

Item for Decision

## Housing Delivery and Five Year Land Supply Statement

Summary: This report provides an overview of two key housing delivery performance measures. It explains the national Housing Delivery Test (HDT) and the process for preparing a Five Year Land Supply Statement. (5YLS). The results of both tests for 2019 are presented.

Recommendation: 1. That the Council seeks independent advice on the potential impacts of UPC on projected housing growth in the District prior to publishing this year's land supply statement.

2. That pending receipt and consideration of this advice the Council continues to give full weight to adopted planning policies dealing with housing supply when determining planning applications.

Cabinet Member(s)	Ward(s) affected
Cllr Karen Ward	All
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### 1. Introduction

1.1 The National Planning Policy Framework (NPPF) requires that each authority, via the preparation of Local Plans and the determination of planning applications, delivers sufficient homes to meet all housing needs. Two separate nationally applied performance measures are in place:

- The **Housing Delivery Test (HDT)** is published by DCLG on an annual basis. It looks backwards over a three-year period and records the number of dwelling completions for each District and compares this to dwelling requirements over the same period. The result, expressed as a percentage of requirement delivered, determines which measures, if any, an authority may need to take to improve delivery.
- **Five Year Land Supply Statements (5YLS)** look forwards over the next five-year period and compares dwelling requirements over this period with the likely supply of suitable development sites. Failure to maintain a sufficient supply of future development sites reduces the weight that can be given to adopted policies and introduces a policy presumption that planning permission should be granted for sustainable developments, including in those circumstances where proposals may not comply with locally adopted Plans. This presumption should be applied until such time as the land supply position has improved.

- 1.2 This report outlines North Norfolk's position in relation to both of these tests.

## 2. The Housing Delivery Test.

- 2.1 The Housing Delivery Test was introduced in 2018 following the publication of a revised National Planning Policy Framework. It is a standard national measure of how each Authority in the Country has performed in terms of delivering homes over the preceding three years. The results are compiled and published annually by Department of Communities and Local Government (DCLG) and compare the **requirement** for new homes over this period with the actual numbers of new dwellings built. Housing completions data is provided by Local Authorities which submit an annual return. The *required* number of homes used in this test is either the current Local Plan housing target (where a Plan is up to date) or, where a Plan is more than five years old as is the case with North Norfolk, the annual average number of new households which are likely to form in an area derived from national household projections published by the Office for National Statistics (ONS). The national household projections are published every two years and the HDT is currently based on projections published in specific years (2012 and 2014 based projections).
- 2.2 In each of the last three years the number of new homes delivered in North Norfolk has exceeded the targets in both our adopted Local Plan (the Core Strategy has a target of 400 per year) and those derived from the household projections. The District provided **126%** of the housing requirement over this period and hence passes the HDT. In such circumstances the Authority is not required to take any specific actions to improve housing delivery under the HDT.

### 2.3 Table A – 2018 Housing Delivery Test results for North Norfolk

	2015/16	2016/17	2017/18	HDT Result 2018
Local Plan target	400	400	400	
Number of homes required derived from Household Projections*	386	387	401	126%  The District delivered 26% more homes than were required under the test over the three year test period.
Number of net new homes provided	486	442	555	

\*Annual requirements are derived from the National Household Projections 2012-2014 base years as per HDT rule book.

- 2.4 Although not currently applicable in North Norfolk, the sanctions for not passing the HDT are:
- Where the HDT indicates that delivery has fallen below **95%** of an authority's requirement over the last three years, the authority should prepare an Action

Plan to assess the causes of under-delivery and identify actions to increase delivery in future years.

- Where the HDT indicates that the delivery of housing is below **75%** over the last three years, the authority should consider the policies that are most important for determining a planning application as out of date. This means that there is a greater likelihood that planning permission should be granted for proposals which are contrary to locally adopted policies (the so called presumption in favour of sustainable development).
- Where the HDT indicates that the delivery of housing is below **85%** over the last three years a buffer of 20% should be added to the Five-Year Housing Land Supply requirement of the authority.

**Note** – Upon adoption of the new Local Plan the housing target it contains will replace the National Household Projections as the measure for determining if sufficient homes are being delivered for the purposes of applying the HDT. As the housing target in the new Plan is likely to be substantially higher than the current Household Projections it will become progressively more difficult to pass the test over coming years.

### **3. Five Year Land Supply**

- 3.1 Each year the Council is required to produce a statement which compares the future target for the delivery of new homes to the supply of housing land that is available to meet that target. This statement is important both in monitoring progress on the delivery of homes and ensuring that sufficient development land is available to accommodate future needs.
- 3.2 The formal requirement is that each Authority should always have available sufficient deliverable sites for the next five years of required housing growth. Note that under this test it is not sufficient to allocate sites in Local Plans or grant planning permission for development - the test requires that there must also be a *realistic prospect* that planned development is actually going to be built within the next five-year period. The test is intended to ensure that the absence of suitable development sites will not hold back required development. If an Authority is unable to demonstrate a five-year land supply (sufficient development land for the next five years) it should take measures to make more land available, for example, by granting more deliverable planning permissions, or allocating more land in a Local Plan, or introducing other measures to incentivise the quicker delivery of sites.
- 3.3 For Five Year Land Supply purposes, and for setting housing targets in Local Plans, the number of homes required over the period is calculated in accordance with a standard national methodology which, although derived from the same National Household Projections as the HDT, produces significantly higher requirements. This is because the standard methodology includes the addition of a substantial 'uplift' in future home requirements with the size of the uplift determined by the relationship between local incomes and local house prices (the affordability ratio). Where this ratio is high this uplift can be substantial and in the case of North Norfolk it adds around 38% to the future dwelling requirement, increasing it to 553 dwellings per annum rather than the 380-400 currently used for HDT purposes.

- 3.4 In order to ensure that there is sufficient choice and flexibility in future land supply the National Planning Policy Framework (NPPF) also requires that a further 5% buffer is added to the five-year requirement. Hence, for five-year land supply purposes the Authority should currently be able to demonstrate that there is sufficient land for at least 2,905 dwellings to be built over the next five years based on applying the standard methodology.

**Table A – Five-year land supply requirement in North Norfolk 2019-2024**

Stage of methodology	No of net new dwellings
Number of dwellings required by standard methodology.	553 per annum inclusive of affordability uplift
Plus buffer of 5% required by NPPF.	581 per annum
Multiplied by five years.	2,905 deliverable homes over five years.

- 3.5 Taken at face value the process for preparing the Statement is straightforward. All that is required is a demonstration that sufficient land is available to accommodate the next five years of required growth. The basic process is:

**Stage 1** - Establish the target number of dwellings which are currently needed using the published standard methodology outlined above. This requirement will change on a rolling basis to remain aligned with the latest Household Projections, affordability ratios, or, targets set in recently adopted Local Plans.

**Stage 2** - Assess the future supply of deliverable dwellings over the next five years.

**Stage 3** - Compare the required number of dwellings with the deliverable supply to establish how many year's supply is available. Express the results as year's supply available.

#### **4. What potential sources of future housing supply can be counted?**

4.1 The five-year land supply statement is based on net additional dwellings. All new dwellings are counted both in terms of new completions and the assessments of likely future supply. Dwellings include new build homes, changes of use, building conversions and the removal of holiday conditions to allow permanent occupancy. Allowance may also be made for the delivery of homes via routes which do not require planning permission, otherwise known as permitted development. Although other types of permanent accommodation are provided such as care homes and nursing homes these are not typically accounted for in the statement notwithstanding that they are addressing the housing needs of some residents in the District. In future years the Council might wish to include such provision within its future supply and may make an allowance of one additional dwelling for each three bed spaces provided as residential care.

4.2 When estimating the future delivery of homes, the NPPF requires that only those dwellings which have a *realistic prospect* (not defined) of being built over the next five years are included. For example, whilst at any given time there might be planning permission for in excess of 2,000 dwellings in the District the annual assessment will

conclude that only a proportion of these will actually be built over the next five-year period.

## **5. What should be taken into account when assessing likely future development rates?**

5.1 Future delivery rates of development are one of the most contentious areas of land supply statements. Clearly the rate of future development is influenced by many factors and the 'realistic prospect' test inevitably involves judgements being made. Each annual statement includes a formal delivery assessment of all sites which can deliver more than ten dwellings. This takes account of ownership, planning status, market conditions and viability, legal restrictions, and any other known local factors which might influence when development actually happens. A separate allowance is made for smaller sites.

**Example:** *The large urban extension at Fakenham is included in the adopted Local Plan. The total site identified is large enough to accommodate around 1,500 dwellings. The release of land for around 500 of these is dependent upon a clear demonstration of adequate supporting infrastructure which is being tested via the preparation of the new Local Plan. Of the remaining 1,000 dwellings approximately 100 are built and the other 900 do not yet have planning permission (outline application pending).*

*In this case the five-year supply can include dwellings on those parts of the site which are already under construction and some allowance can also be made for dwellings which are subject to the current planning application - but only insofar as the allowance made meets the realistic prospect test. So, although this site is planned to deliver 1,500 dwellings in the longer term, recent Assessments have concluded that less than 300 are likely to be delivered over a five-year period. Once detailed planning permissions have been granted and development commences on other parts of the site this figure can be increased progressively and at its peak the site could deliver 100-150 dwellings per year.*

## **6. The Current Position- Headline Results**

- 6.1 Housing delivery in the District is dependent on two main categories of sites. These are those which are formally allocated (specifically identified in the Local Plan for development) and those which are delivered via various sources of 'windfall' developments. Windfall developments are those which are not on specific allocated sites but are delivered in accordance with policies which allow for various types of development such as infills, rural exceptions, conversion of buildings and sources of homes which do not require planning permission. Both categories are necessary in order to deliver sufficient homes and the proportions derived from each source vary over time. For example, in the period between 2001 and 2011 nearly all of the development in the District was delivered via windfall sites as a consequence of there being no allocated sites in the Local Plan during this period.
- 6.2 This year's land supply statement, shows a continuing trend of relatively high completion rates (534 net additions in 2018/19) largely driven by the construction of homes on larger development sites across the District. Whilst this is good news, once a dwelling has been built it is no longer part of the future supply and must therefore be replaced with another deliverable home.

Thus higher completion rates make the task of maintaining sufficient future supply more difficult.

- 6.3 The numbers of new permissions granted has fallen. This is largely as a consequence of most of the larger sites included in the existing Local Plan, other than the Trinity site at Fakenham, now having planning permission. This is likely to remain the case for the next couple of years until such time as sites made available via the preparation of the new Local Plan become available.
- 6.4 The task of providing an adequate supply has become increasing difficult as housing targets in the District have been steadily increased. This is entirely as a consequence of the Governments changes to the way in which housing needs are to be assessed using the standard methodology, rather than as a consequence of any underlying changes in market conditions or failure on behalf of the Authority.

## **7. Alternative Approaches**

7.1 The National Planning Policy Framework requires that for land supply purposes the requirement is calculated in accordance with the standard method in national guidance – *unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals* (Para 60 of the NPPF). Other than making clear that using the later (and lower) 2016 based Household Projections is not acceptable, Government has not indicated what might constitute ‘exceptional circumstances’.

7.2 Since publication of the NPPF a small number of authorities have been successful in making a case that the 2014 based Household Projections which underpin the standard approach are flawed when applied locally.

This flaw, referred to as Un-attributable Population Change (UPC), is an error which appears in those Authorities where growth is largely driven by inward migration. In summary historic mid- year population projections have been shown by later Census data to have been too high and in the affected areas population has not increased at the rate previously projected. Because subsequent ONS Projections are trend based and rely on projecting forwards previous projections, these historic flaws may still remain in the later figures. In North Norfolk much of the demand for new homes arises from inward migration so it is critically important that migration projections are robust.

7.3 It was accepted by the Planning Inspector who dismissed the appeal at Sculthorpe that the Household Projections for the District were likely to include an element of UPC and consequently over-estimated (perhaps by as much as 2,000 people) the need for homes. However, the impact of this in North Norfolk is not as substantial as elsewhere and it is not clear if this would represent an ‘exceptional’ circumstance which would justify a departure from the standard methodology.

7.4 Given the importance of the Five Year Land Supply position to the determination of planning applications in the District it is important that the reported position is accurate and evidence based. In this regard it is considered that further clarity should be sought in relation to the impacts of UPC before the Council determines and publishes its final position.

## **8. Legal Implications and Risks**

- 8.1 The absence of a five-year land supply is a significant risk to the Council. Failure to plan for the required quantity of homes could result in identified housing needs going unmet and increases the risks that planning decisions will depart from the approved Local Plan. It also increases the risks associated with planning applications being made on unallocated sites in locations where local communities expect that the Local Plan would limit development.
- 8.2 When an Authority is unable to demonstrate a five year supply the National Planning Policy Framework requires that planning applications are determined in accordance with what is known as the 'presumption in favour of sustainable development'. This means that unless the site is in a protected area, such as the Area of Outstanding Natural Beauty, planning permission should be granted for sustainable development *unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits (para 11 of the NPPF)*. This does not mean that planning permissions should routinely be granted for housing proposals which are not in policy compliant locations – the presumption is applicable to sustainable developments rather than unsustainable developments and the decision maker must still balance the harms and benefits associated with the proposal. If the harms are shown (demonstrated) to significantly outweigh the benefits, then planning permission should still be refused. The presumption should be applied until such time as the land supply position has been corrected.

### **Recommendation:**

**1. That the Council seeks independent advice on the potential impacts of UPC on projected housing growth in the District prior to publishing this year's land supply statement.**

**2. That pending receipt and consideration of this advice the Council continues to give full weight to adopted planning policies dealing with housing supply when determining planning applications.**