

Item for Decision

## Five Year Land Supply Statement 2019

Summary: This report seeks to publish North Norfolk District Councils 2019 Five Year Land Supply position. It explains how the requirement is calculated and compares this requirement to the deliverable supply to determine how many years supply of housing land are currently available.

Recommendation: That the Statement of Five Year Land Supply 2019-2024 is published on the basis of a Local Housing Need for 479 dwellings per annum inclusive of a 5% buffer.

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

- 1.1 At the July Working Party, Members considered an item relating to the current five year land supply position in the District. It was resolved at that meeting that the Council should delay publication of this year's Five Year Land Supply Statement pending receipt of specialist advice on the process of establishing how many homes are likely to be required in the future. Advice has now been received from Opinion Research Services (ORS) who have acted for the Authority for a number of years in relation to housing requirement matters **Appendix attached.**

### 2. Purpose of report

- 2.1 The process for establishing housing need is prescribed in national guidance. This requires that all Local Authorities follow a standardised national methodology and only use alternative approaches in exceptional circumstances. This standard approach takes as its starting point the National Household Projections published by the Office for National Statistics. The issue raised at the previous meeting was whether or not the National Household Projections represented a robust starting point for applying the standard methodology in North Norfolk, and if not, what alternative approach might be justified?
- 2.2 The main concern identified is that the 2014 based Household Projections, upon which the standard methodology is based, had previously been shown to overestimate future growth rates in the District. Furthermore, the later 2016 based Household Projections had shown a significant slowing down in expected household formation rates. The reasons for this were unclear and

Members agreed that further clarification should be commissioned before reaching any decisions on the five-year land supply position for 2019.

- 2.3 The purpose of this report is to establish a housing requirement figure which can be used for Five Year Land Supply purposes. Further consideration will need to be given to the establishment of a final housing target for the Local Plan which in addition to considering the likely need will also have to take account of the District's capacity to accommodate the required growth in a sustainable way.

### **3. What does the NPPF require in relation to Five Year Land Supply?**

- 3.1 The NPPF requires that:

*'Local planning authorities should identify and update annually a supply of specific deliverable sites sufficient to provide a minimum of five years worth of housing against their housing requirement set out in adopted strategic policies, or against their local housing need where the strategic policies are more than five years old.'* (**para 73**)

- 3.2 As North Norfolk's Core Strategy is more than five years old the land supply requirement in North Norfolk is based on 'Local Housing Need (LHN)' rather than the housing requirement identified in the adopted Plan.

- 3.3 The glossary to the NPPF defines 'Local Housing Need' as:

*'the number of homes identified as being needed through the application of the standard method set out in national planning guidance, or a justified alternative approach* (emphasis added).

### **4. What is Local Housing Need in North Norfolk based on the Standard Method?**

- 4.1 The standard methodology is a simple three stage process which comprises:

1. Establish the likely number of new households which will form in the District over the next ten years.
2. Adjust the stage 1 figure in accordance with a nationally set equation to account for dwelling affordability issues.
3. Apply a cap to the result to ensure the requirement remains realistic.

- 4.2 This process is explained in some detail in the Appendix.

- 4.3 The first required input into the standard method is the 2014 National Household Projections published by ONS. The method requires that Authorities use the next ten years of projected household growth rates to derive an annual requirement. For North Norfolk the figure produced is 404 new households per year. This figure represents the number of new households which are likely to form in the District if existing trends continue into the future – it is not a forecast, it is a projection. This figure is sometimes referred to as the demographic growth rate as it is confined to considering how the number of households might change solely as a result of population change (births, deaths, migration, age, fertility, longevity and so on). The Projections do not attempt to take account of the impacts of future changes of policy, market conditions, local policies, or events such as Brexit and as such they represent a 'business as usual' model.

- 4.4 Government is clear that these Projections, and specifically the 2014 based Projection, should be used in all but exceptional circumstances. What might constitute 'exceptional' circumstances is not defined in guidance.
- 4.5 The standard methodology then requires that the Household Projection figure is adjusted to take account of the local affordability of homes. The size of the adjustment (an uplift) is determined by the local ratio between lower quartile house prices and lower quartile household incomes. This adjustment in North Norfolk is substantial reflecting the high affordability ratio and adds 149 households (37.1%) to the annual requirement, increasing it to 553 dwellings per annum. The uplift is not large enough to justify applying a cap in Stage 3.
- 4.6 For Five Year Land Supply purposes the NPPF then requires one further adjustment which is the addition of a supply buffer of either 5% or 20% determined by the Authorities track record in delivering the required number of dwellings. North Norfolk's recent delivery rates have been good, so a 5% buffer is required, raising the overall requirement for five year land supply purposes to 581.

**Table A: Annual requirement for new Households applying standard national methodology to unadjusted 2014 Household Projections.**

Stage	Comment	Dwellings per annum
Unadjusted Demographic growth rate from 2014 Household Projections	This is the figure derived from the next ten years of household formations contained in the unadjusted 2014 Household Projections. It is the required starting point for establishing dwelling requirements unless exceptional circumstances can be shown.	404
Affordability adjustment	This is stage 2 of the standardised approach which requires that Household Growth is multiplied by a published affordability ratio. Because North Norfolk's ratio is high (9.94 in 2018) an uplift of 37.1% is prescribed.	553
Choice and flexibility buffer required by NPPF.	This is a further adjustment (buffer) required for establishing the 5YLS figure. It will either be 5% or 20% depending on an authorities recent delivery performance as measured by the Housing Delivery Test. For North Norfolk a 5% buffer is added.	581

- 4.7 This annual requirement of 581 dwellings is then multiplied by 5 to produce the number of dwellings required over the next five year period. The result (2,905 dwellings) is then compared to the future deliverable supply of homes which currently stands at 2,612 dwellings to calculate how many years of supply are available. The process should be reviewed at least annually so that as supply is built out it is replaced with new deliverable supply, thus ensuring there is always a good supply of development sites available in the District.
- 4.8 Taking the above approach results in 4.5 years supply being demonstrated.

**5. Exceptional Circumstances? – Are there good reasons for departing from the Standard methodology?**

- 5.1 The National Household Projections have been a key component of establishing Local Housing Need for many years. They are regarded by government as a robust basis for calculating local requirements and as already outlined above any use of alternative figures would need to be evidenced and meet the threshold of being exceptional. The NPPF refers to the possibility of using alternative approaches in the following terms:

*'To determine the minimum number of houses needed, strategic policies should be informed by local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals' (para 60).*

- 5.2 The 2014 Projections are themselves based upon earlier Projections undertaken by ONS in 2012 and 2008. In North Norfolk it has previously been established (via the Sculthorpe Public Inquiry) that the 2008 Projections contained a rate of growth which by the time of the 2011 Census was undertaken was evident had not actually happened. The 2011 Census indicated that there were some 2,000 less people in the District than the 2008 Projection had suggested there should be at that time. This discrepancy, referred to as Unattributable Population Change(UPC) was not adjusted for in the later 2012 and 2014 Projections.
- 5.3 The more recent 2016 based Household Projections have produced significantly slower future growth rates for the District compared to those produced for 2014 (around 3,750 people less in the 2016 Projection compared to 2014) prompting questions about which Projections are more likely to be accurate. Government has made explicitly clear that the 2016 based Projections should not be used as the default position for establishing housing need, it would appear largely *because* the Projections produce lower numbers rather than any specific concerns that the 2016 figures might be inaccurate.
- 5.4 The impacts of applying the standard methodology to the 2016 Projections are shown in **Table B** below. Using the 2016 base would reduce the five year requirement by over 100 dwellings per year, or 510 dwellings over the five year period, meaning that rather than having to provide deliverable sites for 2,905 dwellings the requirement would fall to 2,395. This is a substantial difference which would improve the five year supply position to 5.4 years.

**Table B: Annual requirement for new Households applying standard national methodology to 2016 Household Projections.**

Stage	Comment	Dwellings per annum
Demographic growth rate from 2016 Household Projections	This is the figure derived from the next ten years of household formations contained in the unadjusted 2016 Household Projections.	333
Affordability adjustment.	This is stage 2 of the standardised approach which requires that Household Growth is multiplied by a published affordability ratio. Because North Norfolk's ratio is high (9.94 in 2018) an uplift of 37.1% is prescribed.	456

Choice and flexibility buffer required by NPPF for Five Year Land Supply purposes.	This is a further adjustment (buffer) required for establishing the 5YLS figure. It will either be 5% or 20% depending on an authorities recent delivery performance as measured by the Housing Delivery test. For North Norfolk a 5% buffer is added.	479
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5.5 The question then becomes, are these exceptional circumstances in North Norfolk which justify moving away from the Standard Method Local Housing Need figure? In this regard ORS conclude:

- Previous planning appeals in North Norfolk have already accepted that there are problems with the 2014 based household projections for the area, most notably because of problems relating to Unattributable Population Change between the 2001 Census and 2011 Census still having a residual impact;
- In North Norfolk the difference between the 2014 based and 2016 based household projections is entirely down to lower population projections for the District and not changes to headship rates (the number of people living in each household) which is why the household projections for some other local authorities fall;
- The change in household projections is driven by a combination of projected falling birth rates, lower migration and lower growth in life expectancy;
- The falling birth rates have no real impact on housing needs for the short term or over the Plan period as the children born over the period won't be old enough to form new households by 2036;
- The falling migration can be seen as a correction to the problems with the 2014 based population projections;
- The lower increase in life expectancy reflects national trends and represents the most up to date evidence from the ONS.

5.6 Given this, Officers consider that the 2014 based figure are not a robust basis for establishing needs in North Norfolk. The difference between the 2014 and 2016 figures is not a change in household headship rates driven by suppressed household formation, but instead is due to improvements in the ONS's population projection. On this basis there would appear to be exceptional circumstances to move away from the Standard Methodology Local Housing Need figure of 553 dwellings per annum to the 2016 based figure of 456 dwellings per annum.

## **6. Legal Implications and Risks**

6.1 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.

6.2 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.

- 6.3 Departing from the national standard methodology is not without risk. Guidance expects departures to only happen in exceptional circumstances based on robust evidence. In the absence of definitive advice about what might constitute exceptional circumstances there is clearly an element of judgement involved in determining how to proceed. Such judgements are open to challenge.

7. **Recommendation** That the Statement of Five Year Land Supply 2019-2024 is published on the basis of a Local Housing Need for 479 dwellings per annum inclusive of a 5% buffer.