Greater Norwich Development Partnership

Topic Paper: Homes and Housing

Evidence on appropriate levels of house building in Broadland, Norwich and South Norfolk

Joint Core Strategy for Broadland, Norwich and South Norfolk

August 2010

Jobs, homes, prosperity for local people

Broadland District Council NORWICH City Council South Norfolk Council Norfolk County Council

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Appendices

1. Summary

1.1 This Topic Paper expands on evidence considered by the constituent authorities of the GNDP that supports the dwelling provision in Policy 4 of the Joint Core Strategy (JCS). The Topic Paper also responds to a specific request by the Inspectors appointed to examine the JCS.

1.2 The JCS requires allocations to be made to ensure that at least 36,820 new homes can be delivered between 2008 and 2026. The locational policies of the JCS provide flexibility to identify allocations between 36,820 and 37,750 dwellings.

1.3 Forecasting the need for new housing is not an exact science and the sources of evidence identified in this paper provide a range of potential needs. The values at the lower end of the range are more likely to underestimate need and would not respond to the Government's commitment to increase housing supply. The upper end are based on projections of past demographic trends that may be unrealistic and suggest levels of growth that are untenable in terms of infrastructure requirements, environmental impact and evidence of the market's ability to deliver. JCS provision falls well within the indicated range and because it is limited to allocated land and takes no account of windfall development it provides sufficient flexibility to deliver on all reasonable requirements.

2. Introduction

2.1 This Topic Paper outlines a range of evidence supporting the housing targets in the submitted Joint Core Strategy demonstrating that they remain valid following the revocation of the East of England Plan.

3. Background

3.1 A paper on "Joint Core Strategy : Next Steps" was considered by the GNDP Policy Group on 24 June 2010 (and subsequently by the constituent authorities). The paper discussed the impact of the revocation of Regional Spatial Strategies and set out in broad terms the range of evidence that supports the JCS housing targets. This topic paper sets out that evidence in more detail.

3.2 The Topic Paper also addresses the requirements of the Inspectors appointed to examine the JCS in July 2010:

"In the light of the revocation of Regional Spatial Strategies, we ask GNDP to prepare a paper for the benefit of the examination and its participants, explaining the factors behind the joint decision of the Councils to continue to rely on the housing figures in the East of England Plan (EEP). This could be in similar format to the GNDP topic paper series. The paper should explain what account has been taken of the matters set out in PPS3 paragraph 33 and summarise the chain of reasoning for the retained figures by reference to any relevant documents such as the principal sources of evidence for the EEP, Strategic Housing Market Assessment documents (SHMA), Strategic Housing Land Availability Assessment documents (SHLAA) and any other relevant main sources. In the case of the SHLAA it would also be helpful to have some assessment of the extent to which land availability findings may or may not be affected by recent Government changes to PPS3 with regard to density and the development of garden land."

4. Emerging Government Policy

4.1 The Government has revoked Regional Spatial Strategies in part because it considers that top-down targets have resulted in too few dwellings being delivered. Grant Shapps' statement in Parliamentary Questions on 1 July 2010 confirmed the Government is ***"committed to increasing housing supply, seeing more of the homes people want in the places that people want them, to meet Britain's housing need*"**. Commenting on the closure of the National Housing and Planning Advice Unit as a stand alone organisation, Richard McCarthy (Director General of Housing and Planning at CLG) stated *"this does not mean that the new Government is any less committed to increasing housing supply".*

4.2 The Government has confirmed that housing provision must be based on evidence and in June 2010 reissued a revised Planning Policy Statement 3 : Housing (PPS3). Paragraph 33 sets out the types of evidence required to derive housing provision targets. These include:

- Local and sub-regional evidence of need and demand, set out in Strategic Housing Market Assessments and other relevant market information such as long term house prices.
- Advice from the National Housing and Planning Advice Unit (NHPAU) on the impact of the proposals for affordability in the region.
- The Government's latest published household projections and the needs of the regional economy, having regard to economic growth forecasts.
- Local and sub-regional evidence of the availability of suitable land for housing using Strategic Housing Land Availability Assessments and drawing on other relevant information such as the National Land Use Database and the Register of Surplus Public Sector Land.
- The Government's overall ambitions for affordability across the housing market, including the need to improve affordability and increase housing supply.

4.3 Various sources of evidence covering these requirements are set out below. All potential dwelling projections are rounded to the nearest 50.

5. The East of England Plan

5.1 Although it has been revoked, the evidence supporting the East of England Plan and the local authorities' position on it remain relevant.

5.2 The housing targets in the adopted East of England Plan to 2026 were accepted by all the GNDP authorities subject to the provision of necessary supporting infrastructure and jobs. For the period 2008-2026 the East of England Plan target, taking into account past completions 2001-2008, was a **minimum of 35,660 dwellings** (or 1,980 per annum).

5.3 To ensure the East of England Plan target was met, and to provide the opportunity for local choice and flexibility to meet housing need in more rural parts of the area, the GNDP partners decided to increase the provision in the JCS slightly above that required by the East of England Plan. Consequently, JCS provision is **36,820 – 37,750 dwellings** (or 2,050 to 2,100 per annum).

5.4 In the absence of Regional Spatial Strategies, the starting point for locally determined housing provision is the so called "Option 1" proposals put forward by local authorities for inclusion in the regional plan. A review of the East of England Plan was underway which included housing provision as put forward by constituent local authorities. From an answer given in Parliamentary Questions by Bob Neill MP on 1st July, it would appear that the Government consider that these figures constitute "Option 1" for the purposes of interim planning. For the GNDP area provision equating to 2,100 per annum was proposed. This is equivalent to the top end of JCS provision over the 18 years 2008 to 2026. However, it should be noted that the review was for the period 2011-2031, with no requirement to address any backlog, and the GNDP proposals were made in the context of constrained delivery in much of the rest of Norfolk, which is no longer a testable consideration. More significantly they were absolutely conditional on the provision of supporting infrastructure and in particular the Norwich Northern Distributor Road.

6. Local and sub regional evidence of need and demand

6.1 The Strategic Housing Market Assessment (SHMA) for the GNDP area estimates a housing requirement over a period of five years. The original study (Doc Library H3) was for the period 2006-2011 and this has been revised and updated to the period 2009-2014 (Doc Library H4). (NB The use of the updated study to interpret the original evidence gives slightly different results in the following analysis to those in Annex 1 of the Statement of Focussed Changes).

6.2 The revised study identifies a total need for housing of 2,132 per annum of which 925 would be affordable. This includes the dwellings required to meet any backlog in affordable housing need at the start of the period plus newly arising need. The backlog identified in the initial study has not been met in the intervening period. In order to use the SHMA data to indicate need over the JCS period it is necessary to take out the affordable backlog, extrapolate the remaining annualised need over the JCS period and then add the backlog back in. This indicates a need for **34,500 dwellings.** However, this is likely to be an underestimate, as it takes no account of demographic trends after 2011, and does not include a reasonable allowance for unoccupied dwellings. Moreover the proportion of affordable housing would need to be around 37% of total housing and this is extremely unlikely to be achieved.

6.3 If 33% affordable housing could be achieved a total of **38,650 dwellings** would be needed to address the projected need. An analysis of the Affordable Housing Viability Study suggests that in broad terms this overall percentage of contributing development is potentially achievable. This takes account of the proportion of sites that would be viable at the 40% policy target and those that would be viable with lower contributions. However, the analysis does not take account of sites that may come forward for 100% affordable housing, such as rural 'exceptions' sites, or those which produce little or no affordable housing due to being below the threshold size or for viability reasons; therefore it is possible that total growth may need to exceed 38,250 dwellings to fully meet the need for affordable housing.

6.4 If the proportion of affordable housing actually achieved is lower than 33% then a greater total provision would be required. For example, if the proportion of affordable housing achieved were to be 5 percentage points lower at 28% of total new dwellings (and this is still an historically high figure) then a total of **45,500 dwellings** would be required.

6.5 The level of affordable housing need in the area is strongly influenced by need arising from Norwich. It is particularly important, therefore, that a high proportion of total provision is targeted on the Norwich Policy Area.

6.6 A long-term analysis of house prices has not been undertaken, as it would not be expected to be useful given the current recession and problems in the housing market. However the impact of house prices in relation to household incomes has formed part of the both the original SHMA and the 2009 update.

7. NHPAU advice

7.1 While the NHPAU has been disbanded its evidence is still available via CLG and it continues to be one of the Government's required considerations. The NHPAU had provided advice for the review of the East of England Plan. Its projected requirements for the GNDP area for the same time frame range between **43,100 and 53,800 dwellings**.

7.2 The lower requirement is derived from 2006-based demographic projections and provides for household growth but does not include housing for existing hidden households. The upper requirement reflects the level of supply considered by the NHPAU to be required to stabilise the affordability of market housing. With the demise of the NHPAU there is no authoritative analysis of how the affordability issue is affected by the continuing downward pressure on house prices in the current market.

8. The Government's latest population projections

8.1 The latest ONS population projections are 2008-based. These projections are largely derived from trends over the previous 5 years. This was a period of high levels of net gain from international migration that may not be matched in the future. Trend based projections should be regarded with an appropriate degree of caution.

8.2 ONS projections for the GNDP area suggest a total population in 2026 of around 457,000 people resulting from growth of 78,900 people between 2008 and 2026. The dwelling requirement resulting from this population depends on occupancy rates which tend to decline over time, in part reflecting falling average household size. Between the Census of 1991 and that of 2001, the occupancy rate fell in all three districts. Across the area as a whole occupancy fell by 0.09 people per dwelling to an average of 2.24. It is possible to calculate an occupancy rate for 2008 but there are question marks around the derived dwelling stock and its compatibility with the Census (unfortunately different measures of current dwelling stock vary significantly). Assuming that dwelling stock is the sum of that recorded in the 2001 Census plus subsequent net completions, the 2008 occupancy rate for the GNDP as a whole appears to have remained at 2.24 people per dwelling. This masks an apparent continuing fall in Broadland and South Norfolk and an apparent increased occupancy rate in Norwich. It is unclear what are the causes or implications of this apparent rise, or whether it will stabilise or return to a downward trend. However, if the occupancy rate for the GNDP area as a whole were to remain at 2.24 in the period 2008-26 the increased population implies a requirement for an additional **35,150 dwellings**. If the occupancy rate were to fall a further 0.09 in the 18 year period (the same as in the 10 years 1991-2001 or possibly in the 17 years 1991-2008) the increased population would require **43,250 dwellings**.

9. Household projections

9.1 The same caveats around the robustness of trend based projections apply as noted above in relation to population projections. The most recent household projections are CLG 2006-based.

9.2 CLG 2006-based household projections indicate that households will increase by 48,000 between 2006 and 2026, assuming a constant rate of growth this suggests an additional **43,200 households** in the period 2008 to 2026.

9.3 Alternatively, a 2008 household estimate from the data provider CACI can be compared to the CLG 2006-based projection for 2026. Although this is using two different sources, one rounded and one not, CACI estimates are usually reasonably close to official CLG estimates. This analysis suggests an increase of around **42,800 households** between 2008 and 2026.

9.4 Generally there are more dwellings in an area than households. In order to assess how many dwellings might be needed to accommodate the projected increase in households the relationship between the two measures at the time of the 2001 Census can be used. At this time there were roughly 3.7% more dwellings than households in the GNDP area. If this is applied to the above then the projected increase in households would require **44,350 to 44,800 dwellings**.

10. Dwelling Requirement to support the local economy

10.1 The East of England Forecast Model (EEFM) is a genuine forecasting tool rather than a simple projection of past trends. It is grounded in models of the international and national economy and uses local intelligence on economic structure, output, productivity, employment, population and housing to forecast each variable. The dwelling forecast maintains current occupancy ratios in the context of economically driven increases in population. The most recent forecast undertaken in Spring 2010 suggests that an additional **40,000 dwellings** will be necessary between 2008 and 2026 to support the growth potential of the local economy.

11. Strategic Housing Land Availability Assessment (SHLAA)

11.1 The GNDP SHLAA Stage 8 report suggests that total constrained supply could be **42,000 dwellings** up to and beyond 2024. The GNDP target is below this constrained supply, allowing some capacity for growth provision in later plans. Moreover, many of the constraints indicated in the SHLAA can be overcome.

11.2 The SHLAA site threshold outside of the built-up area is one hectare, which effectively excludes garden land. Consequently, PPS3's change in designation of garden land will have minimal impact in this area. Similarly the density assumption of 30 dwellings per hectare in these locations remains a realistic one, even taking account of the change to PPS3 that deleted the national minimum density standard.

11.3 In the built-up area the SHLAA assumed the density of development would be 100 dwellings per hectare in the city centre and 50 in the rest of the city. The minimum density in the City of Norwich Local Plan is 40 dph and that is the figure Norwich City Council is proposing to take forward through the LDF. The average densities for the city as a whole were about 90 dph between 2007 and 2010. The City Council's Sites Allocation DPD will be published for consultation subject to member approval in October. This should demonstrate how allocations for 3,000 additional dwellings can be achieved. This bears out the findings of the SHLAA and demonstrates the ability to accommodate the level of growth set in the Joint Core Strategy.

11.4 In urban areas outside of the built-up area of Norwich the assumption of 40 dwellings per hectare is also considered to be a reasonable assumption for an average density.

12. Increased Supply

12.1 Net completions in the 9 years 2001-2009 averaged 1,936 per annum. If delivery continues at this rate then **34,850 dwellings** would be completed between 2008 and 2026. Although this period includes the beginning of the recession, it was largely influenced by strong demand.

12.2 Clearly the Government are expecting the planning system to deliver higher rates of development. In this context past completions should be seen as a minimum to deliver. However, they also represent the market's ability to deliver in a benign economic period, during which all three Local Planning Authorities adopted up-to-date Local Plans making significant new housing allocations, so indicate the scale of the challenge if significantly higher rates of development are to be achieved over a longer period.

13. The role of windfall development

13.1 JCS provision is intended to be delivered through allocations so windfall development will be additional. Reasonable assumptions about windfall development have been included in key evidence supporting the JCS. Delivery of close to 5,000 additional dwellings is illustrated (but not included in the totals) in the JCS trajectory for the GNDP area as a whole. This is quite conservative compared to windfall development rates previously experienced but may be reasonable in a planning system which is intended to positively allocate sites to meet need. The potential for windfall development will also be influenced by the extent of ‘development boundaries’ in site specific allocations DPDs and the protection of sites for non-housing uses, as well as by development management policies relating to issues such as density, conversions, redevelopment etc. Consequently, allocations to meet the JCS provision plus windfalls could deliver in the region of **42,000 dwellings**. This amount of development is very similar to all but the most extreme, higher estimates of need. Clearly, windfall development will not be delivered as additional development if there is no market demand **-** the sites may still come forward but there would be a consequent reduction in rates of delivery on allocations. Consequently, windfall development provides sufficient flexibility to address uncertainty arising from the wide range of assessments of need.

14. Conclusion

14.1 All the illustrated rates are dependent on the market’s ability to deliver and the timely provision of essential infrastructure.

14.2 Evidence supporting the JCS demonstrates that growth in excess of that being provided for would increase significantly the likely environmental consequences of development and potentially run into even greater infrastructure constraints. There is also little or no evidence that the market could deliver higher rates of growth. A lower level of development could be artificially constraining housing delivery, with consequent impacts on economic development and housing affordability and the wider ‘knock-on’ effects that this would have.

14.3 It can therefore be concluded that JCS provision is entirely appropriate and necessary to deliver on all reasonable estimates of need.

Table 1 : Comparison of JCS provision and dwelling requirement derived from a range of sources.

Source of estimate	Dwellings needed	Note:
SHMA with affordable at 37%	34,500	Takes no account of demographic trends after 2011 and does not include an allowance for unoccupied dwellings. Meeting affordable need would requires an unachievable proportion of total dwellings
Continuation of past completions	34,850	Based on past completion rates 2001-09
ONS Population projection	35,150	2008-based. No allowance for falling occupancy rate
JCS provision	**36,820 - 37,750**	Not including potential windfall development
"Option 1"	37,800	Based on RSS Review agreed targets, annualised and multiplied by 18
SHMA with affordable at 33%	38,650	Total dwellings to deliver affordable need if 33% is affordable
EEFM	40,000	Requirement to support local economic growth potential. Derived from Spring 2010 economic forecast
NHPAU lower	43,100	To provide for 2006-based household growth projections (from RSS Review)
ONS Population projection	43,250	2008-based. Includes reasonable assumption on falling occupancy rate.
Households projection	44,350	CACI 2008 households and CLG (2006-based) 2026 households – converted to dwellings
Households projection	44,800	CLG 2006 based, 2006-2026 change, apportioned over 18 years instead of 20 – converted to dwellings
SHMA with affordable at 28%	45,500	Total dwellings to deliver affordable need if 28% is affordable (illustrative assumption)
NHPAU higher	53,800	To provide for 2006-based household growth projections and stabilise affordability (from RSS Review)

Appendix 1 – Local and Sub-Regional Evidence

SHMA Calculation Updated

Total requirement per annum*	2,132	a
Less affordable backlog** (annual)	300	b
Total arising requirement per annum	1,832	a-b
Multiply by JCS period years	18	c
Total requirement over JCS period	32,976	c x (a-b)
Add back in affordable backlog total	1,500	d
Total requirement including backlog	34,476	c x (a-b) + 5b

Affordable Housing Element

Housing need per annum including backlog*	925	a
Less affordable backlog** (annual)	300	b
Affordable need arising per year	625	a-b
Multiply by JCS period years	18	c
Affordable need arising over JCS period	11,250	c x (a-b)
Add back in affordable backlog total	1,500	d
Affordable need arising including backlog	12,750	c x (a-b) + d

* Greater Norwich Housing Market Assessment UPDATE November 2009, page 20
** Affordable backlog was 1,403 in 2006; estimated at 1,500 in 2009

Affordable Housing Delivery Rates

Affordable need arising in JCS period, including backlog	12,750
If this forms 33% of completions, total completions would need to be	38,636
If this forms 28% of completions, total completions would need to be	45,536

34,476 dwellings according to Strategic Housing Market Assessment methodology, extrapolated over 18 years

38,636 dwellings to meet affordable need, assuming 33% of completions are for affordable dwellings

45,536 dwellings to meet affordable need, assuming 28% of completions are for affordable dwellings

Appendix 2 – ONS Population Projections

GND Population Estimate 2008	GNDP Population Projection 2026	Increase in Population
378,100	457,000	78,900

GNDP:	Population	Dwellings	Occupancy
1991 Census	329,799	141,585	2.33
2001 Census	350,773	156,745	2.24
Completions 01-08		11,758	
2008 Estimate	378,100	168,503	2.24
Occupancy Rate Scenarios			
2026 Projection	457,000	203,665	2.24
2026 Projection	457,000	211,729	2.16

	a) 2008 occupancy	b) decreasing occupancy in line with 91-08 trend:
Dwellings Based On:	203,665	211,729
Less 2008 Stock	168,503	168,503
Additional Homes Needed	35,162	43,226

35,162 dwellings to house growing population at 2008 occupancy levels

43,226 dwellings to house growing population at decreasing occupancy levels

Appendix 3 – CLG and CACI/CLG Household Projections

CLG 2006-based Estimate Households	162,000	a
CLG 2006-based 2026 Projection Households	210,000	b
Difference Over 20 Years	48,000	b-a
Apportioned Over 18 Years	43,200	(b-a) / 20 x 18

CACI 2008-based Estimate Households	167,238	c
CLG 2006-based 2026 Projection Households	210,000	b
Difference Over 18 Years	42,762	b-c

Relationship between households and dwellings at census

2001 Census	Households	Dwellings	% Difference
GNDP	151,198	156,745	3.7%

Household : dwelling relationship applied to projections

	Households	% Difference	Dwellings
CLG 2006	43,200	3.7%	44,798
CACI 2008/CLG 2006	42,762	3.7%	44,344

44,798 dwellings to accommodate increased households, 2006-base projections

44,344 dwellings to accommodate increased households, 2006/2008-base projections

Appendix 4 – Increased Supply

	Completions 2001-2009 (Financial Year)	Annual Average	Projected Completions 2008-2026
Broadland	2,527	316	5,686
Norwich	6,011	751	13,525
South Norfolk	5,014	627	11,282
GNDP	13,552	1,936	34,848

34,848 dwellings taking account of historic annual completion rates

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