

Author	North Norfolk District Council
Session details	Day 2: Matter 3
Scheduled Hearing Date	Wednesday 24 January 2024, 9:30am
Exam Library No.	EH009 (a)

North Norfolk District Council's response to Inspector's Matters, Issues & Questions (3.1 to 3.12) in relation to:

Matter 3: Delivering Sufficient Homes (Policy HOU1)

Issue: Whether the plan is justified, positively prepared and consistent with national policy in relation to the overall provision of housing.

References in square bold brackets **[xx]** refer to Examination Library document numbers, their page and/or paragraph. The Examination Library can be accessed at:

www.north-norfolk.gov.uk/localplanexamination

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Introduction

This document is North Norfolk District Council's response to the Matters, Issues and Questions identified for examination by Inspector David Reed of the Planning Inspectorate, as published on 3 November 2023 [EH002]. This is one of eleven separate response papers produced to address the specific matter and issue as identified on the front page.

Each response paper includes a number of references to specific evidence which has been relied upon in answering the matters, issues and questions. These reference numbers relate directly to the Examination Library website, where all evidence is published:

www.north-norfolk.gov.uk/localplanexamination

References to 'modifications' relate to such modifications requested by the Planning Authority in Schedules 4 and 5 submitted alongside the Plan [A5.11 and A5.12]. For ease of reference, where these requested modifications relate to the Councils response to each question, details have been included in this response.

Following submission of the Plan the Inspector requested responses to a number of initial questions particularly in relation to housing targets and the impacts of new nutrient neutrality requirements on the delivery trajectory included in the Submission Plan. In the Councils responses [EX003 and EX006] the Authority updated the trajectory for two alternative plan periods covering up to either 2036 or 2040 and assessed the potential delaying impacts of new nutrient neutrality requirements.

As requested by the Inspector the following responses relate to the updated trajectories and alternate plan periods.

In calculating a minimum housing requirement for the Plan, the Council established the likely future need based on published population and household projections (the demographic growth requirement), applied a standard uplift based on the affordability of dwellings (national methodology uplift) and added a 5% delivery buffer (lapse rate). The result of this process is the 480 net new dwellings per year that the Plan sets as a minimum target.

This minimum target is set in the Plan as a performance measure and represents the number of dwellings below which the authority considers the identified needs risk not being addressed. It would be the measure used in both the five-year land supply and national Housing Delivery Test calculations. The Plan itself includes policies and proposals (allocations) which are assessed as having the potential to deliver at least 10,600 -10,900 new dwellings depending on the plan period adopted. In addition to this there is also further capacity on the two larger strategic allocations at North Walsham and Fakenham, neither of which are held back by phasing obligations, but where elements are currently assessed as being delivered beyond 2036 or 2040.

The Council is satisfied that the Plan will deliver sufficient homes to address all likely need and demand in accordance with the provisions of national advice.

Response to Inspector's questions

- 3.1 Attention is drawn to the report 'The Possible Impact of Second and Holiday Homes in North Norfolk' (Document E4). Should the prevalence of second and/or holiday homes in North Norfolk have any bearing on the quantity of housing that should be provided in the district over the plan period, and if so, how? Would occupancy restrictions be justified on new market housing in some areas or some circumstances? Should a policy be included in the plan on the basis that controls on the change of use to second or holiday homes may be introduced in future?**
- 3.1.1 Yes, the number of homes in the district which are not the usual residence of the occupier (second and holiday homes), and more specifically any increase in the number of such homes since 2016 should, and has been considered, as part of the process of establishing a housing target for the Plan.
- 3.1.2 The 2021 Census reported that 14.7% of dwellings in North Norfolk did not have a usually resident household, up from 13.5% in 2011. This is well above the national average of 6.0% of dwellings identified by the 2021 Census. A key driver of the higher rate is likely to be the high number of second and holiday homes in some parts of North Norfolk. Properties which are used as second, or holiday homes, are not available for permanent occupation so will not address housing need. The overall percentage is reported as the highest in the country. The increase in the 10 years between the two census dates in 2011 and 2021 was 1.2% of all dwellings, meaning that between these dates around 670 dwellings were 'lost' to the permanent housing stock (approx. 56,000 dwellings x 1.2% = 672 dwellings)
- 3.1.3 Previous Strategic Housing Market Assessments (SHMAs) for North Norfolk (such as the Central Norfolk SHMA 2016 and SHMA Update 2017) included an allowance (market signals uplift) for the high rate of dwellings without a usually resident household in the area.
- 3.1.4 The single uplift in Stage 2 of the standard national methodology was specifically introduced to replace the previous process of multiple adjustments to the demographic starting point. There is no requirement in the standard methodology to make multiple adjustments for other reasons as was previously the practice. In North Norfolk this affordability uplift is large and results in around 31% more homes in the Local Plan than population change alone justifies. In its approach to setting a minimum plan target the Authority also includes a 5% delivery buffer (lapse rate). The Plan then proposes to deliver a significantly higher number of homes than the minimum target. These measures collectively mean that set against a demographic starting point of 347 dwellings per year (2016 base) the Plan has a reasonable prospect of delivering in excess of 500 per year.
- 3.1.5 Although the Council has set out reasons for departing from Step 1 of the Standard Method calculation due to local issues with the 2014-based population and household projections for North Norfolk (as discussed in response to Q3.3-3.6) there has been no change proposed to the affordability adjustment at Step 2. Therefore, the proposed figure would provide for housing need additional to the identified household growth, which includes the need for second and holiday homes. On this

basis the authority considers that no further upward revision is justified based on the increase in second/holiday home rates. In short, any loss of homes to holiday or second home use is more than compensated for in the very large affordability uplift.

3.1.6 Representations have been made at both Regulation 18 and 19 stages of plan preparation that given the prevalence of second and holiday homes in some parts of the district that all new dwellings built should be restricted in their use so that they are only occupied as the principal residence of the occupier.

3.1.7 The Authority has considered this issue, and although sympathetic to the concerns expressed, resolved on submission of the Plan not to include such restrictions. The rationale for this was:

1. The number of new homes being built in the areas of the district with high proportions of second homes is very small so such restrictions, if limited to new build homes in this area, would only apply to a very small percentage of the housing stock.
2. Of the new dwellings built in these areas a proportion (35% on site allocations) would need to be provided as affordable homes to meet policy expectations and hence would already be subject to principal residence restrictions.
3. Any demand for second homes, if not satisfied in the new build sector, was likely to be deflected into the existing housing stock where no change of use control was/is available.
4. Any restrictions on occupancy *might* have the desirable impact of reducing sale prices (marginally) but would not result in affordable homes and may have some (again marginal) impact negatively on the viability of schemes and hence their ability to fund genuinely affordable housing.
5. Monitoring compliance with such conditions is also a concern but not cited as a reason for resisting them.

3.1.8 The provisions of the Levelling Up and Regeneration Act introduce new controls, subject to enabling regulations, in relation to the change of use to second and holiday homes so that in the future such changes of use are likely to require planning permission. It is not yet clear if, and when these changes will be introduced. How Local Authorities choose to exercise any new controls will be a matter for local determination through decisions on planning applications and would ideally, but not necessarily, be included within Local Plan policies. An alternative route for the introduction of such controls would be via Neighbourhood Plans and in fact these are already included in the Blakeney Neighbourhood Plan and proposed in the Wells Neighbourhood Plan. These two communities are both in areas with a very high prevalence of second and holiday home uses.

3.1.9 The Authority does not consider that a new policy is necessary for soundness reasons, neither does it consider that such a policy, if it were included, would render the Plan unsound. The Authority has doubts about the effectiveness of planning controls in relation to the land use objectives they are intended to achieve. For example, there is little evidence that such restrictions would have any material impact on local house price, they would not ensure homes built where occupied by

local people, and would deliver no more, but perhaps risk delivering slightly less, genuinely affordable housing.

- 3.1.10 Introducing principal residence restrictions at this stage of plan making is not considered necessary, given that such controls could be introduced outside of the development plan process, and would raise further questions about the area where such controls might be considered and what proportion of second homes is reasonable in any given community. For these reasons the authority does not support the introduction of principal residence restriction in the plan, but it will keep the matter under review, when and if, national legislation changes are introduced.
- 3.1.10 On balance, the authority considers that decisions concerning the introduction of further controls should follow, rather than pre-empt the introduction of possible regulatory changes and could in the interim continue to be considered via Neighbourhood Plan preparation in the impacted areas.

3.2 Is the approach in Policy HOU1 of counting elderly persons accommodation on allocated sites 'at a ratio of each 1.5 units... being equivalent to a single dwelling' (paragraph 7.1.11) justified and consistent with national policy? Should this just refer to Use Class C2 (residential institutions) with specialist elderly persons accommodation in Use Class C3 (dwelling houses) counted individually? Can the Council itemise how the numbers in the column are made up?

- 3.2.1 Yes, the approach is justified and consistent with national policy.
- 3.2.2 Paragraph 7 of the Housing Delivery Test Measurement Rule Book states that:

7. The calculation for housing delivery is as follows:

Net homes delivered in a year

= Net Additional Dwellings National Statistic

plus

net increase in bedrooms in student communal accommodation in local authority divided by average number of students in student only households in England

plus

net increase in bedrooms in other communal accommodation in local authority divided by average number of adults in households in England.

- 3.2.3 On this basis all Class C3 dwellings are counted on a one-for-one basis and Class C2 bedspaces in communal accommodation (such as residential and nursing care homes) are counted on an equalised basis, based on the number of adults in an average household.

- 3.2.4 Paragraph 11 of the Housing Delivery Test Measurement Rule Book states that:

11. The ratio applied to other communal accommodation will be based on the national average number of adults in all households, with a ratio of 1.8. This has

been calculated by dividing the total number of adults living in all households by the total number of households in England. Source data is from the Census 2011 and is published by the [Office for National Statistics](#). The ratio will be updated following each Census when the data is publicly available.

- 3.2.5 The link provided to the ONS data from the 2011 Census shows that the average number of adults per household was 1.79 in North Norfolk, so bedspaces provided in Use Class C2 communal housing, except for students, should be counted on the basis of 1.79 bedspaces being equivalent to one dwelling.
- 3.2.6 Policy HOU2 allows for the policy requirement to be addressed in a combination of both C3 and C2 uses so the dwelling equivalent yield could be calculated at a blended ratio of 1:1 for the dwelling component and 1.8:1 for C2 uses. Because the Authority does not know at this stage whether policy compliance will be achieved via C3 or C2 uses it has used a blended ratio of 1.5:1 for both C2 and C3 uses. This is a cautious approach and reduces the risks of overestimating the dwelling equivalent yield from this source.
- 3.2.7 For accounting purposes, in Policy HOU1 the Authority has used a ratio of 1.5 bedspaces being equivalent to one dwelling for both C2 and C3.
- 3.2.8 Example:
- A requirement to provide 60 units of specialist care accommodation in the sites specific policies of the Plan could be met via either the provision of 60 Assisted Living dwellings (C3) or 60 beds in a Care Home (C2) or a mix of use Classes.
 - The accounting process in Policy HOU1 applies a ratio of each 1.5 units (bedspaces or dwellings) counting as a single dwelling for both C3 and C2 uses.
 - For accounting purposes both a 60-bed care home, or 60 Assisted Living dwellings, are counted in Policy HOU2 as 40 dwelling equivalents ($60 / 1.5 = 40$).

Attention is drawn to the Inspector's initial questions in a letter dated 26 June 2023 (EXAM 002) and the Council's substantive reply with updated housing monitoring information dated 27 September 2023 (EXAM 006). The updated housing monitoring information as at April 2023 should be used when preparing hearing statements.

3.3 Is the Council's bespoke variation to the standard method for calculating local housing need, using the 2016 based household projections and arriving at a figure of 480 dwellings per annum (dpa), 9,600 dwellings over a 20 year plan period, justified and consistent with national policy? Is it based on realistic assumptions of demographic growth? Is there robust evidence of exceptional local circumstances that might justify the alternative approach, and how unique are these to North Norfolk?

- 3.3.1 Paragraph 61 of the NPPF September 2023 states (emphasis added):

61. To determine the minimum number of homes needed, strategic policies should be informed by a 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.** In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.*

On the 19th of December 2023 government published an updated Framework. Paragraph 61 was amended to make clear that ***‘the outcome of the standard method is an advisory starting-point for establishing a housing requirement for the area’***, and ***‘there may be exceptional circumstances, including relating to the particular demographic characteristics of an area which justify an alternative approach to assessing housing need; in which case the alternative approach should also reflect current and future demographic trends and market signals.’***

- 3.3.2 Similarly, PPG for Housing and Economic Needs (December 2020) states at paragraphs 2 and 3 that (emphasis added):

What is the standard method for assessing local housing need?

Reference ID: 2a-002-20190220

The National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.

The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply.

The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement figure.

Is the use of the standard method for strategic policy making purposes mandatory?

Reference ID: 2a-003-20190220

No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.

- 3.3.3 Therefore, the NPPF and PPG are both clear that an alternative to the Standard Method can be used when exceptional circumstances are identified for the local area that justify an alternative approach. These circumstances may relate to the demographic characteristics of the area and need not be ‘unique’ to North Norfolk.

Exceptional Circumstances in North Norfolk

- 3.3.4 The 2014-based household projections provide the starting point estimate of overall housing need at Step 1 of the Government’s Standard Method calculation.
- 3.3.5 The official household projections are based on the official sub-national population projections (SNPP) and these in turn are based on data from the official mid-year population estimates (MYE).
- 3.3.6 In North Norfolk, the MYE component of population change data suggested a net gain of 6,000 people over the 10-year period 2001-11, but the population of North Norfolk did not actually increase by 6,000 people. In fact, Census data shows that the population increase was only 3,200 people over this period – a difference of 2,800 persons. The population change identified by the MYE (6,000 persons over the decade, an average of 600 per year) was 87% higher than the actual change identified by the Census (3,200 persons overall, 320 per year).
- 3.3.7 It is accepted that official data recorded on both births and deaths is broadly accurate, so there is unlikely to be error in the estimates of natural change, therefore any “missing” people will be due to errors in the estimates of net migration – either fewer people moved to North Norfolk or more people moved away than the MYE flow data suggests.
- 3.3.8 The ONS take account of this difference through an “accountancy” adjustment in the Mid-Year Estimate data; but the official projections do not take account of this adjustment. However, 2,800 “missing” persons over the period 2001-2011 cannot simply be ignored when projecting future household growth and calculating housing need – this is a critical factor affecting local demography.
- 3.3.9 The 2014-based population projections (a critical input to the 2014-based household projections) make no adjustment to take account of the impact of UPC in the area, so the figures significantly over-estimate net migration to North Norfolk. As set out in further detail below, this issue has been considered at a number of planning appeals in North Norfolk and all of the respective Inspectors that have considered the issue have agreed with the Council that migration to North Norfolk was being overstated in the 2014-based population and household projections, and therefore relying on that data would not be a robust approach to determine housing need.
- 3.3.10 It is clearly inappropriate to rely on migration data that the Census has shown to be wrong as the basis for continuing trends, given that this simply leads to inaccurate conclusions. On this basis, it is clear that the 2014-based household projections for North Norfolk do not provide a robust estimate of future household growth.
- 3.3.11 Given that these projections provide the input at Step 1 of the Standard Method calculation, the Local Housing Need figure calculated for North Norfolk (that relies on this data as one of the key inputs) is also not robust and it cannot be relied upon. It is also worth noting that any errors in Stage 1 will be magnified by the affordability uplift in Stage 2 and the delivery buffer added by the authority, both of which would add a proportionate uplift to the baseline figure.

3.3.12 The Authority recognises that the UPC errors in the 2014 based Projections are not unique to North Norfolk and impact on many authorities, but the size of the error in North Norfolk is significant compared to elsewhere. North Norfolk ranks 28th in England outside of London in terms of the relative impact of UPC errors. This places it around the 10th percentile for local authorities in England, so it is one of the most extreme cases.

Establishing an Alternative Housing Need Figure

3.3.13 The North Norfolk Local Housing Needs Assessment (LHNA) 2019 considered the latest official projections available at that time (which was the 2016-based data) alongside the previous projections, including the associated outputs from the sensitivity analysis undertaken. The various output figures for the period 2016-2036 are summarised below.

Household projections for North Norfolk 2016-2036 (Source: CLG, ONS)

	Migration trends	Total households		
		2016	2036	Change 2016-36
CLG Household Projections				
2012-based projection: 2012-based population and CLG 2012-based household formation	2007-12	47,793	55,244	+7,451
2014-based projection: 2014-based population and CLG 2014-based household formation	2009-14	47,940	55,671	+7,731
ONS 2016-based Household Projections				
Principal projection: 2016-based population and ONS 2016-based household formation	2011-15	47,355	53,689	+6,334
Sensitivity analysis 1: 2014-based population and ONS 2016-based household formation	2009-14	47,505	55,244	+7,739
Sensitivity analysis 2: 2016-based population and CLG 2014-based household formation	2011-15	47,668	53,958	+6,290
ONS 2018-based Household Projections				
Principal projection: 2-year migration trends and ONS 2018-based household formation	2016-18	47,351	55,390	+8,039
Alternative migration variant: 5-year trends and ONS 2018-based household formation	2013-18	47,351	54,188	+6,837
10-year migration variant: 10-year trends and ONS 2018-based household formation	2008-18	47,351	53,459	+6,108

3.3.14 The 2016-based principal household projection identified a growth of 6,334 households over the 20-year period 2016-2036 which is notably lower than the 2014-based projection, which identified a growth of 7,731 households.

- 3.3.15 The 2016-based household projections reduced growth nationally (partly due to the ONS using a different methodology to calculate household formation) and this led to the Government retaining use of the 2014-based figures for the Standard Method; however, the sensitivity analysis shows that the methodological change had very little impact in North Norfolk. The sensitivity analysis demonstrates the impact by varying the population projection and household formation method used.
- 3.3.16 “Sensitivity analysis 1” shows that applying the new method to the previous population (2014-based population and 2016-based household formation) would yield a growth of 7,739 households, which is almost identical to the growth of 7,731 that was originally identified by the 2014-based household projection with the previous method.
- 3.3.17 “Sensitivity analysis 2” shows that applying previous household formation method to the updated population (2016-based population and 2014-based household formation) would yield a growth of 6,290 households, which is almost identical to the growth of 6,334 identified by the 2016-based principal projection.
- 3.3.18 Given this, the difference between the 2014-based and 2016-based projections in North Norfolk is almost entirely due to the 2016-based population projections being lower than the 2014-based projections rather than resulting from the methodological changes made by ONS. Put simply, the results from the 2014-based projection were wrong, they were projecting too high a rate of growth for North Norfolk because they contained flawed estimates of migration and this error was corrected in the 2016-based projection.
- 3.3.19 The change in population 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 as the children won’t be old enough to form households by 2036;
- The falling migration is a correction, due to the 2,800 person reduction following the Unattributable Population Change adjustment not being captured by the trends that informed 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.
- 3.3.20 On this basis, the 2016-based population projections form a more realistic basis for considering growth in North Norfolk than the 2014-based population projection – so it follows that the 2016-based household projections form a more realistic basis too. The difference between the figures is not due to the change in the household formation method or suppressed household formation, but instead is due to improvements in the ONS’s population projections.
- 3.3.21 Due to the errors with the 2014-based projection in the area, the North Norfolk LHNA 2019 used the 2016-based population projections as an input to the Standard

Method calculation to yield an annual average local housing need of 456 dwellings per annum. That was consistently accepted to be the most appropriate housing requirement figure to use for assessing five-year housing land supply in North Norfolk.

3.3.22 Prior to the submission of the Local Plan, the Council updated the calculation in 2021 using the most up-to-date affordability data at that time (the estimate for 2020). This led to an annual average local housing need of 457 dwellings per annum. In establishing the Local Plan housing requirement, the Council applied a 5% buffer to the identified housing need, yielding the target of 480 dwellings per annum that is used. This 5% addition is not a requirement of the standard methodology when establishing the housing requirement for plan making purposes but is added by the Council as a delivery buffer.

3.3.23 The figures that informed both calculations can be summarised as follows:

	LHNA 2019	Local Plan figure
Step 1 – setting the baseline		
Reference period for household growth	2019-2029	2021-2031
2016-based projection 10-year growth	3,328	3,470
Annual average	333	347
Step 2 – affordability adjustment		
Reference date	2018	2020
Affordability ratio	9.94	9.07
Adjustment factor	1.371	1.317
Annual Local Housing Need (uncapped)	456	457
5% buffer allowance	-	23
Proposed Housing Requirement	-	480

3.4 Should the standard method based on 2014 based household projections and the affordability uplift at the publication of the submission version of the plan be used¹, giving 531 dpa or 10,610 dwellings over a 20 year plan period? Should a more recent affordability uplift figure be used²? Should the ratio to be published in

¹ The 2020 ration – 9.14

² 2021 ratio – 11.61 or 2022 ratio 10.64

March 2024 be taken into account? What are the likely future trends in relation to house prices and average earnings locally?

- 3.4.1 The submission version of the plan was published in May 2023. At that time, the Step 1 baseline was based on household growth for the 10-year period 2023-2033 and the Step 2 adjustment was based on the affordability ratio published in March 2023 (the estimate for 2022).
- 3.4.2 The household growth used for the Step 1 input would depend on the projections used. Regardless of the projections, the affordability ratio used at Step 2 was 10.64 which yields an adjustment factor of 1.415.
- 3.4.3 The various projections for North Norfolk for the relevant 10-year period (2023-2033) are summarised below:

Household Projections and resulting Standard Method Calculation for North Norfolk 2023-2033 (Source: CLG, ONS)

	Migration trends	Total households		Standard Method		
		2023	2033	Step 1 Annual change	Step 2 Uplift factor	Uncapped Housing Need
2014-based projection	5-year	51,709	54,672	396.3	1.415	561
2016-based principal projection	5-year	49,394	52,799	336.7	1.415	476
ONS 2018-based Projections						
Principal projection	2-year	50,104	54,289	418.5	1.415	592
Alternative migration variant	5-year	49,755	53,277	352.2	1.415	498
10-year migration variant	10-year	49,573	52,671	309.8	1.415	438

- 3.4.4 Therefore, at the time of the publication of the submission version of the plan, the Standard Method calculation (using the 2014-based projections) would have identified an uncapped Local Housing Need of 561 dpa. This would have been capped at Step 3 of the calculation at 40% above the growth identified at Step 1 (396.3) which would have yielded a local housing need of 555 dpa.
- 3.4.5 However, this does not provide an appropriate measure of housing need for the local area. As set out in our response to Q3.3 we do not consider it appropriate for

the 2014-based household projections to be used as the input to Step 1 of the Standard Method calculation in North Norfolk.

- 3.4.6 Using the 2016-based household projections at Step 1 would yield an uncapped need of 476 dpa which would be capped at 471 dpa.
- 3.4.7 Using the 2018-based household projections at Step 1 would yield between 438-592 dpa uncapped and 434-586 dpa following the Step 3 cap depending on which of the principle or migration variants is used. The alternative migration variant is the most similar to previous official projections (based on 5-year migration trends) and that yields an uncapped need of 498 dpa which would be capped at 493 dpa.
- 3.4.8 Both of the more recent projections yield figures that are very similar to the 480 dpa figure that informed the Local Plan: 2016-based projections identifying 476 uncapped, 471 capped; 2018-based projections (alternative migration variant) being 498 uncapped, 493 capped. Given this context, it would seem appropriate to accept the original 480 dpa figure as being a reasonable assessment of local housing need for North Norfolk.

Affordability trends

- 3.4.9 If the local housing need figure currently presented in the Local Plan is to be updated, then it would be logical to base any update on the affordability ratio to be published in March 2024 (the estimate for 2023). Clearly this is yet to be published but will likely be available before examination of the plan is complete.
- 3.4.10 Whilst it is difficult to predict what that estimate will be, anecdotal evidence suggests that national house prices have remained largely unchanged or been subject to a small fall over the applicable year (2022-2023) and are likely to have continued to fall. Right Move reported an annual 3% fall in sold prices in North Norfolk in December 2023 whilst average earnings have generally increased over the same period. Given this context, it seems likely that the affordability ratio for 2023 will be lower than the ratio for 2022 and perhaps likely to return to rates similar to those in previous years.

Release Date	Reference Date	Affordability Ratio	Step 2 Uplift factor
March 2019 – input for the LHNA	2018	9.94	1.371
March 2020	2019	9.84	1.365
March 2021	2020	9.07	1.317
March 2022	2021	11.44	1.465
March 2023 - latest estimate	2022	10.64	1.415

3.4.11 The uplift factor peaked at 1.465 based on the 2021 ratio published in March 2022, with a reduction of 0.05 last year. A further reduction of 0.05 seems plausible for March 2024 which would result in an uplift factor of 1.365 and would equal the factor that previously applied in March 2019.

3.4.12 The following table summarises the Standard Method calculation that would hypothetically apply from April 2024 if the affordability uplift factor was 1.365 for the year (note that the household growth at Step 1 is already known, so these will be the actual figures to use):

Household Projections and resulting Standard Method Estimate for 2024-2034

	Total households		Standard Method		
	2024	2034	Step 1 Annual change	Step 2 Assumed uplift	Uncapped Housing Need
2014-based projection	51,111	55,019	390.8	1.365	533
2016-based principal projection	49,737	53,104	336.7	1.365	460
2018-based alt migration variant	50,115	53,588	347.3	1.365	474

3.4.13 Based on an assumed affordability uplift of 1.365 at Step 2, the housing need would be 533 dpa using the 2014-based projections (which is not an appropriate measure) with the more recent projections identifying 460 dpa (2016-based) and 474 dpa (2018-based, alternative migration variant). As the assumed uplift factor is lower than 1.400 there would be no cap applied at Step 3.

3.4.14 Once again, these figures are both very similar to the 480 dpa figure that informed the Local Plan, and on balance it would seem appropriate to accept the original 480 dpa figure as being a reasonable assessment of local housing need for North Norfolk.

3.5 How much weight, if any, should be given to the reasoning behind Section 78 appeal decisions which support the Council’s approach? Which decisions are relevant?

3.5.1 Each Section 78 appeal is unique and therefore cannot be taken as a direct precedent for any subsequent appeal or Local Plan hearing. Unlike Section 78 appeals where the planning and appeal history of a specific site is a material consideration there is no similar provision in relation to the materiality of previous Section 78 Appeals to Local Plan examination.

3.5.2 However, the key issues considered above in Q3.3 and Q3.4 were precisely those considered in appeal (APP/Y2620/W/20/3248468, Land off Beresford Road, Holt) in 2020.

3.5.3 Given that this was a Section 78 appeal, not a Local Plan hearing, the case for exceptional circumstances did not apply to the Standard Method. However, it remains relevant to note that the Inspector concluded:

25. Concluding, I find that there is a clear discrepancy with the household projections for North Norfolk and accept that the 2016 figures present a more accurate basis for calculating housing land supply. I also accept that, aside from the use of the 2016 data, the Council's method then follows the steps contained within the Standard Method. It is worth noting also that the Appellant's case does not rely on the Council having a housing land supply deficit.

29. In conclusion, based on the evidence presented to me, I find that the Council have demonstrated clear and cogent reasons for departing from the standard method. I accept that downward adjustments would not be wholly in line with the Government's priority to boost housing delivery. Nevertheless, whilst the Framework and Planning Practice Guidance set a high bar for this departure and, noting the differences between the array of tables provided by the Council and Appellant, I am satisfied in this instance that the use of the 2016 figures is justified.

3.5.4 Therefore, having considered the case for departing from the Standard Method given the local circumstances in North Norfolk, the Inspector concluded that this was justified and that the 2016-based household projections should be used instead of the 2014-based figures, while still retaining the structure of the Standard Method affordability uplift. The evidence presented at that appeal to justify the departure from the standard methodology was the same evidence underpinning the Local Plan with the exception that at that time the 2018- based figures were not available.

3.5.5 The 2020 appeal built upon the analysis of an earlier 2017 appeal (APP/Y2620/W/16/3150860 Land at Creake Road and Moor Lane, Sculthorpe, Fakenham NR21 9QJ). In that appeal, the inspector concluded:

20. The Council's up-to-date evidence base in this case consists of the 2014-based DCLG Household Projections and associated 2014-based sub-national population projections; the 2016 Central Norfolk Strategic Housing Market Assessment (SHMA); and the 2017 draft SHMA update. The parties agree that, as a starting point, the Household Projections result in unadjusted annual figures for North Norfolk of 449 additional dwellings from 2012 and 446 from 2014. Both parties agree that, based on current forecasts for employment, there is no need for a further adjustment for economic factors, although a 10% market signals uplift is

appropriate, resulting in a working DCLG Household Projections OAN of 493 dwellings per annum (dpa).

21. The 2016 Central Norfolk SHMA concludes that, in the 24 year period 2012-2036, the OAN for the North Norfolk part of the joint Housing Market Area will be met if around 10,000 new houses are provided. To date about 2,050 have been built, producing an OAN of about 418 dpa (rounded to 420). Using the 2014 housing and population projections as a starting point, the 2017 update similarly adjusts for the locally specific migration trend for the 10 year period 2005-2015 and concludes that the OAN for North Norfolk remains at about 420 dpa. Accordingly, for this appeal, based on its up-to-date SHMA, the Council considers its demographic OAN to be 420 dpa.

22. The appellant's calculations result in an OAN of 529 dpa (rounded to 530). This wide discrepancy in estimated OANs results from a fundamental difference between the parties as to how to treat Unattributable Population Change (UPC) and migration estimates. The appellant also considers that the clarifications and changes to Guidance and OAN methodology proposed by the Local Plans Expert Group (LPEG) are relevant to the calculations.

23. There is no dispute between the parties that there is an over-estimation of local population increase. While the Office of National Statistics (ONS) mid-year estimates indicated an estimated growth in the population of North Norfolk between 2001 and 2011 of around 6,000 persons, it actually grew by 3,200 persons. That is a significant discrepancy. This over-estimate of population change affected subsequent population projections so that the 2012 and 2014 DCLG projections perpetuate the discrepancy.

24. The appellant argues that ONS figures are statistically robust and can be relied on. However, Guidance 017 allows a more nuanced approach, encouraging plan makers to consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections, including migration levels.

25. It is agreed that the likely causes of UPC are problems with the 2001 and 2011 censuses and problems with migration estimates. In responding to questions about the statistical disparities between the 2011 census and mid-year estimates, the ONS considers it's North Norfolk data to be very robust and does not consider it necessary to make adjustments to it's population data. The Council's interrogation of local data has not identified any evidence of a problem with either census, indicating that the over-estimation of international migration is the most likely cause of UPC in North Norfolk. Migration rates are crucial to the calculation of

OAN. Framework 159 makes it clear that, in identifying the scale and mix of housing that the local population is likely to need over the plan period, the Council's SHMA should take account of migration and demographic change.

26. The migration rates used in the 2016 SHMA and the 2017 update reflect the actual migration trends in the 10 years from 2005-2015, rather than the ONS's projections which proved to be about 2,000 persons too high. I agree with the Council that this is a large discrepancy which it would be wrong not to take into account. The Council adjusted the DCLG OAN estimate downwards to reflect the identified UPC. I consider that the Council is right to take the view that DCLG projections should be reduced where justified by local evidence and local judgement. Furthermore, while the outcome of the Brexit negotiations is uncertain, it is not likely to result in an increase in migration rates. The appellant's reliance on the inaccurate population projections and over-estimated migration rates explains their higher estimate of OAN.

- 3.5.6 Therefore, it was concluded that the 2014 based CLG household projections were not a robust basis for the underwriting the OAN for North Norfolk because of problems shown with Unattributable Population Change (UPC). UPC is the difference between assumed migration to North Norfolk between 2001 and 2011 and actual migration as measured in the change in population between 2001 and 2011, after allowing for natural change.
- 3.5.7 The scale of the UPC for North Norfolk indicates that there are very serious problems with the 2014-based population projections that are used to underwrite the 2014-based household projections. These are the same projections which underwrite the Standard Method figure, as they are used as the input at Step 1 of the calculation.
- 3.5.8 Whilst the Local Plan Inspector should not be constrained by either of these decisions and should consider all of the available evidence, the reasoning provided by both Inspectors is directly relevant. It is exactly the same 2014-based data that is being considered and there have been no changes that would affect any of the issues since either appeal was heard. Given that context, and in the absence of any other compelling evidence, the Inspector should attribute considerable weight to the reasoning that was given.

3.6 If there are exceptional circumstances justifying use of a non-standard approach, should the 2018 based projections be used as more up to date than the 2016 based projections? What should the dpa figure be then? If the 2016 rather than 2018 based projections are to be used, what would be the justification for this?

- 3.6.1 The 2016-based projections were the most up-to-date official projections at the time that the LHNA 2019 was prepared.

- 3.6.2 The 2018-based projections are now the most recent official projections; however, a number of variant scenarios were published due to changes in the way that the ONS calculates the migration estimates that inform the trends.
- 3.6.3 The principal scenario from the 2018-based projections shows much higher projected growth than the 2016-based projections. However, this scenario was based on migration trends covering only 2 years (from 2016-18) and therefore it is unsuitable to use as a basis for assessing housing need over the longer term.
- 3.6.4 As previously noted, the most similar assumptions to the 2014-based and 2016-based projection were those for the alternative migration variant scenario, given that this was based on 5-year migration trends. The table provided above in response to Q3.3 identified that this scenario projected a growth of 6,837 households over the period 2016-2036 compared to the growth of 6,334 households identified by the 2016-based projection.
- 3.6.5 When considering the 10-year period used for the Standard Method calculation, the table provided in response to Q3.4 showed that the 2018-based alternative migration variant identified a growth of 3,522 households over the 10-year period 2023-2033 compared to 3,367 households identified by the 2016-based projection for the same period.
- 3.7.6 Our response to Q3.4 concluded that Standard Method calculation yielded a housing need figure that was very similar to the 480 dpa that informed the Local Plan using both the 2016-based projection and 2018-based alternative migration variant.
- 3.6.7 Whilst the need identified by the 2018-based projection was marginally above 480 dpa based on the current affordability ratio (the estimate for 2022, published in March 2023) when considering affordability trends, it seems likely that the ratio for 2023 would result in a need that was lower than 480 dpa.
- 3.6.8 On balance, and as previously concluded, it would seem appropriate to accept the original 480 dpa figure as being a reasonable assessment of local housing need for North Norfolk.

3.7 Would it be appropriate to increase the housing need figure for the district to take account of economic growth strategies, infrastructure improvements, to address the need for more affordable housing or to provide for the unmet needs of neighbouring local authorities?

- 3.7.1 There is no case for increasing the housing need figure for North Norfolk to take account of economic growth strategies, infrastructure improvements, or to address affordable housing needs. There is no unmet need from neighbouring authorities which needs to be considered.
- 3.7.2 The principal purpose of government introducing a standardised housing needs methodology was to simplify the process and boost the supply of housing. This is achieved through the requirement to make just a single adjustment to the demographic growth requirement, (the affordability uplift), which in the case of North Norfolk is significant at 31%. Single uplifts will address multiple

requirements. Whilst the standard methodology only requires the single affordability uplift it is nevertheless sensible to sense check the results of the process to ensure it provides for sufficient homes.

- 3.7.3 North Norfolk has pursued policies to encourage economic growth in the area in the past, but these have seen little improvement in employment numbers in the area and that is unlikely to change substantially in the near future. In fact, the population is forecast to rapidly age with a commensurate likely reduction in the proportion of economically active.
- 3.7.4 Similarly, there is no justification for increasing the housing need figure to take account of infrastructure improvements, as there are no need-inducing projects in the local area – the planned infrastructure seeks to enable the identified need to be met.
- 3.7.5 The most recent assessment of affordable housing need in North Norfolk was provided by the Central Norfolk SHMA Update 2017. That study identified an overall objectively assessed housing need of 8,581 dwellings over the 21-year period 2015-36 (409 dpa) which included a need for 1,998 affordable homes (figure 83, page 101). On this basis, affordable housing need represented 23.3% of the total which can be addressed without any uplift to the overall housing need identified for the current Local Plan. The Authority has tested the plan to establish how many affordable homes it is likely to deliver over the plan period, as detailed in the below table:

Potential Yield of Affordable Homes from Plan 2016-36

Source of Affordable Homes	Quantity of affordable units delivered
Affordables delivered between 2016-2023	548
Commitments (sites with pp but not yet built)	260
Allocated sites at 15% and 35% yields as required by policy	646**
Unallocated sites allowance (larger windfalls)	150
Rural Exceptions policy *	300
Total Affordable Yield	1,904

*No upper limit in policy so yields capped for accounting purposes at a figure based on historic delivery rates and current pipeline – approx. 25 units per annum

** Figure regarded as the minimum likely to be delivered given the involvement of Flagship Housing in the North Walsham SUE and there intention to provide affordable homes over and above the 15% required in policy.

- 3.7.6 No neighbouring authority has requested that the Council helps to meet any unmet need.
- 3.7.7 There are no local factors which would suggest that a further upward revision to the housing requirement is necessary.

3.8 Are there national policies that protect areas or assets of particular importance in the district that provide a strong reason for reducing the overall provision of housing in the plan below the housing need figure (NPPF paragraph 11b)? If so, is this conclusion supported by the Housing Land Availability Assessment, and have discussions taken place with neighbouring authorities to seek to address the unmet needs?

- 3.8.1 Based on an assessed housing requirement of around 480 dwellings per year, the Authority is not seeking to make the case that the prevalence of protected areas and assets is a reason for reducing overall housing provision in the plan below the housing need figure. The Plan includes allocations and policies to address all of the need.
- 3.8.2 However, achieving this figure necessitates the release of some sites in the AONB around the Growth Towns of Cromer, Sheringham and Wells. In these towns the Authority has carefully assessed the alternatives and has set the level of growth to balance needs, take account of the sustainability of these settlements, and manage the potential impacts of development on protected assets. Further development in these towns is promoted in representations but is not supported by the Authority.
- 3.8.3 The Plan also proposes two strategic scale urban extension at North Walsham (new) and Fakenham (rolled forward). The Authority considers that the proposed growth in these two towns is of a scale which is at the upper end of capacity both in terms of supporting infrastructure and the local markets ability to deliver.
- 3.8.4 Further growth in the lower tiers of the Settlement Hierarchy or the Countryside policy area would not be consistent with the principles of sustainable development.
- 3.8.4 Consequently, if the housing target in the Plan were to be increased significantly, as is argued by some, the environmental and broader capacity of the district to accommodate higher levels of growth would need to be comprehensively reconsidered.

3.9 Given the local housing need figure for the plan period, however assessed, what level of housing provision should be made in the plan to take account of unforeseen circumstances such as allocations or planning permissions not being implemented, or completions on allocated sites being slower than currently anticipated? On the basis of the Council's local housing need figure of 9,600 dwellings, is the provision of 10,968 dwellings for 2016-36 or 10,633 for 2020-40 appropriate? (Updated HOU1 figures in EX006)

- 3.9.1 The Plan should provide for sufficient homes so that all those who need homes are provided with one.
- 3.9.2 The Plan includes policies and proposals to deliver between 10,633 -10,968 dwellings depending on plan period adopted. This is well above the minimum target of 9,600 set in the Plan, which itself already includes a delivery buffer (5%) and a substantial affordability uplift (31%) so is well above demographic growth requirements. Furthermore, in considering how many new homes the Plan might be reasonably expected to deliver the authority has taken a conservative approach, particularly in

relation to windfall allowances, dwelling equivalent yields from specialist care accommodation, and arguably, likely capacity on the larger strategic allocations.

- 3.9.3 Set against this it is important that the plan contains sufficient overall growth to yield the quantum of affordable homes required and, notwithstanding the uplifts already applied, reasonable account is taken of the possibility of consented and planned sites not coming forward at all, or within the time frame expected. The proposed delivery buffer of between 1,000 and 1,300 dwellings adequately addresses these issues.
- 3.9.4 There is therefore no evidential basis for higher 'provision' than is proposed in the plan.

3.10 Given the updated monitoring figures in EX006, if the local housing need is assessed as 10,610 dwellings or some other figure, what level of provision would be appropriate for 2016-36 or 2020-40?

- 3.10.1 The Local Authority does not support a local housing need figure of 10,610 or any other figure for the reasons outlined in our responses above.

3.11 Should the number of dwellings with deliverable planning permission at 31.3.23 in Policy HOU1 be reduced to take account of potential non-implementation? If so, by how much?

- 3.11.1 Revised Policy HOU1 updates the contribution from sites with planning permission to 31st March 2023 and includes 2,359 (to 2040) deliverable dwellings. This includes all sites with planning permission irrespective of size of scheme and makes no allowance for potential non implementation. For five-year land supply purposes, the Authority has typically applied a lapse rate of 10% to the small sites component of the permitted supply. There is no evidence to support any significant lapse rate in larger permissions where non- implementation or delayed completion is unusual in the district. Of the 2,359 dwellings with planning permission only 673 are on small sites so applying a ten percent lapse rate to these sites would result in a reduction of 67 dwellings in the deliverable supply. Whilst not supported by the Council, applying the same 10% lapse rate to the entirety of the consented supply would reduce deliverable supply by 235 dwellings. The delivery buffer included in the Plan is already sufficient to address this risk.

3.12 How has the contribution of future windfall sites been calculated? What is the evidence for the past level of delivery from windfall sites? Should the past contribution be discounted by 50% (paragraph 7.1.7) or some other figure? Why?

- 3.12.1 The 50% reduction in the Local Authorities expectations in terms of yield from windfall sites is not the result of an arbitrary discount. The figure is the result of a

robust process which considers in detail the likelihood of future windfall sources delivering growth applying the 'compelling evidence' and 'realistic prospect' tests of paragraph 71 of the Framework. It considers both historic delivery rates (looks backwards) and assesses the likely yields from future windfall sources having regard to the proposed development strategy of the Plan (looks forwards). To ensure that this process is realistic the Plan does not place unrealistic reliance on windfall sources delivering growth in the future. Contributions arising from future sources are set at levels well below historic rates and take account of likely capacity having regard to the development strategy proposed in the Plan.

3.12.2 The detailed approach taken is explained in Appendix B of the Five-Year Housing Land Supply Statement **[EX007]** and includes:

- An assessment of historic delivery rates from this source (as measured by actual dwelling completions on all sources of windfall growth).
- A capacity assessment of the potential for future supply (HELAA)
- A consideration of the Plans proposed Development Strategy and national guidance and how this might impact future windfall rates, such as more extensive permitted development rights, a larger number of selected growth settlements, and a more permissive approach to the sub-division of existing dwellings than is reflected in adopted policies.
- A single year discount to address potential lags in delivery.
- A precautionary approach which reduces the yields from the various future sources to figures below historic rates.

3.12.3 The result of this process is that whilst past windfall rates have averaged around 295 dwellings per year the Plan makes an allowance of just 108 per year. There is no evidential basis for reducing the figure further.

3.12.4 Some representations make the case for excluding windfall in a greater number of years at the commencement of the Plan period rather than the single year reduction adopted by the Authority. Such multiple year reductions are commonplace in Five Year Land Supply Statements and address the concern that windfall permissions in the earlier years of an accounting period are unlikely to be delivered in the same year that they secure planning permission and that those windfalls built in the earlier years of the accounting period will already have planning permission and will be accounted for in the commitment part of future growth, and therefore risk being counted twice.

3.12.5 Because of the scale of the reductions made by the Authority across the entirety of the Plan period, rather than in the first few years, the authority considers that no further annual discounts are justified. The approach taken meets both the 'compelling evidence' and 'realistic prospect' tests contained in the NPPF.