order to buy a lower quartile home a household income of £29,000 is required.

Table 7.4 Estimated Household Income Required to Buy and Privately Rent

	To buy	To rent (privately)	Income gap
Nuneaton & Bedworth	£29,000	£22,000	£7,000

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

7.12 The sections below work through the various stages of analysis to estimate the need for social/affordable housing. Final figures are provided as an annual need (including an allowance to deal with current need).

Current Need

7.13 The current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers.

7.14 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

Table 7.5 Main sources for assessing the current need for affordable housing

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

7.15 The table below shows the initial estimate of the number of households with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of households in unsuitable housing. We estimate that there are currently some 3,700 households living in unsuitable housing (or without housing).

Table 7.6 Estimated Number of Households Living in Unsuitable Housing

	Homeless/ concealed households	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Nuneaton & Bedworth	729	1,670	173	1,131	3,703

Source: MHCLG Live Tables, Census 2011 and Data Modelling

7.16 The data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder 1,947 households are taken forward for affordability testing.

- 7.17 In considering what proportion of households could meet their needs without support, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing. These are based on survey data including from the English Housing Survey. These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 7.18 Overall, around half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 1,040 households across the Borough.

Table 7.7 Estimated Current Affordable Housing Need (for social/affordable rented housing)

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Nuneaton & Bedworth	1,947	53.5%	1,041

Source: CLG Live Tables, Census 2011 and Data Modelling

- 7.19 The estimated figures shown above represents the number of households with a need currently. For the purposes of analysis, it is assumed that the Council would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2039, the need is annualised by dividing by 18 (to give an annual need for 58 dwellings). This does not mean that some households would be expected to wait 18-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

Newly Forming Households

- 7.20 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation. The number of newly forming households has been estimated through demographic modelling (linked to the alternative population projections and 2014-based HRRs).

- 7.21 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level). The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 7.22 The assessment suggests overall that around two-fifths of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 524 newly forming households will have a need per annum on average across the Borough.

Table 7.8 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Nuneaton & Bedworth	1,240	42.2%	524

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 7.23 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 7.24 Following the analysis through suggests a need arising from 195 existing households each year across the Borough.

Supply of Social/Affordable Rented Housing Through Relets

- 7.25 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.

7.26 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

7.27 On the basis of past trend data it has been estimated that 332 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures.

Table 7.9 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18 – 2019/20 (average per annum)

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
Nuneaton & Bedworth	592	81.0%	479	69.2%	332

Source: CoRe/LAHS

7.28 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable rented Housing

7.29 The table below shows the overall calculation of affordable housing need. The analysis shows that **there is a need for 445 social or affordable rented dwellings per annum** across the area. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Table 7.10 Estimated Need for Social/Affordable Rented Housing (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Nuneaton & Bedworth	58	524	195	777	332	445

Source: Range of sources as discussed

The Relationship Between Affordable Need and Overall Housing Need

7.30 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

‘The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes’

7.31 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.

7.32 Firstly, the modelling contains a category in the projection of ‘existing households falling into need’; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘newly forming households’; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

7.33 This just leaves the ‘current need’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a small number will be households without housing (concealed and homeless households) – these households are not included in the demographic modelling and so are arguably an additional need. The evidence shows that there are 58 such households. The uplifts for market signals/affordability (as included in the overall housing need calculations) would be expected to deal with such households.

- 7.34 In reality, some (possibly many) households would see their circumstances change over time such that they would ‘fall out of need’ and this is not accounted for in the analysis. One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household’s income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- 7.35 It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised. Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS.
- 7.36 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of May 2021, it is estimated that there were 4,327 benefit claimants in the private rented sector in Nuneaton and Bedworth. From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.
- 7.37 The table below shows the number of households in claiming Housing Benefit or Universal Credit where there is a housing entitlement (in the PRS). There has also been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic.

Table 7.11 Number of Housing Benefit claimants in the private rented sector (May 2021)

	Housing Benefit	Universal Credit (with housing allowance)	TOTAL
Nuneaton & Bedworth	1,248	3,079	4,327

Source: Department of Work and Pensions

- 7.38 On the basis of the overall need identified, an increase in housing delivery can be expected to result in a increase in the delivery of affordable housing. This can be expected to reduce pressure on

housing those in need in the PRS. Delivery of affordable housing through planning obligations is an important, but not the only means, of delivery affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.

Split Between Social and Affordable Rented Housing

- 7.39 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented).
- 7.40 An analysis has been undertaken to compare the income distribution of households with the cost of different products. Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower quartile and median market rents (from ONS data). This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents.

Table 7.12 Comparison of rent levels for different products (2019/20)

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median
1-bedroom	£337	£397	£425	£475	93%	84%
2-bedrooms	£405	£478	£550	£595	87%	80%
3-bedrooms	£452	£532	£625	£695	85%	77%
4-bedrooms	£507	£706	£863	£938	82%	75%
All	£409	£494	£550	£625	90%	79%

Source: RSH and ONS

- 7.41 For the affordability test, a standardised average rent for each product has been used. The table below suggests that around 18% of households who cannot afford to rent privately could afford an affordable rent, with a further 21% being able to afford a social rent (but not an affordable one). A total of 60% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

Table 7.13 Estimated need for affordable rented housing (% of households able to afford)

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
N & B	18%	21%	60%	100%

Source: Affordability analysis

- 7.42 The finding that only 18% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. Many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of affordable rented housing might be appropriate – indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.
- 7.43 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided.

Establishing a Need for Affordable Home Ownership

- 7.44 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including ‘households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home’. However, at the time of writing, there is no guidance about how the number of such households should be measured. The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households).
- 7.45 The key difference is that in looking at affordability an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 7.46 The analysis has been developed in the context of First Homes with the Government proposing that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

- 7.47 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the study area – in particular establishing the typical incomes that might be required.
- 7.48 Using the income distributions developed along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 46% already have sufficient income to buy a lower quartile home, with 14% falling in the rent/buy 'gap'. The final 40% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs). Although in reality it should be noted that many households will spend a higher proportion of their income on housing.
- 7.49 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).
- 7.50 The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.51 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied.
- 7.52 The starting point is the number of households living in private rented accommodation; as of the 2011 Census there were some 6,700 households living in the sector. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 19% - if the same proportion is relevant to Nuneaton and Bedworth then the number of households in the sector would now be around 7,950.
- 7.53 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (4,770 households if applied to N & B) and of these some 40% (3,181 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

7.54 On the basis of income it is estimated that around 14% of the private rented sector sit in the gap between renting and buying (depending on location). Applying this proportion to the above figures would suggest a current need for around 445 affordable home ownership units (25 per annum if annualised over a 15-year period).

7.55 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 188 dwellings (170 from newly forming households and 18 from existing households in the private rented sector).

7.56 Bringing together the above analysis suggests that there is a need for around 213 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the study area. This is before any assessment of the potential supply of housing is considered.

Table 7.14 Estimated Gross Need for Affordable Home Ownership (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
N & B	25	170	18	213

Source: Range of sources as discussed

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

7.57 It is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.

7.58 The main source is likely to be resales of products such as shared ownership and an analysis of CoRe data about resales of affordable housing shows an average of around 5 resales per annum across the Borough (based on data for the 2016-19 period). These properties would be available for these households and can be included as the potential supply. The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 208 dwellings per annum across the Borough.

Table 7.15 Estimated Need for Affordable Home Ownership (per annum)

	Total Gross Need	LCHO supply	Net need
Nuneaton & Bedworth	213	5	208

Source: Range of sources as discussed

An Alternative View of the Supply of Affordable Home Ownership Properties

- 7.59 The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis to consider need looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level.
- 7.60 According to the Land Registry, in Coventry & Warwickshire there were a total of 1,314 resales (i.e. excluding newly-built homes) in the last year (year to March 2021) and therefore around 329 would be priced below the lower quartile. This is 329 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is in excess of the level of need calculated.
- 7.61 If a further supply of dwellings below lower quartile were taken from the estimated need then it would be suggested that there is actually a surplus of affordable home ownership properties (of around 121 per annum). This figure should be treated as theoretical, not least because it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). However, it is clear that looking at a wider definition of supply does make it difficult to conclude what the need for affordable home ownership is (and indeed if there is one).

Implications of the Analysis

- 7.62 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of 'affordable home ownership' – although this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply estimates are expanded to include market housing for sale below a lower quartile price then the need for AHO is less clear-cut.
- 7.63 Regardless, it does seem that there are many households in Coventry & Warwickshire who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 138% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 10.2%.

Table 7.16 Change in number of owner-occupiers with a mortgage and number of households in the private rented sector (2001-11)

	Owners with a mortgage				Private rented			
	2001	2011	Change	% change	2001	2011	Change	% change
N & B	22,347	20,072	-2,275	-10.2%	2,808	6,683	3,875	138.0%

Source: Census (2001 and 2011)

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- 7.64 On this basis it seems likely in Nuneaton and Bedworth that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.
- 7.65 The NPPF provides a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership) and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).
- 7.66 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.
- 7.67 **The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group** including those to which the authorities have a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 7.68 There will also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.

How Much Should Affordable Home Ownership Homes Cost?

- 7.69 The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.

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- 7.70 The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

First Homes and Other Discounted Market Sale Homes

- 7.71 In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

a) must be discounted by a minimum of 30% against the market value;

b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);

c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,

d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

- 7.72 In terms of eligibility criteria, a purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).

- 7.73 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of

income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home:

- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Nuneaton and Bedworth is £550 per month;
- On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £1,666 per month to afford ($£550/0.30$) or £20,000 per annum (rounded); and

7.74 With an income of £20,000, it is estimated that a household could afford to buy a home for around £100,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as $£20,000 * 4.5 / 0.9$.

7.75 Therefore, £100,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Nuneaton and Bedworth. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately.

7.76 In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford. On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to the cost of open market purchase (£120,000) and the relevant private rented figure (for a 2-bedroom home this is £100,000) giving a midpoint of £110,000.

7.77 The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).

7.78 The table below therefore set out a suggested purchase price for affordable home ownership/First Homes. The tables also show an estimated OMV and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Nuneaton and Bedworth were to actually be £200,000 (rather than the modelled £138,000) then the discount would be 55% to 57.0%

7.79 On the basis of the specific assumptions used, the analysis points to a discount of around 30% for 2-bedroom homes and a figure of around 40% for larger (3+-bedroom) properties. Given that a single discount figure is likely to be needed for plan making purposes it is **suggested that a 30% discount is**

reasonable, with the expectation that most First Homes will be 2-bedroom. Given there is a cap of £250,000 on the purchase price, it seems unlikely that 4+-bedroom homes could be provided as First Homes.

Table 7.17 Affordable home ownership prices – data for year to March 2021

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£85,000	£97,750	13%
2-bedrooms	£110,000-£115,000	£138,000	17%-20%
3-bedrooms	£125,000-£150,000	£201,250	25%-38%
4+-bedrooms	£172,600-£221,300	£310,500	29%-44%

Source: Derived from a range of sources as described

Shared Ownership

- 7.80 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a ‘New Model for Shared Ownership’ in early 2021 (following a 2020 consultation) – this includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.
- 7.81 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.
- 7.82 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:
- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
 - 10% deposit on the equity share;
 - Rent at 2.75% pa on unsold equity;
 - Repayment mortgage over 25-years at 4%;

- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property;

7.83 The table below show that to make shared ownership affordable, it is suggested that equity shares in the range of 20%-42% should be considered but that it will be important to make sure the actual cost to the household is genuinely affordable in a local context.

7.84 It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 7.18 Estimated Affordable Equity Share by Size

	1-bedroom	2- bedrooms	3- bedrooms	4- bedrooms
OMV	£97,750	£138,000	£201,250	£310,500
Share	42%	39%	33%	20%
Equity Bought	£41,055	£54,234	£66,413	£61,479
Mortgage Needed	£36,950	£48,811	£59,771	£55,331
Monthly Cost of Mortgage	£195	£258	£316	£292
Retained Equity	£56,695	£83,766	£134,838	£249,021
Monthly Rent on Retained Equity	£130	£192	£309	£571
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£425	£550	£625	£863

Source: Data based on Housing Market Cost Analysis

7.85 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the tables suggest a 39% equity share for 2-bedroom home in Nuneaton and Bedworth, this is based on a specific set of assumptions. Were a scheme to come forward with a 25% share, but a total cost in excess of £550 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable.

7.86 Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

- 7.87 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.
- 7.88 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 7.89 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership), it should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

Essential Local Workers

- 7.90 Annex 2 of the NPPF also includes the needs of essential local workers 'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers' [emphasis added].
- 7.91 Essential local workers are defined as 'Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers'.
- 7.92 To give an indication of the number of essential workers in Nuneaton and Bedworth analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories – this shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent 'essential workers'.
- 7.93 The analysis shows that around 26% of workers are considered 'essential workers' in Nuneaton and Bedworth – these figures are similar to those seen regionally and nationally (both at 28%).

Table 7.19 Number and proportion of essential workers

	Resident essential workers	% of workers in area	% of resident workers
Nuneaton & Bedworth	16,082	26.6%	14.4%

Source: 2011 Census

- 7.94 It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Coventry & Warwickshire) for nurses, firefighters, teachers, police officers and childcare was undertaken in August 2021. This showed a range of salaries, but typically in the range of about £20,000 to £30,000 per annum.
- 7.95 The average salary was around £25,000 although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.
- 7.96 With a salary of £25,000, an individual might be able to buy a home for around £125,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £250,000.
- 7.97 This latter figure would allow the household to afford to buy a home across much of Nuneaton and Bedworth, but the single income would make home ownership difficult (particularly in higher value locations), and this population could be a potential target for affordable home ownership products.
- 7.98 Overall, the analysis does not point towards there being a particular and specific need for affordable housing for essential workers. Such workers make up a similar part of the workforce as is the case in many areas and households are as likely to be owner-occupiers than many other industry groups.
- 7.99 However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.

Implications of Covid-19

- 7.100 Much of the data accessed and used in this report pre-dates the Covid-19 Emergency. Whilst it is currently too early to know what the full impact of Covid-19 will be on the housing market, it will be important for outcomes to be monitored and consideration given to any short- or long-term consequences for a range of groups. It does however seem likely that there will be a specific impact on the need for affordable housing particularly in the short-term and below is a short discussion of possible outcomes.

7.101 There is already some evidence of the impact of Covid on housing need, with data from the Department of Work and Pensions showing the number of Housing Benefit (or Universal Credit with a housing element) claimants in the private rented sector increasing significantly (this has been previously set out in this section). The table below shows the number of Housing Benefit claimants (including Universal Credit) in each of January 2020 and May 2021.

7.102 The analysis shows all areas have seen a notable increase in Housing Benefit claimants, increasing by 33% in Nuneaton & Bedworth. Across the whole County, the number of claimants increased by 47%. All of this points to an impact of Covid-19 being to see increased pressure on affordable housing.

Table 7.20 Change in Number of Housing Benefit claimants in the private rented sector

	Claimants (January 2020)	Claimants (May 2021)	Change in claimants	% change
Nuneaton & Bedworth	3,260	4,327	1,067	32.7%
C & W	18,229	26,771	8,542	46.9%

Source: Department of Work and Pensions

Summary of Affordable Housing Need

7.103 The table below brings together the estimates of annual need for rented affordable housing and affordable home ownership to consider the balance between tenures. This table should be considered for reference purposes and will not directly inform decisions about an appropriate mix – that will in part be informed by viability and also any local priorities such as to maximise provision of rented accommodation as that is likely to be required by households with the most acute needs.

7.104 When looking at rented needs, the analysis suggests a need for 445 affordable homes per annum across the Borough, the Council is therefore justified in seeking to secure additional affordable housing.

Table 7.21 Estimated annual need for affordable housing split between rented and affordable home ownership

	Rented affordable need	Affordable home ownership need	Total annual need
N & B	445	208	653

-
- 7.105 The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.
- 7.106 When looking at the need for AHO products, the analysis also suggests a need for 208 per annum which is lower than for rented housing. In interpreting this figure, it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO. Bringing the rented and affordable home ownership need together points to a notional total affordable housing need for 653 homes per year.
- 7.107 Analysis does suggest that there are many households in Nuneaton and Bedworth who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.
- 7.108 The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 7.109 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

7.110 Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. The scale of the affordable need is influenced by past investment decisions and funding availability as well as losses of stock (such as through right-to-buy/ acquire sales). The need is not directly comparable with the overall housing need as it equates not just to net changes in the overall housing stock, but to issues related to a tenure imbalance (and the role of the private rented sector in meeting an affordable need). It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

8. NEED FOR DIFFERENT TYPES OF HOMES

8.1 This section considers the appropriate mix of housing across Nuneaton and Bedworth, considering the needs for different sizes of homes and the housing needs of different groups within the population.

Family Households

8.2 The number of families in Nuneaton and Bedworth (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 15,938 as of the 2011 Census, accounting for 30.2% of households; this proportion is the same as the regional (29%) and slightly above the national average (29%).

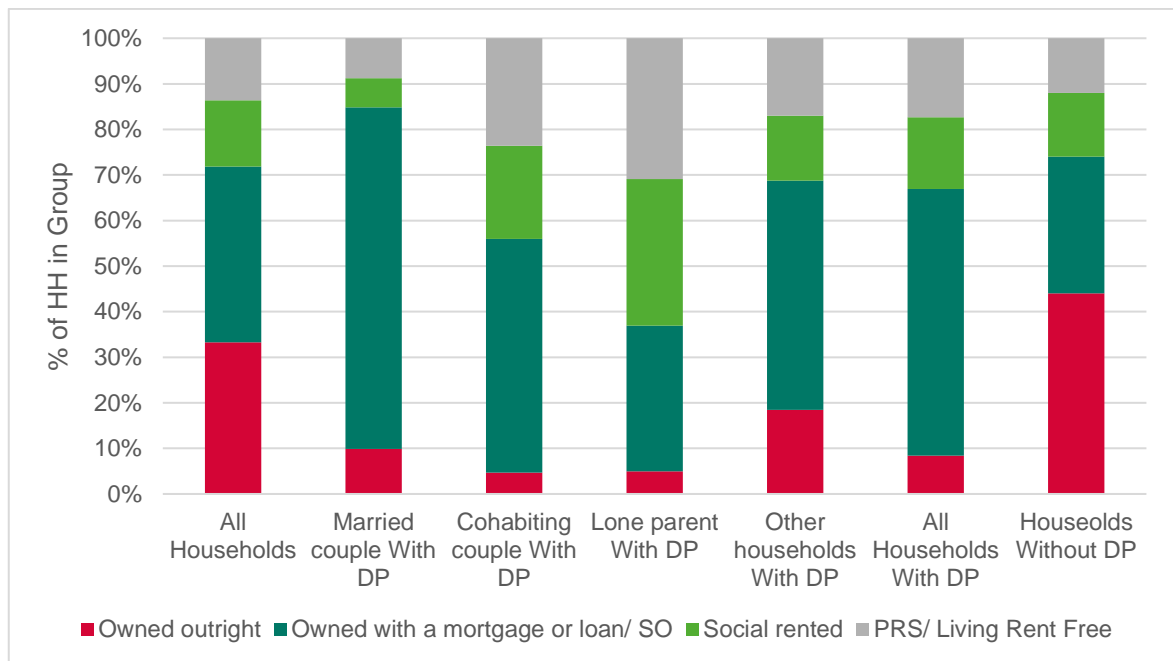
Table 8.1 Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other households *	All other households No Children	Total	Total with dependent children
Nuneaton and Bedworth	No.	8,130	2,648	3,973	1,187	36,773	52,711	15,938
	%	15.4%	5.0%	7.5%	2.3%	69.8%	100.0%	30.2%
Warwickshire	%	16.1%	4.0%	6.1%	2.0%	71.9%	100.0%	28.1%
West Midlands	%	15.4%	4.3%	7.5%	2.9%	69.8%	100.0%	30.2%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: Census (2011) * Other households are households which include unrelated adults sharing

8.3 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In Nuneaton and Bedworth, only 37% of lone parent households are owner-occupiers compared with 85% of married couples with children.

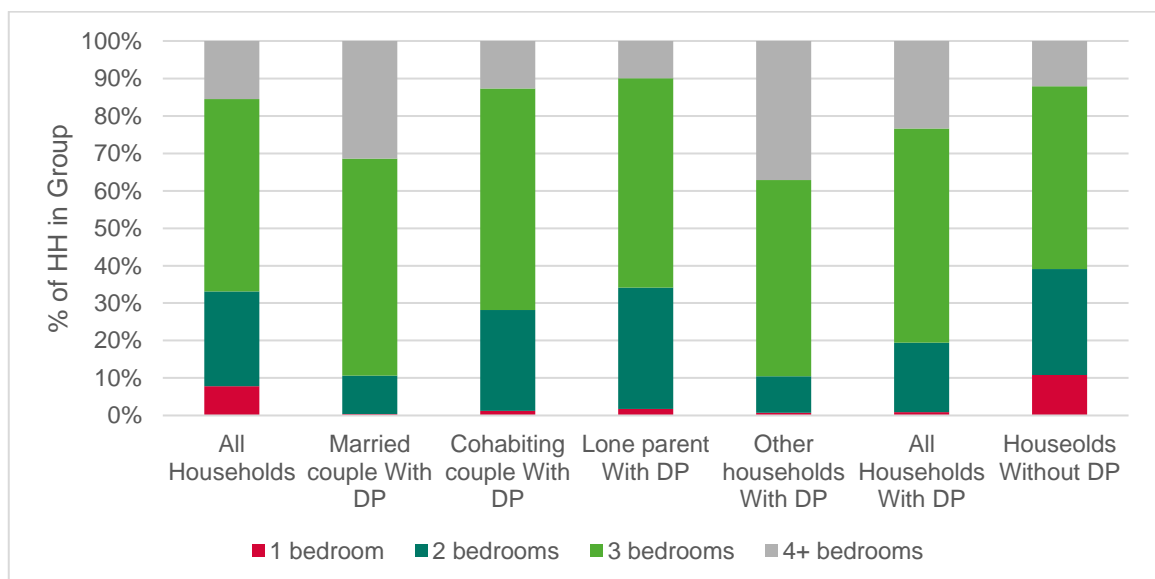
Figure 8.1: Tenure of households with dependent children (2011) – Nuneaton and Bedworth



Source: Census (2011)

8.4 The figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the Borough, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition. The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board (<1%). As a result, we could expect continued demand for 3+-bedroom homes from family households.

Figure 8.2: Number of Bedrooms by Family Household Type, 2011 – Nuneaton and Bedworth



Source: Census (2011)

The Mix of Housing

- 8.5 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much. On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the plan period (2021-39).
- 8.6 An important starting point is to understand the current balance of housing in the area. Figure 8.2 shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 77% of the total in this tenure group). The profile of the social rented sector is broadly similar across areas, whereas the private rented sector is more focussed on 2- and 3-bedroom homes when compared with other locations. Observations about the current mix feed into conclusions about future mix later in this section.

Table 8.2 Number of Bedrooms by Tenure, 2011

		Nuneaton & Bedworth	Warwickshire	West Midlands	England
Owner-occupied	1-bedroom	2%	2%	2%	4%
	2-bedrooms	21%	21%	20%	23%
	3-bedrooms	57%	48%	54%	48%
	4+-bedrooms	20%	29%	24%	25%
	Total	100%	100%	100%	100%
Social rented	1-bedroom	33%	29%	29%	31%
	2-bedrooms	31%	36%	34%	34%
	3-bedrooms	33%	32%	33%	31%
	4+-bedrooms	3%	3%	4%	4%
	Total	100%	100%	100%	100%
Private rented	1-bedroom	14%	17%	18%	23%
	2-bedrooms	39%	40%	37%	39%
	3-bedrooms	40%	31%	36%	28%
	4+-bedrooms	7%	11%	10%	10%
	Total	100%	100%	100%	100%

Source: Census (2011)

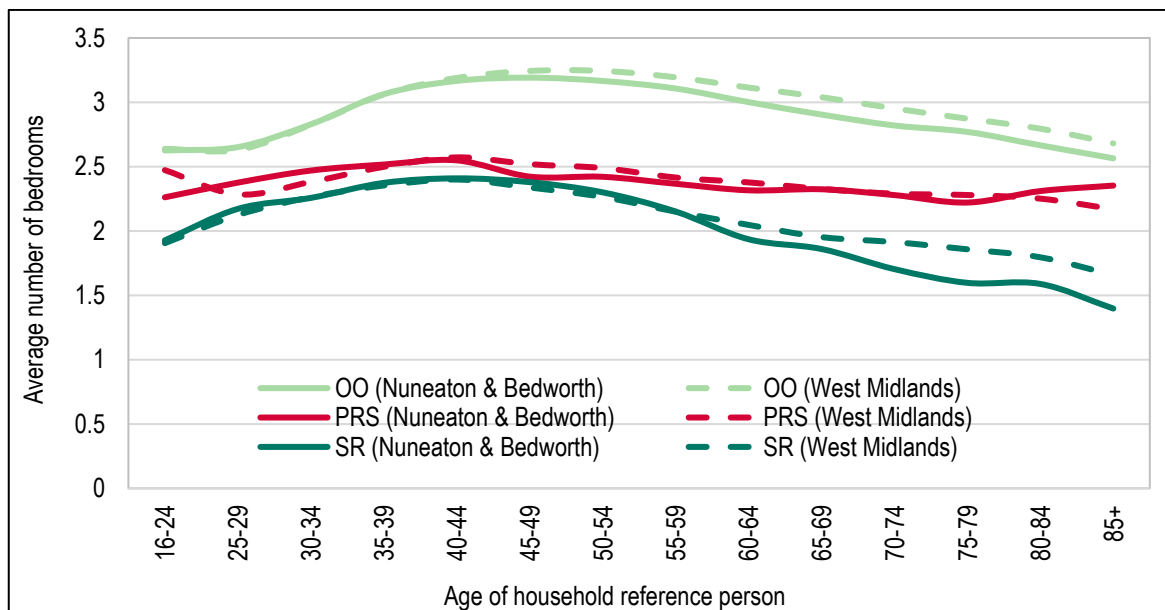
Overview of Methodology

- 8.7 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can

afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

- 8.8 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units. That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.9 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 8.10 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 8.11 The figures below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Nuneaton & Bedworth and the West Midlands. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45-50; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between Nuneaton & Bedworth and the region, although the pattern of average dwelling sizes by age of HRP are similar in both areas.

Figure 8.3 Average Bedrooms by Age and Tenure in Nuneaton & Bedworth and the West Midlands



Source: Census (2011)

8.12 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the West Midlands region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

8.13 The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.14 The table below presents the projected change in households by age of household reference person, this shows growth as being expected in virtually all age groups and in particular some older age groups. The number of households headed by someone aged 55-59 is projected to see a small decline over the period studied.

Table 8.3 Projected Change in Household by Age of HRP in Nuneaton & Bedworth – linking to delivery of 646 dwellings per annum)

	2021	2039	Change in Households	% Change
16-24	1,502	1,890	387	25.8%
25-29	3,403	4,119	716	21.1%
30-34	4,621	5,553	932	20.2%
35-39	4,908	5,495	587	12.0%
40-44	4,577	6,165	1,588	34.7%
45-49	4,614	6,034	1,420	30.8%
50-54	5,453	5,701	249	4.6%
55-59	5,550	5,400	-149	-2.7%
60-64	4,711	4,786	75	1.6%
65-69	4,434	5,401	967	21.8%
70-74	4,640	5,668	1,027	22.1%
75-79	3,691	4,700	1,010	27.4%
80-84	2,599	3,549	950	36.5%
85 & over	2,090	3,620	1,530	73.2%
Total	56,793	68,082	11,290	19.9%

Source: Demographic Projections

Initial Modelled Outputs

- 8.15 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.16 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (“LAHS”) and shows a pattern of need which is focussed on 2- and 3-bedroom homes but also showing notable numbers in 1- and 4+-bedroom categories (including 7% in the 4+-bedroom category).

Table 8.4 Size of Social/Affordable Rented Housing – Housing Register Information

	Number of households	% of households
1-bedroom	414	22%
2-bedrooms	699	37%
3-bedrooms	668	35%
4+-bedrooms	127	7%
TOTAL	1,908	100%

Source: Local Authority Housing Statistics, 2021

- 8.17 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are providing by linking to local and regional occupancy patterns with a further table combining the outputs from the two models.

Table 8.5 Modelled Mix of Housing by Size and Tenure in Nuneaton & Bedworth (linked to local occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	2%	26%	56%	16%
Affordable home ownership	14%	39%	40%	7%
Affordable housing (rented)	39%	29%	29%	2%

Source: Housing Market Model

Table 8.6 Modelled Mix of Housing by Size and Tenure in Nuneaton & Bedworth (linked to regional occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	22%	50%	24%
Affordable home ownership	22%	34%	31%	13%
Affordable housing (rented)	28%	36%	32%	4%

Source: Housing Market Model

Table 8.7 Modelled Mix of Housing by Size and Tenure in Nuneaton & Bedworth (combining methodologies)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	24%	53%	20%
Affordable home ownership	18%	37%	36%	10%
Affordable housing (rented)	34%	32%	31%	3%

Source: Housing Market Model

Adjustments for Under-Occupation and Overcrowding

- 8.18 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2011 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2011 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and also those who under-occupy (have more bedrooms than they need).
- 8.19 Whilst it would not be reasonable to expect to remove all under-occupancy (particularly in the market sector) it is the case that in seeking to make the most efficient use of land it would be prudent to look to reduce this over time. Indeed, in the future there may be a move away from current (2011) occupancy patterns due to affordability issues (or eligibility in social rented housing) as well as the type of stock likely to be provided (potentially a higher proportion of flats). Further adjustments to the modelled figures above have therefore been made to take account of overcrowding and under-occupancy (by tenure).

8.20 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2011, there were 31,700 households with some degree of under-occupation and just 680 overcrowded households.

Table 8.8 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector) – Nuneaton & Bedworth

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	11,641	5,648	17,289
+1	0	6,218	6,769	1,456	14,443
0	528	1,690	2,937	321	5,476
-1	30	196	321	49	596
-2	14	18	41	10	83
TOTAL	572	8,122	21,710	7,483	37,887

Source: Census (2011)

8.21 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 8.9 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector) – Nuneaton & Bedworth

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	770	60	830
+1	0	1,220	831	92	2,143
0	2,431	1,000	738	55	4,224
-1	99	156	136	7	398
-2	14	17	7	0	38
TOTAL	2,544	2,393	2,482	214	7,633

Source: Census (2011)

Table 8.10 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector) – Nuneaton & Bedworth

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	1,120	166	1,286
+1	0	1,701	1,060	244	3,005
0	930	1,013	605	64	2,612
-1	73	105	72	7	257
-2	7	16	7	1	31
TOTAL	1,010	2,835	2,863	483	7,191

Source: Census (2011)

- 8.22 In using this data in the modelling an adjustment is made to move some of those who would have been picked up in the modelling as under-occupying into smaller accommodation. Where there is under-occupation by 2 or more bedrooms, the adjustment takes 25% of this group and assigns to a '+1' occupancy rating and a further 12.5% (i.e. an eighth) to a '0' rating. For households with one spare bedroom, 12.5% are assigned to a '0' rating (with the others remaining as '+1'). These do need to be recognised as assumptions, but can be seen to be reasonable as they do retain some degree of under-occupation (which is likely) but does also seek to model a better match between household needs and the size of their home. For overcrowded households a move in the other direction is made, in this case households are moved up as many bedrooms as is needed to resolve the problems.
- 8.23 The adjustments for under-occupation and overcrowding lead to the suggested mix as set out in the following tables. It can be seen that this tends to suggest a smaller profile of homes as being needed (compared to the initial modelling) with the biggest change being in the market sector – which was the sector where under-occupation is currently most notable.

Table 8.11 Adjusted Modelled Mix of Housing by Size and Tenure – Nuneaton & Bedworth

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	13%	34%	40%	14%
Affordable home ownership	23%	40%	28%	9%
Affordable housing (rented)	35%	35%	25%	5%

Source: Housing Market Model (with adjustments)

Indicative Targets for Different Sizes of Properties by Tenure

- 8.24 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs, the survey data and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

Social/Affordable Rented Housing

8.25 In drawing conclusions on the affordable housing mix we recognise that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). However there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people). The conclusions also consider the Housing Register, which did show a slightly higher proportion of households as needing 3- and 4+-bedroom homes than the modelled data above. On this basis it is suggested that the following mix of social/affordable rented housing would be appropriate:

- 1-bedroom: 25-30%
- 2-bedroom: 30-35%
- 3-bedroom: 30-35%
- 4+-bedroom: 5-10%

Affordable Home Ownership

8.26 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20-25%
- 2-bedroom: 40-45%
- 3-bedroom: 25-30%
- 4+-bedroom: 5-10%

Market Housing

8.27 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). The conclusions have also slightly boosted figures for larger (4+-bedroom) homes to provide more flexibility and to recognise the potential for a general increase in home working (and therefore households seeking an extra room/bedroom to use as office space). This sees a slightly larger recommended profile compared with other tenure groups:

- 1-bedroom: 5-10%
- 2-bedroom: 30-35%
- 3-bedroom: 40-45%
- 4+-bedroom: 15-20%

-
- 8.28 The analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, but it does not necessarily follow that such prescriptive figures should be included in the plan making process— demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 8.29 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations the appropriate mix of market housing on individual development sites.

Self and Custom build Housing

- 8.30 This section considers the need for serviced plots to provide for self-build and custom housebuilding in Nuneaton and Bedworth as well as an appropriate policy response.
- 8.31 The Government has long had a clear agenda for supporting and promoting the self-build and custom building sector. In *Laying the Foundations: a Housing Strategy for England* (November 2011), the Government set out plans to enable more people to build or commission their own home.
- 8.32 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) (“the 2015 Act”) provides a legal definition of ‘self-build and custom housebuilding’ which is where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.
- 8.33 The Housing and Planning Act 2016 (“the 2016 Act”), which received Royal Assent on 12th May 2016, formally introduced the ‘Right to Build’ at Chapter 2. This 2016 Act required local planning authorities to set up a register of people wanting to undertake a custom or self-build project in their area. Under the ‘duty to grant planning permissions etc.’, the 2016 Act has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period. The Self-Build and Custom Housebuilding Regulations 2016 subsequently came into force on 31st October 2016, amending the 2015 Act and implementing Chapter 2 of the 2016 Act.

- 8.34 In the Government’s Housing White Paper⁶ (paragraph 3.14) in January 2017, the commitment to support the self-build and custom housebuilding sector was reasserted, the Government stating that “*alongside smaller firms, the Government wants to support the growth of custom built homes*” in recognition of the fact that custom build homes are generally built more quickly, built to a higher quality and tend to use more productive and modern methods of construction.
- 8.35 On 21st August 2021, an independent review by Richard Bacon MP into scaling up self-build and custom housebuilding was published. The review recognises and champions the benefits of self-build housing including boosting overall housing delivery, increasing choice in the market and delivering homes which are generally high-quality. The report sets out a number of recommendations including raising awareness of the Right to Build, strengthening current legislation and supporting planning reforms to maximise the opportunities for self-build housing.

Self and Custom Build Register

- 8.36 As of 1st April 2016, and in line with the 2015 Act and the Right to Build, relevant authorities in England are required to have established and publicised a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land in the authority’s area in order to build their own self-build and custom houses. The Council introduced a Self-Build and Custom Housebuilding Register was for 1st April 2016 and there has now been four full base periods up to 30th October 2020. As the table below shows, the need shown is equivalent to an average of around 4 self-build plots per year.

Table 8.12 Serviced Plot Demand by Base Period

Base Period:	1	2	3	4	5	Average
Nuneaton and Bedworth	0	4	2	8	3	4

Source: Right to Build Registers Monitoring *average based on 3.5 years

- 8.37 It is worth highlighting that a survey⁷ undertaken by YouGov on behalf of the National Custom and Self-Build Association (“NaCSBA”) in October 2020 found that awareness of the Right to Build legislation is low with 83% of people unaware that the local authority self-build registers exist. As a result, the number of individuals on a local authority’s self-build register may underestimate demand.

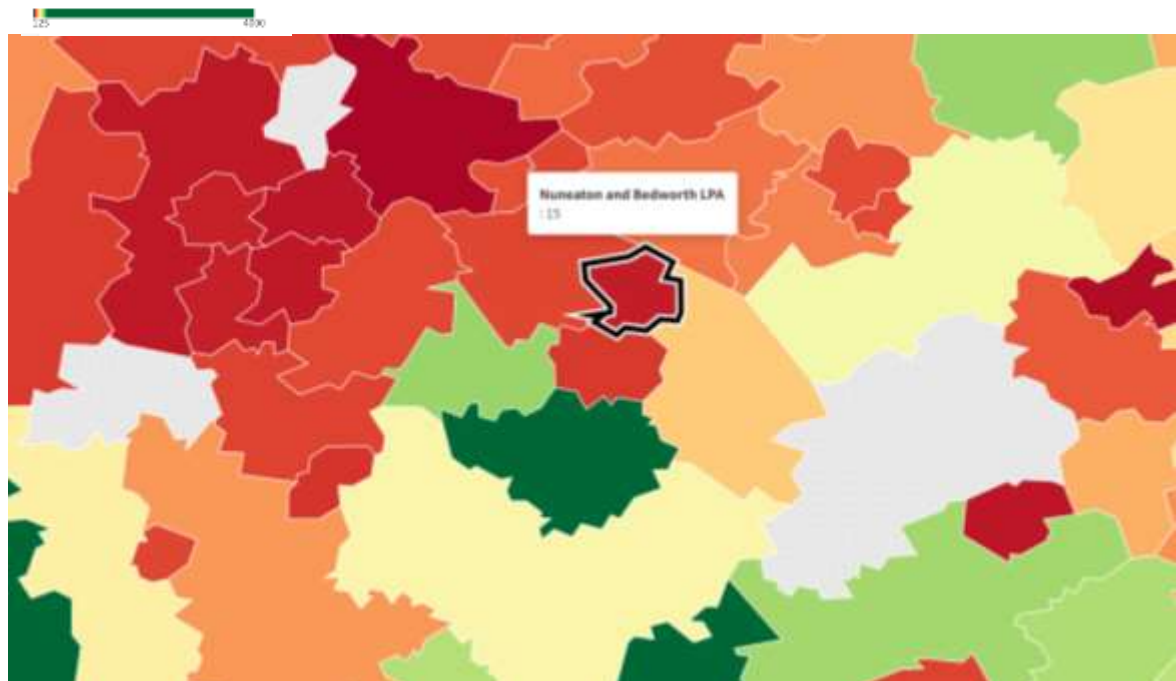
⁶ Fixing our Broken Housing Market (DCLG, February 2017)

⁷ A survey of 2,017 adults with fieldwork undertaken online between 9th – 11th October 2020. The figures are weighted and are representative of all GB adults aged 18+

Broader Demand Evidence

- 8.38 In order to supplement the data from the Council's own register, we have looked to secondary sources as recommended by the PPG, which for this report is data from NaCSBA - the national association for the custom and self-build housing sector.
- 8.39 First, it is worth highlighting that the recent October 2020 survey undertaken by YouGov on behalf of NaCSBA found that 1 in 3 people (32%) are interested in building their own home at some point in the future, including 12% who said they were very interested. Notably, almost half (48%) of those aged between 18 and 24 were interested in building their own home, compared to just 18% of those aged 55 and over. This is notable as, traditionally, self-build has been seen as the reserve of older members of society aged 55 and over, with equity in their property
- 8.40 Second, we can draw on NaCSBA data to better understand the level of demand for serviced plots in Nuneaton and Bedworth in relative terms. The association has recently published analysis with supporting maps and commentary titled "Mapping the Right to Build" in 2019. This includes an output on the demand for serviced plots as a proportion of total population relative to all other local authorities across England. One of the key maps within the report highlights the areas of strongest demand including and this is shown in the Figure below.

Figure 8.3: Overall Demand for Self-Build Plots per 100,000 of Population, 2019 Registers



Source: NaCSBA "Mapping the Right to Build", 2020

- 8.41 The map reflects register data from local authorities across the country and at 15 persons per 100,000 in Nuneaton and Bedworth it is one of the lowest in the Country although it is less than some of the more urbanised areas of the West Midlands.

Supporting the Self-Build and Custom Housebuilding

- 8.42 The evidence points to limited demand for self-build and custom housebuilding serviced plots of land across Nuneaton and Bedworth but this still needs to be addressed. The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector.
- 8.43 The PPG⁸ is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward. There are a number of measures which can be used to do this, including but not limited to:
- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
 - working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing;
 - when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested; and
 - working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.
- 8.44 Icenl would note that an increasing number of local planning authorities have adopted specific self-build and custom housebuilding policies in respective Local Plans to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application.
- 8.45 A specific policy would typically express support for self-build and custom housebuilding. Icenl recognises that the Council has such a Local Plan policy supporting Self and Custom Build. This is likely to be sufficient to meet the needs within the Borough

The Private Rented Sector

- 8.46 This section considers the private rented sector in Nuneaton and Bedworth area and drills into the needs of two emerging housing segments which form part of the sector: Build to Rent and co-living.
-

⁸ Paragraph: 025 Reference ID: 57-025-20210508

As a starting point, it is important to consider the profile of renters living in the area, the size of the private rented sector and dynamics associated with values and affordability.

The Size of the Sector

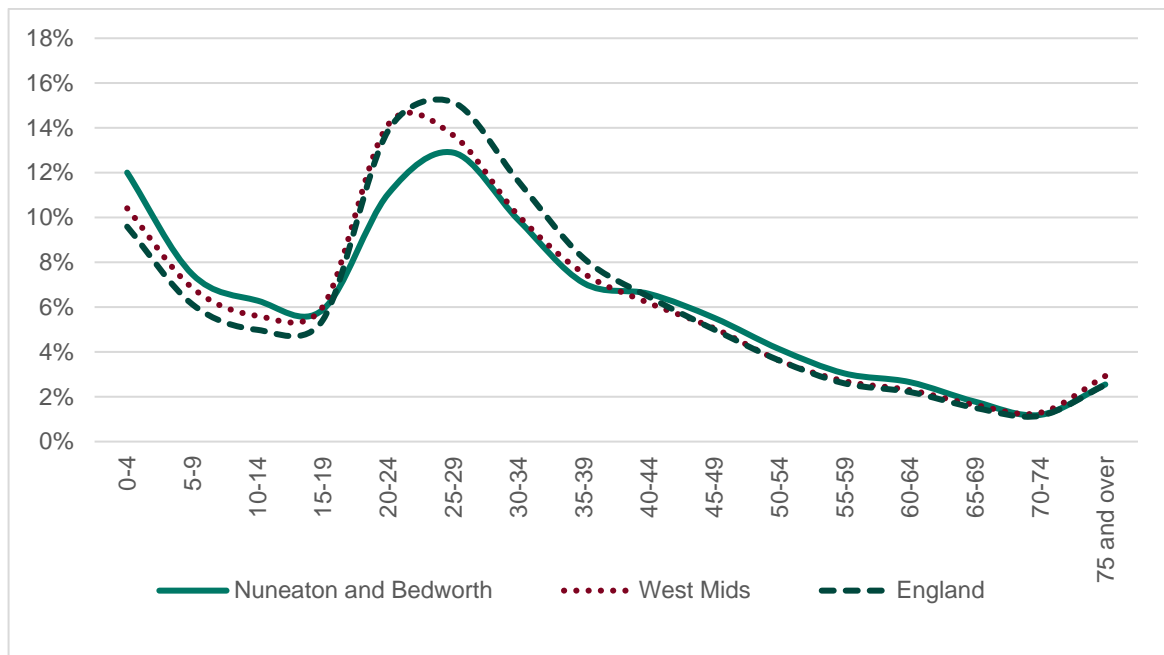
- 8.47 In Nuneaton and Bedworth the Private Rental Sector grew from around 5% of all households in 2001 to 13.7% in 2011. Although this is still below the levels seen regionally (14%) and nationally (18.1%). Over 7,100 households lived in the sector in Nuneaton and Bedworth in 2011.
- 8.48 In order to bring this up to date, IcenI has drawn on data published by ONS which provides a view on how the tenure profile may have evolved since the 2011 Census. It should be caveated that the confidence value varies greatly by authority and the data is therefore only intended to provide a broad view on the potential tenure profile. Clearly as the Census 2021 data begins to emerge, we will have a clearer understanding of the true picture.
- 8.49 ONS data suggests that the PRS sector has continued to grow in Nuneaton and Bedworth and by 2015 it had peaked at 15.2% but has since fallen to 14.4%. Only North Warwickshire has a lower percentage of private renting within the HMA.
- 8.50 This aligns with the national picture with the latest English Housing Survey⁹ stating that the proportion of households in the private rented sector decreased over the period 2015/16 to 2020/21. In England in 2020/21, the private rented sector accounted for 19% of all households down from 20% in 2015/16 with private renting more prevalent in London (27% of all households) compared to the rest of England (17%). Regardless, it is clear that overall, the sector has grown substantially over the last two decades and continues to play a key role in the market.

The Profile of Renters

- 8.51 The age of those renting at the point of the 2011 Census across the Borough was skewed towards those aged 20 to 39 in line with the regional and national average. There is a comparatively higher percentage of younger (under 15s) and older people (40-70) privately renting in Nuneaton and Bedworth.

⁹ English Housing Survey 2020/21

Figure 8.4: Age Profile of Private Rented Sector Tenants



Source: 2011 Census

- 8.52 The 2011 Census indicated that the largest household group in the Sector was single person households aged under 65 accounting for over a quarter (29%) of all households on average which is typical of the private rented sector profile. There is also a high percentage of couples with Dependent Children that are privately renting. The main industries of those living in the sector are (1) distribution and hospitality as well as (2) public administration, education and health.
- 8.53 Turning to the occupation of all HRP's living in the PRS, the Census showed that 28% of private renters are high skilled, professional households in the top three major occupation groups. The largest group are those in the lowest paid occupations and comprise 44% of all households that privately rent.
- 8.54 Turning to the mix of stock in the private rented sector, we have considered the profile of household by bedroom size across the Borough. This analysis is set out in the table below and this shows that the private rented stock profile is focussed on family sized housing (3 or more bedrooms).

Table 8.13 Bedroom Mix of the Private Rented Homes

	Nuneaton & Bedworth
Studio	0.2%
1 Bedroom	8%
2 Bedrooms	25%
3 Bedrooms	51%
4+ Bedrooms	16%

Source: Census 2011

Rental Market Statistics

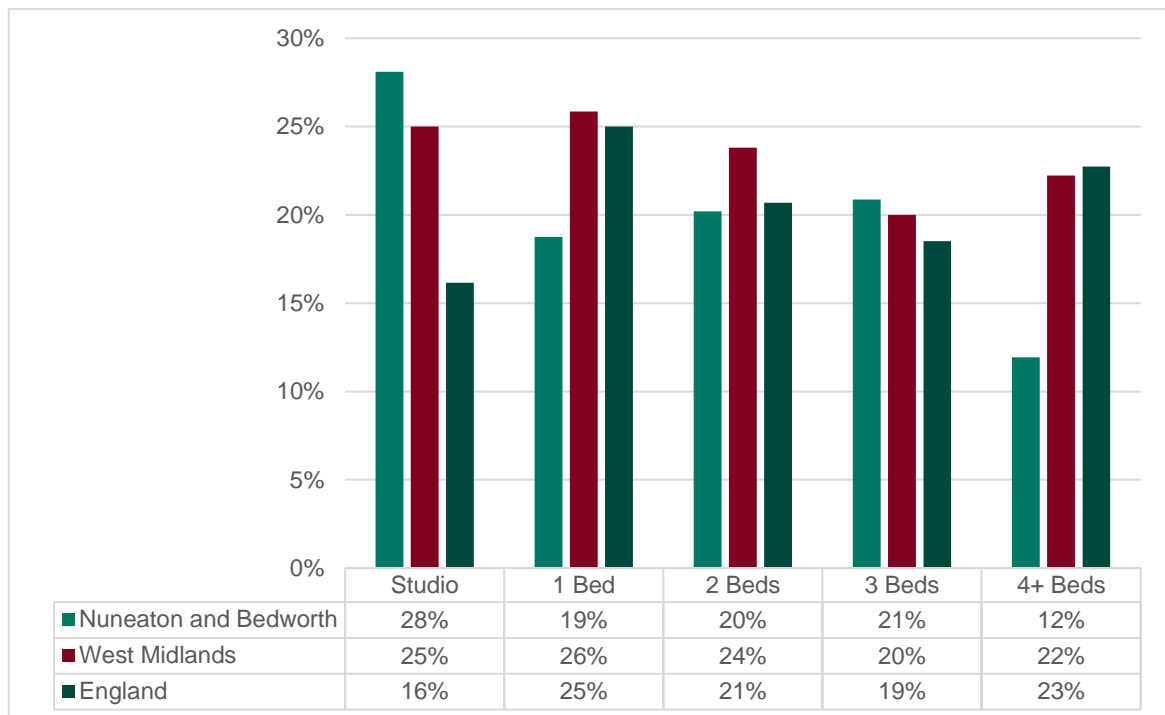
8.55 The median rent in Nuneaton and Bedworth District is £625 per calendar month and the lower quartile rent is £550 pcm. If we drill into median rents by property size we see that for all sizes of homes rents in Nuneaton and Bedworth are below the regional and national averages.

Figure 8.5: Monthly Median Rents by Size, Year to March 2021



8.56 The evidence indicates that median rents have increased over the last seven years for all types of property. However there has been a particularly strong growth in Nuneaton and Bedworth for Studios and 3-bedroom Homes.

Figure 8.6: Rental Growth, 2014 – 2021 (%)



Source: Icen analysis of ONS Private Rental Market Statistics. Note no data provided for rooms.

8.57 Nuneaton and Bedworth falls entirely within the Coventry BRMA. If we then set these LHA rates against private rental values and focus on the lower quartile rents (i.e. the lowest 25% or “entry-level rents”) for borough, it is clear that LHA continues to be above market rents for all sizes in the areas. The table below shows the difference between the LHA cap and entry-level rents.

Table 8.14 LQ Rents set against LHA Rates

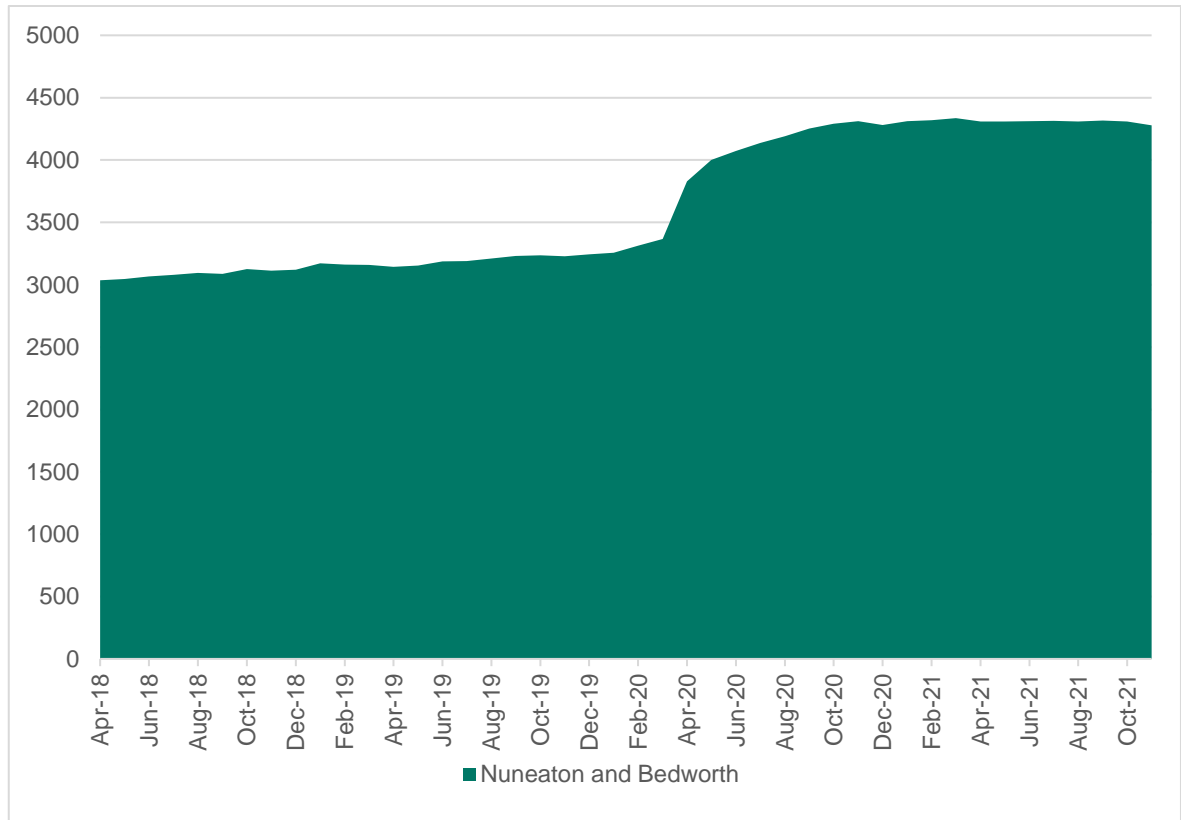
		1 Bed	2 Beds	3 Beds	4 Beds
Nuneaton and Bedworth	LQ Rent	£425	£550	£625	£863
	Coventry BRMA	£490	£575	£675	£875
	Difference	£65	£25	£50	£12

8.58 The changing nature of welfare benefits payments, particularly housing benefits and the introduction and shift to Universal Credit have direct implications for lower earning and economically inactive households.

8.59 The operation of the welfare benefit cap has been in place now for a number of years, restricting the total amount of benefit - including housing benefits - which in turn serves to restrict housing choice and opportunity for those family households affected as is evident from our analysis. The maximum amount of welfare and housing benefit is capped currently at £384.62 per week or £1,666.67 per month outside of London for families with children and couples.

8.60 It is possible to drill into the number of private rented sector households supported by Housing Benefit or Universal Credit. In November 2021, a total of 4,250 residents in the Borough claimed housing benefit or Universal Credit with a housing element and lived in private rented accommodation. This ins an increase from around 3,000 in 2018. As is clear, there was a notable increase following the introduction of lockdown measures in March 2020 in relation to the Covid-19 pandemic.

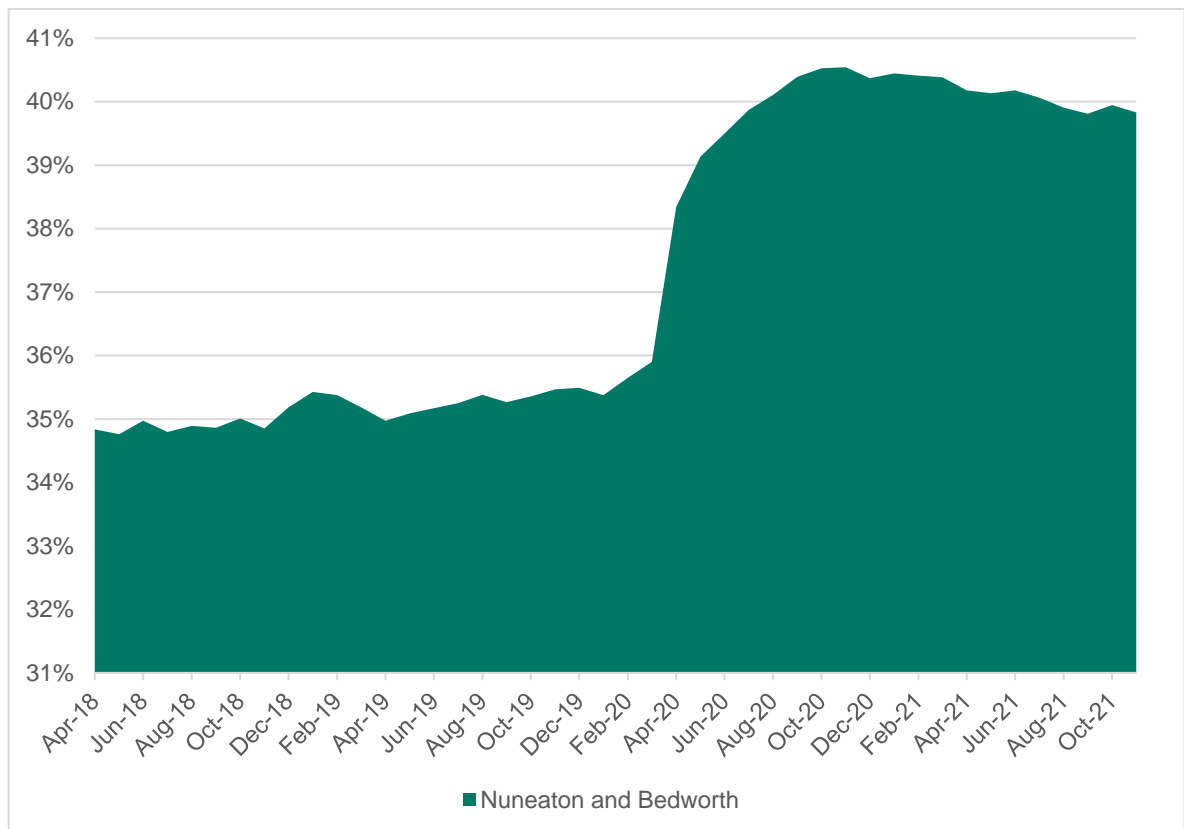
Figure 8.7: Households in Private Rented Sector Supported by Housing Benefits or UC



Source: DWP

8.61 Over the same period, the proportion of claimants living in the private rented sector increased from 35% to 40%. The sector has therefore played a key role in supporting households claiming Universal Credit.

Figure 8.8: Proportion of Households Claiming Housing Benefit in PRS



Source: DWP

- 8.62 It is the case that for many living in the PRS, barriers to households becoming homeowners are less likely to relate to income and/or the cost of housing and more about other factors such as saving for a deposit or difficulties obtaining a mortgage. However, it should also be noted that some households will choose to rent privately as this can be a more flexible option.
- 8.63 In the context of the private rented sector's growth over the last 20 years and a national housing shortage, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage "Build to Rent" development.
- 8.64 However, the market is still embryonic and has thus far focussed on urban areas with a large student body or a high percentage of younger working age adults. This is not the case for Nuneaton and Bedworth therefore a policy response at this stage is not merited. Similarly this also the case for student accommodation and co-living.
- 8.65 Although there still some students living in Nuneaton and Bedworth these are likely to be six-formers and the majority (67%) are still living with their parents.

Key Messages

There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (18-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which in Nuneaton & Bedworth are very high in the market sector).

Suggested Mix of Housing by Size and Tenure – Nuneaton & Bedworth

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5-10%	30-35%	40-45%	15-20%
Affordable home ownership	20-25%	40-45%	25-30%	5-10%
Affordable housing (rented)	25-30%	30-35%	30-35%	5-10%

Source: Derived from a range of sources

The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.

The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.

The Borough does not have a large student population. The evidence points to a need for family housing, and a limited market for flatted development locally.

Demand for self and custom-build development in the District is modest, equivalent to around 4 plots per annum; and the existing Borough Plan has supportive policies. The Private Rented Sector has grown since 2011, but the evidence suggests this may have been mostly pre 2015; but the scale of the sector and level of rents is not likely to be conducive to build-to-rent development in the short-term.

With the end of the Help-to-Buy Equity Loan Scheme in Spring 2023, we may see some adjustment of market dynamics. This will need to be kept under review.

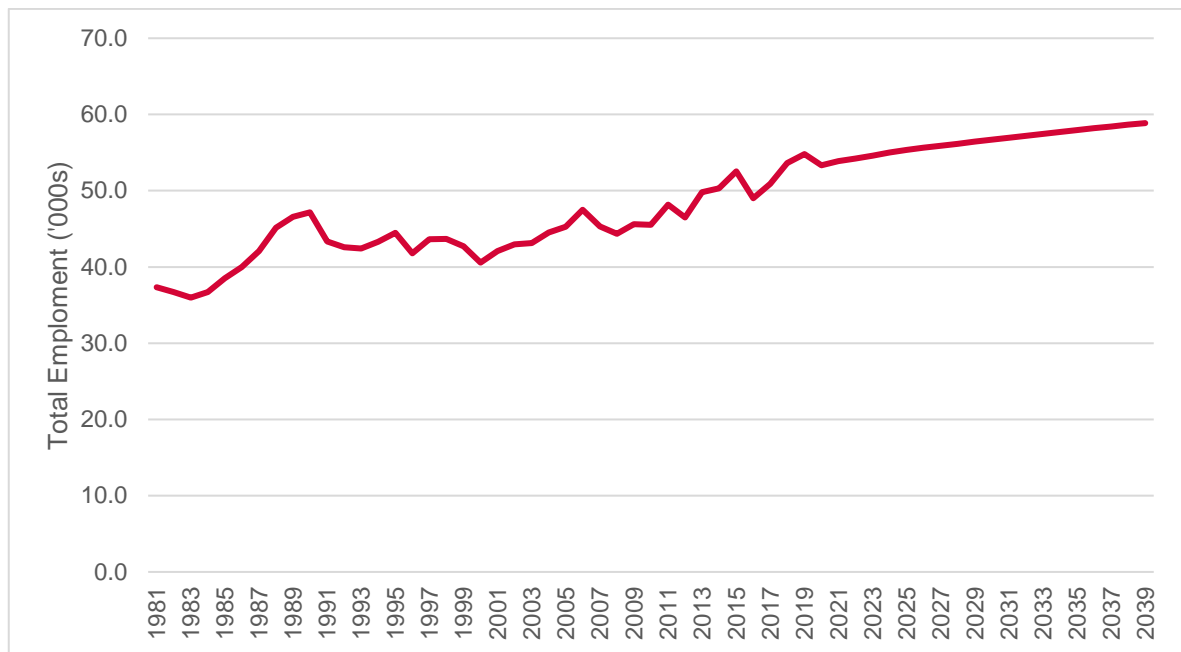
9. FUTURE EMPLOYMENT LAND NEEDS

- 9.1 This section addresses employment land needs over the proposed plan period to 2039. It follows the approach set out in Planning Practice Guidance (PPG) of considering and triangulating a number of forecasting techniques recognising their inherent benefits and disbenefits.
- 9.2 Econometric forecasts take account of differences in expected economic performance moving forward relative to the past. However, a detailed model is required to relate net forecasts to use classes and estimate gross floorspace and land requirements. For office-based sectors consideration needs to be given to the impacts of trends in home working (and growth in hybrid working whereby workers spend part of the working week at home). For industrial sectors however the relationship between floorspace needs and employment trends may be weak – influenced by productivity improvements. In contrast, past take-up is based on actual delivery of employment development; but does not take account of implications of growth in labour supply or housing growth nor any differences in economic performance relative to the past. It is also potentially influenced by past land supply and/or planning policies.
- 9.3 Ultimately therefore an appropriate approach is therefore to utilise a range of different forecasting techniques alongside local intelligence and an understanding of the merits of different approaches in drawing conclusions.

Labour Demand Forecasts

- 9.4 Icenis has taken 2021 economic forecasts from Cambridge Econometrics as a starting point. These project growth in GVA of almost £800m between 2021-39, with an increase of 5,000 jobs (9.2%) in Nuneaton and Bedworth Borough. As the chart below shows, this sees employment in the Borough recovering to pre-pandemic levels in 2024 and growing broadly in line with the long-term trend. 3,800 jobs are created between 2024-39.

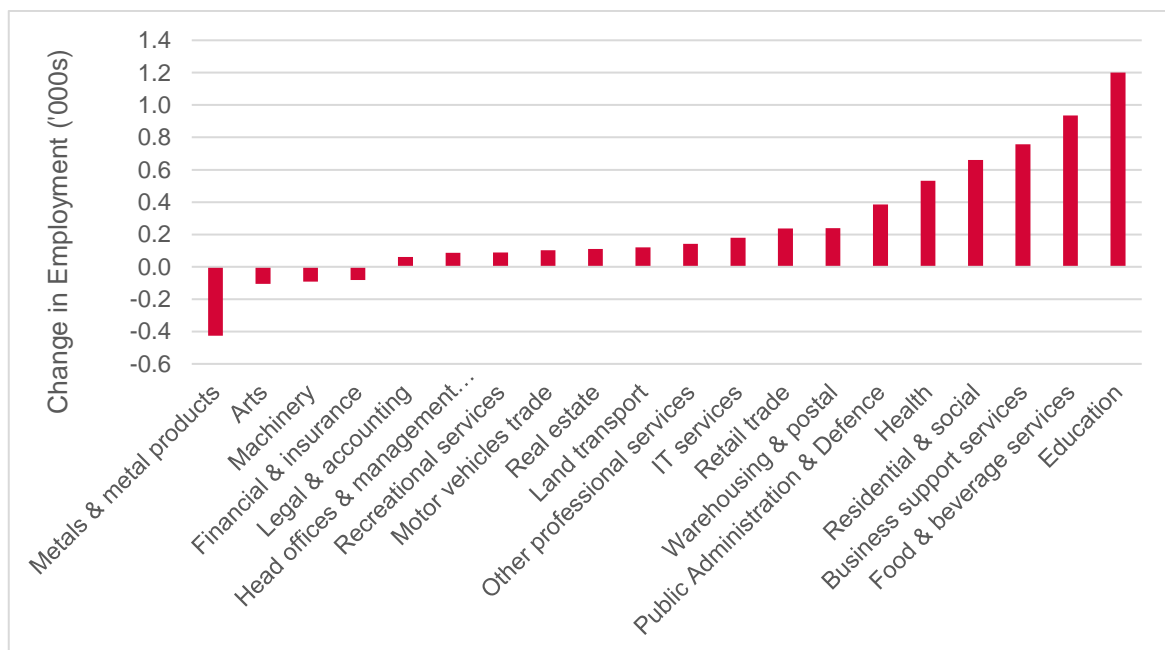
Figure 9.1: Projection of Total Employment – Nuneaton & Bedworth



Source: Cambridge Econometrics/Iceni

9.5 The chart below shows the forecast for changes in employment by sector. It shows sectors in which a change of over 100 jobs is expected between 2021-39. The strongest growing sectors are particularly those which do not require employment land, albeit that part of the growth in food/beverage and retail is likely to relate to warehousing activities. Employment in metals and metal products and machinery is projected to fall in net terms to 2039.

Figure 9.2: Forecast Changes in Total Employment by Sector – Nuneaton & Bedworth



Source: Cambridge Econometrics/Iceni

- 9.6 The CE forecasts provided a 45 sector breakdown which we have used to model floorspace needs. Icenis has a standard model which considers how sectors relate to use classes which is used to estimate the proportion of employment in different broad use classes – offices (Eg(i) and E(g)(ii)), industrial (E(g)(iii) and B2) and warehousing (B8). We attribute changes in jobs to use classes first, using BRES data to estimate the sector-specific relationship between net changes in total employment and that for Full-Time Equivalent (FTE) jobs.
- 9.7 A typical home working by sector rate has been applied to discount the needs rates by sector, using 2019 data. A sensitivity is considered using a higher home working rate in the future (as presented later in this section).
- 9.8 The next stage in the modelling is then to apply employment densities to estimate the net change in floorspace. Employment density assumptions are assumed in relating changes in FTE employment to floorspace.¹⁰ These are as follows:
- 14 sqm offices (12 sq.m NIA per FTE)
 - 44 sqm industrial (blend of former B1c and B2)
 - 80 sqm warehousing
- 9.9 In the labour demand modelling, warehousing needs relate to both strategic and non-strategic warehousing, the former being 'big box' units of > 9,000 sq.m.
- 9.10 The table below sets out the forecast change in FTE jobs by Use Class in the Borough to 2039. Growth is modest in absolute terms across all B-class uses, with the greatest growth in office-based jobs. The labour demand model assumes productivity improvements affecting sectors including industrial and warehousing activities.

Table 9.1 Forecast Change in FTE Jobs by Use Class

	Offices	Industrial	Warehousing
FTE Jobs by Use, 2021-39	660	-460	270

- 9.11 Applying the above employment density assumptions to these jobs forecasts, results in a net need for almost 11,000 sq.m of E(g) and B-Class floorspace as shown in the table below. Land requirements are based on a average plot ratio of 0.5 for offices and industrial and 0.4 for

¹⁰ These relate to the Gross External Area ("GEA").

warehousing and distribution.¹¹ In net terms the modelling points to a very modest need for 3.2 ha of employment land. However this makes no provision for replacement demand, or a margin to provide flexibility and a choice of sites.

Table 9.2 Net Employment Land Needs – Labour Demand Model, 2021-39

	Sq.m Net 2021-39	Ha
Office	9,300	1.9
Industrial	-20,100	-4.0
Warehousing	21,700	5.4
Total	10,800	3.2

9.12 The modelled reduction in industrial floorspace / land needs is however not considered reliable because of the weak relationship between employment trends and future floorspace needs in the manufacturing sector influenced by productivity changes and the need for modern floorspace.

9.13 Future office space requirements will be influenced by the growth in home working. This has increased in office-based sectors significantly influenced by the Covid-19 pandemic and Government imposed lockdowns and ‘work at home’ guidance. It is somewhat early to identify clearly how this will settle down over time, but it is likely that for office-based activities in particular, the level of home working is likely to remain higher than pre-pandemic and hybrid working (part from home, part in an office) will remain more significant, with potential implications for future office floorspace requirements.

Trends in Home and Hybrid Working

Data on homeworking shows that this has varied spatially over time, with ONS’ analysis showing that this positively correlates with the stringency of Coronavirus restrictions. The latest data shows that between 19-30th Jan 2022, 36% of working adults reported having worked from home at least once in the last 7 days. Our core modelling builds in a proportion of home working of up to 15% by sector, but this is based on the pre-pandemic position and could under-estimate future levels.

It is clear that there are benefits and disbenefits of home working; with offices supporting collaboration, social interaction, and staff development. Home working on the other hand can reduce travel time/cost and improve their work/life balance; and may reduce employers’ property costs. Different businesses are however responding in different ways, and that the situation is

¹¹ Plot ratios describe the relationship between the square footage of the building and that of the site.

evolving (on almost a monthly frequency) making it difficult to predict future requirements for office space.

Many businesses and workers have embraced home and hybrid working patterns. It seems likely therefore that there will be some reduction in office space requirements as a result. The scale of this is difficult to precisely quantify and working patterns are still evolving, and it is somewhat difficult to quantify how businesses may respond in considering future space requirements (with occupancy patterns currently higher for mid-week working days).

9.16 A sensitivity model has therefore been developed which reduces the officed based requirements under the circumstance that post pandemic there is a reduced requirement due to home working. This is run at reduction of 30% of the office needs modelled in the initial analysis, as below to provide (alongside the main modelling) a set of parameters for office floorspace needs.

9.17 The results of this analysis are shown below.

Table 9.3 Office Needs Sensitivity Analysis

2021-39	sq.m	Ha
Core Modelling	9,300	1.9
Sensitivity Analysis	6,500	1.3

Projection of Floorspace Trends

9.18 The second main modelling approach is to project forwards trends in total floorspace. Using data from the VOA for floorspace changes in Nuneaton and Bedworth Borough, we have derived net change in floorspace trends to model a future trend-based need. This incorporates all units as it is not possible to separate large and small scale industrial units for historic VOA data.

9.19 Three periods have been used to derive projections based on an annualised average need on the last 5, 10 and 15 years change (ie from three alternate starts to present being 2014/15, 2009/10, 2004/05).

Table 9.4 VOA Trend Forecast 2021-39, sqm

sq.m		5 Year	10 Year	15 Year
Annual Change	Offices	-600	-600	467
	Industrial	5800	-5300	-1400
Projection 2021-39	Offices	-10800	-10800	8400
	Industrial	104400	-95400	-25200

9.20 For the purpose of this exercise, IcenI considers the 2010-20 period (last ten years) to be the most appropriate period to consider a future trend from. For industrial modelling, it incorporates a relatively stable period followed by a more recent faster growth period.

9.21 The modelled outputs are based on net changes in floorspace. However a considerable amount of development arises from churn within the market, with new space brought forward to replace aged/ functionally redundant floorspace. The figures above on their own are likely to under-estimate future development needs.

Completions Trend

9.22 In addition to the VOA data, total employment completions have been provided by authorities as below. We have set out a projection of floorspace needs based on trends over this period. This has involved reviewing data set out in the Council's Authority Monitoring Reports (AMRs) to consider completions 2011/12 to 2020/21 and projecting that forward as an annualised average.

9.23 The table below sets out gross completions by use over the 2011-21 decade. Over this period a total of 108,000 sq.m of B-class employment development has been delivered. The majority of this comprises units with a open B1/B2/B8 consent which in many cases accommodate manufacturing or warehousing uses with ancillary office floorspace.

9.24 The completions data points to very limited development of standalone offices, the only substantive development over the last decade being the delivery of the Holland and Barrett HQ Offices at Elliot Park. Completions listed as B1 development relate principally to the delivery of light industrial units.

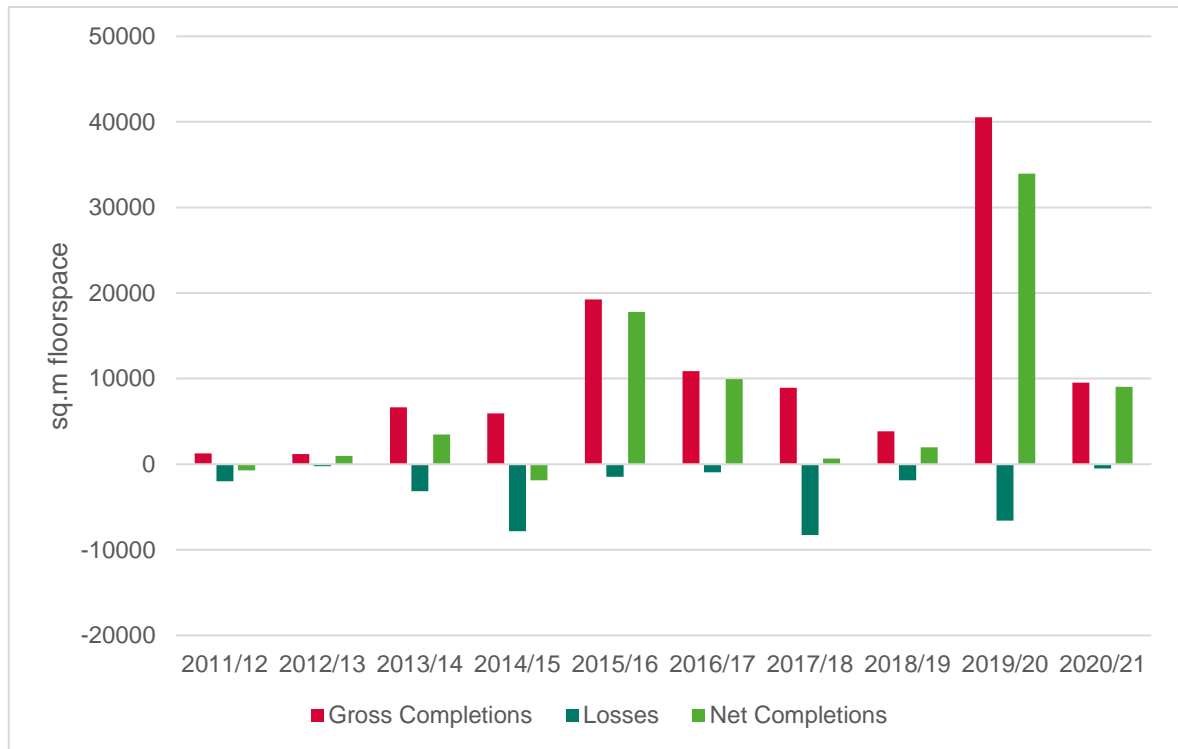
Table 9.5 Gross Completions of Employment Land, Nuneaton and Bedworth

	B1a Offices	B1	B1/B8	B2	B8	B2/B8	B1/B2/ B8	Total
2020/21			771				8767	9538
2019/20				1980			38545	40525
2018/19		737		1778			1347	3862
2017/18			1862		3047		4028	8937
2016/17	4476	750		2900			2758	10884
2015/16		2414				4430	12427	19271
2014/15				1742	4200			5942
2013/14			324	35	502	150	5634	6645
2012/13	50		227	330	592			1199
2011/12							1263	1263
Total	4526	3901	3184	8765	8341	4580	74769	108066

Source: IcenI analysis of AMRs

9.25 The chart below profiles completions over time, in both gross and net terms (taking account of losses). It points to a particular spike in employment floorspace completions in 2012/13 with more limited levels over recent years. This is however against a context the substantive site allocations identified in the 2018 Local Plan have yet to start delivering.

Figure 9.3: Employment Completions Trend – Nuneaton & Bedworth



Source: Icen analysis of AMR data

9.26 The chart below takes the gross completions data, and projects trends forwards over plan period to 2039. The analysis indicates:

- A modest need for standalone office space in the Borough, with the only major development over the last 10 years being for the Holland & Barrett HQ.
- A need for between 29,000 – 31,000 sq.m of industrial space, based on gross completions. This however relates partly to COU of existing units from B8 to B2.
- A need for between 155,300 – 220,100 sq.m of B8 storage and distribution floorspace. The majority of the need appears to relate to this sector.

Table 9.6 Gross Completions Trend and Projection, 2021-39

Sq.m.	Office	Industrial	Distribution	Total
5 Year Average	895	1629	12225	14749
Projection 2021-39	16,100	29,300	220,100	265,500
10 Year Average	815	3104	15533	19452
Projection 2021-39	8,100	31,000	155,300	194,500

Source: Icen analysis of AMR data

- 9.27 The chart below shows the trend in losses. The net growth in office floorspace is very modest, once losses are considered; but there is evidence of the trend in office to residential conversions falling off. There are also some conversions between industrial uses (e.g. B2 to B8 and visa-versa).

Table 9.7 Trend in Losses – Nuneaton and Bedworth

sq.m	Office	Industrial	Industrial/ Warehouse	Total
Average Losses pa	-526	-1462	-1291	-3279

- 9.28 If the conversions between industrial uses are removed, the revised completions trend projection is shown below. This represents our preferred scenario for industrial uses.

Table 9.8 Completions Trend and Projection (removing conversions), 2021-39

Sq.m	Office	Industrial	Distribution	Total
5 Year Average	895	1273	12,225	14,394
Projection 2021-39	16,100	22,900	220,100	259100
10 Year Average	815	2471	14777	18,062
Projection 2021-39	8,100	24,700	147,800	180,600

Strategic B8 Warehouse/Distribution Floorspace

- 9.29 Nuneaton and Bedworth accommodates 173,000 sq.m of strategic distribution floorspace, comprising units of over 9,000 sq.m warehousing space. There are currently 9 such units in the Borough, with it accounting for 8% of units or floorspace across Coventry and Warwickshire.
- 9.30 An analysis of the need for strategic B8 floorspace is being undertaken at a sub-regional level; and the authorities will need to engage and work collectively to consider how this is best met. Key considerations in identifying land for this sector include: road accessibility, proximity to rail terminals, power supply, labour availability and neighbouring uses.

9.31 Both the M6 Corridor and A5 Corridor are attractive locations for strategic distribution uses, and the Borough benefits from its location at the centre of the country and proximity to the strategic road network.

9.32 There are a number of sites within the Borough which are potentially suitable to meeting this strategic B8 need:

- Faultlands Employment Area – 16 ha
- Phoenix Way, Wilsons Way, Nuneaton – 18 ha
- Bowling Green Lane, Nuneaton – 24 ha

9.33 These sites however have an allocation allowing a range of employment uses, and therefore it is unlikely that they will be fully developed for strategic B8 development.

Drawing the Evidence Together

9.34 In this final sub-section we seek to draw the evidence together regarding the Borough's employment land needs. This is segmented to consider office and industrial/warehousing development separately.

Offices

9.35 The evidence points to a modest, relatively weak market for office development. The demand profile is focused on SME occupiers, and the Borough is unlikely to be able to compete with major schemes such as Friargate in Coventry for larger office requirements. There has been very limited office development over the last 10 years; and the future outlook for standalone office floorspace development in the Borough is considered to be relatively weak.

9.36 Net completions of standalone office space in the Borough have been negative over the past 10 years, with floorspace declining by c. 700 sq.m. The trend in floorspace recorded by the VOA is also negative. However the labour demand model does point to some potential for growth in office-based sectors, which could generate a modest need for new office space. In addition, there is a case for providing some flexibility / potential supply to allow growth in higher value-added sectors to improve the Borough's economic performance and address the productivity gap with wider areas.

9.37 Icen consider that it would therefore be sensible to allow sufficient provision to meet the needs shown in the labour demand model. We do not consider in this context that specific provision for replacement demand is warranted. However we have included provision for a 2 year margin based on past take-up to recognise that:

- Forecasting is not an exact science;
- The case for providing some flexibility of supply, having regard to the vacancy rate;
- Locational and site size requirements vary; and
- Potential for delay/slippage in sites coming forward.

9.38 The basis of this calculation is shown below. Iceni conclude that provision should be made for 10,200 sq.m of office space over the plan period to 2039. This equates to 2.0 ha of land assuming an average plot ratio of 0.5.

Table 9.9 Office Floorspace Need 2021-39, Nuneaton and Bedworth

	Nuneaton & Bedworth
Office Floorspace Need, 2021-39	9300
2 Yr Margin	900
Total Floorspace	10200
Land (ha)	2.0

Industrial and Warehouse/Distribution

9.39 The evidence points to a very strong market for industrial and warehouse/distribution premises in the Borough. The labour demand model projects negative growth in jobs, but in a context where the recent trend is of growing employment in manufacturing; and jobs numbers are not expected to translate directly into floorspace/land needs because of productivity improvements.

9.40 The VOA trend for total industrial floorspace is also negative (over the 5 and 10 year period), but this is not considered to be consistent with wider market dynamics; or trends the sub-region more widely. In these terms we consider that greater weight in drawing conclusions should be given to the completions projections. Our preferred approach is the 5 year projection, reflecting some evidence of supply-side constraints in the earlier part of the period (as identified in the Borough's previous evidence base).

9.41 To this we consider that a 5 year margin should be added (based on 10 year completions trends) to provide flexibility and a choice of sites, for the reasons identified above. This results in a total need for industrial and warehouse space for 345,300 sqm to 2039. To calculate the land requirement associated with this, we have indicatively assumed an average plot ratio of 0.5 for industrial and 0.4 for warehouse and distribution.

Table 9.10 Industrial and Warehouse Floorspace Need, 2021-39, Nuneaton and Bedworth

	Industrial	Warehousing/ Distribution	I&W Total
5 Year Completions	22,900	220,100	243,000
Margin	12,400	73,900	86,200
Total Floorspace (sq.m)	35,300	293,900	329,200
Ha	7.1	73.5	80.5

- 9.42 This is based on a local assessment of need based on past trends – this will include development of some warehousing space (of over 9000 sq.m). Icen consider that the Borough Council will need to work with others in the sub-region to confirm what proportion of the need for strategic warehousing it might accommodate, working with other authorities in the sub-region through the Duty to Cooperate. It may be appropriate to delineate elements of the supply to take account of this market.

10. CONCLUSIONS

- 10.1 In this section we have sought to draw together conclusions in draft regarding the overall need for housing and employment land, and policies for different types of homes.

Overall Housing Need

- 10.2 The standard method, as published and using the 2014-based Household Projections, generates a need for 437 dpa.
- 10.3 Evidence of development trends and from the Patient Register indicates that Nuneaton and Bedworth's population may have been under-estimated in ONS' latest Mid-Year Population Estimates. Icen, working with JGC, has therefore sought to develop alternative trend-based projections for population growth taking account of the inter-relationship of ONS data with other data sources. Applying these projections, a more appropriate assessment of overall housing need, based on the current evidence is for 646 dpa. This would equate to a need for 9,690 homes over the proposed 2024-39 plan period in the Borough.
- 10.4 The higher housing provision proposed, relative to the standard method starting point, will assist in the delivery of affordable housing in the Borough. A need for up to 653 affordable homes per year is identified taking account of current affordability and the existing stock position. The evidence does not point to any upward adjustments as necessary at this level to support economic growth at the borough or sub-regional level.
- 10.5 We consider that these revised projections provide a sensible basis for considering overall housing need at the current time. This will need to be reviewed once 2021 Census data begins to be released, and ONS updates its population projections to take this into account.
- 10.6 The assessment of overall housing need herein should be reviewed once 2021 Census data and new ONS Mid-Year Estimates are available. These will help provide a more accurate assessment of past trends, which can be used to develop population and household projections.
- 10.7 In addition to the need identified, it will be important as the plan-making process progresses for the Borough to engage through the Duty to Cooperate with adjoining areas to consider any issues of unmet housing need. Through the last round of local plans, an unmet need was identified from Coventry. Whilst there is uncertainty regarding the City's demographics, there is a reasonable prospect that an unmet need will again arise; and given the strong functional relationship between Nuneaton and Bedworth and Coventry, this may be an important consideration in considering overall housing provision within the Borough Plan Review.

Mix of Homes

- 10.8 The median house price in the Borough appears to have recently risen to just over £200,000. The local market is one which is relatively affordable compared to some other parts of the region. A high proportion of new homes sales have been supported by the Help-to-Buy Equity Loan Scheme in recent years, the majority of which have been purchases by First-time Buyers. With the end of the Help-to-Buy Equity Loan Scheme in Spring 2023, we may see some adjustment of market dynamics. This will need to be kept under review.
- 10.9 The HEDNA has considered affordable housing needs identifying a need for 445 rented affordable homes per annum. The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.

Table 10.1 Estimated annual need for affordable housing split between rented and affordable home ownership

	Rented affordable need	Affordable home ownership need	Total annual need
N & B	445	208	653

- 10.10 When looking at the need for AHO products, the analysis also suggests a need for 208 per annum which is lower than for rented housing. In interpreting this figure, it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO. Combining the rented and affordable home ownership need points to a total affordable need for 653 homes per annum.
- 10.11 Analysis does suggest that there are many households in Nuneaton and Bedworth who are being excluded from the owner-occupied sector. This suggests that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy. Both delivery of First Homes and shared ownership will have a role to play in meeting needs – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 10.12 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow

more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

- 10.13 It is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.
- 10.14 The affordable housing need is a consideration in setting the housing target within the Plan, but it should be recognised that the affordability uplift within the standard method will deliver additional market and affordable homes; and viability considerations and available funding may influence what level of affordable housing can be delivered.
- 10.15 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (18-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which in Nuneaton & Bedworth are very high in the market sector).

Table 10.2 Suggested Mix of Housing by Size and Tenure – Nuneaton & Bedworth

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5-10%	30-35%	40-45%	15-20%
Affordable home ownership	20-25%	40-45%	25-30%	5-10%
Affordable housing (rented)	25-30%	30-35%	30-35%	5-10%

Source: Derived from a range of sources

- 10.16 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- 10.17 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual

development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.

- 10.18 Demand for self and custom-build development in the District is modest, equivalent to around 4 plots per annum; and the existing Borough Plan has supportive policies. The Private Rented Sector has grown since 2011, but the evidence suggests this may have been mostly pre 2015; but the scale of the sector and level of rents is not likely to be conducive to build-to-rent development in the short-term.

Economic Growth

- 10.19 The Borough's economy has an annual GVA of £2 billion and supported 55,000 jobs pre-pandemic. It has particular strengths in manufacturing, a sector in which employment has been growing; as well as in logistics/distribution but has also seen growth in jobs in sectors such as health, education and public administration which are driven in particular by population growth.
- 10.20 Economic forecasts project growth in GVA of almost £800m between 2021-39, with an increase of 5,000 jobs (9.2%) in Nuneaton and Bedworth Borough. This sees employment in the Borough recovering to pre-pandemic levels in 2024 and growing broadly in line with the long-term trend. 3,800 jobs are created between 2024-39.
- 10.21 The evidence however points to issues associated with the quality of jobs, and skills profile of the Borough's population. There is a low representation of higher skilled workers, and indeed relatively low levels of enterprise. Investment in skills development is needed to help attract and develop better quality jobs and improve economic resilience. The Borough would also benefit from an enhanced focus on enterprise development and small business growth.

Employment Land Needs

- 10.22 The Borough has a relatively modest and localised office market, which is focused on small SME businesses; but has a large stock of industrial properties and is an attractive location for industrial space. Market conditions in this sector are very strong at the time of writing, with availability and the immediate pipeline of space low which set against strong market conditions had led to rising rents and land values.
- 10.23 The evidence points to a modest, relatively weak market for office development. The demand profile is focused on SME occupiers, and the Borough is unlikely to be able to compete with major schemes such as Friargate in Coventry for larger office requirements. There has been very limited office development over the last 10 years; and the future outlook for standalone office floorspace development in the Borough is considered to be relatively weak. Iceni conclude that provision should

be made for 10,200 sq.m of office space over the plan period to 2039. This equates to 2.0 ha of land assuming an average plot ratio of 0.5.

- 10.24 The evidence points to a very strong market for industrial and warehouse/distribution premises in the Borough. The labour demand model projects negative growth in jobs, but in a context where the recent trend is of growing employment in manufacturing; and jobs numbers are not expected to translate directly into floorspace/land needs because of productivity improvements. The VOA trend for total industrial floorspace is also negative (over the 5 and 10 year period), but this is not considered to be consistent with wider market dynamics; or trends the sub-region more widely. Our preferred approach is the 5 year projection of completions trends, reflecting some evidence of supply-side constraints in the earlier part of the period (as identified in the Borough's previous evidence base). To this we consider that a 5 year margin should be added (based on 10 year completions trends) to provide flexibility and a choice of sites, for the reasons identified above. This results in a total need for industrial and warehouse space for 345,300 sqm to 2039. Iceni calculate that this would equate to 80.5 ha of industrial land.
- 10.25 The Borough Council will need to work with others in the sub-region to confirm what proportion of the need for strategic warehousing it might accommodate, working with other authorities in the sub-region through the Duty to Cooperate. The analysis herein assumes that the future provision is in line with past trends (accounting for c. 19% of the sub-regional total). It may be appropriate to delineate elements of the supply to take account of this market.