

Local Plan Draft Policy HOU1: Housing Targets

Summary: This report considers the representations made at Regulation 18 stage of plan preparation and seeks to agree the final version of **Policy HOU1 – Housing Target for Market and Affordable Homes**.

Recommendations:

- A. That the Authority uses the 2016 based National Household Projections as the starting point for deriving a Local Plan Housing Target
- B. That the Plan includes a target to deliver a minimum of 460 dwellings on average in each year of the Plan period.
- C. That the Plan includes policies and proposals which will ensure that more than the minimum target, and up to 560 new dwellings per year, could be delivered.
- D. That Working Party recommends revised Policy HOU1 to Cabinet.

Cabinet Member(s)	Ward(s) affected
All Members	All Wards
Contact Officer, telephone number and email: Mark Ashwell, Planning Policy Manager, 01263 516325 Mark.ashwell@north-norfolk.gov.uk	

1. Introduction

1.1 The emerging North Norfolk Local Plan has been subject to public consultation at Regulation 18 Draft Plan stage during May and June 2019. This report is one of a number of reports that seeks to finalise the draft Local Plan policy approaches. At the end of the process a revised Draft Local Plan incorporating justified modifications will be produced for the authority in order to consult at Regulation 19 Draft Plan publication stage ahead of subsequent submission for examination. At the examination stage the Plan will be subject to consideration by an independent inspector against a number of legal and soundness tests to determine if it is legally compliant, justified, effective, and has been positively prepared. A binding report is produced by the Inspector, which will determine if the Plan is sound, with or without further modifications, following which the Plan can be formally adopted by the Council.

1.2 The purpose of this report is, following a review of the Regulation 18 consultation feedback, to seek Members endorsement of the final version of **Policy HOU1** ahead of the Regulation 19 consultation and then submission of the Plan. The Policy relates to the *quantity* of homes to be provided, both in

terms of the overall total for the District as a whole, the numbers of affordable dwellings, and the quantity proposed in each settlement.

2. Background and Update

- 2.1 Establishing a final housing target for the Local Plan is critically important. The formal target which is set in the Plan is expressed as a minimum number of dwellings to be provided. It not only ensures that the Plan can provide for sufficient homes, it is also the figure which is used in the Five Year Land Supply process and to assess delivery performance under the Housing Delivery Test.
- 2.2 National policy is very clear in its expectations that a *sound* and *positively prepared* plan must provide for sufficient homes and that the strategy should ensure regular delivery of the required homes over at least a fifteen-year period. Plans should separately set out targets for affordable homes. A Plan that fails to provide for sufficient homes, of the right types, is likely to be found unsound and fail at examination.
- 2.3 Over the period of Plan preparation, the way in which authorities should establish what constitutes 'sufficient', (referred to as the housing 'requirement'), has been subject to successive reviews. The underlying requirement is that the plan should meet all likely future need and demand based on objective evidence. To establish this the NPPF requires the use of a standard national methodology to calculate how many homes will be needed. In recent years the inputs into this methodology have been subject to change. Members may recall that the recent consultation on the Planning White Paper outlined further potential revisions which if introduced would have had significant implications for plan preparation in North Norfolk and would have increased the housing requirement in the District derived via the standard methodology from around 552 dwellings per year, to in the region of 730 dwellings per year. This would have essentially necessitated the preparation of a new Plan and would have probably set the process back by at least two years, or perhaps longer.
- 2.4 In late December, government indicated it did not intend to introduce these changes and instead confirmed it would retain the approach that had been in place before the White Paper was published.

3. The 'requirement' and 'target' explained

- 3.1 Housing targets included in Local Plans must be based on evidence about the likely future need and demand for homes in the area and should be expressed as a minimum to be provided over the Plan period. Each Authority is expected to produce a Plan which fully addresses this need, unless there is evidence that to do so would result in unsustainable growth. North Norfolk is preparing a Plan covering the period 2016-2036.
- 3.2 In terms of evidence of likely future need, all recent approaches to establishing the housing requirement start with nationally produced population and household growth forecasts. These are published every two years and produce long-term projections for each district. Although projections with a base date of both 2016 and 2018 are available, the standard national methodology currently requires that the 2014 based projections are used.

- 3.3 In many areas, including North Norfolk, the two more recent projections produce lower future rates of growth. None of these projections, applied in isolation, is consistent with the governments overall ambition to deliver around 300,000 homes per year across the country – they all project lower growth. For this reason, to establish the housing requirement for Local Plan purposes, the standard methodology requires that the base projection (the 2014 household projection) is subject to an uplift, with the size of the uplift determined by local affordability ratios (the relationship between local house prices and local incomes). Finally, in areas where the size of the uplift is very large the resulting figure is capped so that no area is expected to add more than a 40% uplift to the total. Following this process across the country results in the individual authority requirements adding up to the 300,000 homes per year the government aims to deliver.
- 3.4 Following this process in North Norfolk, the standard national methodology produces an annual requirement of **552** new dwellings per year. This figure was used as a basis for preparing the Regulation 18 consultation version of the Draft Plan, which over the twenty-year period covered, provided for the delivery of around 11,500 dwellings (575 per year).

4. The Draft Policy and Feedback from Regulation 18 consultation

- 4.1 Draft Policy HOU1 set a minimum housing target over the plan period of between 10,500 and 11,000 new dwellings. The policy explains how the overall figure would be delivered via existing commitments (built and planning permissions), future windfall developments, and the new site allocations proposed in each of the selected growth settlements. Over all the draft Plan published at Reg 18 stage included policies and site allocations which were designed to deliver around 11,500 dwellings, of which at least 2,000 were to be affordable homes. The policy and the explanation for this target is reproduced in **Appendix 1** with track changes marked to reflect the recommendations in this report. **Table A** below is the latest available data based on completions of dwellings up to April 2020, planning permissions granted up until January this year, and revised expectations around delivery on the proposed allocations reflecting recent working party decisions. This shows that the proposals in the draft Plan could deliver around 11,300 dwellings of which around 39% have already been built or have planning permission.

Table A – Expected Housing Delivery in Draft Reg 18 Plan – Updated with data on new permissions and completions

	Settlement	A Dwellings With Planning Permission at 20/01/2021	B Dwelling Completions (01/04/16 - 31/03/20)	C Proposed New Allocations	D Total Growth (2016 - 2036)
Large Growth Towns	North Walsham	90	374	2,150	2633
	Fakenham	1136	194	688	2034
	Cromer	195	137	557	896

Small Growth Towns	Holt	260	252	227	747
	Sheringham	192	123	135	459
	Stalham	66	88	150	304
	Wells-next-the-Sea	35	79	80	202
	Hoveton	28	4	150	183
Large Growth Villages	Briston & Melton Constable	91	33	80	208
	Mundesley	12	59	30	101
	Blakeney	15	19	30	64
	Ludham	11	2	40	53
Small Growth Villages	Villages named in Policy SD3	187	261	400	859
Remainder of District	All remaining settlements and countryside	253	316	0	629
Windfall Development 2016-2036 Across	Entire District				2025
		2,571	1,941	4,717	11,397

4.2 All of the Regulation 18 consultation feedback has been published in the Schedule of Responses previously reported to Members. The summary feedback for Policy HOU1 is contained within **Appendix 2**.

4.3 There were a total of 60 representations relating to this policy, many of which are lengthy and take the opportunity not only to comment on the policy itself but also raise aspects of the wider development strategy. Many of these wider issues have been reported as each relevant policy area has been considered. The key comments and issues raised in relation to the draft target were:

- *That the overall housing target in the Plan is too high.*- these representations tend to be related not just to the overall target but are also linked to proposals for individual sites and their localised impacts. There is a desire to protect the character of North Norfolk and a wide spread view that there is inadequate infrastructure to support the proposed level of growth. Empty homes, second homes, and many homes for sale, and concerns that further development will not mitigate the impacts of climate change are all cited as reasons to reduce the amount of development.
- *That the housing target is too low.*- There is some acceptance and acknowledgement from the development industry that the authority has followed the requirements of the standard methodology in deriving the housing requirement but the case is nevertheless made for further development in order to meet the governments objectives of delivering more homes. This argument is also linked to the merits of individual sites which are argued to be suitable and, in the context of housing targets being expressed as minimums, should be released for development.
- *That the totals proposed in individual settlements are either too high or too low* – this is similar to those issues outlined above but the case is made in relation to individual settlements, their proposed position in the settlement hierarchy and their capacity to accommodate more or less development.
- *That the numbers proposed are unlikely to be delivered or that the Plan will not ensure a five year land supply.*- it is argued that although the numbers in the Plan might comply with the requirements of the national

methodology the Plan should nevertheless propose more development for a variety of reasons including that some sites may not deliver, the Plan includes too much development on uncertain sources of supply (windfall), that the large proposal at North Walsham will be complex and difficult to deliver, and therefore either reserve sites or a delivery buffer should be incorporated.

5. Setting a final Target

5.1 As outlined above the way in which the housing requirement should be calculated is laid down in national guidance and must be derived from the National Population and Household projections. These projections are published on a roughly bi annual basis and produce separate figures for every authority area in the country. They are trend-based projections which model how the need for homes is likely to change taking account of a wide range of factors including birth rates, death rates, migration trends, changes in household size, age profiles, longevity, and all other demographic factors which are likely to influence the need for homes in each separate local authority area. By the end of the period covered in the Local Plan (2036) the three latest national projections produce some significant variations in results. All, however, show the population increasing over the period by between 7 - 11% mainly as a result of continued migration into the District. A recent slowing down in expected future growth shown in the two more recent projections can largely be attributed to reducing fertility rates (a function of an older population), reduced migration expectations, and a slowing down in the increases in longevity.

Table 1. Recent National Projections of Household Population in North Norfolk

Base Year of Projection	Estimated Household Population in 2016	Projected Household Population in 2036	Increase in household Population over plan period 2016-36
2014	101,244	112,545	11,301
2016	100,912	108,693	7,781
2018	100,908	111,535	10,627

5.2 Despite now being six years old, national guidance currently requires that the 2014 Household Projection is used as the starting point for calculating the housing requirement. The 2014 based figures produce higher requirements than either of the more recent projections, and substantially higher than the 2016 based projection.

5.3 For some time North Norfolk has made the case in planning appeals that the 2014 based projection is an unreliable starting point from which to determine future growth in the District. In addition to being six years old, the projection has been shown to have over-estimated previous migration rates and therefore it projects forwards from an inflated starting point. The error is substantial and amounts to an over estimate equal to around 2,800 people.

5.4 Government is aware of the deficiencies in the 2014 base figures, which are not confined to North Norfolk, but nevertheless, requires their use in all but exceptional (and evidenced) circumstances.

5.5 The Authority has successfully argued at Public Inquiry (the Sculthorpe appeal) that the 2014-based figures are an unreliable starting point for determining likely future growth levels in the District and that the starting population should be reduced to correct the error, before applying the other elements of the standard methodology. This same argument was presented at the recent Gladman appeal at Holt where the Authority presented the case that the 2016-based projections represented a more accurate starting point. At the time of writing, a decision is awaited.

5.6 If the Authority decides that the 2014 based projections are not a robust starting point a decision needs to be made in relation to what alternative should be used. In this regard, it is essential that the Authority does not simply pick an alternative starting number because it is lower - any alternative approach must be based on the evidence. A number of options could be considered:

- Continue to use the 2014 base projections but with an adjustment (reduction) to remove the errors they contain.
- Use the 2016 based projections which largely remove the previous errors in the 2014 figures and are more up to date.
- Use the 2018 projections which remove earlier errors and are the most up to date available.

5.7 Taken at face value the best approach would be to use the 2018 based figures as these are the most up to date. However, whilst these are the most current and do not contain the errors of the 2014 figures, they are derived using a different model which uses rates of migration over a preceding two year period to project forward from. Previous models had used a ten-year migration trend as this smooths out untypical annual totals and is more representative of longer term trends. In North Norfolk, the two year trend would 'bake in' untypically high rates of migration driven growth. If a ten-year migration trend is applied to the 2018 projection it produces a result much closer to the 2016 based figure, and the 2014 figure once the over-estimate of previous migration is corrected. For these reasons, **it is recommended** that the Authority uses the 2016 based Household Projections as the first input into the standard housing needs methodology. Using the 2016 based projection would also have the added virtue of being aligned with the start date of the Local Plan period which runs from 2016.

5.8 Applying the required standardised methodology to the 2016 Projections produces a future annual requirement of **456** dwellings (9,120 over the 20 year period).

6. Converting the Housing *Requirement* into a Local Plan *Target*.

6.1 The housing 'requirement' and the Plan housing 'target' are different things. Once a *requirement* has been arrived at, either by applying the standard methodology, or

by making the case for an alternative requirement, it is necessary to consider a number of other factors before setting the final housing *target* in the Plan:

1. *Does the Authority wish to pursue a more ambitious growth strategy and aim to deliver more homes than the projections indicate will be required?*

The standard methodology result is described in national guidance as the minimum to be provided. It is open to each authority to make the case for higher numbers if local circumstances justify this. Examples might include opportunities for significant regeneration, a need to grow the local work force above those reflected in recent trends, or a need to provide more affordable homes.

2. *Is it necessary to adjust the trend based figures further to take account of any local factors not included in the projections?*

The household projections are regarded by government as the best available evidence on the need for new homes taking account of future changes in population and housing needs. The standard methodology is intended to be a universal approach which reduces the need for further localised modifications. Nevertheless, the approach does not remove the need to sense check the results of the methodology to consider localised factors which may impact on the need for accommodation. For example, the standardised approach would not take account of high levels of second and holiday home use which clearly reduces the number of dwellings available for permanent occupancy.

3. *What would be the consequences of delivering the required growth in terms of the sustainability of the District and should a case be made for a lower figure on sustainability grounds?*

There is no requirement in national guidance to deliver the housing requirement irrespective of impacts. Local authorities must be satisfied that the necessary growth can be delivered in a sustainable way and if not they should reach agreements with neighbouring authorities to address any shortfalls.

7. Appraisal and Conclusions

7.1 It is essential to set the Local Plan housing target at a figure which will address all future needs over the period covered by the Plan as determined by the evidence. Failure to do so will result in an unsound Plan. The evidence indicates that a minimum of 456 (rounded up to 460) dwellings per year will be required to address needs arising from predicted population changes and household sizes (using the 2016 based Population and Household Projections). This figure includes a significant affordability uplift of 38% required by national guidance so would provide more homes than the population evidence alone would require. Due to the size of this uplift Officers do not consider that there is any evidence which would necessitate or justify any further upward adjustment.

Setting the minimum target at this level would require the delivery of at least 9,200 new homes over the plan period.

7.2 This figure of 460 dwellings per year is substantially below the 575 per year included in the consultation draft of the Plan. It is **not** however recommended that the Plan's delivery expectations should be reduced to the lower number. It is recommended that the Plan should demonstrate how it *could* deliver more than the minimum requirement and up to 550 dwellings per year. Hence, two separate recommendations are made:

1. That the Plan includes a minimum target of 460 dwellings per year.
2. That the Plan includes policies and proposals which provide for around 550 dwellings per year ie the Plan aims to deliver more than the minimum.

7.3 Such an approach would provide for a significant delivery buffer over and above the minimum requirement and would be consistent with the overall thrust of national guidance to prepare a positive Plan which delivers more homes. It would also mean that if the examining Inspector were not to be convinced about the target being set at 460 dwellings per year there would be sufficient headroom in expected delivery rates for the minimum target to be increased without the need to identify further development opportunities and produce a modified Plan.

7.4 Preparation of the draft Plan and its supporting evidence is a process which is designed to assess the sustainability of the Plans policies and proposals. The process has demonstrated that suitable development sites are available and subject to improvements in supporting infrastructure and the mitigations identified in the Plans policies that the proposed scale of growth can be delivered in a sustainable way. Officers therefore consider that there are no substantive grounds for considering reducing the housing target to a figure below the minimum requirement. Such an approach would fail to address identified needs, including for affordable homes and would be unlikely to be found sound at examination.

8. Recommendations

- A. That the Authority uses the 2016 based National Household Projections as the starting point for deriving a Local Plan Housing Target.**
- B. That the Plan includes a target to deliver a minimum of 460 dwellings on average in each year of the Plan period.**
- C. That the Plan includes policies and proposals which will ensure that more than the minimum target, and up to 550 new dwellings per year, could be delivered.**
- D. That Working Party recommends revised Policy HOU1 to Cabinet.**

9. Legal Implications and Risks

- 9.1 The Council must produce a Local Plan which complies with various regulatory and legal requirements and in determining its policy approaches must be justified and underpinned by up to date and proportionate evidence, the application of a consistent methodology and take account of public feedback and national policy and guidance.
- 9.2 The statutory process requires records of consultation feedback and a demonstration of how this has informed plan making with further commentary

demonstrating how the representation at regulation 18 have been taken into account in line with Regulation 22.

10. Financial Implications and Risks

- 10.1 Failure to undertake plan preparation in accordance with the regulations and NPPF is likely to render the plan 'unsound' at examination and result in the need to return to earlier stages. Substantial additional costs would be incurred.

Appendices

Appendix 1 – Revised Policy HOU1

Appendix 2 – Schedule of representations