Background Paper on the definition of housing requirements and targets for North Northamptonshire 2011-31

Introduction

1. When the Regional Spatial Strategy (RSS) is revoked, the Joint Core Strategy (JCS) will need to establish the appropriate level of housing for the North Northamptonshire Housing Market Area over the period 2011-2031 and the delivery trajectory to achieve this. Notwithstanding the Government's intention that housing requirements should be determined by local aspirations (supported by fiscal incentives) the National Planning Policy Framework (NPPF) requires that this should be informed by a robust evidence base. This is to include evidence of:
    - current and future levels of need and demand for housing and other relevant market information such as long term house prices; and
    - realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified requirement for housing over the plan period;

2. These issues have been considered at various meetings of the Joint Committee including the 22nd September 2010, 23rd June and 24th November 2011. The conclusion has been that the JCS needs to set out housing requirements/ targets in a way that enables the planning authorities to maintain a growth ambition and continue to attract development and investment, but at the same time safeguards communities from having piece-meal developments imposed on them if strategic development opportunities do not come forward as quickly as planned due to external factors such as a weak housing market or delays in infrastructure provision. This problem arises as a result of the requirement to maintain a 5 year supply of deliverable sites (plus a buffer as required by the NPPF) against planned housing requirements.

3. To address this issue it is proposed that the JCS should differentiate between:

    - Minimum Housing Requirements, against which a five-year supply of deliverable sites will be maintained. These will be based on sustaining the average amount of housing development that the market has brought forward over the past 5 years. This minimum level of housing delivery would exceed locally generated requirements (arising from the existing population) in all districts; and

    - Strategic Opportunity Targets that, within the context of the spatial strategy for North Northamptonshire, respond to local ambitions and wider opportunities for growth by meeting needs arising outside the Housing Market Area. These growth targets will allow the North Northamptonshire HMA as a whole to more than meet the level demand implied in official (ONS) forecasts of household growth. They will be met largely through strategic development opportunities at the main towns, most of which are already identified. Infrastructure plans will be based on these opportunities coming forward. However it is not appropriate to assess five-year supply against these strategic opportunity targets as delivery is dependent upon factors outside the control of the planning authorities.

4. This approach is considered to be in line with the Government's 'localism' agenda which seeks to enable planning authorities and their communities to produce their own distinctive plans, which reflect the needs and priorities of the community (NPPF paragraph 1). The NPPF indicates that these plans should be both ambitious and realistic and that *"every effort should*

be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth" (paragraph 17).

5. The NPPF also stresses the importance of local authorities working collaboratively to ensure that strategic priorities are properly coordinated across boundaries. In particular, *to boost significantly the supply of housing, local planning authorities should… 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, including identifying key sites which are critical to the delivery of the housing strategy over the plan period* (paragraph 47).

6. The JCS provides the opportunity to do this for the North Northamptonshire Housing Market Area (HMA), channelling growth to deliver social, economic and environmental benefits across the area.

7. The evidence supporting the approach set out in this paper includes:

- Forecasts of dwelling requirements under different scenarios (Edge Analytics May 2011). A summary is provided in Annex 1;
- Draft update of the Strategic Housing Market Assessment (Housing Vision 2012), which assesses in greater detail the number, type and tenure of dwellings required under different demographic scenarios (summary provided as Appendix to JPC report 3rd July 2012);
- Monitoring of housing completions and housing land availability (North Northamptonshire AMR 2010 and updates from LPAs). Information on completions up to 2010/11 and land supply at April 2010 is provided in Annex 2;
- Forecasts of rates of recovery in the housing market (see Market Assumptions Paper at Annex 3)

Minimum Housing Requirements

8. The Joint Core Strategy will identify Minimum Housing Requirements for each district, against which a deliverable supply of housing land must be maintained. This is the baseline from which the area aspires to achieve a step-change in growth.

9. The dwelling requirements arising from Natural Change (i.e. births, deaths and household formation within the existing population) are a starting point for looking at locally generated housing needs. The demographic modelling gives a forecast of just 15,800 homes required in the HMA over the period 2011-31 (see Annex 1). This is used in Figures 1 and 2 below. The SHMA update refines this forecast to around 15,500 homes, but this rises to 18,700 if the backlog of unmet need is included (based on households on waiting lists who are currently living with family/ friends or of no fixed abode). This is shown in Table 2 below.

10. While Natural Change dwelling requirements are a useful starting point, the reality is that the HMA has historically experienced significant population (and housing) growth as a result of in-migration and these pressures will continue (as reflected in the migration-led dwelling forecasts). Ignoring this demand is likely to result in increased pressure on the existing housing stock (escalating problems of affordability) and suppressed levels of economic development. It is therefore proposed to set Minimum Housing Requirements by reference to the average rate of development achieved over the past 5 years. This takes in a peak and trough in the housing market and covers a period where completions in most of the districts were starting to align

with the CSS (increasing levels of development at Corby and Kettering, but not yet Wellingborough, and reduced levels in East Northamptonshire). These past rates of development have been achieved without significant development at any of the Sustainable Urban Extensions (only Priors Hall at Corby has commenced).

11. A caveat to this approach is that some of the completions achieved during this 5 year period were as a direct result of public investment in affordable housing or through the HCA 'Kickstart' scheme. This ranged from 10% of the completions in Corby to 30% of those in Kettering.

Table 1	**Dwellings Completed 2006-11**			
	Market Housing	Affordable Housing	Total	Of which provided with subsidy
Corby	2,177	286	2,463	237 (10%)
East Northants	1,261	377	1,638	287 (18%)
Kettering	1,596	951	2,547	777 (31%)
Wellingborough	867	555	1,422	n/a
Totals	**5,901**	**2,169**	**8,070**	

12. Reductions in public funding and changes in the way that it will be distributed make it uncertain that this element of housing provision can be relied upon in the future. It is therefore prudent to discount subsidised housing from Minimum Requirements going forward as this will give a more realistic picture of the amount of housing that can be provided through the market. This has been done for Corby and Kettering in Table 2 below but not for East Northamptonshire and Wellingborough where the level of completions over the past 5 years has arguably been influenced more by the availability of sites than the capacity of the market.

13. The Minimum Housing Requirements arising from this approach are set out below. These are the requirements against which a 5 year supply of deliverable sites will be maintained. The total of 28,200 dwellings for the HMA is 80% above the dwelling requirement generated by Natural Change in the existing population (and 50% above the figure if the backlog of un-met need is factored in).

Table 2	**Proposed Minimum Housing Requirement 2011-31**	Natural Change Housing Requirement including backlog of unmet need (SHMA)
Corby	**8,900**	3890
East Northamptonshire	**6,560**	4460
Kettering	**7,080**	5380
Wellingborough	**5,700**	5010
Total dwellings	**28,240**	18740

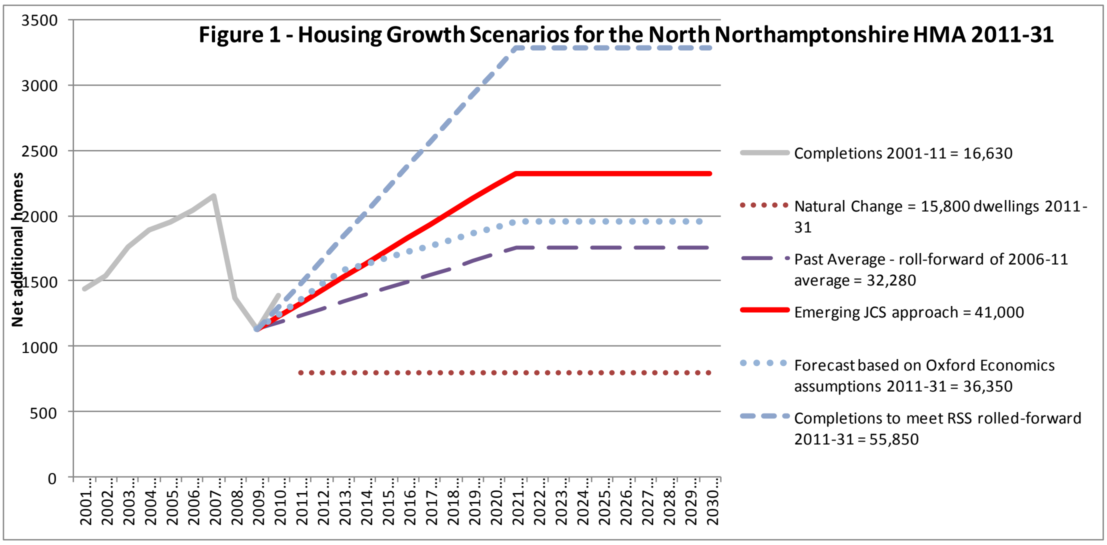
Strategic Opportunity Housing Targets

14. The JPU has consulted on the delivery of current Core Strategy housing targets having regard to the recession (Statement of intent on Housing Requirements December 2010). The response from the planning authorities suggested that an aspirational but realistic target of

41,000 homes would be appropriate for the period 2011 to 2031. This represents a step-change in the rate of housing development in North Northamptonshire and its delivery is largely dependent on the success of the Sustainable Urban Extensions. Delivery timescales for the SUEsare currently under review and may result in changes to the forecast amount of housing that can be built by 2031.

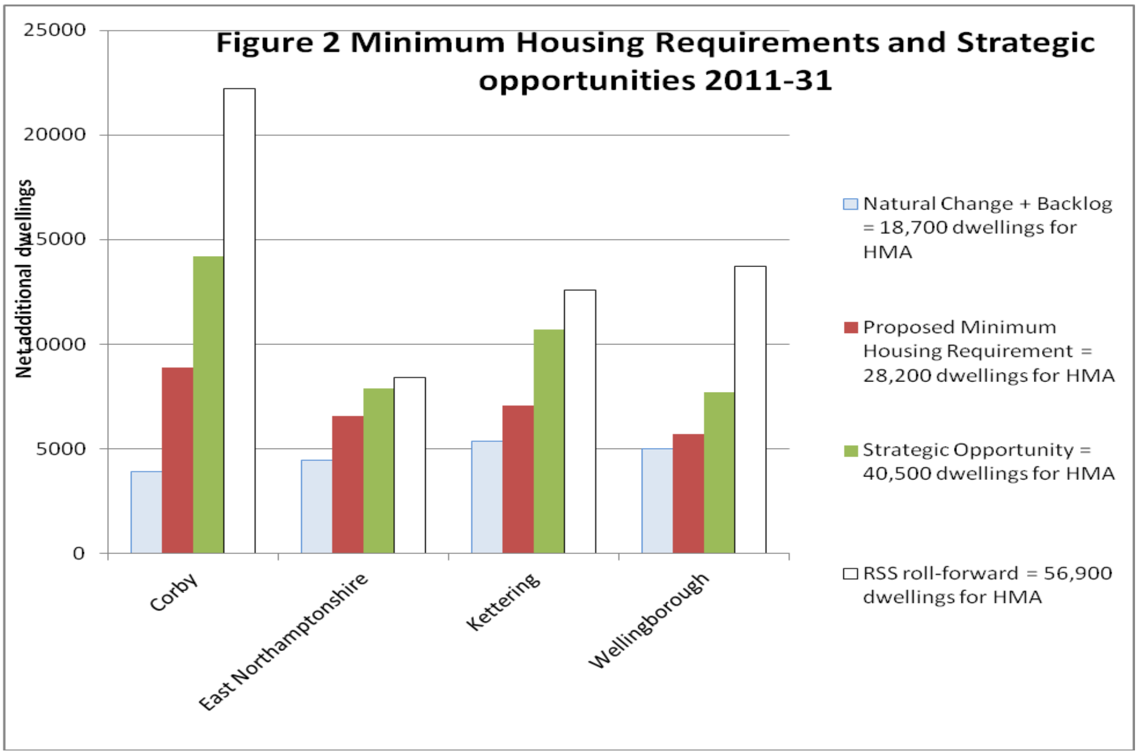
15. Four spatial options have looked at the implications of different ways of distributing these 41,000 new homes (see report to JPC 8th September 2011). The emerging approach focuses growth at the main towns of Corby, Kettering, Wellingborough and to a lesser extent Rushden, in part by diverting development pressures from the smaller settlements in East Northamptonshire. This results in a distribution of housing different to that implied by ONS household forecasts (close to the Migration-led forecast in Annex 1 Table 1), which are a reflection of past trends rather than policy objectives. The ability to do this is a major benefit of planning coherently across the HMA.

16. Figure 1 below shows that although this emerging aspirational Target is below the 55,800 implied by rolling forward previous Regional Plan targets, it still very ambitious having regard to forecast housing market recovery. The latter is based on Oxford Economics' assumption of 10% year on year recovery to 2014 and 3% thereafter to 2020, from which point a plateau is assumed in line with NHPAU forecasts (see Annex 3 for further detail).



17. The emerging housing requirements and targets for each district are therefore as illustrated in Table 3 and Figure 2 and below:

Table 3	Minimum Housing Requirement 2011-31	Strategic Opportunity 2011-31
Corby	8,900	14,200
East Northamptonshire	6,560	7,900
Kettering	7,080	10,700
Wellingborough	5,700	7,700
Total dwellings	28,240	40,500



18. Sites to accommodate these minimum requirements and strategic opportunity targets have been identified at the Growth Towns and Market Towns in accordance with the overall spatial strategy. Development within villages and the wider rural area will be driven by local needs and aspirations expressed through site specific Development Plan Documents including Neighbourhood Plans.

19. Achieving only the minimum housing requirements would have impacts for delivering the overall spatial strategy. For example the lower population would reduce the spending power available to support local facilities including the planned expansion of the town centres and fewer workers would impact on the ability of the area to retain and attract businesses. Delivery of strategic opportunities will therefore be monitored and any significant shortfall in housing provision will lead to an early review of the JCS.

Annex 1 – dwelling requirement from Population and Household Forecasts (Edge Analytics May 2011)

The three scenarios modelled were:

- ***Natural Change*** scenario where the growth in population and households is constrained by zero net migration, meaning that births and deaths and changes in rates of household formation are the only components of change. This generates a forecast requirement of an average of around **790 new dwellings** each year over the period 2011-31;

- ***Migration-led*** – This uses evidence from the period 2004/5-2008/9 to derive assumptions about future fertility, mortality and migration. This is closest to the official ONS household forecasts. This generates a forecast requirement of an average of around **1,570 new dwellings** each year over the period 2011-31 (i.e. twice Natural Change); and

- ***Migration-led recalibrated*** - which uses an alternative estimate of immigration based on local data sources (GP registrations, National Insurance registrations and foreign student statistics) in conjunction with ONS data. This addresses concern that official ONS statistics underestimate immigration into North Northamptonshire districts, in particular Corby. This generates a forecast requirement of an average of around **2,125 new dwellings** each year over the period 2011-31 (2.7 times the Natural Change Forecast).

Table 1 - Forecast Dwelling Requirements 2011-31	Natural Change	Migration-led	Migration-led recalibrated
Corby	2,878	4,355	10,758
East Northamptonshire	4,206	9,698	11,042
Kettering	4,434	11,344	14,111
Wellingborough	4,279	6,035	6,593
Total dwellings	**15,797**	**31,432**	**42,504**

Annex 2

Historic rates of house building in North Northamptonshire

	Total Completions 2001-11	Annual average 2001-06	Annual average 2006-11
Corby	**3,827**	273	493
East Northants	**4,463**	565	328
Kettering	**5,407**	572	509
Wellingborough	**2,943**	304	284
Totals	**16,640**	**1,714**	**1,614**

Source: North Northamptonshire AMR 2010 and LPA updates

Identified Housing Land Supply at April 2010[1]

1. Corby	5,752 Permissions 1,459 Resolution to grant subject to S106 355 Saved Local Plan allocations 6,157 Emerging allocations **Total: 13,723**
2. East Northamptonshire	1,013 Permissions 258 Resolution to grant subject to S106 346 Saved Local Plan allocations 820 RNOT allocations 3,889 Other[2] **Total: 6,326**
3. Kettering	6,675 Permissions 1,028 Resolution to grant subject to S106 2,344 Emerging allocations 1,544 Other **Total: 11,591**
4. Wellingborough	7,031 Permissions 857 Town centre allocations 1,940 Saved & emerging allocations **Total 9,828**
North Northamptonshire	20,921 Permissions 2,745 Resolution to grant subject to S106 701 Saved Local Plan allocations 9,321 Emerging allocations 857 Town centre allocations 1,490 Saved & emerging allocations 5,433 Other **Total: 41,468**

Notes

1 All data is from LPA Housing Trajectories in 2009/10 Annual Monitoring Report (base data April 1st 2010). It does not take account of completions or new permissions in 2010/11.

2 'Other' includes sites previously identified as Preferred Options for the Three Towns Plan and Raunds Area Plan but which are now being reassessed.

Annex 3

Note on market assumptions

Introduction

1. Whatever housing requirement is established it will be necessary, in demonstrating the soundness of the JCS, to show that it is **deliverable** in the light of existing commitments, infrastructure requirements, environmental constraints, potential market conditions and resources. The 41,300 figure used in the assessment of spatial options relies heavily on the implementation of Sustainable Urban Extensions at the three main towns. Separate work is being undertaken to review the deliverability of these major developments over the next 20 years.

2. The pace of house building in North Northamptonshire over the next 20 years will be intrinsically linked to the state of the housing market and the area's relative strength within it. This paper outlines the market assumptions behind the housing trajectory for the emerging Joint Core Strategy (JCS).

Assumptions on housing market recovery

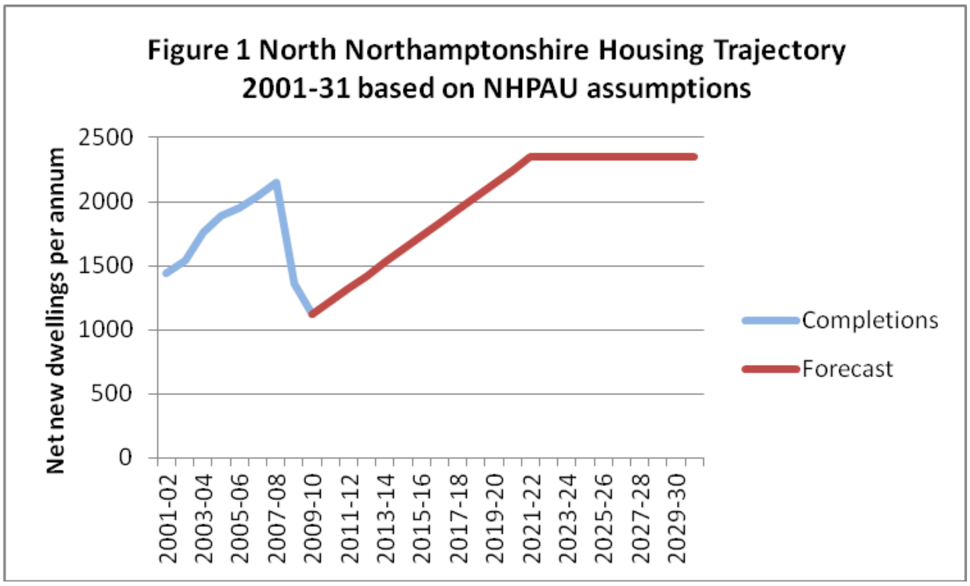
3. Whilst it is important to understand site specific issues affecting the delivery of strategic sites, the delivery of these sites and the overall housing targets is ultimately dependent upon the wider state of the economy and housing market in particular. Authoritative long-term forecasts for the housing market are few and far between. The Joint Planning Committee's Statement of Intent on Housing Requirements (December 2010) used the assumptions made by the (now defunct) National Housing and Planning Advisory Unit (Table 3 of the Technical Appendix to 'More Homes for More People, September 2009). These were that:
   - Mortgage availability will continue to constrain demand until around 2016
   - National housing completions would dip to a low in 2009 and 2010; and
   - There will be a straight line growth in completions from 2011 to a plateau in 2021

4. Applied to a total of 41,300 dwellings, these assumptions would result in a North Northamptonshire housing trajectory as shown in Figure 1 below. This has been used as the basis for technical work including demographic and transport modelling. No credible alternative to the NHPAU assumptions on housing market recovery was presented by respondents to the Statement of Intent on Housing Requirements.

5. This trajectory is considered ambitious but realistic for the North Northamptonshire Housing Market Area as a whole. It would require:

   - Sustained year on year growth in completions between 2010/11 and 2021/22 averaging 6.4%. This was marginally exceeded in the period between 2001/2 and 2007/8 (before the onset of the recession), when year on year growth averaged almost 7%; and

   - A plateau of around 2,350 net new dwellings per annum to be maintained from 2021 onwards. This would be an average figure taking account of inevitable fluctuations in response to market conditions. It is 40% higher than the average of 1,664 dwellings per annum between 2001 and 2011. However the peak of 2,150 dwellings completed in 2007/8 indicates that there could be demand for this level of output in a strong market.



6. Recent research for the National Housing Federation (Housing Market Analysis, Oxford Economics July 2011) provides a means of reviewing the trajectory set out above http://www.housing.org.uk/publications/find_a_publication/general/housing_market_analysis_by_oxf.aspx. This concludes that:

- House building has begun to undergo a tentative recovery over the past year, albeit weighted towards London and the South, with the picture elsewhere being much weaker;

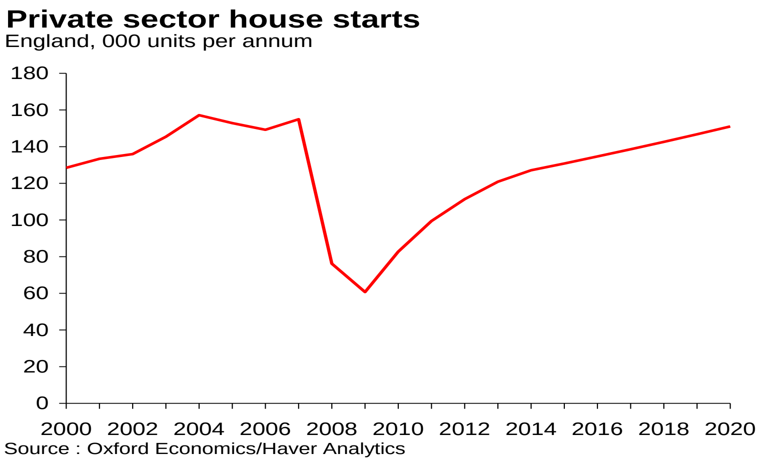
- There will be a gradual recovery in house building from this year onwards. As financial constraints on developers and borrowers ease, the volume of new starts should grow by around 10% per year over the 2011-2014 period;

- Beyond 2014 the pace of recovery (in new starts) will settle into a slower growth path of 2-3% as a result of both financial and policy factors. On the financial side, as borrowing conditions normalise to tighter standards than during the boom this will slow growth. And major changes to the national framework for house building and land planning will also temper medium to long term growth;

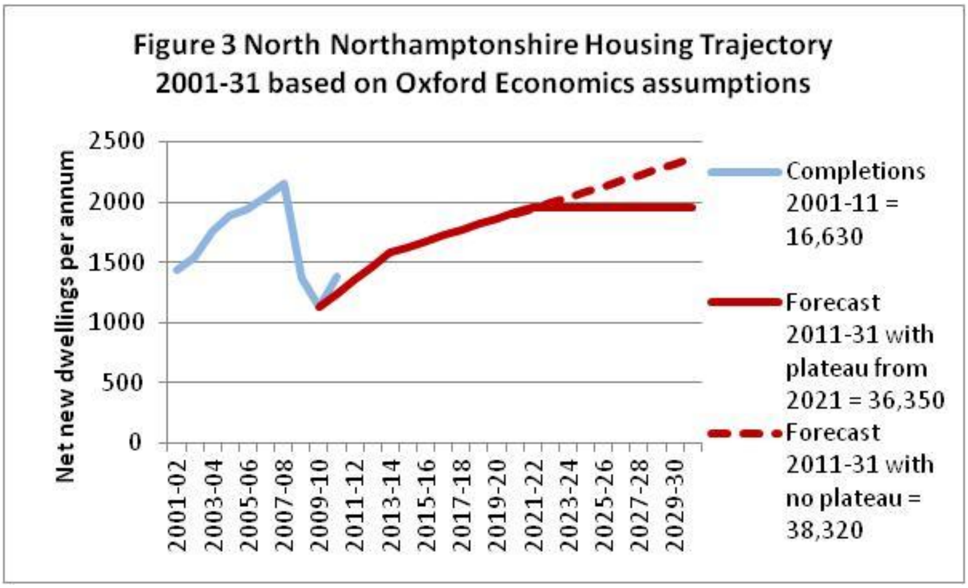
- It will take until 2020 or beyond for new starts to reach pre-recesssion levels.

7. Based on these conclusions, Oxford Economics predict a trajectory of housing starts (which would lead to a similar trajectory for completions) as set out below. They do not comment on the period beyond 2020.

Figure 2

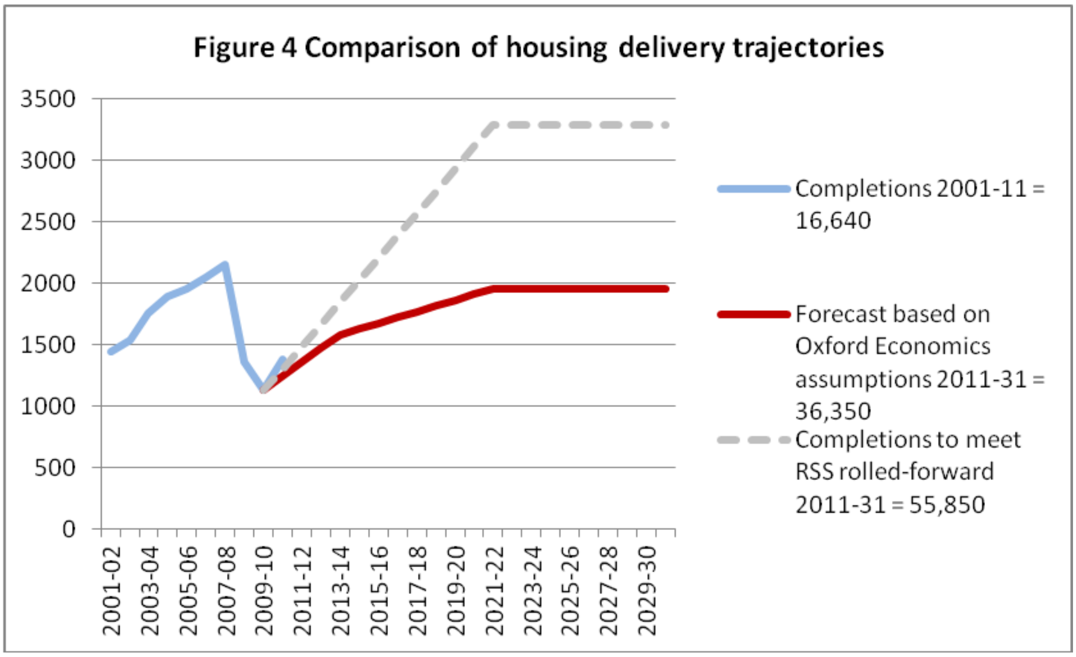


8. Applying these assumptions to rates of recovery in house building in North Northamptonshire (using 3% average annual growth from 2014 and assuming a plateau from 2021 onwards) would give the following trajectory.



9. This trajectory would deliver a total of 36,070 new dwellings in the period 2011-31. If the average 3% annual growth continued beyond 2021 (dashed line) the total could rise to 38,190. Either way, this suggests that the 41,300 assessed through the spatial options is ambitious side, particularly given that the Oxford Economics work is based on the national picture with recovery weighted towards London and the South.

10. Figure 4 shows that meeting the housing targets implied by rolling forward previous RSS targets (55,900 new homes between 2011 and 2031) would require an average increase in completions of 16% each year from 2009/10 to a plateau of almost 3,300 new dwellings per annum from 2021. This is clearly unrealistic given likely market conditions set out above.



11. There is a case to make that, because of its location and the extent of planning commitments (including over 20,000 dwellings with planning permission), North Northamptonshire is well placed to buck national trends to achieve a more rapid rate of recovery in housing completions. Early signs are encouraging, with completions in 2010/11 increasing by 22.5% on the previous year. However, whilst this was a powerful argument when the area was identified as a national Growth Area supported by specific funding and delivery arrangements, there is no longer this national policy focus and the context for delivering growth in a period of constrained public and private sector funding is very different from when the Growth Area proposals were conceived. Without a nationally supported and resourced push to deliver Growth Areas it is considered unlikely that market conditions in North Northamptonshire as a whole can buck national trends to the extent required to deliver levels of growth higher than the 41,300 dwellings assessed in the spatial options without a significant additional commitment from the private sector. This may be forthcoming but is unproven and on the balance of probability is unlikely to compensate for the reduction in public funding.

12. Whilst this is the conclusion in relation to the North Northamptonshire Housing Market Area, it is not to say that rates of house-building in specific localities within the HMA will not be able to 'bounce back' from the recession more rapidly than forecast at the national level. In fact this will be essential if we are to see delivery of existing commitments at the main Growth Towns. This will need to be supported by effective place marketing and investment by the private and public sectors.