

Report to Sustainable development panel
23 September 2015
Report of Head of planning service
Subject Central Norfolk Strategic Housing Market Assessment

Item

9

Purpose

To update the panel on the emerging Central Norfolk Strategic Housing Market Assessment. (There will be a presentation on the emerging study immediately following the panel meeting.)

Recommendation

To note progress on the emerging assessment before it is finalised and becomes an important part of the evidence base for future planning in Norwich.

Corporate and service priorities

The report helps to meet the corporate priority Decent housing for all

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Bremner – Environment and Sustainable Development

Contact officers

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Background documents

None

Report

Background

1. The Central Norfolk Strategic Housing Market Assessment (SHMA) has been in preparation for almost two years. The study was originally commissioned by Norwich City Council working on behalf of partners in the Greater Norwich Development Partnership. The contract was tendered in September 2013 and ORS were commissioned to undertake the work in November 2013. The original specification was for housing needs of the Greater Norwich area comprising the areas of Broadland District, Norwich City and South Norfolk District to be assessed.
2. However, relatively early in the study ORS alerted the councils to an issue of potential inconsistency of the study area with government advice about the approach to the definition of housing market areas. Due to the focus on housing market areas being self-contained in housing terms the initial analysis of ORS suggested that the functional Norwich Housing Market Area extended beyond the administrative boundaries of the three commissioning Councils. This led to adjoining councils being contacted.
3. The Sustainable Development Panel previously considered the SHMA in January 2014 when they commented on the agreed brief and were informed of the ongoing discussions with North Norfolk and Breckland about the boundary for the study.
4. Subsequently in January 2014 an officer meeting was held to discuss this issue and a presentation was made to the County wide member duty to co-operate forum in February. The outcome of the process was an agreement to amend the specification of the study to include Breckland and North Norfolk Council areas within the study area, as the majority of these councils areas fell within the functional housing market area. These councils agreed to share the costs of producing the study.
5. Relatively small areas of Great Yarmouth Borough, Waveney District and Mid Suffolk District were also defined as falling within the functional Housing Market Area. These councils were content to their housing needs not being considered in the study. Effectively it was agreed to best fit the study to the five district area. An amended specification for the study was agreed in April 2014.
6. Throughout the period of the study the project steering group and ORS have needed to manage issues associated with the outcome of a number of legal cases and in the light of emerging best practice. This, among other things, led to a decision to extend the scope of the study to include the calculation of housing needs of the Broads local planning authority area. Effectively this extended the study to include quantification of housing needs in parts of Great Yarmouth Borough and Waveney District Council administrative areas.

Involvement in the study

7. The study has involved considerable liaison with partners throughout its production. In addition to the engagement of the six authorities involvement in commissioning the study the county council have been involved in the project group. ORS did a number of fieldwork interviews as part of the study with registered providers, developers, private landlords, land owners and specialist groups (such as housing partnership representatives).

8. Member and officer engagement through the process has mainly come via the regular meetings of the county wide Duty to Co-operate Forum (which is now called the Norfolk Strategic Planning Member Forum). Most recently this was at the meeting of the Forum on 9th September which agreed that the draft SHMA be taken forward to finalisation by the commissioning authorities. It should be noted that the SHMA is still a draft document and remains subject to change through this process. Formal sign off of the study will be by officers under delegated powers in consultation with the relevant Portfolio Holders.

Content of the emerging SHMA

9. The draft executive summary of the SHMA is attached to this paper as appendix 1. The draft study itself is in two parts and is a long and technical document running to approximately 250 pages. It is available to inspect via the website with the documents for this meeting and a paper copy will not be circulated.
10. Immediately following the meeting Nigel Moore from ORS will be making a detailed presentation about the emerging SHMA and its implications for Norwich. This briefing will be held once the formal meeting has closed to allow members not on the panel to attend and ask questions should they wish. This session will also be open for members of the public to attend, although there will be no opportunity for public questions.

Links to the Central Norfolk SHMA on the council's website:

For councillors and officers (within city council's network:

<https://cmis.city.norwich.gov.uk/cmislive/Meetingscalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/184/Committee/9/Default.aspx>

External access:

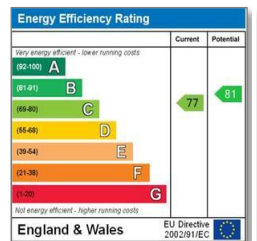
<https://cmis.norwich.gov.uk/live/Meetingscalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/184/Committee/9/Default.aspx>



NORWICH
City Council

Central Norfolk Strategic Housing Market Assessment 2015

Executive Summary
Draft 11th September 2015





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Executive Summary

1. Opinion Research Services (ORS) have undertaken a Strategic Housing Market Assessment (SHMA) to establish the Objectively Assessed Need (OAN) for housing for the local authorities of Norwich City, Broadland, Breckland, North Norfolk and South Norfolk, plus the Broads Authority, reporting in September 2015.
2. The findings are compliant with the requirements of both the National Planning Policy Framework (NPPF)¹ and Planning Policy Guidance (PPG)². In addition, the study is mindful of Planning Inspector Decisions and High Court Judgements, as well as emerging good practice regarding study methodologies.

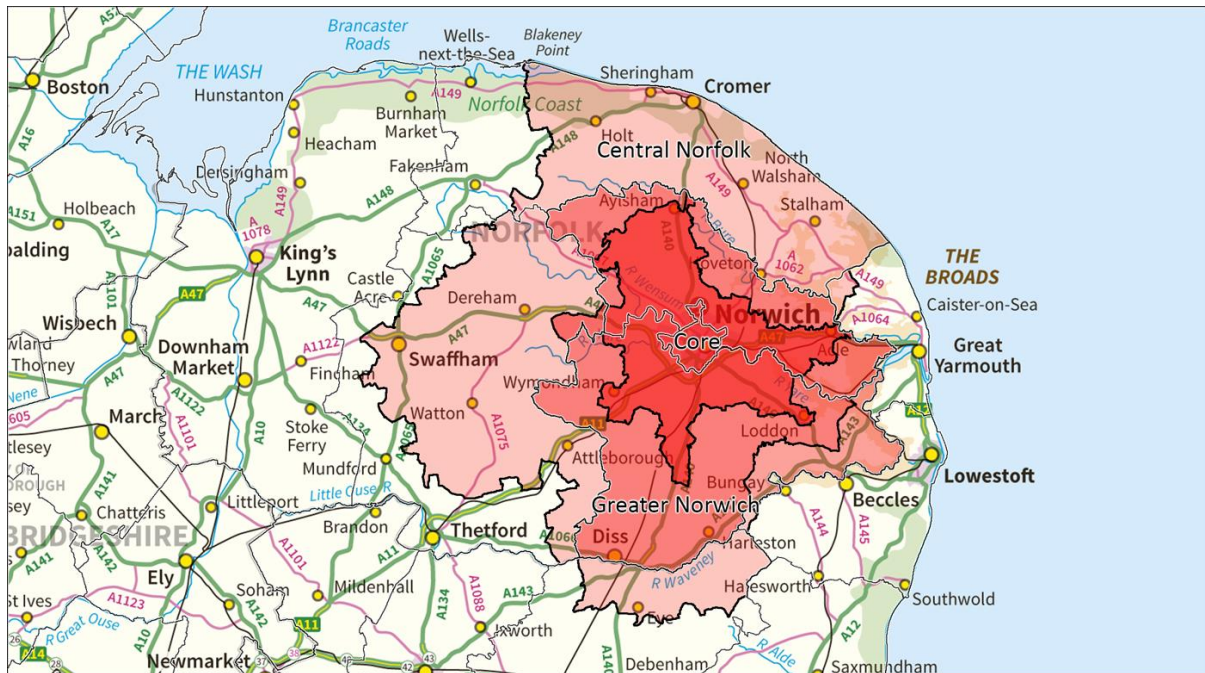
Housing Market Area

3. The identification of Housing Market Areas (HMAs) is the key building block in the evidence base for identifying the Objectively Assessed Need (OAN) for housing.
4. This study has considered the latest available evidence in order to define the HMA. In addition, it has also considered the evidence, methodology and findings of previous studies to properly contextualise findings. Detailed assessment of evidence is set out in Chapter 2 of this study.
5. We have concluded that the HMA thus identified is robust and forms the relevant basis for the identification of OAN at the various levels of sub-geography required from the study.
6. The evidence shows that the functional Central Norfolk HMA is not the same as the local authority boundaries, but is constituted from all of Norwich, Broadland, and South Norfolk authorities, together with substantial parts of North Norfolk, Breckland and the Broads Authority, together with a more marginal interaction with other parts of Norfolk and Suffolk.
7. Figure 1 shows the Central Norfolk HMA; the Core area of settlements with the strongest connections to the Norwich Urban Area, which is similar, but not identical, to the Norwich Policy Area, and; the Greater Norwich Growth Board area of Broadland, Norwich and South Norfolk councils.

¹ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

² <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>

Figure 1: Housing Market Areas – Core, Greater Norwich and Central Norfolk



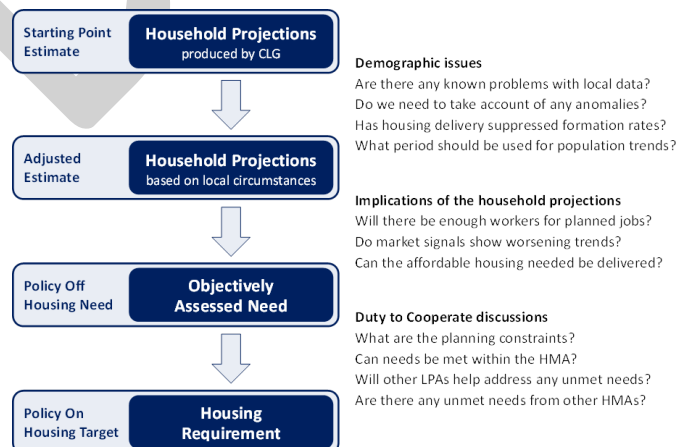
Objectively Assessed Need

8. The primary objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area over future plan periods.

The Objectively Assessed Need Process

9. The process for establishing OAN begins with a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('market signals') in order to embed the need in the real world.

Figure 2: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



Central Norfolk Objectively Assessed Need

10. The NPPF (2012) requires Local Planning Authorities to:

“ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area”

and

“identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change” (paragraphs 47 and 159).

11. PPG (2015) identifies that

“household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need ... The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth” (paragraphs 15-16).

Household Growth

12. The “starting point” estimates for OAN are the latest household projections published by the Department for Communities and Local Government (CLG) for the period 2012-37. These projections suggest that **household numbers across Central Norfolk will increase by 2,509 households each year (2,655 dwellings) and provides the most appropriate demographic projection on which to base the Objectively Assessed Need for housing.**
13. Following establishing the starting point, the household numbers are then considered in terms of what the wider housing market may be telling us by way of ‘market signals’.

Market Signals

14. NPPF sets out that “Plans should take account of market signals...” (paragraph 17) and PPG identifies that “the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals”.
15. The market signals considered for this study are house prices, rents and affordability, rate of development, and overcrowding. Further, we have considered wider macro-economic climate (as supported by PAS OAN technical advice note, July 2015) and, in addition, we have also looked at wider market trends and drivers.
16. The market signals are also compared to other areas which have similar demographic and economic characteristics to Central Norfolk. These comparators, identified via analysis of secondary data, are **Greater Ipswich** (Ipswich, Babergh, Mid Suffolk and Suffolk Coastal), **Greater Lincoln** (Lincoln, North Kesteven and West Lindsey) and **Greater Exeter** (Exeter, East Devon, Mid Devon, Teignbridge and West Devon).

17. There is no single formula or methodology that can be used to consolidate the implications of market signals. Further, market signals will have been predominantly influenced by relatively recent housing market trends which, arguably, have had a degree of volatility. Nevertheless, on the basis of this data we can conclude:

- » **House Prices:** lower quartile prices are higher than the national average, with a lower quartile price of £131,600, compared to England's £126,250 (based on 2012-13 values). The current price in the HMA is higher than Greater Lincoln but lower than Greater Ipswich and Greater Exeter. Over the last 5 years, prices have varied by comparator area, with only modest change (-3%) in Greater Exeter with slightly more in Greater Lincoln (-7%). Central Norfolk has also seen prices drop by 7%.
- » **Rents:** for average private sector rents in 2013-14, the study area is below the national average. While rents in Greater Exeter are higher than in the study area, Greater Ipswich and Greater Lincoln are significantly lower. Average rents have increased at a relatively similar pace in all areas although lower in Greater Ipswich in the past five years.
- » **Affordability** is measured here in terms of the ratio between lower quartile house prices and lower quartile earnings and is currently 'worse' in the study area than across England as a whole (7.4 times compared to 6.5 times). The rate in Greater Exeter is also 'worse' than England (that is they have a higher ratio of lower quartile house prices to lower quartile earnings), although other comparators in Greater Ipswich and Greater Lincoln are 'better' than England (that is they have a lower ratio of lower quartile house prices to lower quartile earnings). However, national and comparator area affordability ratios have improved since 2008 at a slower rate than Central Norfolk.
- » **Overcrowding** (in terms of Census occupancy rates) shows that 4.1% of households in the study area are overcrowded based on an objective measure, which is less than half the rate in England (8.7%). Nevertheless, the proportion of overcrowded households has increased over the last 10 years by 19%, but this is less than the national average at 23%. However, Greater Lincoln and Greater Exeter have seen lower rates of growth in overcrowding.
- » **Rate of development** (in terms of increase in dwelling stock over the last ten years) shows that development has increased the stock size by +10.0%, which is higher than England (8.3%). This rate for Central Norfolk is higher than Greater Exeter, but lower than Greater Ipswich and Greater Lincoln. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

18. Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard and data from the English Housing Survey (EHS) and Census 2011 we estimated that 3,553 households were overcrowded in Central Norfolk **Error! Reference source not found.**including 1,023 owner occupiers, 1,138 households renting privately and 1,479 households in the social rented sector.

Market Signals Conclusion

19. The market signals suggest it is appropriate to increase housing delivery for the Central Norfolk HMA for concealed households and overcrowding. It is appropriate to introduce a market signals uplift for concealed families **which increases the average housing need for Central Norfolk by 882 dwellings for the study period, or 37 dwellings each year.**

Employment Trends

20. While demographic projections form the starting point for OAN calculations it is necessary to ensure a balance between future jobs and workers. The evidence about future jobs is inconsistent with the evidence about likely future workers and that there is a clear need for a response to ensure that workers and jobs balance.
21. To increase the number of workers resident in the area would require a higher level of net inward migration. We have placed two separate uplifts on the dwelling numbers for Central Norfolk, one which is spread between the five authorities to achieve balance with the East of England Forecasting Model (EEFM) target and a second uplift linked to the City Deal for Greater Norwich. Across Greater Norwich the City Deal **results in an additional 8,382 dwellings over the 24 year period 2012-2036.** This is considerably higher than the 3,000 additional homes planned as part of the City Deal.

Conclusions on Objectively Assessed Need

22. While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to assess market signals to determine whether a higher rate of housing delivery is required in the housing market area to address housing market problems.
23. On the basis of the market signals and the need to balance workers and jobs, we can conclude that the Objectively Assessed Need for the HMA should be increased. **Therefore the SHMA identifies an Objectively Assessed Need for 70,483 dwellings over the 24-year period 2012-36, an annual average of 2,937.** This represents a 20% increase above the demographic trends for the area which is largely due to the impact of the additional jobs planned as part of the City Deal for Greater Norwich. The additional dwellings will also provide more affordable housing. If the full OAN for affordable housing is to be met then 26.0% of all housing must be affordable.
24. Figure 3 shows the total and annual OAN by local authority and other geographies.

Figure 3: OAN - Projected dwellings over the 24-year period 2012-36 including the City Deal at various geographies
 (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in the 2011 Census. Note: figures may not sum due to rounding)

	Norwich Policy Area	Core HMA	Elsewhere in Greater Norwich	Elsewhere in Central Norfolk Functional HMA	Areas outside the Central Norfolk Functional HMA	OVERALL TOTAL	Greater Norwich Total	Central Norfolk Functional HMA Total
Total 2012-2036								
Norwich	19,928	19,928	-	-	-	19,928	19,928	19,928
Broadland	9,820	10,975	3,269	-	-	13,088	13,088	13,088
South Norfolk	10,998	10,528	8,156	-	-	19,153	19,153	19,153
Breckland	-	0	-	10,142	4,193	14,335	-	10,142
North Norfolk	-	0	-	8,171	1,850	10,021	-	8,171
Total	40,746	41,431	11,425	18,313	6,043	76,527	52,170	70,483
Annual Average by Authority								
Norwich	830	830	-	-	-	830	830	830
Broadland	409	457	136	-	-	545	545	545
South Norfolk	458	439	340	-	-	798	798	798
Breckland	-	0	-	423	175	597	-	423
North Norfolk	-	0	-	340	77	418	-	340
Total	1,698	1,727	476	763	252	3,189	2,174	2,937

Private Rented Sector

25. The Private Rented Sector (PRS) has grown between the last two Censuses, mainly via tenure change within existing stock as opposed to new supply. While all HMA authorities have seen an increase in PRS stock, Norwich has seen particular growth in the number of Houses in Multiple Occupation (HMO).
26. The Government sees the growth in the PRS as positive; it offers a flexible form of tenure and meets a wide range of housing needs. Further, *'it contributes to greater labour market mobility and is increasingly the tenure of choice for young people'*³. Continued national policy support for expansion of the sector is likely.
27. Overall, other trends in the housing market (for example, rates of new housing supply, Pension Reform, Welfare Reform, the decline in First Time Buyers and the increase in Buy to Let

³ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector>

mortgages etc) indicate the PRS will continue to offer a housing option for an increasing proportion of local households.

People wishing to build their own homes

28. The self-build sector makes an important contribution to housing supply with about 1 in every 10 homes being built or commissioned by individuals. Self-build enjoys Government support (for example, via the Custom Build fund) and is backing industry-led efforts to double supply by 2020.
29. The SHMA identifies demand for self-build using information from the Self Build Portal's 'Need-a-Plot' database – this indicates a relatively low number of purchasers looking for a site in Central Norfolk (November 2014). However, PPG does say:

'However, such data [Need-a-Plot] is unlikely on its own to provide reliable local information on the local demand for people wishing to build their own homes'.

Plan makers should, therefore, consider surveying local residents, possibly as part of any wider surveys, to assess local housing need for this type of housing, and compile a local list or register of people who want to build their own homes.

NPPG Paragraph 021

30. In "Laying the Foundations – a Housing Strategy for England" (2011), the Government redefines self-build as 'Custom Build' and aims to double the size of this market, creating up to 100,000 additional homes over the next decade.
31. Therefore, given relatively high demand for homes in Central Norfolk, one initiative the local authorities could consider is a survey to assess need for this type of housing and/or consider a list/register of those wishing to build their own homes.

Housing for Older People

32. Central Norfolk has a current supply of 6,053 specialist housing units and a projected gross need for 21,850 specialist homes by 2036. This indicates a provisional net need for 15,797 specialist housing units, of various types and tenures.
33. However, there are a number of reasons and variables which mean that this net need should be treated with caution:
 - » Demographics: the changing health, longevity and aspirations of Older People mean people will live increasingly healthy longer lives and their future housing needs may be different from current supply.
 - » New supply: development viability of schemes, and the availability of revenue funding for care and support services, need to be carefully considered before commissioning any new scheme.
 - » Existing supply: while there is considerable existing specialist supply, this may be either inappropriate for future households or may already be approaching the end of its life. Therefore, future need may be understated.

- » Other agencies: any procurement of existing supply needs to be undertaken with other agencies who also plan for the future needs of Older People, particularly Norfolk County Council and the Health Service.
 - » National strategy and its implications for Older People: national strategy emphasises Older People being able to remain in their own homes for as long as possible rather than specialist provision, so future need may, again, be overstated.
34. It is important to note that older people needing specialist non-self-contained "Class C2" dwellings such as residential care are considered as part of the communal establishment population and therefore any people living in this type of accommodation are not be included in the household projections and OAN.

Households with Specific Needs

35. Specific needs are constrained by PPG to households who are disabled so as to need adaptations either now or in the future. HMA evidence shows how the number of claimants for Attendance Allowance is on an upward trend, with an increase of 7,500 claimants (80%) between 1996-2014, while application levels for Aids and Adaptations have been relatively consistent at c.500 per annum. This represents mixed evidence as to the need for adapted and/or wheelchair accessible homes.
36. Overall, therefore, we have not proposed a target for the HMA authorities and are proposing to leave this to local policy discretion.

Student Housing

37. The student housing market is essentially a Norwich phenomenon. It is well established and has expanded to meet increased demand in recent years. Increased supply of accommodation occupied by students in the HMO sector is also noticeable.
38. However, higher education providers in Norwich plan for modest growth in student numbers in coming years, mainly in part time and international students.
39. Looking forward, demand and supply change is likely to be relatively modest and the market unlikely to change significantly. However, for strategy purposes, forward patterns of expansion should be monitored.

Welfare Reform

40. Since June 2010, the Government has introduced far reaching changes to the system of welfare benefits available to those on low incomes and/or with specific needs. However, most changes have only been gradually rolled out and further announcements made in the Summer Budget 2015.
41. Evidence of the impact of reform is therefore relatively scarce. However, from the available sources, there are several general themes which are clear:

- » Overall, in both public and private sectors, there is a fall in relative number of HB claimants. This could be due to Welfare Reform.
- » Figures show c.80 households in Central Norfolk are affected by the Benefit Cap.
- » Discretionary Housing Payments awards (paid to households in hardship) mainly relate to payments for hardship following removal of the Spare Room Subsidy for social housing tenants, although there are also awards for Local Housing Allowance reform (for private renters).
- » Housing Benefit claimant numbers in the PRS began to plateau and then decline from 2013. However, the decline in PRS HB claimant numbers is relatively lower in Central Norfolk than in other authorities in the East region.
- » Fieldwork indicates that private landlords are becoming more reluctant to let to HB recipient households.
- » Housing associations report an increased demand for smaller properties from their tenants.

Service Families

- 42. The numbers of Service personnel living in Central Norfolk are relatively low compared to the overall HMA population. There are c.1,500 people living in a household and c.270 people in barracks. Current national policy is to reduce the number of Service personnel.
- 43. We do not expect significant demand for housing in the HMA from Service personnel. However, there may be an increase in obligation towards housing armed forces personnel as a result of the changes to allocations and purchase options.

Conclusion

- 44. Central Norfolk has a positive housing offer which continues to attract people to the area for a mix of reasons, not least the quality of life. All Stakeholders have described the area as an attractive place to live, being largely rural, but with Norwich and a number of market towns offering an urban lifestyle. However, although there are areas of relative affluence, there are also pockets of deprivation.
- 45. There are significant challenges that the housing market faces, both now and in the future: fundamental tenure adjustment as the Private Rented Sector grows relative to other tenures, the challenge of new housing delivery, Welfare Reform and, not least, a changing and growing population.
- 46. Overall, therefore, the need for a continued co-ordinated approach by the local authorities in Central Norfolk, towards the varied housing challenges faced, is key to future success.