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Date	<b>9<sup>th</sup> January 2014</b>		
Report Originator	<b>Planning Manager</b>		
Title	<b>North Northamptonshire Interim Housing Statement</b>		

## 1. PURPOSE OF REPORT

For the Joint Committee to consider the response to consultation on the draft Interim Housing Statement and to agree an amended Part A as a material consideration to be taken into account in the calculation of housing land requirements.

## 2. INTRODUCTION

- 2.1 The Joint Committee consulted on an Interim Housing Policy Statement (Interim Statement) for 8 weeks between 16<sup>th</sup> August and 11<sup>th</sup> October. This comprised Part A, which set out a proposed approach to housing requirements based on new national guidance and evidence, and Part B which presented information from the local planning authorities on the sites that will contribute to meeting the objectively assessed housing requirements.
- 2.2 Responses were received from 48 organisations and individuals. This included local authorities within and adjoining North Northamptonshire, Town and Parish Councils, Neighbourhood Planning Groups, house builders, developers and land agents. A schedule of representations is provided at Appendix 1 and is available at [www.nnjpu.org.uk](http://www.nnjpu.org.uk).
- 2.3 Details of the consultation and an overview of the response were reported to the Joint Committee on the 14<sup>th</sup> November 2013. At that meeting it was noted that further work would be undertaken including legal advice and updated demographic modelling. This report provides an update on this work and recommends responses to the following main issues raised by consultees:
1. Purpose and status of the Interim Statement
  2. The duty to cooperate
  3. Objectively assessed housing requirements
  4. Treatment of past under-provision.
- 2.4 It is recommended that the Joint Committee should agree a revised Part A of the Interim Statement as provided at Appendix 2. The Districts and Boroughs are considering the consultation response to Part B of the Interim Statement, including the appropriate buffers (5% or 20%) to apply to 5 year housing requirements in accordance with the National Planning Policy Framework (NPPF); the rates of housing delivery; and site specific issues including assessing additional sites that were promoted through the consultation.

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- 2.5 Since the consultation on the Interim Statement, the JPU has received two further representations. The first of these, on behalf of Redrow Homes, responds to the content of the report to the Joint Committee on 14<sup>th</sup> November 2013. It reiterates previously expressed concerns, stating that the only appropriate/ lawful approach to establishing housing requirements is through completing the review of the JCS, and requests the Joint Committee to cease preparation of the Interim Statement. The second, on behalf of Persimmon Homes questions whether, in light of the further work undertaken, additional consultation will be carried out.
- 2.6 The issues raised in relation to the role and status of the Interim Statement are addressed in this report. The JPU does not consider that further consultation is warranted. The revised housing requirements proposed in this report are marginally higher than set out in the draft Interim Statement but, based on feedback received to date, it is evident that the development industry is likely to continue to oppose the use of the Interim Statement even if further consultation is undertaken. Given the divergence of opinion, it is likely that the weight to be given to the Interim Statement will be tested at appeal.

### **3. CONSIDERATION OF CONSULTATION RESPONSE**

#### ***Issue 1 – Purpose and Status of the Interim Housing Policy Statement***

- 3.1 Responses from the development industry challenged the purpose of the Interim Statement, which they regarded as an attempt to reduce and restrict housing provision at a time when development activity is starting to recover from the recession and the Government is seeking a significant boost in the supply of housing. It is suggested that part of the pressure that the Councils are under to release housing sites is due to lack of progress with site allocation development plan documents and to onerous planning obligations and conditions delaying the delivery of consented sites.
- 3.2 The development industry highlighted that the Interim Statement is not a statutory document and has not been subject to Sustainability Appraisal, Strategic Environmental Assessment or formal independent examination and it is therefore considered unlawful, constituting the introduction of policy through the ‘back door’.
- 3.3 A number of respondents highlighted recent appeal decisions where Inspectors have given little weight to interim housing documents as these do not constitute part of the Development Plan and are based on housing figures which have not been subject to independent examination. They therefore consider that the Interim Statement should, and will, be given no weight in appeal decisions. Specific reference was made to the Inspector’s report into a recent appeal at Irchester (June 2013 - PINS ref APP/H2835/A/12/2182431), which concluded that as the JCS was at an early stage of its development, the assessment of five year land supply should be calculated against the requirements of the adopted Core Spatial Strategy (CSS).

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### ***JPU Response***

- 3.4 It is important to stress that the Interim Statement is not changing the spatial strategy for North Northamptonshire and does not comprise a plan for which a sustainability appraisal is required. It cannot replace the CSS as the statutory development plan but is introducing an up-to-date assessment of full objectively assessed need in the Housing Market Area against which a 5 year supply of deliverable housing land (plus appropriate buffers) must be maintained. Paragraph 5 explains that the distribution of this need between the districts remains as in the adopted CSS, in other words it is the same strategy delivered over a longer period of time largely as a consequence of market conditions. Further legal advice has been obtained in the light of the representations received and is provided at Appendix 3. This supports the preparation of the Interim Statement but suggests that the word “Policy” is dropped from the title of the document to avoid it being misconstrued as an attempt to change the spatial strategy outside of the statutory planning process.
- 3.5 The adopted CSS strategy is to deliver substantial urban-focused growth and the Interim Statement (paragraph A5) emphasises that the planning authorities remain ambitious to deliver this, in particular through Sustainable Urban Extensions (SUEs) at the Growth Towns. Paragraph 6 of the Interim Statement emphasises that the Councils will take a positive and proactive approach to working with the promoters of sites identified in Part B to ensure that, wherever possible, they can be brought forward for development. The planning authorities are working with the promoters of the SUEs to secure their implementation as soon as possible, which in some cases has entailed renegotiation of planning obligations and joint working to secure infrastructure investment.
- 3.6 This positive approach, allied to an up to date and objective assessment of housing needs, is considered to reflect the presumption in favour of sustainable development contained in the NPPF, enabling the urban focused strategy set out in the CSS to be delivered over time. In contrast, some objections from the development industry appear to resist any change to housing requirements on the basis that, because some of the SUEs will not be developed quickly enough to meet CSS growth targets, higher levels of growth will be diverted to the smaller towns and villages. This argument misses the points that the CSS growth targets (originating from the MKSM Sub-Regional Strategy) are substantially in excess of the full objectively assessed housing needs of the Housing Market Area (HMA) and that they were premised upon the delivery of the SUEs and associated infrastructure and jobs at the Growth Towns as the most sustainable strategy for growth. Diverting significant growth to smaller settlements on the basis of out-of-date housing targets would be contrary to the adopted CSS spatial strategy and to the NPPF, in which one of the core planning principles is that planning should *“actively manage patterns of growth to make the fullest possible use of public transport, walking and cycling, and focus significant development in locations which are or can be made sustainable.”*
- 3.7 Initial legal advice referred to in the November 14<sup>th</sup> report to the Joint Committee was that, while the Interim Statement is not guaranteed to hold sway, it clearly remains the best available position for the JPU authorities given the short term difficulties in progressing the review of the JCS. The further advice at Appendix 3 confirms that the

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Interim Statement is a legitimate means of introducing up-to-date evidence of full objectively assessed housing needs and consequently satisfying the requirements of the NPPF. The planning authorities and planning inspectors will be entitled to take this into account as a material consideration in determining planning applications. The issue is not one of legality, as suggested in some representations, but of the weight that a decision maker can give to the Interim Statement. This can only be strengthened by consultation that has taken place and the consequent further assessment of demographic and economic evidence set out below, which will also form the evidence base for housing requirements in the emerging Joint Core Strategy.

- 3.8 The NPPF (paragraph 47) requires planning authorities to use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area as far as is consistent with the policies in the NPPF, and to maintain a 5 year supply of deliverable land (plus a buffer) against these requirements. NPPF paragraph 159 and the (draft) Planning Practice Guidance (PPG) are clear that household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The evidence provided in the Interim Statement, augmented in the light of further work referred to in this report, follows the evidence-based approach required by the NPPF and draft PPG. This is in contrast to the out of date housing targets in the adopted CSS, which as set out in the Joint Committee report on 31<sup>st</sup> January 2013, were dictated by the national Growth Area agenda and East Midlands Regional Plan (both now defunct), substantially exceeded needs in the HMA, and have proved to be undeliverable due to the recession and subsequent constraints to funding and infrastructure investment that underpinned the Growth Area agenda.
- 3.9 The legal advice emphasises that the need to identify the “full objectively assessed needs” for housing is not just a plan making exercise. It must also be calculated for decision making purposes in the context of whether or not there exists a five year supply of housing land. It is essential that the planning authorities have the best information available on full objectively assessed needs to enable them to take a view on this issue. The advice indicates that they cannot rely on out of date housing figures in the adopted CSS, based as they are upon the revoked RSS, but rather must take a view on full objectively assessed needs on the best evidence available. In this respect, the advice draws attention to a recent Court of Appeal Judgement (Hunston Properties v – Secretary of State and Local Government and St Albans City and District Council, December 2013) where the Court held that the Inspector’s approach, to use the revoked Regional Strategy housing figures was wrong in law and the proper course involved assessing full objectively assessed housing needs in line with the NPPF.
- 3.10 A number of representations on the Interim Statement refer to an appeal decision in Irchester where the Inspector had sympathy for the Council’s position that the CSS housing requirements are out of date, but nevertheless went on to conclude that, until it is replaced, “*the plan remains the only authoritative basis on which to assess the district’s housing requirements*”. This decision was addressed in the Joint Committee report on 13<sup>th</sup> June. The legal advice suggests that the position has shifted since the Irchester decision in two respects. Firstly that Inquiry took place within 12 months of the NPPF being published and, in accordance with paragraph 214 of the NPPF, the Inspector gave full weight to the adopted Core Strategy. However, after March 2013,

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paragraph 215 of the NPPF allows decision makers to move away from out of date policies, giving them only “due weight” according to their degree of consistency with the NPPF. In considering the compatibility of the CSS with the NPPF, the Joint Committee (on 14<sup>th</sup> March 2013) concluded that the spatial strategy is compatible with the NPPF but that the housing targets are out of date. This is for the reasons referred to in paragraph 3.8 above, in particular, because they are not based on “full objectively assessed need”.

- 3.11 Secondly, the Court of Appeal in the St Albans case has issued a very clear decision that the decision maker is not entitled to use a housing requirement figure derived from a revoked RSS, even as a proxy for what the Local Plan process may produce eventually. The completed Interim Statement will provide an up to date and objective assessment of the housing requirements of the North Northamptonshire HMA. It has been subject to public consultation and the JPU has responded to objections by carrying out or commissioning further work to make the evidence as robust as possible. Decision makers will thus be able to take it into account as a material consideration.

### ***Issue 2 – Satisfying the Duty to Cooperate***

- 3.12 Concerns were raised by the development industry that in producing revised housing numbers the JPU has worked independently without consideration of the consequences that reducing the number of dwellings will have on neighbouring authorities and authorities in the wider South East. It is therefore argued that the NNJPU is unable to demonstrate compliance with the Duty to Cooperate set out in the Localism Act. Responses from Harborough District Council and Bedford Borough Council raised potential concerns about the development of the Interim Statement, although West Northamptonshire JPU has no objections to the document.

### ***JPU Response***

- 3.13 The JPU works to ensure that the duty to cooperate is met. The NPPF explains this duty as follows:

*“178. Public bodies have a duty to cooperate on planning issues that cross administrative boundaries..... 181. Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee..... Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.”*

- 3.14 North Northamptonshire was identified as a Housing Market Area (HMA) in a study undertaken for East Midlands Councils (DTZ Pineda 2005) in order to contribute to the process of sub-regional planning and encourage joint working on housing and planning issues. It was one of 10 HMAs identified on the basis that the majority (70%) of all household moves are contained within the HMA and there is a close relationship to Travel To Work Areas. The update to the North Northamptonshire Strategic Housing Market Assessment (Housing Vision August 2012) confirms that North

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Northamptonshire remains a functional housing market area both internally and in relation to adjacent areas. The joint planning arrangements ensure that the duty to cooperate is satisfied between the partner councils within the HMA, and have been used as a national exemplar of good practice.

- 3.15 The JPU consults with planning authorities in adjoining HMAs and has ongoing dialogue on strategic issues including housing provision through individual contact and by working through groups such as the SEMLEP Planners' Forum. Further to the consultation on the Interim Statement, the JPU has had further discussions with the West Northamptonshire JPU and officers representing the Councils of Harborough, Rutland, Peterborough, Huntingdonshire and Bedford in order to clarify the approach to housing provision and the evidence base underpinning this. There is broad agreement that North Northamptonshire remains a logical HMA, notwithstanding some minor areas of overlap with adjoining HMAs. It is also agreed that the approach to housing provision in the Interim Statement and emerging Joint Core Strategy (whereby North Northamptonshire meets its objectively assessed housing requirements) will not impact on the plans of adjoining authorities, who are not anticipating North Northamptonshire taking a share of their objectively assessed needs.
- 3.16 Representations that the Interim Statement is inconsistent with the duty to cooperate, as it does not consider the impact on authorities in the wider South East (SE) are not credible given how the planning system presently operates. With the abolition of Regional Planning and the abandonment of the previous Government's 'Sustainable Communities Plan', there is no basis in the planning system (and no underpinning by Growth Area infrastructure funding) for North Northamptonshire to be required to accommodate growth arising in the SE over and above that reflected in the CLG projections of in-migration into the HMA. While there clearly remains a strategic opportunity for North Northamptonshire to accommodate some of the growth pressure arising in the South East, it is unrealistic (and unnecessary in satisfying the duty to cooperate) to expect the JPU to engage in dialogue with authorities across the wider SE.

### ***Issue 3 - Calculating objectively assessed housing requirements***

- 3.17 The Interim Statement summarised evidence considered by the Joint Committee (January 2013) in line with *CLG Practice Guidance on Strategic Housing Market Assessments (2007)*. This relates to:
- Demographic factors, including locally generated needs and the demand for housing arising from in-migration; and
  - Economic factors, including the need to align housing and employment strategies (to ensure that economic development is not held back by a limited workforce and to avoid unsustainable commuting patterns).
- 3.18 The evidence referred to in the Interim Statement includes the CLG 2011 based interim household projections (April 2013) and economic forecasts considered in reviewing the JCS, such as the MKSM Economic Development Evidence Base (SQW 2009).

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- 3.19 During the consultation on the Interim Statement the Government published draft *National Planning Policy Guidance* which, although acknowledging CLG projections as the starting point for an estimate of overall housing need, indicates that these estimates may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. It indicates that housing requirements arising from household projections should be considered against projections of employment growth and also, if necessary, adjusted to reflect market signals relating to price (e.g. house prices, affordability) and quantity (e.g. rates of development).
- 3.20 Representations from the development industry emphasise that the 2011 based projections are trend-based, reflecting a period of economic downturn which suppressed household formation and therefore do not fully reflect future migration patterns, market demand or economic factors. A number of respondents consider that, in line with paragraph 159 of the NPPF, the Interim Statement should use the 2012 Strategic Housing Market Assessment (SHMA) and in particular the 'Migration-led recalibrated plus backlog' scenario modelled by Edge Analytics (February 2012), which would result in a requirement of 21,400 dwellings between 2011 and 2021. They consider that the targets within the Interim Statement do not represent the full and objectively assessed needs of the area.
- 3.21 In addition to the above points, a detailed report on housing requirements submitted on behalf of Gladman Developments Ltd criticises the economic projections as being out of date and reflecting the impact of the recession. They propose the use of more up to date employment projections prepared and maintained by Oxford Economics, the East of England Forecasting Model (EEFM), which, they contend, indicate that employment growth will outstrip the supply of labour arising from the draft Interim Statement housing numbers, constraining the areas economic growth. The report also argues that the Interim Statement provides insufficient evidence on the need for market and affordable housing and the scope to improve affordability by increasing the supply of housing.
- 3.22 Concerns were also raised in relation to the Interim Statement assessing needs only to 2021 (rather than the minimum 15 year plan period advocated in the NPPF) and to reapportioning the revised housing requirements on the basis of the adopted CSS (which, it was suggested, would not meet the identified local need within Kettering Borough and East Northamptonshire).

### ***JPU Response***

- 3.23 Guidance has developed slowly on how planning authorities should assess the "full objectively assessed need for housing" in the HMA as required by the NPPF. This is reflected in the evolving approach reported to previous meetings of the Joint Committee. The draft Interim Statement identified an objectively assessed need for housing based on the latest CLG 2011 based interim household projections; plus the back-log of households on local authority needs registers who currently have no home of their own; plus a 3% allowance for vacant dwellings. The resulting need for around 17,800 dwellings in the HMA in the period 2011-21 was reviewed against various employment projections. These suggest that the economy will struggle to create

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enough new jobs in North Northamptonshire to match the labour force arising from new housing and therefore do not support any further increase in the housing requirements.

- 3.24 The draft Planning Practice Guidance issued by CLG at the end of August has not yet been finalised. The CLG website indicates that they are currently considering the comments received before the planning practice guidance is finalised and issued by the Secretary of State. It is therefore questionable how much weight should be given to the draft guidance at this stage. Nevertheless, the JPU has reviewed the evidence for objectively assessed housing needs in the HMA taking into account the key issues raised in the draft practice guidance and in the representations on the Interim Statement. This is set out below in relation to evidence on demographic, economic and affordability issues.
- 3.25 In relation to the points referred to in paragraph 3.22 above, the Interim Statement is not a new plan. It simply introduces up to date evidence on objectively assessed housing needs in line with the NPPF, to be considered alongside the adopted CSS which covers the period to 2021. The NPPF requires these needs to be assessed for the Housing Market Area (HMA) as a whole. This is important in North Northamptonshire because household projections for individual districts reflect past delivery of housing rather than the spatial strategy set out in the adopted CSS (including the objective of focusing significant development at the Growth Towns). The Interim Statement follows the apportionment of the HMA housing requirement between the districts/ boroughs as set out in the adopted CSS (see paragraph 3.30 below).

### Demographic evidence

- 3.26 To provide a robust review of demographic evidence in the light of representations on the draft Interim Statement, the JPU commissioned the Cambridge Centre for Housing and Planning Research (CCHPR) to advise on whether/ how the latest official projections should be adjusted to provide a prudent basis for planning for housing in North Northamptonshire. CCHPR is a leading authority on these issues. It prepared the latest national guidance on Strategic Housing Market Assessments and one of its Visiting Fellows is the author of the "[What Homes Where?](#)" toolkit favoured by the Planning Inspectorate. They have also provided advice to the West Northamptonshire JPU.
- 3.27 A copy of CCHPR's report is provided at [Appendix 4](#). Their work supports the view, expressed in some representations, that the 2011 based interim projections may underestimate future demand for housing. This is because household formation rates have been depressed by the recession, in particular with young adults remaining at home longer. A number of alternative scenarios are modelled, of which CCHPR favour a "2008 tracking" projection, which assumes that from 2015 household formation rates move back towards previous trends and that from 2025 they track those in the previous CLG 2008 based projections rather than the 2011 projections (which assume that household formation rates will continue to fall for young adults). This is consistent with the approach being taken in West Northamptonshire and results in a projected additional 17,700 households in the HMA between 2011 and

2021. Assuming 3% of dwellings are vacant, this projection results in a requirement for 18,300 additional dwellings in this period.

- 3.28 The Interim Statement estimated housing requirements by adding an allowance for those whose housing needs were unmet in 2011 to an estimate of the housing needed for the additional households that will be formed (between 2011 and 2021). The approach suggested by CCHPR in the “2008 tracking” scenario is, in effect, to add additional homes above and beyond the number suggested by the latest official household projections. Those extra homes would allow household formation rates for young adults to move back toward the previous trend rather than to continue to fall. In doing so they would also provide scope for unmet housing need to be addressed. It is not therefore necessary to make a separate allowance for unmet housing need at 2011.
- 3.29 In addition to adjusting household projections in respect of household formation, CCHPR identify a significant issue in relation to the projected flow of households into Corby from the rest of the UK. Evidence suggests that, compared to actual flows since 2001, this is significantly underestimated in official projections. CCHPR provide an alternative scenario based on different assumptions on net in-migration to Corby. This increases the projected growth in households in Corby (2011-21) from 4,100 in the “2008 tracking scenario” to 6,300. CCHPR caution that this a broad indication based on recent trends and that consideration should be given to whether these high growth rates will be sustained.
- 3.30 The CCHPR household projections and resulting housing requirements (assuming that 3% of dwellings are vacant) for the HMA are shown in Table 1 (district figures are provided in Appendix 5 for reference). Although the methodology differs, the 2008 Tracking scenario results in a housing requirement that is only 500 dwellings greater than the draft Interim Statement.

Scenario	2008-based	2011 based	2008 Tracking	2008 tracking plus adjusted Corby net migration
Additional households	17100	15600	17700	19400
Required dwellings (assuming 3% vacancies)	17600	16100	18300	20000

- 3.31 A decision is needed on how to handle the potential additional housing demand at Corby suggested by the CCHPR adjusted net migration scenario. That scenario is consistent with the aspiration to deliver significantly more in Corby, which has been recognised as a “strategic opportunity” in the emerging JCS housing requirements. However, desirable though that strategy might be, it is questionable whether it should be the central assumption for planning purposes (including 5 year supply calculations). This is underlined by the CCHPR report which notes that the ‘Corby adjusted’ scenario approximately doubles both the population and household growth envisaged in the official projections and assumes that net inflows into Corby from the

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rest of the UK are not only maintained at the levels seen in the last 3-4 years but increase further. A more realistic approach would be to take the '2008 Tracking' scenario as the central case. That includes a significant increase in household growth above the level implied by the latest official projections and meets the needs of the population envisaged in the official projections. If, in the light of emerging market demand, there is scope to go further and exploit the strategic opportunity to go beyond meeting the needs of the officially projected population of the JCS area, that would not be precluded. For this reason it is proposed that the objectively assessed need identified in the Interim Statement should be based on the CCHPR 2008 tracking scenario. This is consistent with the approach being taken in West Northamptonshire.

- 3.32 This approach in no way limits the scope for additional development in line with the adopted CSS, since commitments at the Growth Towns provide capacity to significantly exceed the objectively assessed need if the market supports higher rates of development. This approach is considered to be consistent with the provisions of the NPPF, notably paragraph 47 which requires that Local Plans meet the full, objectively assessed needs for market and affordable in the housing market area, as far as consistent with the policies in the NPPF, and at paragraph 154 that Local Plans are aspirational but realistic.
- 3.33 Paragraph 5 of the Interim Statement explains that *"The distribution of the housing requirement identified in Part A between the districts is based on the adopted CSS. In other words it is the same spatial strategy, only delivered over a longer period of time..."*. The distribution of housing is being reviewed through the Joint Core Strategy, taking account of factors such as Rushden becoming a Growth Town and delays to the sustainable urban extensions at Wellingborough. However, as explained in paragraph 17 of the Interim Statement, these changes have yet to be tested through the JCS examination and cannot be reflected in the Interim Statement. The distribution of the objectively assessed need for 18,300 dwellings in line with the adopted CSS is shown in Table 2.

<b>Table 2 - Objectively Assessed Housing Need (2008 Tracking) for 2011-21 distributed as per CSS</b>	
Corby Borough	5890
East Northamptonshire District	3290
Kettering Borough	4590
Borough of Wellingborough	4500
	18300

### Economic evidence

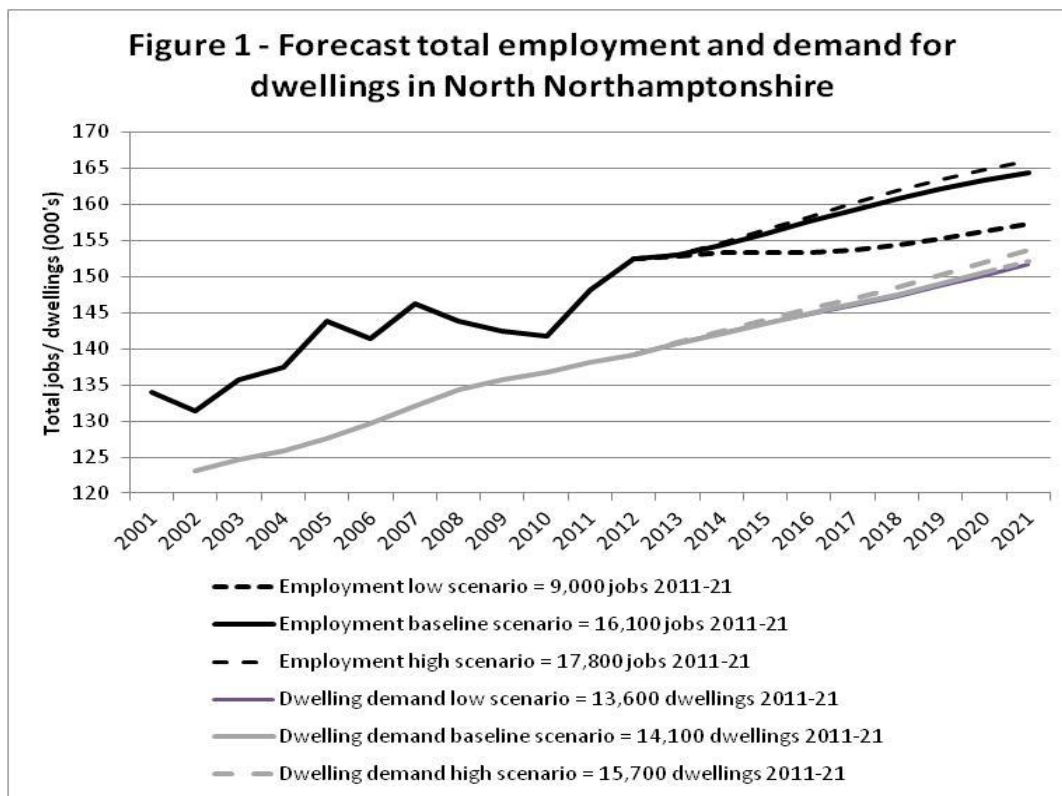
- 3.34 The draft Planning Practice Guidance indicates that *"Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. ....Where the supply of working age population (labour force supply) is less than the projected job growth, this will result in unsustainable commuting patterns and could reduce the resilience of local*

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*businesses. In such circumstances, plan makers will need to consider increasing their housing numbers to address these problems.”*

- 3.35 It follows that plan makers should be equally cautious about planning for levels of new housing that would generate a growth in labour force significantly in excess of likely growth in job numbers, since this will result in increased out-commuting. This is relevant in North Northamptonshire, particularly because the emerging West Northamptonshire JCS is not planning employment growth to cater for significant in-commuting from North Northamptonshire.
- 3.36 The adopted CSS set out a target of 47,400 additional jobs between 2001 and 2021 to balance the provision of 52,100 homes, ensuring that North Northamptonshire becomes no more dependent upon out-commuting. This balanced growth has not been achieved to date. In the period 2001 to 2011, 16,640 new homes were built (Annual Monitoring Report 2012) but there was an estimated net increase of only 7,500 jobs (ABI 2001-2008 and BRES 2008-2011).
- 3.37 The report to the Joint Committee on 31<sup>st</sup> January 2013 reviewed a range of evidence on economic trends and potential for job creation. It noted that all forecasts point to the adopted CSS indicative target of 47,400 jobs over a 20 year period as undeliverable. The report on North Northamptonshire Employment Targets (Roger Tym and Partners November 2011) notes that, ignoring the loss of around 4,500 jobs in the recession, the gross increase of 12,000 jobs over a ten year period is consistent with a projected target of 24,000 over a twenty-year period. However the report cautions that *“it is not generally expected that employment growth will return to the same high levels as experienced in the previous pre-recessionary cycle.”*
- 3.38 The draft Interim Statement drew on one particular set of forecasts, prepared for the MKSM Economic Development Evidence Base (SQW 2009), to illustrate that projected employment growth in North Northamptonshire does not support any increase in the housing requirement above that required to meet household projections. These forecasts provides a trend-based projection of only 6,000 jobs in North Northamptonshire between 2012 and 2021, which only increases to 10,000 as a result of enhanced population growth if Core Strategy housing targets were met in full. The report goes on to model an enhanced employment scenario, showing the potential for additional jobs through intervention focused on priority economic sectors. This shows a modest uplift to around 11,000 additional jobs.
- 3.39 It is acknowledged that more up to date projections exist and should be referenced in the Interim Statement. The East of England Forecasting Model (EEFM) referred to in representations was developed by Oxford Economics to project economic, demographic and housing trends in a consistent fashion. It was extended in 2011 and now also provides forecasts for the East Midlands and South East regions and LEPs.
- 3.40 Figure 1 below shows total employment and the resulting demand for dwellings from 2011 to 2021 from the EEFM (August 2012). District figures are provided in Appendix 5. Total employment is the total employed jobs (full and part-time) plus the number of self-employed (sourced from ABI, ONS, Census and OE calculations). The higher growth scenario uses ONS migration assumptions. The lower growth scenario assumes 15 years of sluggish economic growth. The range between high and low scenarios is much greater for employment than for housing. This is because changes

in macroeconomic conditions will affect employment first, which will then percolate through into impacts on population growth (more employment opportunities will lead to higher levels of in-migration and vice-versa) and demand for housing.



- 3.41 While forecasts must be treated with caution, the EEFM provides a useful base case forecast (consistent with overall regional and national forecasts) and represents OE's considered view of the most likely future. The forecast household growth differs from the ONS and other sources which are largely trend based, while growth in the EEFM is economically driven and takes account macro-economic conditions (e.g. oil prices, inflation); past trends in employment and productivity; and labour market relationships (e.g. migration responds to relative levels of unemployment and house prices). The forecasts are policy-neutral – that is, they assume no change to the policy regime which is reflected in the data, and they do not incorporate speculative plans or strategies.
- 3.42 It is noted that Oxford Economics is preparing further forecasts as part of the evidence base for Northamptonshire Enterprise Partnership's Strategic Economic Plan Growth Plan. The Joint Committee will be updated on these when they are published.
- 3.43 The EEFM modelling implies that rates of housing development in excess of the economically-led demand for dwellings would need to be driven by factors other than employment growth and may result in increased out-commuting. This has been the case in North Northamptonshire in recent years, with housing development outstripping the growth in jobs. Factors driving this housing development have included the relative affordability of the area; its accessibility to employment elsewhere; its improving offer as a place to live (e.g. improving infrastructure and town

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centres); public investment in housing; and marketing campaigns to support demand for new homes. These factors will support a level of future growth but it must be recognised that accelerating rates of residential development may be constrained in the longer term if the area is not able to create significant employment to attract new residents.

- 3.44 The updated economic forecasts referred to above underline the challenge of securing employment development in North Northamptonshire to avoid the area becoming more heavily dependent on out-commuting. The JCS review is seeking to address this by providing a positive approach to economic development and identifying high quality strategic employment sites. However, while it is important for plans to be aspirational, they must also be realistic (paragraph 154 of the NPPF). The most up to date economic forecast (EEFM 2013) suggest that, if commuting patterns remain as recorded in the 2001 census, jobs growth will drive a demand for a maximum 15,700 additional dwellings in the HMA between 2011 and 2021.
- 3.45 This evidence does not support the contention, put forward in some representations on the Interim Statement, that meeting the level of housing need identified through demographic forecasts will hold back economic growth in North Northamptonshire. In fact, as stated at paragraph A19 of the draft Interim Statement, it may result in more sustainable commuting patterns by balancing population growth more closely with forecast growth in jobs.

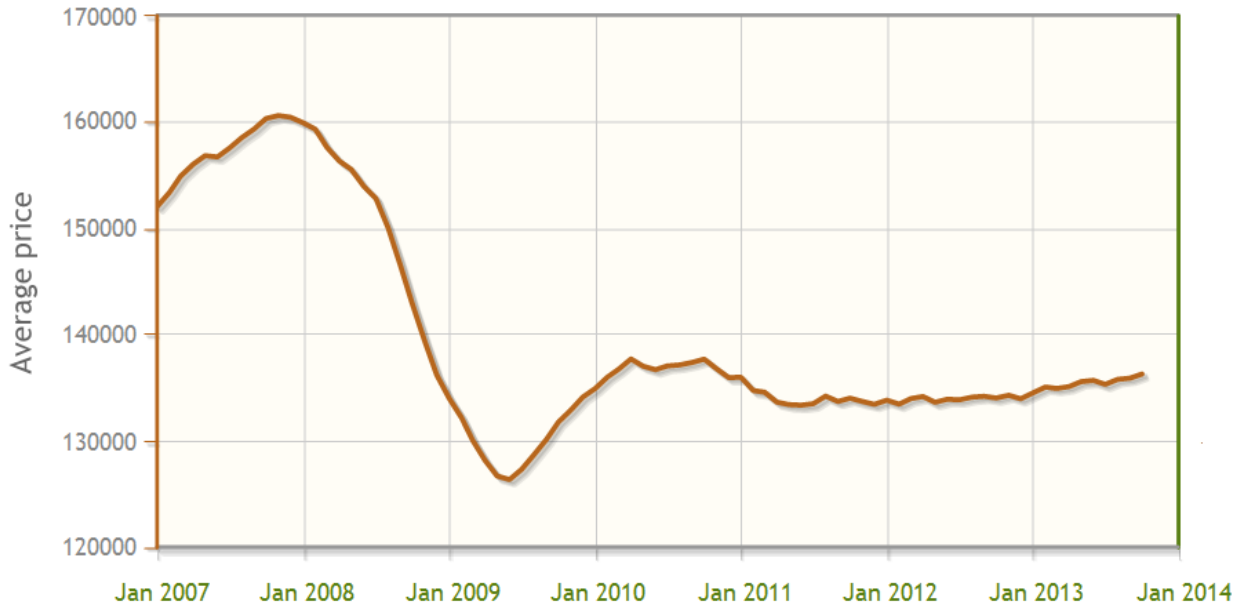
#### Affordability Evidence

- 3.46 The draft Planning Practice Guidance (PPG) indicates that *“the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”* It suggests that relevant signals may include: land prices; house prices and rents; affordability; rate of development; and overcrowding. This report addresses the most relevant of these.
- 3.47 A criticism of the draft PPG is that it reflects a London/ South-East view of an overheating housing market. In responding to the consultation on the draft PPG, the Northamptonshire Chief Planning Officers Group expressed concern that it *“...reflects an over-simplistic view that releasing more land for housing will automatically result in more housing being built and that this will lead to house prices and rents becoming more affordable. This does not recognise factors such as the strength of local housing markets and other barriers to delivery of housing in areas that have previously committed to delivering high levels of housing through designation as growth areas....”*
- 3.48 It remains to be seen how the final Planning Practice Guidance will handle this issue. However the following evidence indicates that North Northamptonshire does not have an overheating housing market whereby shortage of supply is driving up costs as suggested in the draft PPG;
- Housing in North Northamptonshire remains relatively affordable in a national context. House prices tend to be only slightly above the East Midlands average

which, in October 2013 was £124,600. This compares with an average of £216,000 in the South East and £390,700 in London (source: Land Registry).

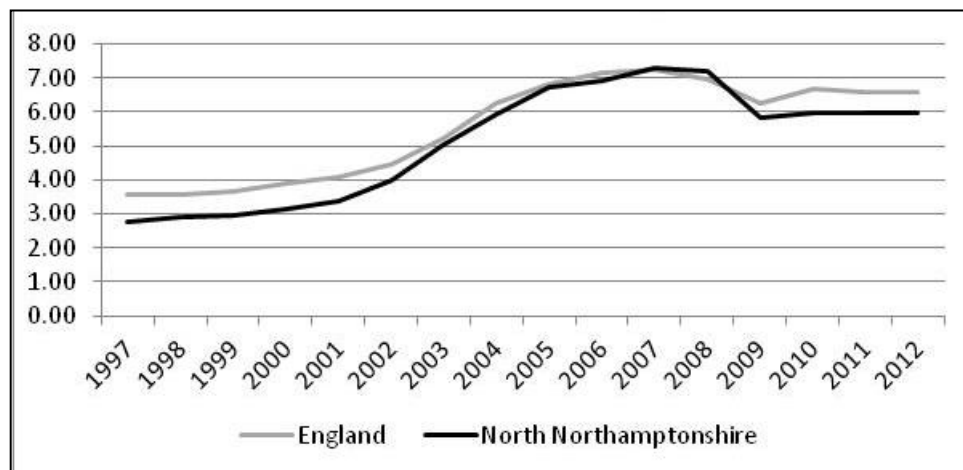
- House prices have recovered somewhat since the lowest point in the cycle in June 2009, but remain significantly lower than those achieved at the peak of the market in November 2007 and have remained relatively stable since June 2011. The Land Registry reports a 2.2% increase in East Midlands house prices in the year to October 2013, compared to 4% in the SE and 8.7% in London.

**Figure 2 – Average house prices in Northamptonshire (source: Land Registry)**



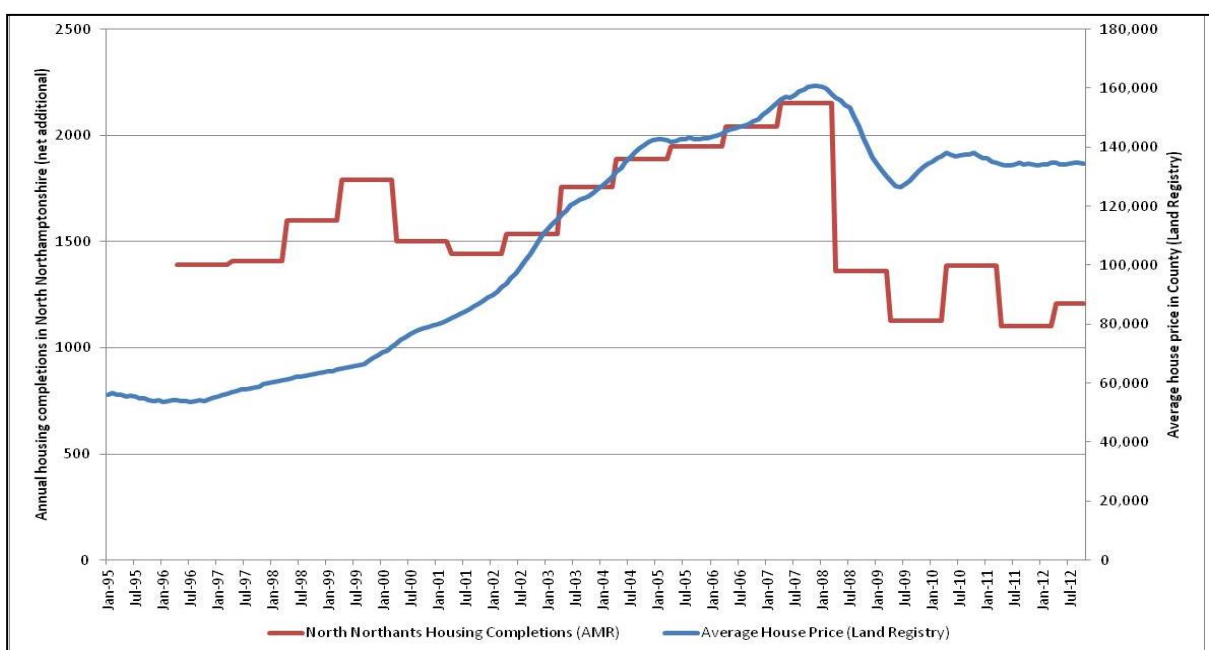
- Despite house prices being relatively low in the national context, affordability remains an important local issue, in part due to household incomes also being relatively low. However, as shown in Figure 4 below, the ratio of lower quartile house price to lower quartile earnings in North Northamptonshire is currently lower than the national average and only matched or exceeded the national picture at the height of the housing market.

**Figure 3 – Ratio of lower quartile house price to lower quartile earnings**



Source: ONS Live Table 576

- Significant housing land commitments exist across North Northamptonshire and the rate at which they are built out has historically reflected national economic conditions and the strength of the housing market. This is illustrated in Figure 4, which suggests that completions from 2001 to 2008 were responding to the strength of the housing market (Northamptonshire average house prices are shown). The scale of reduction in completions during the recession is likely to reflect a wide range of factors including constraints on lending and the restructuring of the house-building industry.

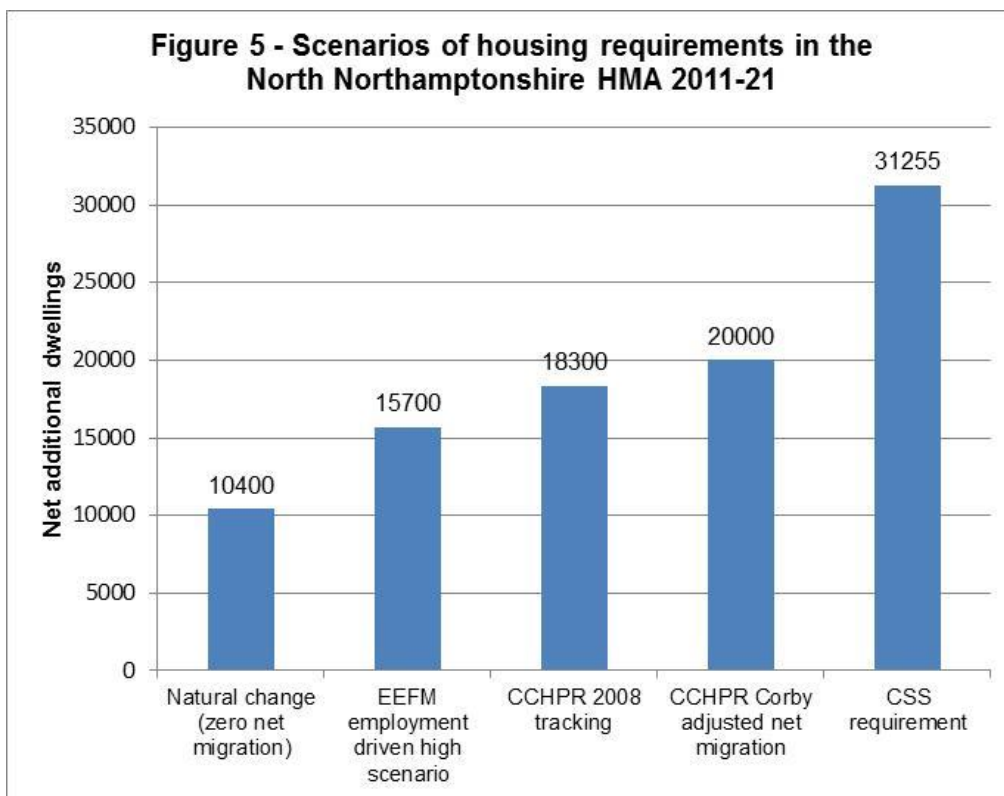
**Figure 4**
**North Northamptonshire housing completions and Northamptonshire house prices**


Source: Land Registry and North Northamptonshire AMR

- 3.49 The above evidence does not support the contention that an upward adjustment of housing requirements for the North Northamptonshire HMA, above the objectively assessed need based on demographic factors, would necessarily result in more housing being built or in cheaper house prices and rents.

#### *Summary of evidence on Objectively Assessed Needs*

- 3.50 The Joint Committee has previously considered a range of demographic and economic scenarios from which different estimates of objectively assessed housing can be derived. The work referred to in the report above has enabled more up-to-date and robust demographic and economic projections to be used. The housing requirements generated by a number of updated scenarios are illustrated in Figure 5 below and compared to the housing target in the adopted CSS (for the period 2011-21). All figures are rounded to the nearest 100.



- 3.51 The estimated dwelling requirement arising from natural change in the existing population (CCHPR 2013), i.e. with zero net migration, is not a reasonable alternative as it is clearly not consistent with the National Planning Policy Framework, which indicates (paragraph 159) that the assessment of housing needs should take account of migration. It is however shown in Figure 5 to illustrate the extent to which housing requirements from other scenarios are driven by migration into North Northamptonshire.
- 3.52 The CSS requirement is the residual from the 52,100 dwellings in the adopted plan for the period 2001 to 2021 compared to the 16,640 dwellings that were built by 2011. Previous committee reports have demonstrated that this requirement is not based on objectively assessed needs and there is no prospect that it can be delivered given the impact of the recession.
- 3.53 In order to plan positively, the employment driven (EEFM) forecast of dwelling requirements uses the upper scenario referred to in Figure 1 above. Housing requirements significantly in excess of this forecast would be likely to result in increased reliance on out-commuting and may not be supported by market demand (see paragraph 3.43). The forecast assumes that patterns of commuting remain as recorded by the 2001 census. If it is possible to reduce levels of out-commuting (including retaining more of the existing labour force with the HMA), the number of new dwellings needed to provide the labour force for a given number of jobs would be reduced.
- 3.54 The “2008 Tracking” demographic scenario modelled by CCHPR is considered to provide the most robust evidence of the objectively assessed housing needs in the

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HMA. As set out at paragraph 3.31 above, the “adjusted net-migration” scenario introduces a radical adjustment of ONS migration assumptions for Corby. This is in line with the growth agenda for the town and planning commitments are in place to enable this level of growth to be delivered if supported by market demands. However, given the uncertainties over whether high levels of in-migration to Corby will continue to increase, particularly if adequate employment is not created, it is considered that this unique forecast should not form the basis of the full objectively assessed housing need for the Housing Market Area. It will instead be used to justify the strategic opportunity for additional growth at Corby.

- 3.55 The updated demographic forecasts provided by CCHPR supersede the Edge Analytics work (February 2012) used in the Strategic Housing Market Assessment (Housing Vision August 2012). The SHMA will be updated to incorporate this new evidence on objectively assessed needs and to provide evidence on the required mix and tenure of new housing. This will not alter the total housing requirement.

***Issue 4 – Treatment of past under-provision.***

- 3.56 A key area highlighted through the consultation related to the treatment of ‘undersupply’ of housing completions relative to the objectively assessed requirement. Representations related to the period of under-provision that should be taken into account, and the methodology for ‘catching up’. Representations from the development industry suggest that, whereas the Interim Statement addresses under-supply since 2011, account should be under-supply compared to CSS housing targets since 2001 (the base date of the plan) or 2008 (the adoption of the plan). They argue, based on a number of recent appeal decisions and the draft Planning Practice Guidance, that the shortfall relative to planned housing requirements should be made up over a 5 year period (the ‘Sedgefield’ approach) rather than over the remaining plan period to 2021 (the ‘Liverpool’ approach) as used in the Interim Statement.

*JPU Response*

- 3.57 The Interim Statement is based on an objective assessment of housing needs from 2011 onwards. It takes account of newly arising need (from additional households) and also assumes that household formation rates will move back towards the longer term (pre-recession) trend, allowing for a higher number of households (including those comprised of young adults who, at the 2011 base-date, were not able to form their own households for economic reasons). The Interim Statement therefore re-bases the evidence of housing needs at April 2011 and it is unnecessary to take account of the shortfall against CSS housing targets prior to 2011.
- 3.58 Table 2 in the Interim Statement shows the recorded and estimated housing completions for the period 2011/12 to 2013/4. These have been updated since the draft Interim Statement to reflect recorded completions for 2012/13 and latest AMR housing trajectories. As a result, the total of recorded and estimated completions for this period has reduced from 4,026 to 3,856 dwellings. This compares with a requirement for 5,490 to meet the objectively assessed needs set out in the Interim Statement, a shortfall of 1,634 dwellings that must be made up by higher rates of delivery later in the CSS plan period.

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- 3.59 The NPPF is not explicit as to what method is preferable when addressing shortfalls in supply (as confirmed by a recent report into the South Gloucestershire Core Strategy<sup>1</sup>). In North Northamptonshire, AMR's since 2009 have used the Liverpool approach to addressing shortfall. This approach results in an Interim Statement 5 year housing requirement (for the period 2014-19) of 10,317 dwellings in the HMA. If the alternative Sedgefield approach is used, the requirement rises to 10,784 dwellings.
- 3.60 It is clear from a review of appeal decisions post the introduction of the NPPF that Inspectors interpret the issue of methodology in different ways. The JPU acknowledges that a number of decisions have advocated use of the Sedgefield approach in line with NPPF and the drive to deliver more housing (e.g. Honeybourne<sup>2</sup>, Billingshurst<sup>3</sup> and Yate<sup>4</sup>). However, more recent appeal decisions appear to take a more pragmatic view, a key decision being at Barwell where the Inspector acknowledges that the recession has been "*long and deep*" and that "*it is more realistic to anticipate a slow and steady recovery over a protracted period*". He noted that the Core Strategy Inspector had recognised that there would be shortfalls in housing land supply in the early years and that these would be made up later in the plan period when, for example, the SUEs come on stream. This led him to conclude that he "*prefers the Council's more cautious adoption of the Liverpool method for the calculation of the requirement*". A similar conclusion was reached by the Inspector at Shirley (APP/P1805/A/13/2196784) who states (para 16) that "*...the Liverpool method provides a more realistic trajectory that would reflect housing delivery as market conditions improve over the plan period*".
- 3.61 At present, the JPU and local authority partners advocate continued use of the Liverpool approach to addressing shortfalls in housing land supply (relative to objectively assessed needs). This continues the approach established in previous AMR's for the area and recognises the difficulty in accelerating rates of delivery, in particular through the SUE's, while the housing market and development industry recover from the recession. Table 2 of the Interim Statement therefore spreads the shortfall of 1,634 dwellings from the period 2011-14 over the 7 years to 2021. This position will need to be reviewed if the final national planning practice guidance provides further direction as to a preferred methodology.

#### 4. CONCLUSIONS

- 4.1 Consultation on the draft Interim Housing Statement has been an extremely useful exercise in testing the proposed approach to assessing the full objectively assessed need for housing in the North Northamptonshire Housing Market Area. Consideration of representations has resulted in further detailed work including commissioning the Cambridge Centre for Housing and Planning Research to review demographic evidence for future housing requirements. The results of this work at [Appendix 4](#) and further legal advice at [Appendix 3](#) support the agreement of a revised Interim Housing Statement for decision makers to take into account as a material consideration in

<sup>1</sup> <http://www.southglos.gov.uk/Documents/South%20Glos%20Core%20Strategy%20-%20Inspectors%20Report.pdf>

<sup>2</sup> <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.4568366&NAME=/Decision%20Letter.pdf%20>

<sup>3</sup> <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5318891&NAME=/DECISION.pdf>

<sup>4</sup> <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5284539&NAME=/Decision%20Letter.pdf>

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relation to assessing 5 year housing land requirements in line with the NPPF. The revised Interim Housing Statement is set out in Appendix 2 with tracked changes. These are primarily factual updates and revisions to reflect the updated evidence set out in this report.

## **5. RECOMMENDATIONS**

### **5.1 The Planning Manager recommends that the Joint Committee:**

- 1. Agrees the responses to the key issues raised in consultation on the Draft Interim Housing Statement as set out in this report;**
- 2. Agrees the revised Part A of the Interim Housing Statement set out in Appendix 2 as a material consideration that should be taken into account in the calculation of housing land requirements.**

[NDP-0165](#)