

Assessing King's Lynn and West Norfolk's Housing Requirement

**Report to King's Lynn and West Norfolk
Borough Council**

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NMSS

Acknowledgements

The author is grateful to the Office for National Statistics for their advice on empty and second homes

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Report

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ASSESSING KING'S LYNN AND WEST NORFOLK'S HOUSING REQUIREMENT

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ASSESSING KING'S LYNN AND WEST NORFOLK'S HOUSING REQUIREMENT

Executive Summary

Aim

This report provides an independent and objective assessment of King's Lynn and West Norfolk Borough's objectively assessed need for housing (OAN).

Background

The report follows the approach suggested by the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). It starts from the latest trend-based official projections and considers what adjustments are needed to reflect factors which have not been picked up in the trends used in those projections. It also considers whether additional homes are needed to support economic growth using the latest forecast from the East of England Forecasting Model.

Summary

(a) What population should be planned for?

- The latest official population projections are the ONS's 2012 Sub-National Population Projections (2012 SNPP). These suggest an annual average increase over the plan period (2013-28) of 890 people a year for King's Lynn and West Norfolk.
- However those projections take 2007-12 as the trend period for flows to and from the rest of the UK and as a result appear to have underestimated the likely growth in the population. Adjusting the population projections to reflect the 10-year flows to and from the rest of the UK increases the average annual population increase from 890 to 1190 people a year.
- The estimates made by the ONS for the births, deaths and migration flows between the 2001 and 2011 censuses do not entirely explain the population change observed in those censuses: there is what is termed an 'Unattributable Population Change' (UPC). This has not been taken into account in producing the 2012 SNPP. It is debateable whether it should have been. Making an adjustment to take account of UPC would further increase the average population increase over the plan period to 1260 people a year.

- This suggests that the plan should provide for a population increase of 17,900 - 19,000 or 1190 - 1260 people a year over the period 2013-28. This would imply that the population might grow by 11.9 - 12.6% over this period.

(b) How the population is likely to group itself into households

- The last three DCLG household projections are the 2008, 2011 and 2012-based projections, the last of these having been published at the end of February 2015. Both the 2011 and 2012-based projections generally envisage lower household formation rates than the 2008-based projections.
- The 2012-based projections suggest higher overall household formation rates than the 2011-based set although for King's Lynn and West Norfolk the differences are not large: if population projections are adjusted for both 10 year UK flow rates and UPC the 2011-based projections suggest the number of households in the Borough will grow by an average of 630 households a year whilst the 2012-based projections suggest 650.
- There has been considerable discussion about whether the 2011-based projections have been unduly influenced by increased international migration, the economic downturn, the deteriorating affordability of housing and shortages in mortgage finance. There is a case for planning on the basis of a move towards the 2008-based household formation rates for at least some age groups if the 2011-based household formation rates are used. However, a full return to the household formation rates envisaged in the 2008-based projections is unlikely in the foreseeable future both because they were probably optimistic even when they were produced and because changes have occurred since that are unlikely to reverse.
- Even though the 2012-based projections have higher overall household formation rates they assume that household formation rates will fall for some age groups, most notably couples in their 20s and 30s. It is proposed that, rather than 'planning-in' this kind of deterioration, it should be assumed that household formation rates do not fall below their 2011 level for any age/sex/marital status group (and that rates rise where the projection suggest they will). This might be called a 'no one worse off than in 2011' assumption. It has an effect very similar to assuming that household formation rates move to be mid-way between the 2011 and 2008-based rates - the 'partial return to trend' scenario. With the population projections adjustment for 10 year UK flow rates and UPC this increases the projected increase in the number of households from 650 to 690 a year over the plan period.

(c) Empty and second homes

- King's Lynn and West Norfolk has a relatively high number of empty, second and holiday homes, particularly in the popular coastal areas to the north of the Borough. Analysis suggests that the proportions of empty and second homes are larger in older housing. It is therefore suggested that the allowance made for second and empty homes should be based on the proportion seen in housing built since 1990 as this is likely to be a more reliable guide for new housing than the average for housing

of all ages. An allowance should also be made for the likelihood that only a small proportion of the homes built in the plan period will be in the areas with the highest empty and second home rates. Taking both of these factors into account, based on a detailed analysis of the distribution of empty and second homes by age and location, it is proposed that planning should be on the basis that 3.7% of the new homes provided are empty or used as second homes at any one time.

- On this basis the objectively assessed need for housing would be 10,200 homes without the UPC adjustment and 10,700 with it (i.e. 680 or 710 homes a year) if the 'no one worse off than in 2011' assumption is made. From the mid-point between these two figures of 695 this is a range of only plus or minus 2% and it would be wrong to suggest that household projections of the type used in this analysis are accurate to such narrow margins. In practical terms the uncertainty is at least plus or minus 5% and probably more.

(d) Adjustments to reflect 'other factors'

- A review of the available data on house prices, affordability, rents, past levels of housebuilding, overcrowding and concealed households does not suggest any particular stress in the Borough's housing market that would justify increasing the estimate of the objectively assessed need for housing above the level suggested by a demographic analysis.

(e) Affordable housing

- The need for affordable housing in the Borough has been assessed in the light of the recent 'Satnam judgement' which concluded that the assessed need for affordable housing should be included as part of the overall OAN. However, the standard DCLG method for assessing affordable housing needs is on a completely different basis from the DCLG household projections which the NPPF states should be the starting point for assessing an OAN. It is therefore proposed that the 'Long Term Balancing Housing Markets' method employed in the Strategic Housing Market Assessment should be used to identify the proportion of the overall housing need which should be affordable. This suggests a requirement for 227 affordable homes a year.
- The Council has both a strong track record of delivering affordable housing without S106 contributions and a range of strategies to prevent households falling into need. The combined effect of these is such that it is feasible that the volume of affordable housing that needs to be provided through S106 agreements could be deliverable within the overall housing requirement of 680-710 homes a year.

(f) Supporting economic growth

- The latest forecast from the East of England Forecasting Model suggests that, with the upward adjustments to the population projection which have been proposed, the Borough should have a sufficiently large population to support the projected increase in jobs. There is not therefore a need to add additional homes to the demographically-based estimate of the OAN in order to support economic growth.

- The closure of the USAF base at Mildenhall was announced on 8 January 2015. Even though the base is not within King’s Lynn and West Norfolk it is sufficiently close to have an impact on the Borough. The data needed to make an assessment of the scale of that impact is not currently available so no attempt has been made to quantify it. However, it is likely that the analysis presented in this report will have over-estimated the housing needs of the Borough to a small extent.

Conclusion

- The table below summarises the key scenarios that have been modelled based on the latest DCLG household projections. Depending on whether the UPC adjustment is made the OAN is 10,200 or 10,700 homes over the plan period (2013-28) i.e. 680 or 710 homes a year. However, given the uncertainties inherent in projections of this type, the estimate should not be thought of as precise to better than plus or minus 5%, and probably more. The two figures are well within that range of each other.

Homes needed per year 2013-28	Population assumption		
	2012 SNPP	10 year UK flows	10 year UK flows + UPC
Household formation rates			
DCLG 2012	520	640	670
DCLG 2012 plus 'no one worse off than in 2011'	*	680	710

* not calculated

ASSESSING KING'S LYNN AND WEST NORFOLK'S HOUSING REQUIREMENT

INTRODUCTION

Aim

1. This report provides an independent and objective assessment of King's Lynn and West Norfolk Borough's objectively assessed needs for housing (OAN).

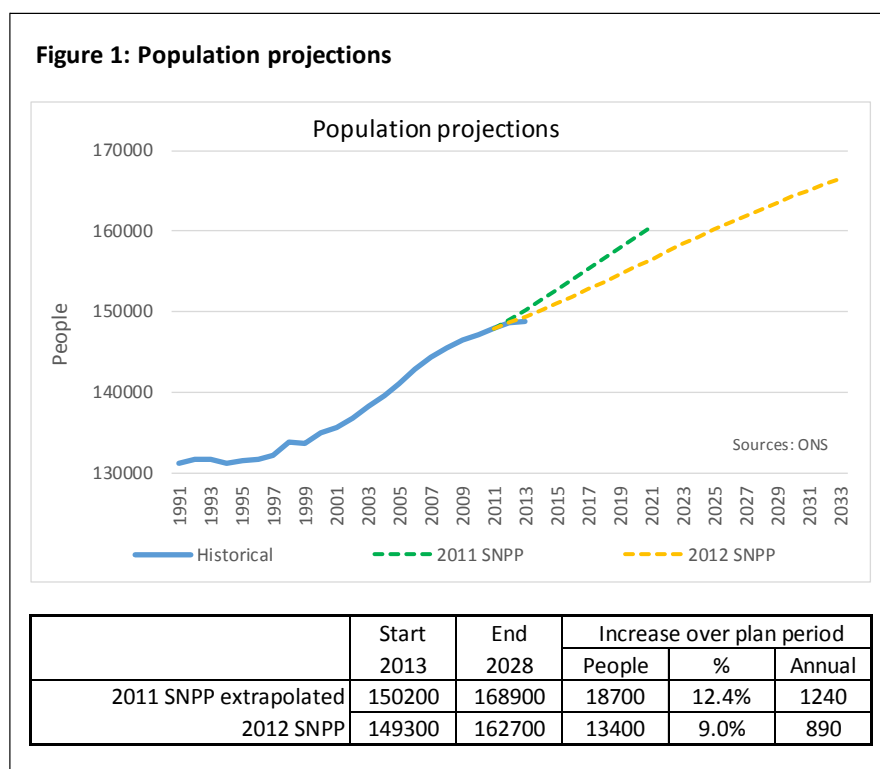
The approach

2. To assess the OAN of any area on a basis consistent with the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG) it is necessary to:
 - Estimate the size and age structure of the population that will need to be housed.
 - Take a view on how that population will group itself into households. This, combined with the population estimate, enables the number of extra households which will need to be housed to be estimated.
 - An allowance needs then to be added for properties which will be empty or second homes to produce a preliminary estimate of the housing requirement.
 - Finally, consideration needs to be given to whether there are any factors which will not have been reflected in this approach. These might include:
 - market signals which suggest that the local housing market has been under particular stress;
 - unmet housing needs or past undersupply which will have affected the trend-based assessment of future housing needs produced by a demographic approach;
 - how the assessment of the overall housing requirements relates to the need for affordable housing (i.e. social and intermediate housing); and,
 - whether additional housing is needed to ensure that the area can accommodate sufficient workers to support the projected level of economic growth.
3. This report follows these steps in order.

WHAT POPULATION SHOULD BE PLANNED FOR?

Recent projections

4. The following chart and table show the two most recent ONS projections for the population of King’s Lynn and West Norfolk.



5. Note that the later projection, the ONS’s 2012 Sub-national Population Projection envisages a significantly slower rate of population growth: 890 people a year over the plan period rather than 1240 in the 2011 SNPP. To understand why the projections give such different views it is necessary to look at the assumptions made about the ‘components of change’.

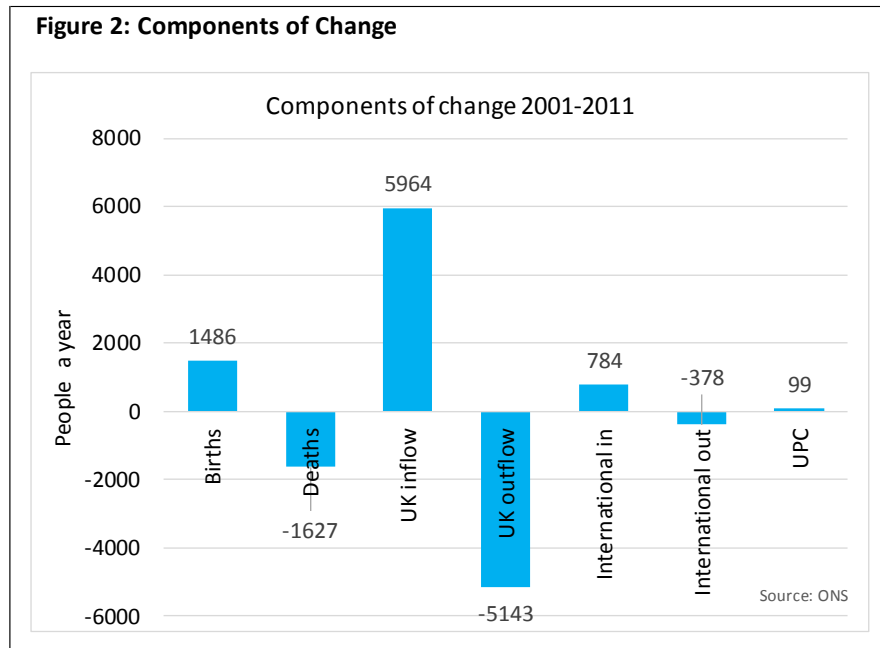
How a population grows

6. The future population of any area is the current population plus those who come less those who go. Those who come are those who are born in the area plus those who move in from outside. Those who go are those who die plus those who leave the area. It is helpful to divide arrivals and departures into those who come from or go to the rest of the UK and those who come from or go to other countries. This gives six ‘components of population change’:

- Births

- Deaths
- Arrivals from other parts of the UK – “internal migration in”
- Departures to other parts of the UK – “internal migration out”
- Arrivals from abroad – “international migration in”
- Departures abroad – “international migration out”

7. Figure 2 gives an indication of the relative size of these flows. Note that the internal migration flows are much larger than all the others.

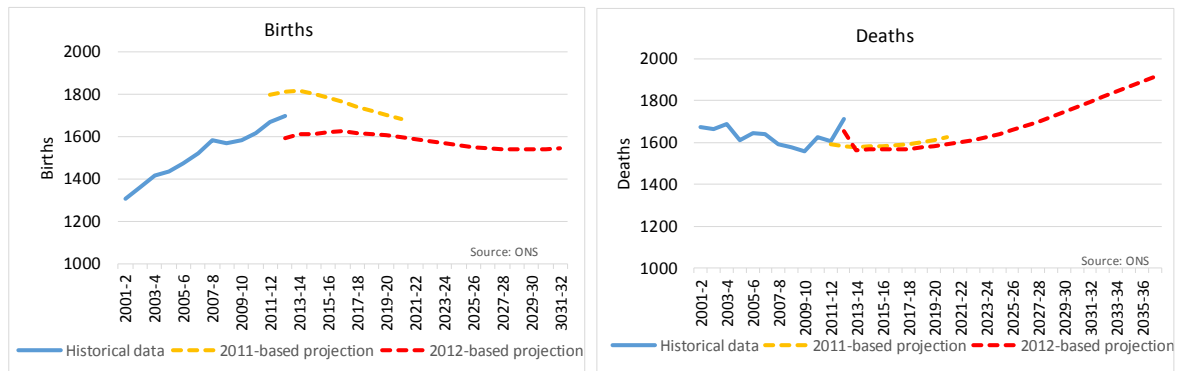


8. By looking at the assumptions made in the projections for each of the six components of change and comparing those assumptions with what has actually happened in the recent past it is possible to take a view on what a reasonable planning assumption might be. The next sections look at each component in turn.

Births and deaths

9. Figure 3 compares the two projections for births and deaths.
10. The higher birth numbers in the 2011-based projection reflects the re-use of birth rate trend data from an earlier projection as the necessary data to update the trends was not then available from the 2011 census. As result, birth rates were over-estimated in many areas. The 2012-based projection is based on a re-working of the birth rate trends from the 2011 census and its projection is therefore much to be preferred.
11. There is little to choose between the two projections for the number of deaths: both fit reasonably well with the historical data.

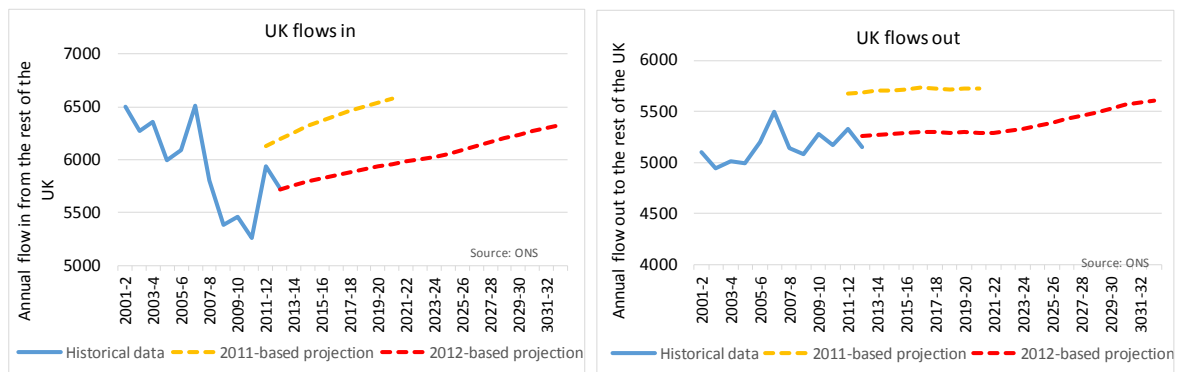
Figure 3: Comparison of projections for births and deaths



Flows from and to the rest of the UK

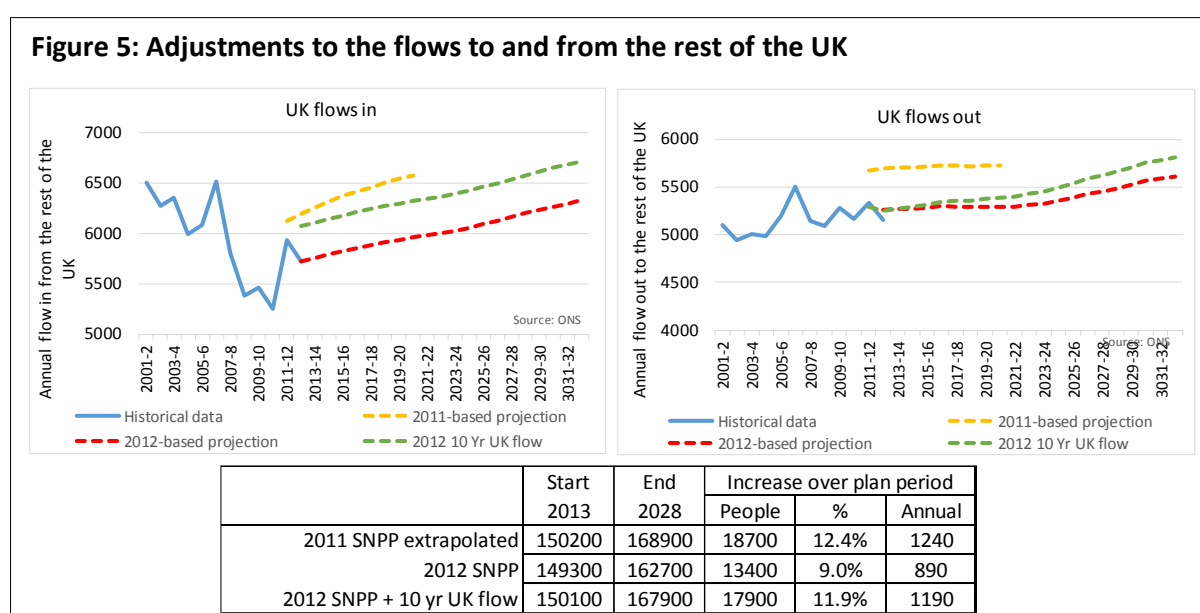
12. Figure 4 compares the projections for the flows in and out, from and to the rest of the UK.

Figure 4: Comparison of projections for flows to and from the rest of the UK



13. Note that the 2012 SNPP projection for the flow into King’s Lynn and West Norfolk is considerably lower than the 2011 SNPP projection and below the average flow for the preceding ten years. This is likely to be because the 2012 SNPP is based on UK flow rates derived from the flows between 2007 and 2012, a period which saw the longest and deepest economic downturn for more than a generation.
14. An examination of the data shows that the average annual inflow over the ten year period 2002-12 was 6.1% higher than the average for 2007-12. Whilst this may not seem like a very large figure, as the flows into and out of the area from the rest of the UK are by a considerable margin larger than the other elements of components of change, a difference of this scale can have a significant impact on the projected population. It is therefore proposed that an adjustment should be made to the flows from and to the rest of the UK so that they reflect the 10-year migration flows.

15. The adjustments are based on the ratio of the average annual flows over the ten year period 2002-12 to the flows over the period 2007-12. The average inflow to King’s Lynn and West Norfolk from the rest of UK over the period 2002-12 was 6.1% higher than the inflow in the period 2007-12 so inflows have been increased by 6.1%. The average outflows to the rest of the UK were 0.7% smaller in the period 2002-12 than they were in the period 2007-12, so the outflows have been decreased by that percentage. The model producing the alternative scenario allows for births, deaths and ‘out’ migrations from the extra people assumed to come to King’s Lynn and West Norfolk. Each year a fifth of the extra migrants in each 5-year age group is moved up to the next age group so that the age profile of the Borough’s residents is adjusted appropriately.
16. Figure 5 shows the impact which these adjustments have.



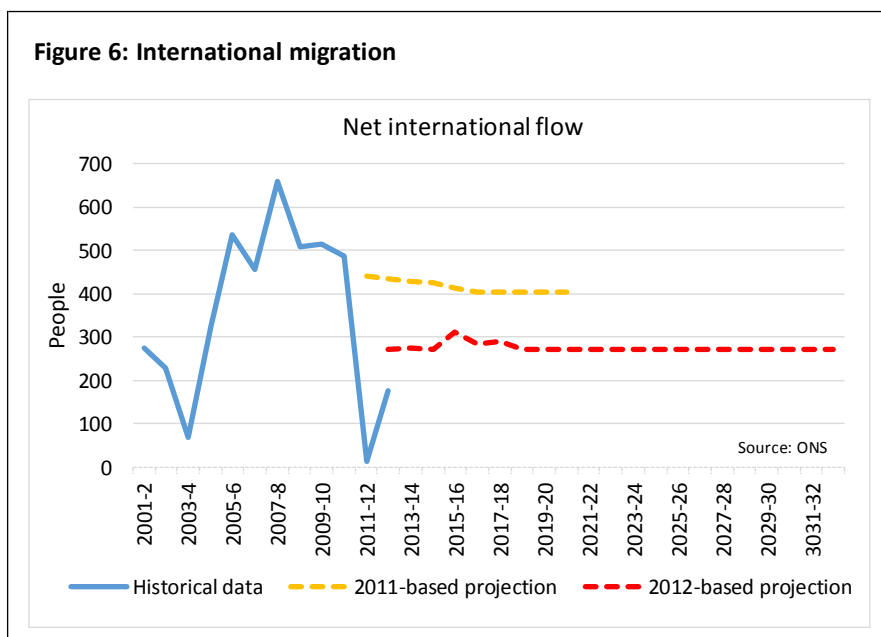
17. It may seem strange that after the first few years the UK outflow is larger in the adjusted projection than in the 2012 SNPP when the adjustment reduces the projected outflow. This is because the net effect of a reduced outflow and increased inflow is to increase the population and the outflow is calculated as a proportion of that increased population using historic flow rates. It therefore grows as the population grows.
18. The net effect on the population projection of the adjustments to the UK flows is significant: the average annual population growth over the plan period increases from 890 in 2012 SNPP to 1190 in the adjusted scenario.

International migration

19. Figure 6 shows the 2011 SNPP and 2012 SNPP projections for net international flows. The 2012 SNPP projection is lower than both the 2011 SNPP and the average flow of

the last 10 years. This reflects the lower net international flow assumed by the ONS in the 2012-based UK population projections.

20. In the last three years the actual net international flow has been significantly larger than assumed in the 2012-based ONS projections. However, those projections are intended to reflect a long term view and the fact that recent flows have been larger does not necessarily imply that the long term view is not valid. Given that there need to be clear reasons to depart from the official projections, it is not proposed to make an adjustment in this area.

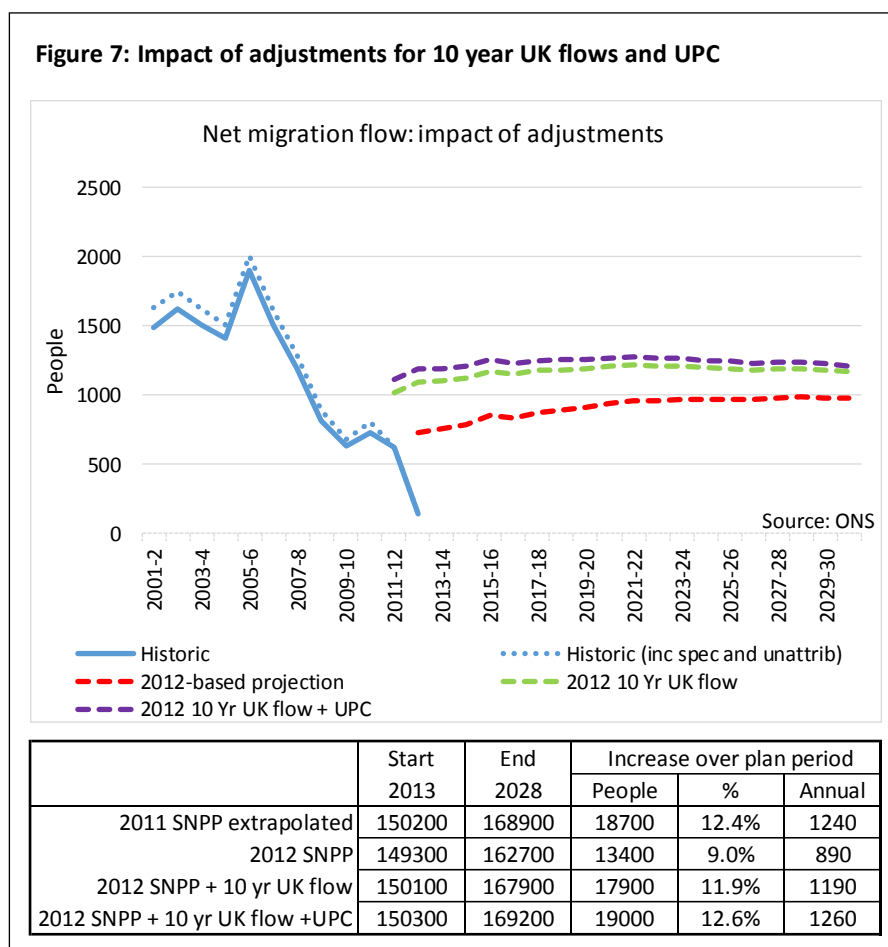


Unattributable Population Change (UPC)

21. If all of the data were completely accurate the population in one census plus the cumulative effect of the components of change in the intervening years would equal the population counted in the next census. That is not the case: there is always a discrepancy known as the 'Unattributable Population Change' (UPC). At the national level the discrepancy was 103,700 people between the 2001 and 2011 census. That is not a large number in the context of England's population of 53 million in 2011, only 0.2%. It is, however, 2.8% of the population change between the two censuses and that is arguably the more relevant comparison.
22. At the local authority level UPC can be much larger proportionately. There are 28 English local authorities for which the total UPC over the period 2001-11 is more than 5% of the population in 2011 and 83 for which the average UPC is more than 50% of the average population change between 2001 and 2011. A discrepancy of that size is highly significant in estimating population changes.

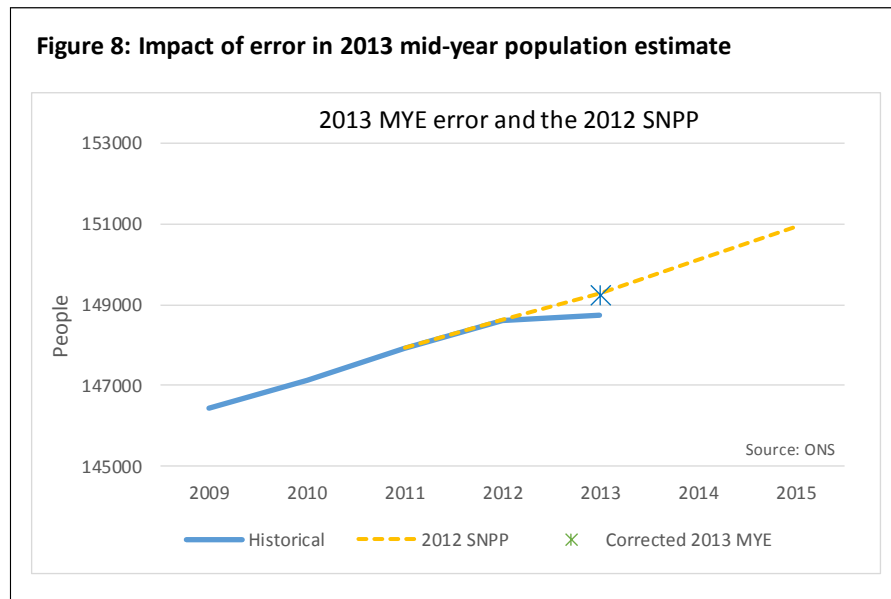
23. It is not thought likely that there are significant errors in the estimation of births and deaths as we have effective registration systems for both. That leaves three possible causes of UPC at the local authority level:
- International migration estimates
 - Flows within the UK
 - Census estimates in both 2001 and 2011
24. The ONS considered the arguments for and against taking UPC into account in its sub-national population projections and concluded that they should not do so. The main reasons were that:
- It is unclear what proportion of UPC is due to errors in the 2001 and 2011 censuses and what proportion is due to errors in the components of change. Insofar as the errors are in either the 2001 and 2011 censuses they will not affect projections based on trends in the components of change.
 - If UPC is due to international migration, the biggest impacts are likely to have been during the earlier years of the decade as significant improvements in the migration estimates were made in the latter part of the decade.
25. This is the considered view of the ONS's experts in this field and should not be lightly dismissed. However, where UPC is sizeable compared with the total population, a significant part of it could only be due to errors in the 2001 and 2011 censuses if there were large errors in one or both of those censuses. This suggests that in such cases a large part of UPC is likely to be due to errors in the estimation of migration flows. It may well be that those errors are likely to be largest in the earlier years of the decade and hence less likely to affect projections based on trends over the last five years, however, there is a risk of under or over estimation of population changes.
26. Insofar as UPC is caused by errors in the migration components of change, the effect will largely be to misallocate the projected population growth between local authorities. Correcting for it will therefore largely be a question of redistributing the projected population growth.
27. For King's Lynn and West Norfolk the total UPC over the period 2001 to 2011 was 8% of the population increase over that period, a relatively small amount compared with some authorities. Nevertheless a sensitivity test has been carried out to estimate the impact of adjusting the population projection to take account of UPC. This has been done in the same way as described in paragraph 15 above for the adjustment made to the flows to and from the rest of the UK.
28. Figure 7 shows the impact this has on the overall net migration flows (i.e. within the UK and internationally). There is a further but much smaller increase in the projected population increase. This has the effect of increasing the annual average population increase over the plan period from 1190 people a year to 1260.

29. Note that the net effect of the two adjustments is to produce a population projection that is close to the 2011 SNPP projection, although this is largely coincidental.



Error in 2013 mid-year population estimates

30. The ONS have announced that there was an error in the 2013 mid-year population estimates (2013 MYE) published on 26 June 2014. The estimates of the 'foreign armed forces special population' was incorrectly calculated for certain authorities, including King's Lynn and West Norfolk, for which the published figure was 500 people too small.
31. Figure 8 shows the impact of the error. (The chart is a close-up of the chart in Figure 1.) The 2013 MYE figure is clearly below the historical trend (shown by the blue line). The impact of correcting the 2013 figure is to produce a data point that coincides with the 2012 SNPP estimate for 2013. It would therefore appear that the error has had no impact on the 2012 SNPP.



Closure of Mildenhall USAF base

32. It was announced on 8 January 2015 that the US Air Force base at RAF Mildenhall was to be closed with its 3,200 personnel relocated across Europe. Although the base is not within the King's Lynn and West Norfolk Borough it is close to it and significant numbers people who work on the base will live within the Borough. The closure will have an impact on the Borough. In particular, there will be impacts on:
- The population of the Borough as air force personnel are re-deployed. Some who currently provide support services may also move;
 - Housing requirements both as a result of a reduction in the population reducing demand and as a result of properties vacated by those who move elsewhere becoming available; and
 - Employment, not just as a result of those directly employed on the base but also as a result of the secondary impacts which the closure of the base will have on the surrounding area.
33. At present the data needed to quantify the potential impact of the closure of the USAF base is not available. This report does not, therefore, include any analysis of the likely impacts. However, we understand that the Council have had initial discussions with the USAF and this has confirmed that the closure of the base is likely mean that the analysis presented in this report over-estimates the future population and housing needs of the Borough to a small extent.

Conclusions on the population to be planned for

34. The key conclusions on the population to be planned for are:

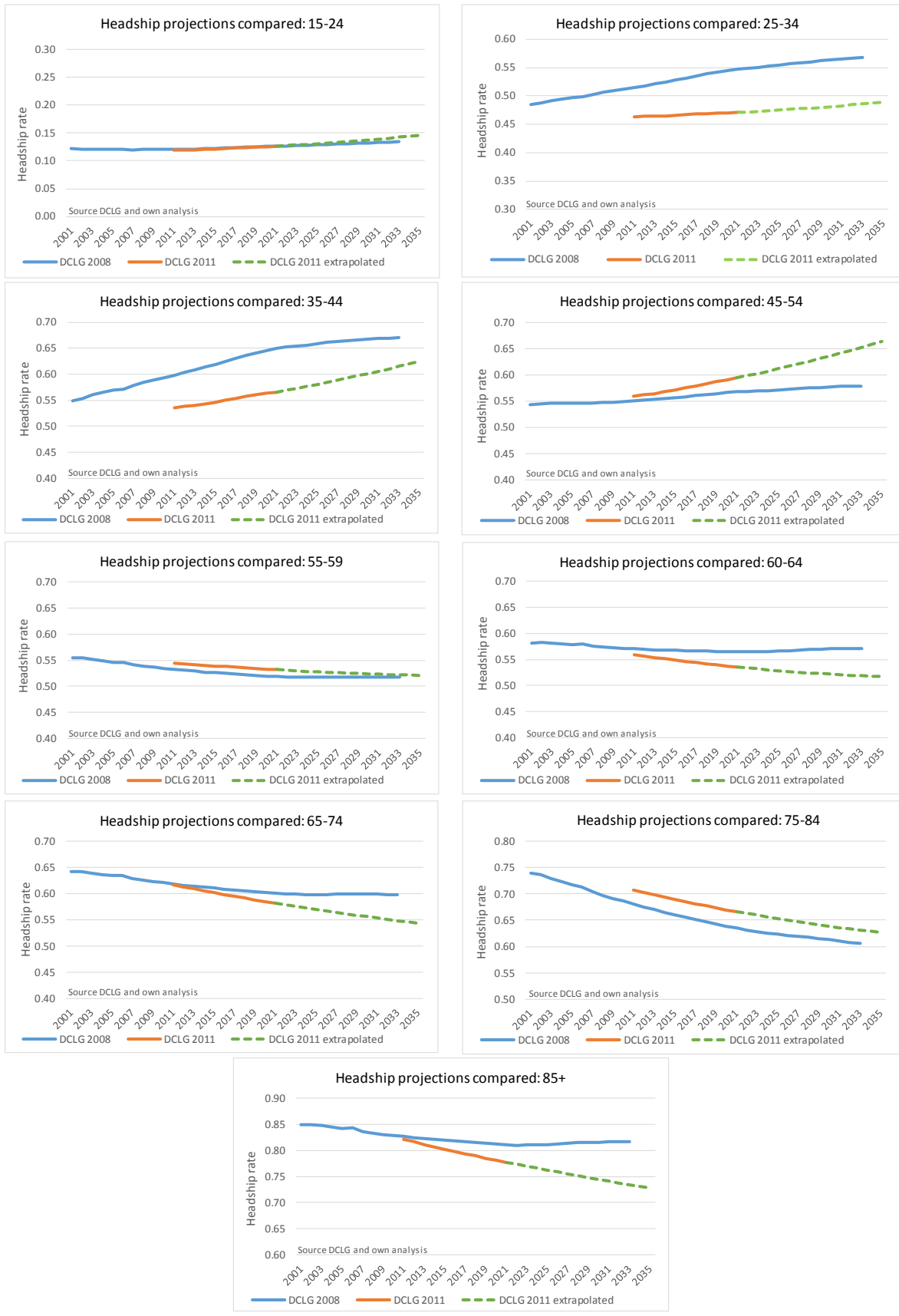
- The most recent official population projections are the ONS's 2012 Sub-National Population Projections (2012 SNPP). These are the obvious starting point for estimating the population that should be planned for.
 - The use of 2007-12 in 2012 SNPP as the trend period for flows to and from the rest of the UK has had a significant impact on the population projection for King's Lynn and West Norfolk. An adjustment should be made to reflect the larger average flows seen over the longer term. This increases average annual population increase over the plan period from 890 in 2012 SNPP to 1190.
 - It is debateable whether Unattributable Population Change (UPC) should have been taken into account in 2012 SNPP. Making an adjustment to take account of UPC would further increase the average population increase over the plan period to 1260 people a year.
35. This would suggest that the plan should provide for a population increase of 17,900 - 19,000 or 1190 - 1260 people a year over the period 2013-28. This would imply that the population might grow by 11.9 - 12.6% over this period.

HOW THE POPULATION IS LIKELY TO GROUP ITSELF INTO HOUSEHOLDS

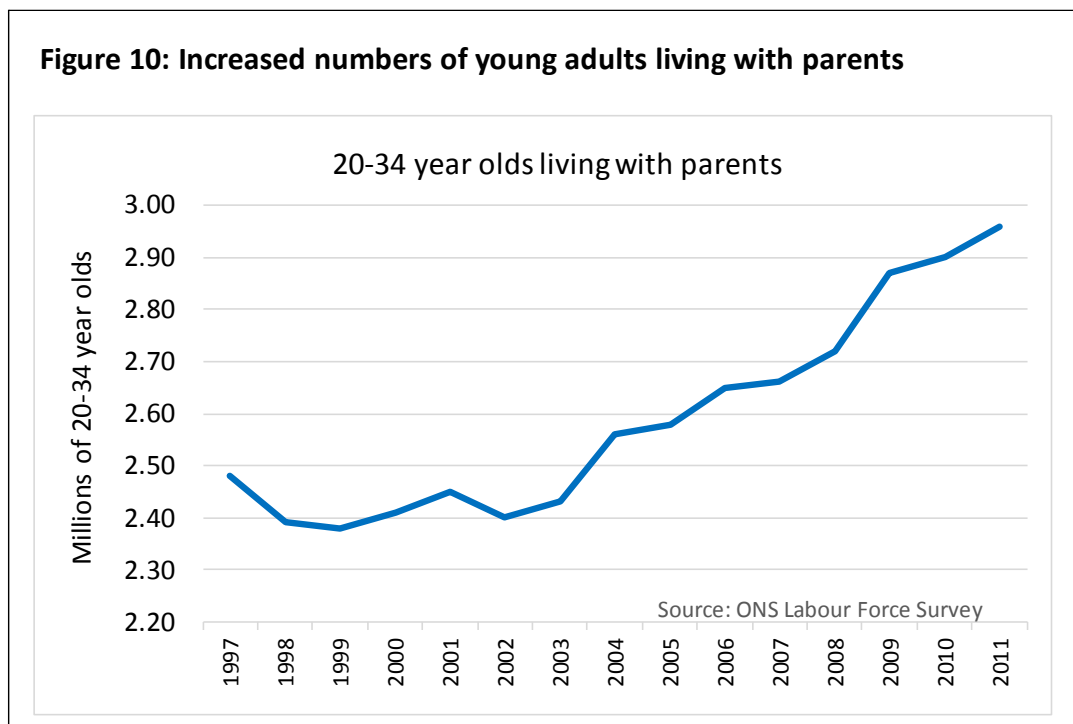
What assumptions should be made about household formation patterns?

36. The assumptions made about how people will group themselves together into households are crucial in estimating the number of homes needed in any area. The key issue is whether household formation patterns will revert to the earlier trend towards smaller average household sizes or whether the economic downturn and a long period of deteriorating housing affordability have caused a permanent change.
37. The three most recent DCLG household projections are the 2008, 2011 and 2012-based projections. The 2008-based projections, in effect, pre-date the economic downturn and are taken by some as broadly indicative of the previous longer term trend. The 2011-based projections were produced following the 2011 census and take some account of census data which generally found fewer households than had been projected in the 2008-based projections, suggesting that household formation patterns had departed from the previous long term trends. The 2012-based projections were produced in February 2015 and take fuller account of the 2011 census, although they still rely on some earlier data. DCLG are doing further work on the projections and may issue revised figures later in the year.
38. To understand the changes that have occurred in household formation patterns it is necessary to look at how different sections of the community have been affected. It is only possible to do this in detail for the 2008 and 2011-based projections as the DCLG have yet to release the full supporting data for the 2012-based projections. Figure 9 compares the household formation patterns in the 2008 and 2011-based projections for the nine age groups used by DCLG. As can be seen, the extent and direction of the departure from the previous trend varies considerably. The distance between the start of the orange line for the 2011-based formation rates and the blue line for the 2008-based rates is an indication of how far below or above the expected rate the 2011 census results were. Where the orange line is below the blue one there were fewer households formed by a given number of people than expected in the 2008-based projections.
39. Note that:
 - There are only two age groups that had departed significantly from the previous projection in 2011: the 25-34 and 35-44 age groups. For these age groups the household formation rates in 2011 were below the rates in 2001 and had not grown as anticipated. The 2011-based projection suggests that they will continue to diverge from the 2008-based trend at least until 2021.
 - For the other age groups the departure from trend in 2011 was relatively small, although in some cases the 2011-based projections suggest that household formation rates will diverge further from the 2008-based projection.

Figure 9: Comparison of 2008 and 2011-based household formation rate projections



40. Two reasons have been suggested for the departure from previous trends amongst the younger adult age groups.
41. First, the 2008-based projections over-estimated the likely increase in household formation rates as a result of not taking into account the significantly higher numbers of new international migrants. This impacts on headship rates as recent international migrants tend to live in larger households (i.e. they have a lower propensity to form separate households) than the rest of the population of a similar age. There is evidence to suggest that the increased volumes of international in migration seen in the first decade of the century may have been responsible for half of the difference between the expected number of households in 2011 and the actual number found by the census¹.
42. Second, there is evidence that there has been a significant increase in young adults living in shared houses and flats or with their parents. The latter issue was explored in an ONS report entitled “Young adults living with parents in the UK, 2011”² (see above chart). Using data for the Labour Force Survey this suggested that there had been a 21% increase in the number of young adults living with their parents between 2001 and 2011 – an increase of over ½ million people – as shown in Figure 10. Note also that the increase started well before the credit crunch and recession suggesting that other factors such as the deteriorating affordability of housing were at work.



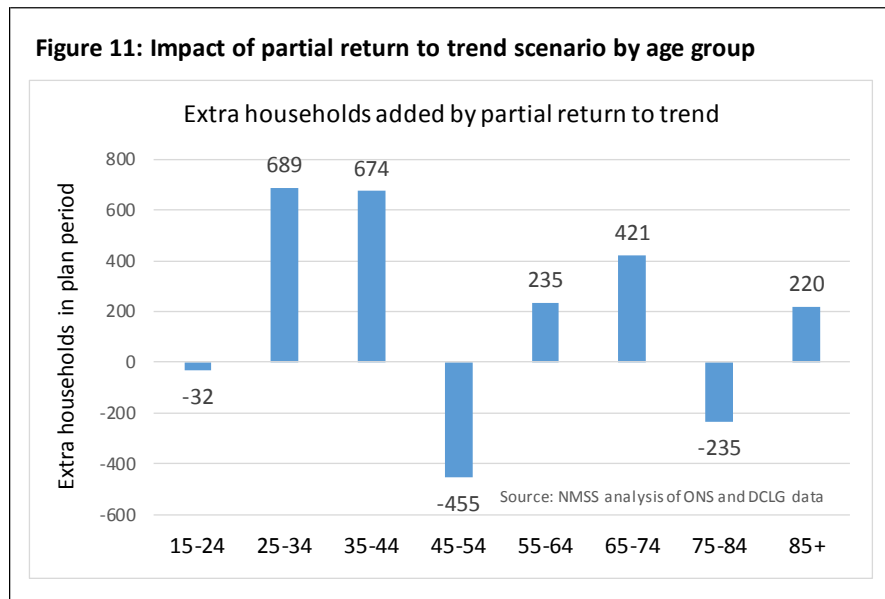
43. Whilst it is possible that some of these changes in the living patterns of young adults will have been free choices, it seems more probable that most are changes caused

¹ Holmans, A. (2013), *New estimates of housing demand and need in England, 2011 to 2031*, London, TCPA. <http://www.tcpa.org.uk/pages/new-estimates-of-housing-demand-and-need-in-england-2011-to-2031.html>

² Young Adults Living With Parents in the UK, 2011, ONS, 29 May 2012 <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2011/young-adults-rpt.html>

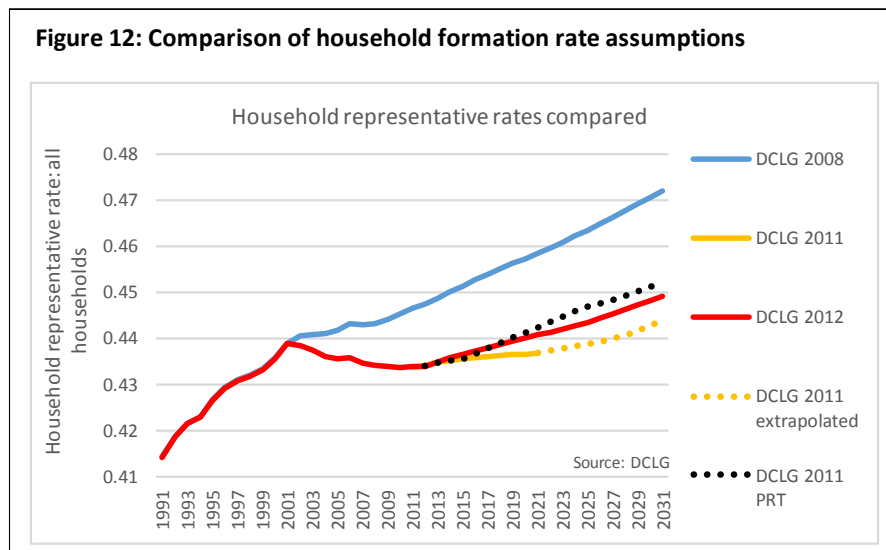
by the economic situation, the cost of housing and the difficulty in obtaining a mortgage without a sizeable deposit. As such it seems likely that there will be a move back towards the previous trend if economic conditions improve. However, the fact that the recent changes appear to have started well before the credit crunch and recession suggests that better economic conditions alone will not be sufficient. It seems likely that what happens to the affordability of housing (i.e. the relationship between earnings and house prices/rents) will also be an important factor. In addition there may also be structural factors which would not reverse even if the economic conditions of the early years of the century were fully replicated.

44. Moreover, if around half of the difference between the actual and expected household formation rates is due to the 2008-based rates exaggerating the likely increase in headship rates as a result of not making an allowance for increased international migration, a move all the way back to those trends may not be likely. A more prudent assumption would be that, in time, headship rates may recover to a point mid-way between the 2008 and 2011-based rates.
45. A 'Part return to trend' scenario has been developed to model this. This assumes that from 2015 household formation rates begin to move steadily back towards the 2008-based rates until in 2025 they are half-way between the 2008 and 2011-based rates. Thereafter, household formation rates are assumed to remain half-way between the 2008 and 2011-based rates.
46. The difference made by the partial return to trend scenario compared with a scenario which follows DCLG's 2011-based household formation rates varies from age group to age group depending on whether the DCLG 2011-based household formation rate is above or below the 2008-based household formation rate and the extent of the divergence. Figure 11 shows the impact by age group. Note that:
 - The impact on the 15-24 age groups is small.
 - The impacts on the 25-34 and 35-44 age groups are similar.
 - For the 44-54 age group, assuming a partial return to trend reduces the number of extra households. This is because in the DCLG 2011-based projection this age group has a higher household formation rate than in the 2008-based projection so a partial return towards trend reduces the household formation rate.
 - The picture for the over-55 age groups is mixed.



47. Whilst there are clear reasons why a return towards the previous trend is likely in the 25-34 and 35-44 age groups, what is likely to happen in the other age groups is less obvious.
48. The 45-54 age group have in a sense ‘fared better’ than the 2008-based projections envisaged, forming more households than projected. It would seem perverse to assume that this age group will revert to the lower household formation rates envisaged in the 2008-based projection as the economy recovers from recession and (hopefully) housing supply improves.
49. It is far from clear what is happening in the older age groups. As the charts in Figure 9 show, the 2008-based projection envisaged that household formation rates in these age groups would be falling, that trend being rather more marked for the over 65 age groups. This reflects factors such as the increased life expectancy of men, with the result that couples survive as couples for longer. (If there are more couples and fewer widows or widowers in the over 65 population, average household sizes will be larger and household formation rates lower.) The 2011 census results suggest that these changes were a little different from what had been projected but that does not necessarily mean that a return to what had previously been projected is likely. It could equally be that the 2008-based projections, in effect, simply underestimated the impact of men living longer on the number of couples in the population. That would suggest that no return to the previously projected formation rates is likely.
50. Moreover, the factors that are believed to have caused the departure from the previous trends amongst younger adults either do not apply or are likely to have much less impact on the over 65 age groups. In particular: international migration is less prevalent amongst older age groups; living with parents is not an option; and access to mortgage funding is hardly likely to be an issue for those who already own a house if they are ever going to do so.

51. There does not, therefore seem to be a strong case for assuming even a partial return to trend for the over-65s.
52. To explore this further two scenarios have been modelled:
 - Only the 25-34 and 45-54 age groups partially return to trend – referred to as ‘25-44 PRT’
 - All age groups partially return to trend – referred to as ‘PRT all ages’
53. The most recent DCLG household projections provide further insights into how household formation rates may change. Because the full supporting data has yet to be released, it is not possible to compare the new projections with their predecessors age group by age group. However, a comparison can be made of the overall household formation rate projections – see Figure 12.

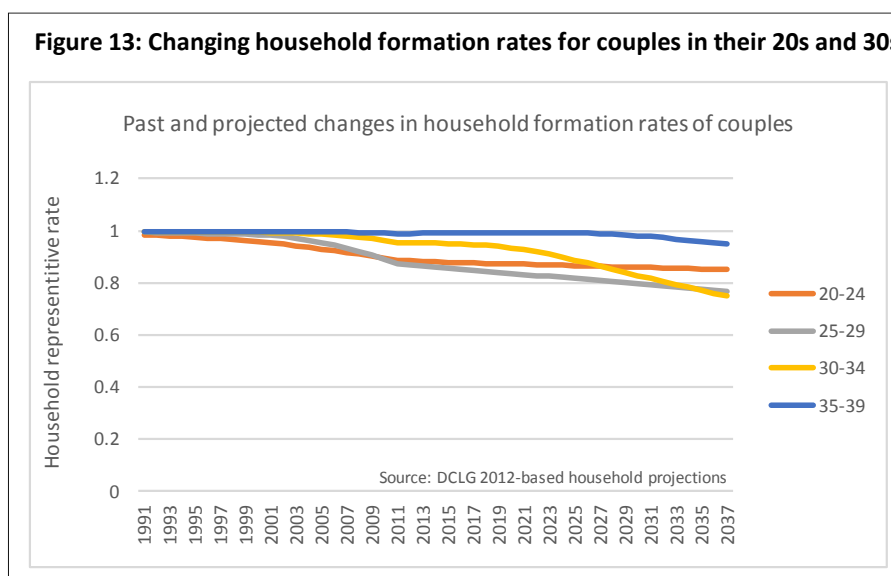


54. As can be seen, the latest household projections suggest household representative rates that are higher than the 2011-based projections but a little lower than the ‘partial return to trend’ scenario developed as a variant on the 2011-based projections. The new projections therefore build in a degree of return towards the 2008-based projections compared with the 2011-based set, but not to the same extent as the partial return to trend scenario. This begs the question as to whether with the latest DCLG projections it would also be appropriate to plan for some move back in the direction of the 2008-based projections.
55. As already noted, there are good reasons for believing that a full return to the household formation rate trends suggested in the 2008-based projections is unlikely in the foreseeable future (see paragraphs 40-51 above). Professor Ludi Simpson³ has gone rather further in his article in the December 2014 edition of Town and Country Planning. In that he noted that the DCLG had said at the time that the 2008-based

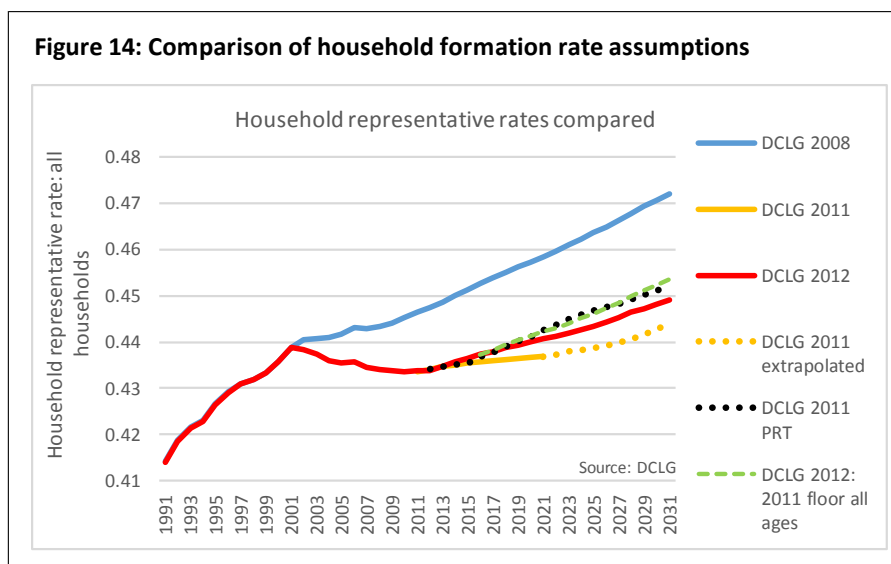
³ Ludi Simpson is Professor of Population Studies at the University of Manchester. He works to support demographic modelling in local authorities and nationally and is the originator and designer of the POPGROUP demographic modelling software

projections were published that Labour Force Survey data had suggested that there had been some steep falls in household representative rates for some age groups since the 2011 census and that if those shifts were sustained in the longer term the household projections would turn out to be too high. DCLG had also warned that their method took no account of ‘cohort effects’ including the possibility that falls in household representative rates for younger age groups might be carried forward to older age groups as those cohorts aged – something which has since happened. This led Professor Simpson to conclude that “The 2008-based projections were presented at the time not as a solid trend, but as insecure, because the past steady trends had already been broken prior to the recession”. The implication is that they should not be thought of as a benchmark.

56. An alternative approach is to consider the projected changes in household formation rates and, in particular, the extent to which basing plans on the new projections would amount to ‘planning-in’ a deterioration for some age groups. An analysis of the detailed data that has been released with the new projections suggests that for some groups household formation rates have fallen over the last 10 years or more and that they will continue to fall. Amongst the groups most affected are couples in their 20s and 30s – see Figure 13:



57. Rather than ‘planning-in’ that deterioration, an alternative would be to plan on the basis that there is no deterioration below the 2011 household formation rate for any age/sex/marital status group and that for groups for which increases in household formation rates are envisaged those increases occur. This would be a ‘no one worse off than in 2011’ scenario. The overall household formation rate implied by this scenario is shown in Figure 14 alongside the other scenarios discussed above. As can be seen, the effect is very similar to the 2011-based partial return to trend scenario.



58. Figure 15 summarises the household projections which the different household formation rate scenarios produce in each case on the basis that the population projection has been adjusted for 10 year migration flows within the UK and to include UPC.

Figure 15: Impact of different household formation rate assumptions

Household formation rate assumption	Household increase 2013-28	Annual increase
DCLG 2011-based	9400	630
PRT 25-44	10800	720
PRT all ages	11000	730
DCLG 2012	9700	650
DCLG 2012 'none worse off than in 2011'	10300	690

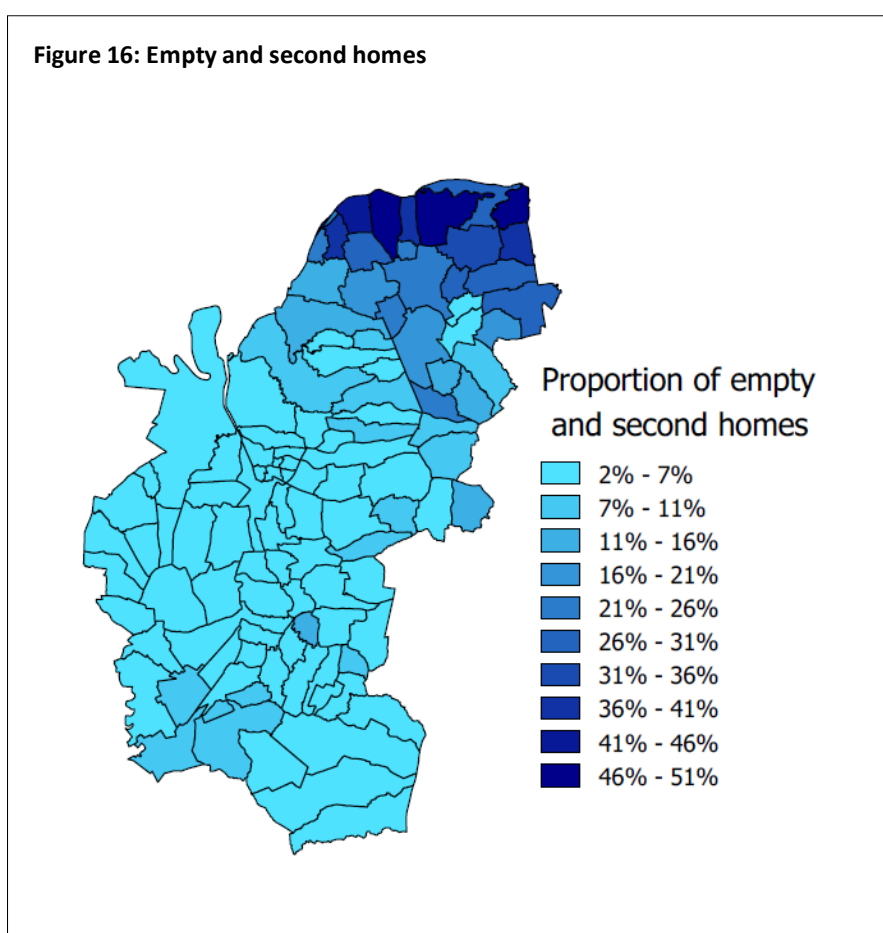
Note: all projections assume 10 year UK flow and UPC adjustments

Conclusion on the number of households to be planned for

59. As can be seen from Figure 15, the differences between the 2011 and 2012-based projections is not large when similar scenarios are compared. It is suggested that the 'none worse off than in 2011' scenario should be used as the planning assumption for the number of households to be planned for as this is based on the most recent DCLG projections; it ensures that deteriorating household formation rates are not 'planned-in'; and it avoids using the 2008-based projections as any kind of benchmark.

EMPTY AND SECOND HOMES

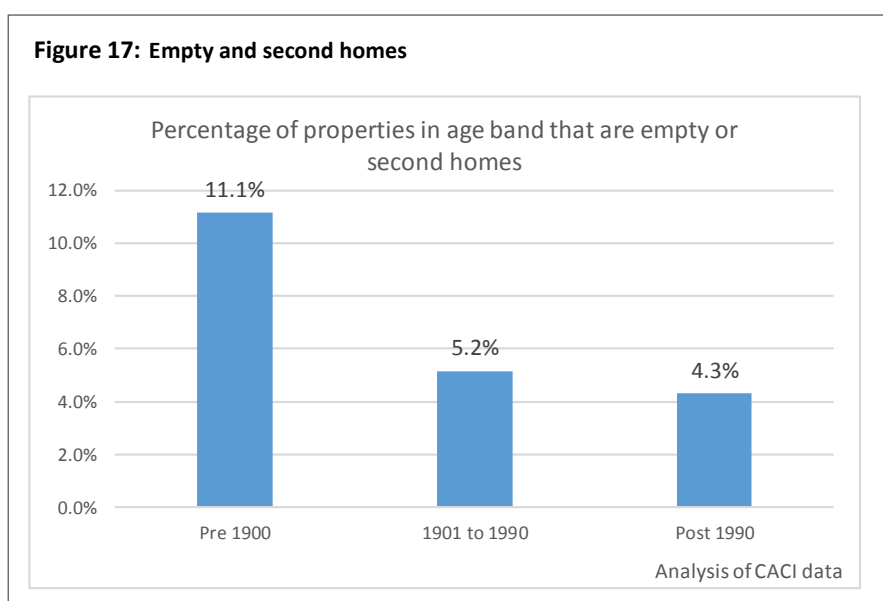
60. In estimating the number of homes that need to be built to accommodate the projected increase in households an allowance needs to be made for the number of dwellings that will not be used as a household's main home. That includes properties that will be empty (perhaps between tenants, pending sale after a death or undergoing refurbishment) or used as a second home. King's Lynn and West Norfolk poses particular problems in determining what an appropriate proportion might be as it has an exceptionally high proportion of second homes and properties that are let as holiday homes.
61. There is an apparent conflict between the available data sources. The Council's own data (for 2014) suggests that 7.35% of the Borough's homes are empty (2.86%) or second homes (4.50%) whereas the 2011 census suggests that 14.9% of dwellings are "homes with no usual resident". A key difference appears to be that "homes with no usual resident" will include dwellings that are used as commercial holiday lets. These are excluded from the Council's figures as they pay national non-domestic rates, not council tax. They are also distinguishable from 'ordinary homes' in that they would be subject to a planning condition restricting permanent residential use of the accommodation.



62. Figure 16 shows the Council's data by parish or ward (depending on whether the area in question is parished). From this it is clear that there are very substantial

variations within the Borough from parishes with very high second and empty homes rates in the north to much more normal rates in the rest of the Borough (18 parishes/wards have over 20% empty or second homes). This reflects the very large number of second homes in the holiday areas by the coast

63. The key issue here is, “What proportion of the dwellings that are being planned for are likely not to be used as main homes – and hence will not contribute to housing the additional households that are projected to form?” To answer this question it is appropriate to exclude properties that are used for commercial holiday lets as the majority of the site allocations envisaged are not in areas which would be attractive as holiday lets and the Council has the means to restrict the use of homes for this purpose through the planning system. This would suggest that it is more appropriate to use the Council’s own figures rather than the census data.
64. Analysis of the properties that are empty or second homes suggests that a higher proportion of older properties are likely to be either empty or second homes – see Figure 17. This presumably reflects the fact that older properties tend to be more attractive as second homes and that fewer more recently built properties are likely to be uninhabitable owing to their poor condition or unattractive location.



65. Properties built during the plan period are likely to be more similar to properties built since 1990 than earlier properties. It would therefore seem appropriate to use the average proportion of empty and second homes in this age group – 4.3% – rather than the higher figure for all ages or properties.
66. Even this may be an overestimate of the proportion of new properties that are likely to be empty or used as second homes as relatively few of the homes that are planned are in the areas with the highest proportions of empty and second homes. Sites have been identified for 6489 homes. If each of these sites has the proportion of empty and second homes seen in the post 1990 stock in the parish in which they are situated there would be 203 properties that are not used as a main home at any one time – 3.14%.

67. The difference between 4.30% and 3.14% is only 8-9 homes a year in the OAN for King's Lynn and West Norfolk so there is little value in seeking to be unduly precise. Allowing for the possibility that windfall sites will have a different distribution from allocated sites and to avoid suggesting a spurious degree of accuracy, it is proposed that the mid-point between 4.30% and 3.14% - 3.7% - should be used to calculate the OAN.

68. On this basis the objectively assessed need for housing would be 10,200 homes without the UPC adjustment and 10,700 with it (i.e. 680 or 710 homes a year) if the 'no one worse off than in 2011' assumption is made. From the mid-point between these two figures of 695 this is a range of only plus or minus 2% and it would be wrong to suggest that household projections of the type used in this analysis are accurate to such narrow margins. In practical terms the uncertainty is at least plus or minus 5% and probably more.

ADJUSTMENTS TO REFLECT ‘OTHER FACTORS’

69. The PPG advises:

“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.”⁴

Market signals

70. More specifically those planning for housing are expected to take account of ‘market signals’:

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”⁵

71. The reference to ‘prices or rents rising faster than the national/local average’ is important. Higher prices than in other areas may not necessarily indicate a particular problem but may simply reflect the mix of housing in an area or particular features which are thought desirable such as proximity to transport links, city centres, attractive countryside, etc. For example, prices in central London are always going to be higher than elsewhere given the value those renting or buying homes attach to a central location – advantages that are inevitably limited to a finite number of properties no matter how adequate the supply of homes is in London as a whole. On the other hand, prices rising faster than other areas may indicate a supply problem. This is reinforced by the Planning Advisory Service’s (PAS) recent technical advice note on Objectively Assessed Needs and Housing Targets⁶ which advises at paragraph 5.38 that, “Proportional price change is generally a better indicator than absolute price,....”

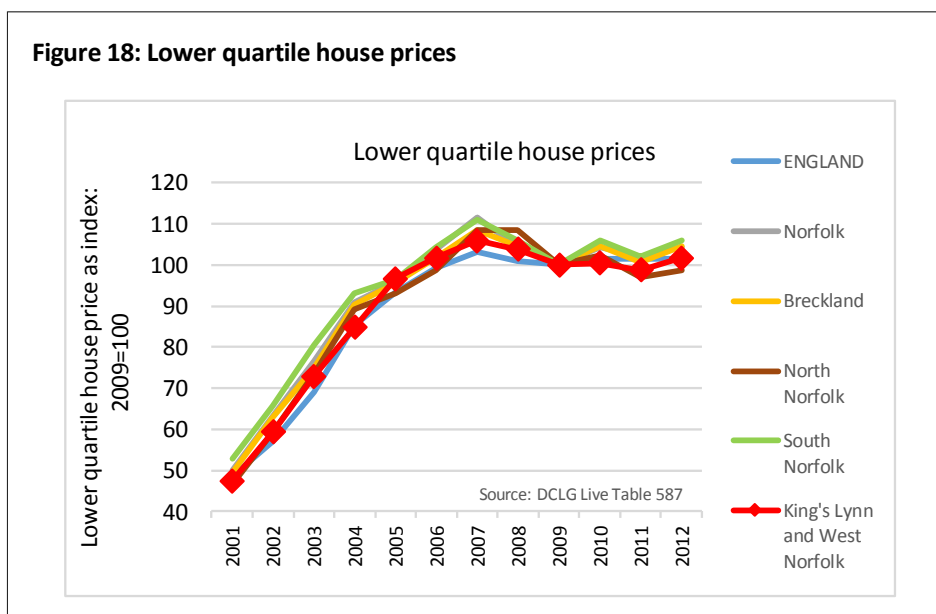
72. The most obvious indicator is changing house prices. Figure 14 shows lower quartile house prices for King’s Lynn and West Norfolk expressed as an index to enable the relative price movements to be seen. The clear conclusion is that prices in the three

⁴ Planning Practice Guidance, Paragraph: 015 Reference ID: 2a-015-20140306

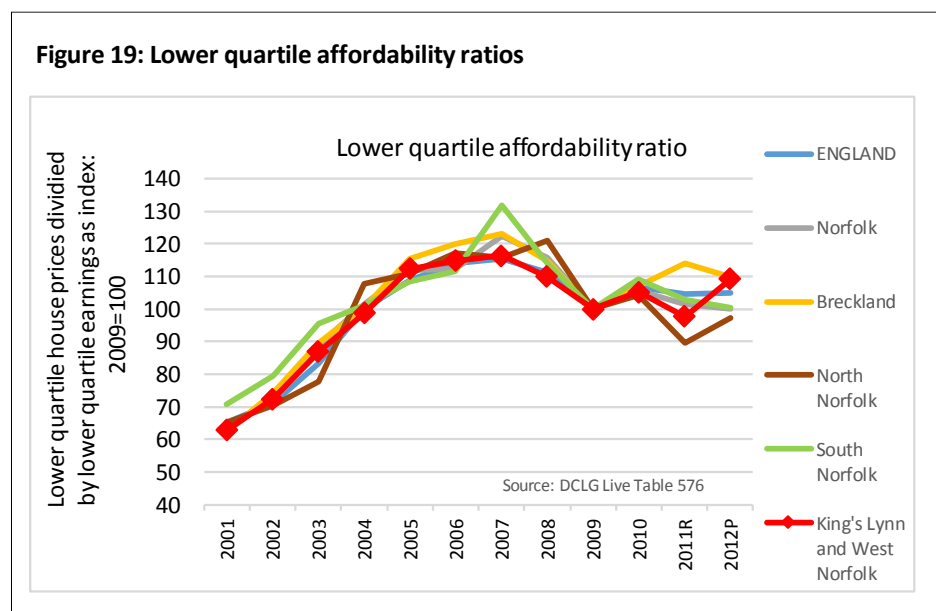
⁵ Planning Practice Guidance, Paragraph: 019 Reference ID: 2a-019-20140306

⁶ Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service <http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22eccc2-32cf-47f1-8e4a-daf50e4412f7>

authorities have moved in line with those in the county and the country as a whole. This suggests that there are no particular local factors to take into account.

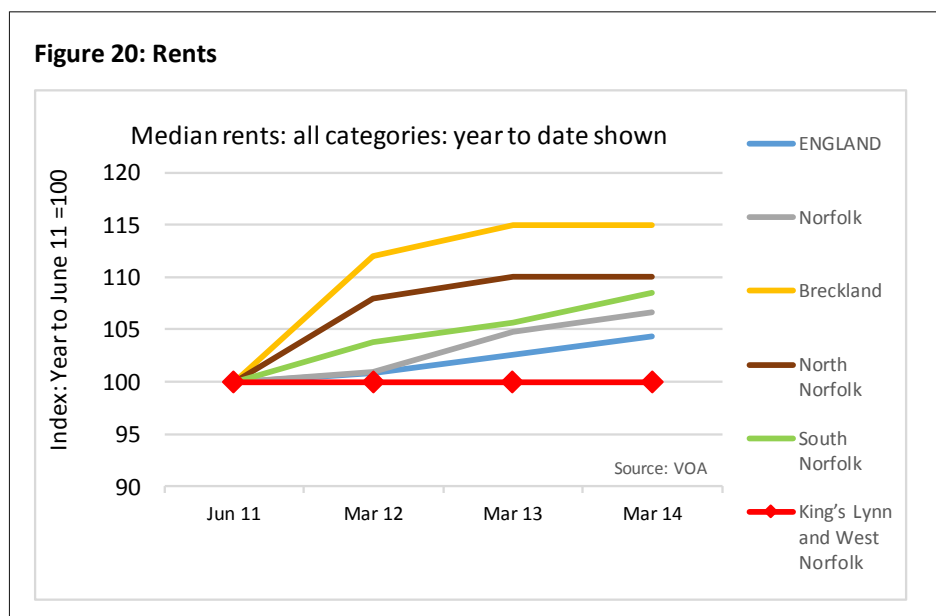


73. Affordability ratios, which measure house prices as a multiple of earnings, are another indicator of how a housing market is performing. Figure 15 shows the ratio of lower quartile house prices to lower quartile earnings, the lower quartiles being chosen as better indicators of the prices paid and incomes earned by those seeking to enter the housing market for the first time. Again, the data suggests that King's Lynn and West Norfolk has moved in line with the County and the country as a whole, suggesting that there are no particular local factors to take into account.



74. Average rents are a further indicator. However, the available Valuation Office Agency data at the local authority level does not extend back beyond the year to June 2011 and so is of limited value in enabling trends to be identified. What information there is (see Figure 20) does not suggest a particular problem in King's

Lynn and West Norfolk: if anything there is a suggestion that rents have lagged behind other areas.



Under supply

75. The PAS technical advice note offers some useful advice on what is meant by the references in the PPG to past under supply:

“5.34 The guidance on past supply and market signals is sometimes misinterpreted, because readers take ‘under-supply’ and ‘under-delivery’ to mean that house building was below policy targets. But in the present context these words mean something quite different - that house building was less than demand or need. In many places delivery is in line with targets, but the targets themselves are far below need or demand; in other words, planning constrains the amount of housing development. This constitutes under-supply within the meaning of the PG.

5.35 The impact of under-supply works not only through suppressed household formation, but also through suppressed migration. The latter effect is very common, as we can see from the close correlation between housing completions and net migration. If housing land, and hence housing, is in short supply, households will be prevented from moving into the area or will be priced out or forced out of the area.⁷”

⁷ Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service, Paragraphs 5.34 and 5.53

<http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22eccc2-32cf-47f1-8e4a-daf50e4412f7>

76. The PAS technical note also draws attention to a recent High Court judgment which has made it clear that under supply should not be gauged against the now defunct Regional Plan housing targets:

“In assessing future need, authorities should not add any ‘backlog’, where past housing development under-delivered RSS targets. Thus a recent High Court judgement noted:

‘... There was no methodological error in the way these competing estimates for the period 2011-2031 were drawn up by reason of the notional “shortfall” in housing delivery between 2006 and 2011 by comparison with the average annual figure for additional housing indicated in the South East Plan... There was no reason whatever for a person in 2011 seeking to draw up a current estimate of population growth and housing requirements looking into the future from that date to 2031 and using up-to-date evidence to do so, to add on to the estimated figures any shortfall against what had been estimated to be needed in the first phase of the previously modelled period included in the South East Plan..’

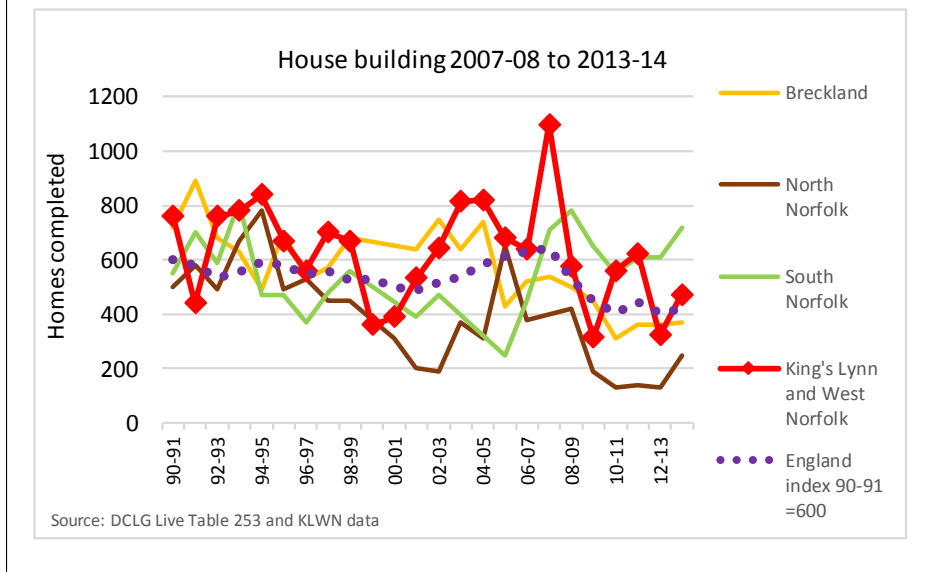
(Zurich Assurance Limited v Winchester City Council and South Downs National Park Authority, [2014] EWHC 758 (Admin) 18th March 2014)⁸

77. The PAS technical note recommends the comparison of past completions with the trend in completions in England as a whole⁹, the suggestion being that a local trend that was clearly at variance with the national trend might indicate that planning constraints or other local factors were affecting housing supply and that as a consequence past household formation rates or migration flow might not be a reliable basis on which to assess an OAN. Figure 17 shows the available data for housing completions over the last 20 years with the England trend rate shown as an appropriately scaled index. Whilst there have been up and downs, there is no clear evidence that supply has been subject to particular constraints over the last ten years.

⁸ Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service, Paragraph 8.5
<http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22edcc2-32cf-47f1-8e4a-daf50e4412f7>

⁹ PAS Technical note at Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service, Paragraph 5.40
<http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22edcc2-32cf-47f1-8e4a-daf50e4412f7>

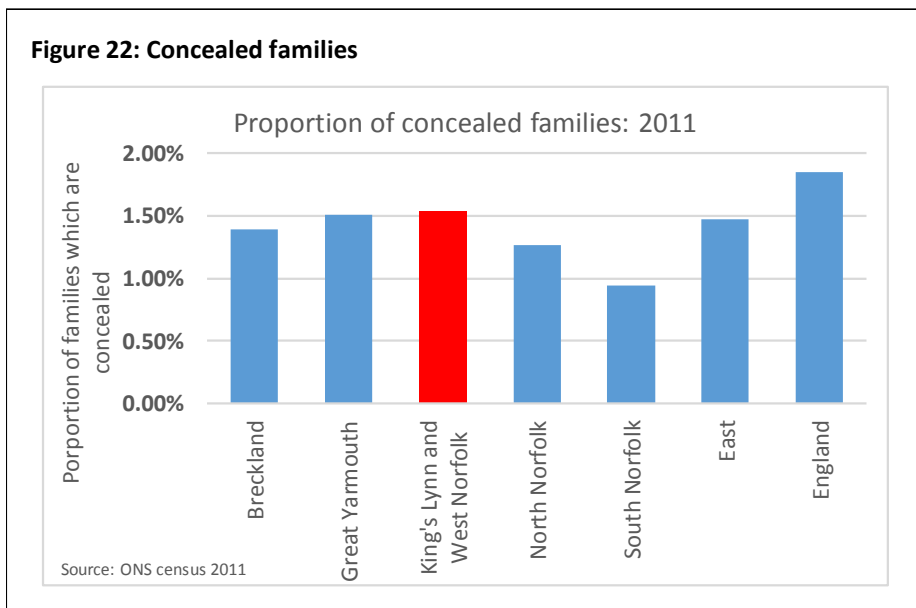
Figure 21: Dwellings completed



Concealed families

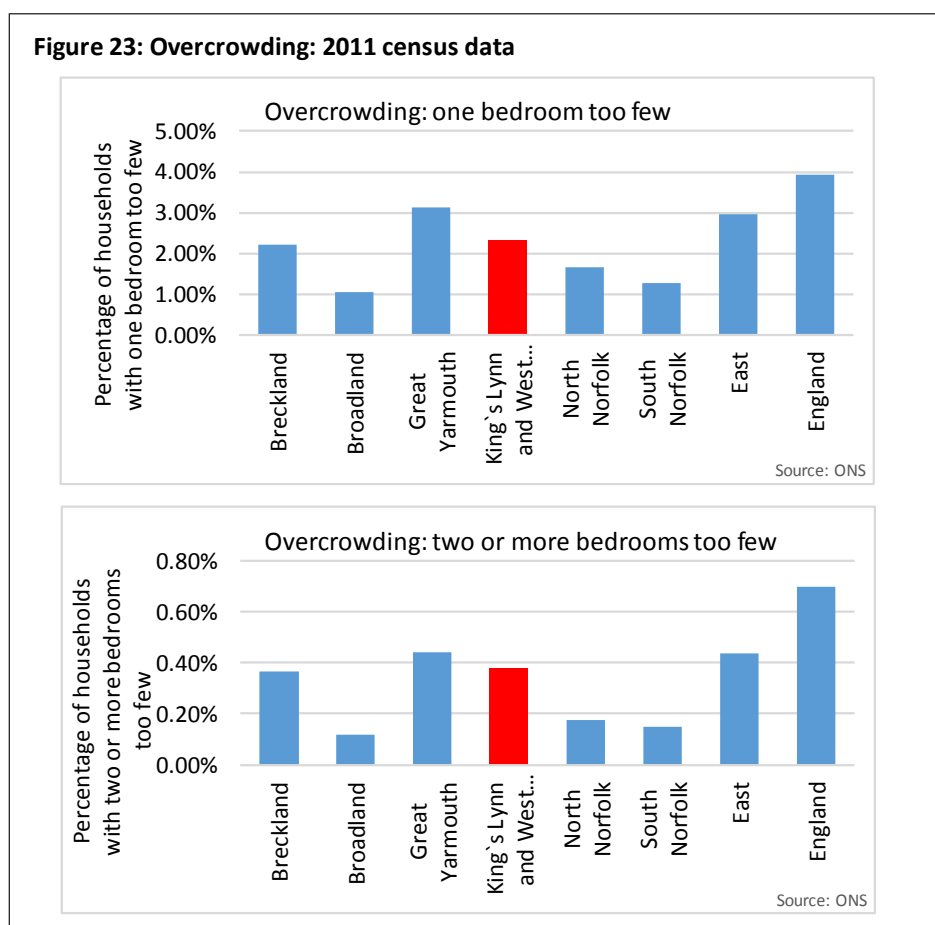
- 78. The proportion of concealed families (i.e. families living within another household) is another measure of the degree of stress in a housing market. Figure 17 shows the data from the 2011 census. Great Yarmouth has been added to the comparators for this chart as it perhaps provides a more useful comparison given that it also has a sizeable urban area, unlike North and South Norfolk.
- 79. The data does suggest that King’s Lynn and West Norfolk has a slightly higher proportion of concealed households than nearby areas and the East region as a whole. However, the differences compared with Great Yarmouth and the East region are small and the proportion is significantly below the England average. On that basis there are no clear grounds for concern.

Figure 22: Concealed families



Overcrowding

80. Overcrowding provides a further indicator of potential stress in housing markets. Figure 18 shows the census 2011 data for households which have either one bedroom too few or two or more too few.



81. On both measures King's Lynn and West Norfolk does not compare favourably with North and South Norfolk or Broadland. However, that is perhaps to be expected as those are areas without large settlements. King's Lynn and West Norfolk has lower rates of overcrowding than Great Yarmouth, the East region and England as a whole. There are therefore no particular grounds for concern on this measure.

Conclusions on adjustments for 'other factors'

82. None of the above discussion suggests there is a case for adding to the demographically-based estimate of the objectively assessed need for housing (OAN). Indeed, the proposal that the OAN is calculated on the basis that both flows into the area from the rest of the UK and household formation rates move back towards earlier trends will have the effect of adding a significant amount of additional housing to the level suggested by a simple application of the latest official projections. That should allow housing conditions to improve compared with what would otherwise have been the case.

AFFORDABLE HOUSING

83. Assessing the affordable housing needs (i.e. social and intermediate housing) of the Borough is outside the scope of this report, but there remains the question of the extent to which the assessed need for affordable housing should be taken into account in determining objectively assessed housing needs as a whole. The PPG guidance on this is not particularly explicit:

“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”¹⁰

84. The reference to the assessed affordable housing need being considered in the context of the “probable percentage of affordable housing to be delivered by market housing led developments” suggests a degree of pragmatism: there is no point simply adding a large housing needs figure to a demographically-based assessment of a housing requirement when there is no prospect of that volume of housing being funded by developers or anyone else. The PAS technical note supports this approach when it refers to the need for a judgement to be made:

“.....on how much affordable housing can be realistically paid for. The planned quantity of affordable housing must be consistent with the developer contributions that can be viably delivered by the planned quantity of market housing. If that affordable housing number is too high, then the land intended for affordable provision will either remain vacant or be developed for market housing.”¹¹

Implications of the ‘Satnam Judgement’

85. The ‘Satnam Judgment’ (Satnam Millennium Ltd and Warrington Borough Council CO/4055/2014 issued 19 Feb 2015) puts a rather different perspective on this. In that judgement the High Court found that Warrington Borough Council had failed to carry out a proper exercise in respect of affordable housing. The judgment concluded that the proper approach consisted of:

“(a) having identified the OAN for affordable housing, that should then be considered in the context of its likely delivery as a proportion of mixed market/affordable housing development; an increase in the total housing

¹⁰ Planning Practice Guidance, Paragraph: 029 Reference ID: 2a-029-20140306

¹¹ Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service, Paragraph 7.4
<http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22eccc2-32cf-47f1-8e4a-daf50e4412f7>

figures included in the local plan should be considered where it could help deliver the required number of affordable homes;

(b) the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in NPPF, paragraphs 14 and 47.”

86. A literal interpretation of that judgement would suggest the following:

- The King’s Lynn and West Norfolk Strategic Housing Market Assessment Update (June 2014)¹² – the SHMA – uses the DCLG affordable housing needs assessment model to estimate the need for affordable housing at 1,494 homes a year (Table 7.12 on page 74)¹³.
- Data supplied by the Council¹⁴ suggests that over the years 2001-14 an average of 50 affordable homes have been delivered without S106 contributions. If this rate were to be maintained 1,444 out of 1,494 affordable homes a year would need to be delivered with the aid of S106 contributions to meet the full, objectively assessed need for housing.
- The Council’s data¹⁵ suggests that over the period 2001-14 S106 affordable housing completions have averaged 10% of market completions (i.e. excluding affordable housing completions achieved without S106). This reflects the fact that much of the housing delivered has been on smaller sites that were not liable to affordable housing contributions. On schemes where affordable housing contributions are due the Council have a good track record of achieving the policy requirement of 15% and 20%.
- If that rate were maintained, 14,444 market-led homes would need to be built each year to meet affordable housing needs – plus a further 50 affordable homes delivered without the aid of S106 contributions, leading to a total of 14,494 homes a year.

87. An OAN of 14,494 homes a year is clearly absurd. It is certainly not consistent with the NPPF which states that the household projections published by the DCLG “should provide the starting point estimate of overall housing need” as the calculation makes no reference to the household projections – which suggest an OAN of 680-710 homes a year.

¹² See <http://www.west-norfolk.gov.uk/pdf/SHMA%20WEBSITE.pdf>

¹³ The SHMA goes on to note that, if households were considered to be able to afford 35% of gross household income rather than the 25% used in the standard model, and an allowance were made for the availability of homes in the private rented sector (via Local Housing Allowance (LHA)), the annual need for affordable housing would fall to 294 homes a year.

¹⁴ See Annex A

¹⁵ See Annex A

88. The fundamental issue is that the DCLG method for estimating the need for affordable housing (as set out in the Planning Practice Guidance) is on a completely different basis to the DCLG household projections.
89. The DCLG household projections are trend-based which means that they assume, amongst other things, that past trends in the formation of new households continue. Those trends will have been influenced by a range of factors including the cost of housing (both to buy and to rent) and the availability of mortgages. The trends, and hence the projections based on them, will therefore have in-built the practical reality that many that may have needed or wanted to set up a separate household will not have been able to do so – and that this will continue into the future.
90. In contrast the DCLG prescribed formula for estimating the need for affordable housing:
- assumes that all who need affordable housing are able to access it;
 - takes no account of the availability of funding to meet the needs for affordable housing;
 - assumes affordable housing is needed when a household would need to spend more than a particular proportion of their gross income on housing at a time when many living in market housing spend more than this;
 - ignores the fact that some of those who are deemed to need affordable housing are accommodated in unsuitable market housing and would release that housing if they were moved into affordable housing. This means that it is inappropriate to add an affordable housing requirement estimated using the DCLG method to a demographically-based estimate of the need for market housing.
91. An alternative approach to assessing the need for affordable housing is the ‘Long Term Balancing Housing Market’ approach used in the SHMA. This considers what mix of accommodation – type, size and tenure – would be needed at the end of the plan period if everyone is to be adequately accommodated. It then calculates the mix of housing which needs to be added to the stock in the interim to achieve that balanced stock. The conclusion is that, of the 690 homes a year that are assumed to be needed in that calculation, 227 need to be affordable housing (including shared ownership housing and housing benefit-supported private rented housing) and 462 market housing.
92. Delivering 227 affordable homes from an overall housing supply of 690 would be challenging if all of these had to be delivered by S106. However, the Council has a strong track record of delivering substantial volumes of affordable housing by other means. As already noted, the data at Annex A suggests that the Council has delivered an average of 50 affordable homes a year by non-S106 mechanisms since 2001. The Council has plans to increase this through a raft of measures that include grant funded schemes; bringing empty properties back into use as affordable

accommodation; use of Council land for affordable accommodation; rural exception sites; specialist accommodation schemes; and policy initiatives to make better use of existing stock. In particular, the Council is currently delivering a 150 unit schemes for market and affordable housing in King's Lynn. It also plans to develop 450 market and affordable homes on Council-owned land over the next 5 years.

93. The Council also has a range of preventative strategies aimed at avoiding vulnerable households falling into housing need and supporting them in their existing homes.
94. It is beyond the scope of this report to evaluate the potential impact of either the preventative schemes or the programme to deliver affordable housing by means other than S106. However, the scale of these is such that it is feasible that the volume of affordable housing that needs to be provided through S106 agreements could be deliverable within an overall housing requirement of 690. Any shortfall could be met by using housing benefit to support tenants in the private rented sector.

SUPPORTING ECONOMIC GROWTH

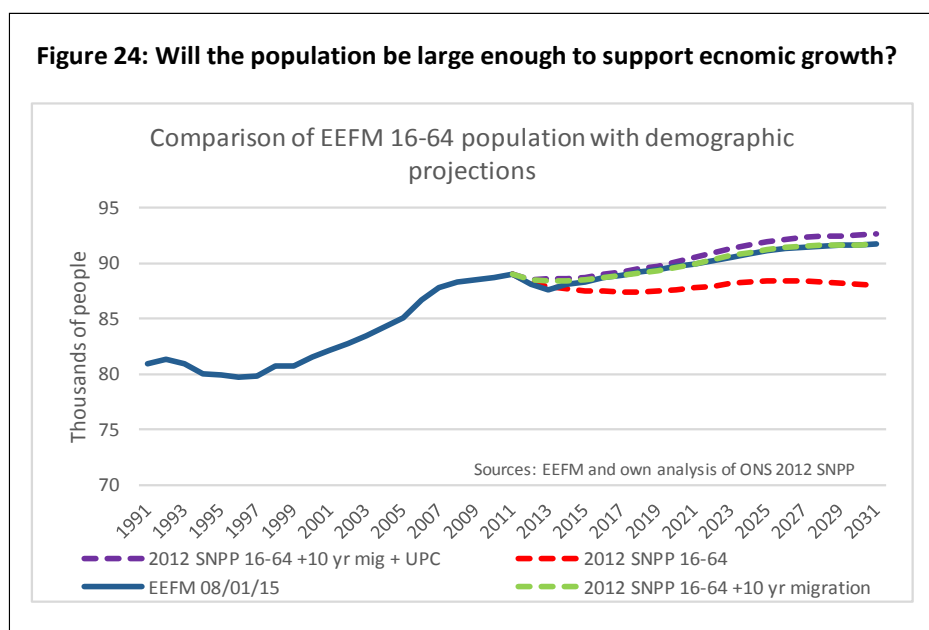
95. The PPG advises:

“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.”¹⁶

96. This makes it clear that Local Plans should be consistent with the economic prospects of an area and that it is not acceptable simply to assume that commuting patterns will change to cover any shortfall between the resident labour force and what is needed to support the economic growth of the area.

97. The January 2015 version of the East of England Forecasting Model (2015 EEFM) suggests that the number of jobs in King’s Lynn and West Norfolk will increase from 65,900 in 2013 to 70,700 in 2028, an increase of 7.3%. The model also suggests that the 16-64 population will increase from 87,600 in 2013 to 91,600 in 2028.



¹⁶ Planning Practice Guidance, Paragraph: 018 Reference ID: 2a-018-20140306

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

98. Figure 24 compares the 2015 EEFM projection for the 16-64 population with the 2012 SNPP and that projection adjusted for 10-year UK internal migration flows both with and without a UPC adjustment. Note that the 'without UPC' projection is almost exactly the same as the figures suggested by the 2015 EEFM. This suggests that, if the OAN is based on the 10 year migration flow adjustment, there will be sufficient people in the Borough to support the projected job growth without a change in commuting patterns. However, without that adjustment the population would not be large enough.

SUMMARY AND CONCLUSIONS

Summary

(a) What population should be planned for?

99. The latest official population projections are the ONS's 2012 Sub-National Population Projections (2012 SNPP). These suggest an annual average increase over the plan period (2013-28) of 890 people a year for King's Lynn and West Norfolk.
100. However, those projections take 2007-12 as the trend period for flows to and from the rest of the UK and as a result appear to have underestimated the likely growth in the population. Adjusting the population projections to reflect the 10-year flows to and from the rest of the UK increases the average annual population increase from 890 to 1190 people a year.
101. It is debateable whether Unattributable Population Change (UPC) should have been taken into account in the 2012 SNPP. Making an adjustment to take account of UPC would further increase the average population increase over the plan period to 1260 people a year.
102. This suggests that the plan should provide for a population increase of 17,900 - 19,000 or 1190 - 1260 people a year over the period 2013-28. This would imply that the population might grow by 11.9 - 12.6% over this period.

(b) How the population is likely to group itself into households

103. The last three DCLG household projections are the 2008, 2011 and 2012-based projections, the last of these having been published at the end of February 2015. Both the 2011 and 2012-based projections generally envisage lower household formation rates than the 2008-based projections.
104. The 2012-based projections suggest higher overall household formation rates than the 2011-based set although for King's Lynn and West Norfolk the differences are not large: if population projections are adjusted for both 10 year UK flow rates and UPC the 2011-based projections suggest the number of households in the Borough will grow by an average of 630 households a year whilst the 2012-based projections suggest 650.
105. There has been considerable discussion about whether the 2011-based projections have been unduly influenced by increased international migration, the economic downturn, the deteriorating affordability of housing and shortages in mortgage finance. There is a case for planning on the basis of a move towards the 2008-based household formation rates for at least some age groups if the 2011-based household formation rates are used. However, a full return to the household formation rates envisaged in the 2008-based projections is unlikely in the foreseeable future both because they were probably optimistic even when they were produced and because changes have occurred since that are unlikely to reverse.

106. Even though the 2012-based projections have higher overall household formation rates they assume that household formation rates will fall for some age groups, most notably couples in their 20s and 30s. It is proposed that, rather than 'planning-in' this kind of deterioration, it should be assumed that household formation rates do not fall below their 2011 level for any age/sex/marital status group (and that rates rise where the projections suggest they will). This 'no one worse off than in 2011' assumption has an effect very similar to assuming that household formation rates move to be mid-way between the 2011 and 2008-based rates - the 'partial return to trend' scenario. With the population projections adjustment for 10 year UK flow rates and UPC this increases the projected increase in the number of households from 650 to 690 a year over the plan period.

(c) Empty and second homes

107. King's Lynn and West Norfolk has a relatively high number of second and holiday homes, particularly in the popular coastal areas to the north of the Borough. Analysis suggests that the proportions of empty and second homes are larger in older housing. It is therefore suggested that the allowance made for second and empty homes should be based on the proportion seen in housing built since 1990 as this is likely to be a more reliable guide than the average for housing of all ages. An allowance should also be made for the likelihood that only a small proportion of the homes built in the plan period will be in the areas with the highest empty and second home rates. Taking both of these factors into account, based on a detailed analysis of the distribution of empty and second homes by age and location, it is proposed that planning should be on the basis that 3.7% of the new homes provided are empty or used as second homes at any one time.

108. On this basis the objectively assessed need for housing would be 10,200 homes without the UPC adjustment and 10,700 with it (i.e. 680 or 710 homes a year) if the 'no one worse off than in 2011' assumption is made. From the mid-point between these two figures of 695 this is a range of only plus or minus 2% and it would be wrong to suggest that household projections of the type used in this analysis are accurate to such narrow margins. In practical terms the uncertainty is at least plus or minus 5% and probably more.

(d) Adjustments to reflect 'other factors'

109. A review of the available data on house prices, affordability, rents, past levels of housebuilding, overcrowding and concealed households does not suggest any particular stress in the Borough's housing market that would justify increasing the estimate of the objectively assessed need for housing above the level suggested by a demographic analysis.

(e) Affordable housing

110. The need for affordable housing in the Borough has been assessed in the light of the recent 'Satnam judgement' which concluded that the assessed need for affordable housing should be included as part of the overall OAN. However, the standard DCLG

method for assessing affordable housing needs is on a completely different basis from the DCLG household projections which the NPPF states should be the starting point for assessing an OAN. It is therefore proposed that the 'Long Term Balancing Housing Markets' method employed in the Strategic Housing Market Assessment should be used to identify the proportion of the overall housing need which should be affordable. This suggests a requirement for 227 affordable homes a year.

111. The Council has both a strong track record of delivering affordable housing without S106 contributions and a range of strategies to prevent households falling into need. The combined effect of these is such that it is feasible that the volume of affordable housing that needs to be provided through S106 agreements could be deliverable within the overall housing requirement of 680-710 homes a year.

(f) Supporting economic growth

112. The latest forecast from the East of England Forecasting Model suggests that, with the upward adjustments to the population projection which have been proposed, the Borough should have a sufficiently large population to support the projected increase in jobs. There is not therefore a need to add additional homes to the demographically-based estimate of the OAN in order to support economic growth.
113. The closure of the USAF base at Mildenhall was announced on 8 January 2015. Even though the base is not within King's Lynn and West Norfolk it is sufficiently close for this to have an impact on the Borough. The data needed to make an assessment of the scale of that impact is not currently available so no attempt has been made to quantify it. However, it is likely that the analysis presented in this report will have over-estimated the housing needs of the Borough to a small extent.

Conclusion

114. **Figure 25 summarises the key scenarios that have been modelled based on the latest DCLG household projections. Depending on whether the UPC adjustment is made the OAN is 10,200 or 10,700 homes over the plan period (2013-28) i.e. 680 or 710 homes a year. However, given the uncertainties inherent in projections of this type, the estimate should not be thought of as precise to better than plus or minus 5%, and probably more. The two figures are well within that range of each other.**

Figure 25: Homes needed per year 2013-28	Population assumption		
	2012 SNPP	10 year UK flows	10 year UK flows + UPC
Household formation rates			
DCLG 2012	520	640	670
DCLG 2012 plus 'no one worse off than in 2011'	*	680	710

* not calculated

ANNEX A

Year	Total Completions	Total Affordable Housing	Total S.106 Completions	Percentage S.106 Completions of total AH	Non S106 affordable housing	Total completions less non S106 affordable housing	S106 s percentage of market completions
2001/2002	532	60	16	26.7%	44	488	3.3%
2002/2003	642	86	0	0.0%	86	556	0.0%
2003/2004	815	71	36	50.7%	35	780	4.6%
2004/2005	820	70	12	17.1%	58	762	1.6%
2005/2006	683	142	81	57.0%	61	622	13.0%
2006/2007	637	164	164	100.0%	0	637	25.7%
2007/2008	1097	178	118	66.3%	60	1037	11.4%
2008/2009	575	121	106	87.6%	15	560	18.9%
2009/2010	314	89	47	52.8%	42	272	17.3%
2010/2011	560	157	54	34.4%	103	457	11.8%
2011/2012	624	147	54	36.7%	93	531	10.2%
2012/2013	322	93	54	58.1%	39	283	19.1%
2013/2014	472	27	15	55.6%	12	460	3.3%
Totals	8093	1405	757		648	7445	
Average	623	108	58		50	573	

Note: the S106 completions over the period 2001-14 (757) represent 10.2% of the 7445 market completions.