

## **Examination of the JCS for Broadland, Norwich and South Norfolk**

**Additional Hearing Day: 9 December 2010**

### Agenda

- 1 To discuss the issue carried over from Matter 3B on 17 November concerning the North East Growth Triangle [see Appendix 1 below]
- 2 Taking stock concerning GNDP's proposed 'plan B', concerning development that would be possible in advance of construction of the Northern Distributor Road [See document GNDP document RF97]
- 3 Taking stock concerning the soundness of the Focussed Changes to policy 4 on Affordable Housing [See the Inspectors' preliminary conclusions at Appendix 2 below]
- 4 Taking stock concerning JCS policy 3 [See the Inspectors' preliminary conclusions at Appendix 3 below]
- 5 Taking stock concerning GNDP's proposed new diagrams RF 25A (Proposed Green infrastructure Network) and RF25B (Biodiversity Enhancement Areas). Where are these from and, since they have not been seen before, do they require advertisement?
- 6 Taking stock with regard to GNDP's schedules of soundness-related changes and minor changes
- 7 Any other outstanding matters

### **APPENDIX 1**

Issue 7 Is there a reasonable prospect of other critical non-transport infrastructure being deliverable by the dates required to permit the annualised build-rate for the growth triangle shown on p111?

Note: *The draft Local Infrastructure Plan and Programme (LIPP) sets out a spatial infrastructure 'package' for the north east growth triangle (see p58-67 of doc EiP85). The LIPP did not originally identify the items of key infrastructure without which the annual growth envisaged at Appendix 6 p111 of the JCS cannot occur. We therefore asked GNDP to do this and additional pages were subsequently provided. We will be seeking to clarify the likely 'effectiveness' of the growth triangle in terms of its ability to permit growth to occur on the scale and within the timescales set out at p111 of the JCS.*

*[First contribution from GNDP and then other participants in any order]*

## **APPENDIX 2**

### **Affordable Housing – Inspectors’ Preliminary Conclusions**

#### ***1 Need***

1.1 Dealing first with need, it is clear that there are substantial methodological difficulties in projecting need over the timeframe of the JCS to 2026. However, in our view the method adopted by GNDP (drawing upon national best practice and extrapolating from the SHMA) has produced an adequately robust measure of need for AH. The Focussed Changes quantify this at about 11,860 during the period 2008-26, which equates to about 33% of the total JCS housing provision over that timeframe. However, since there was a sizeable backlog at 2008 and it is considered necessary to deal with this as soon as possible, the need is said to be front-loaded, thus amounting to about 43% of annualised provision ‘in the short term’. For the same reason the split between social rented and intermediate tenures, which is about 60/40% over the period as whole, is estimated (in the short term) to be 85/15%.

*1.2 Is it reasonable and equitable to base the policy on this front-loaded approach? What is the end date of the ‘short term’? How/when would the implied scaling down of the overall percentage of AH and (within that) the reduced percentage of social rented housing/increased percentage of intermediate housing be dealt with/brought into effect in policy terms?*

#### ***2 Proposed proportions and thresholds***

2.1 The DJD study modelled over 25,000 residual land valuations using a wide range of inputs including a variety of AH thresholds and tenure splits and ranges of assumptions about factors such as build costs and average sales values. The latter covered market conditions in ‘peak’ [2007], ‘trough’ [2009] and ‘current’ [early summer 2010] scenarios, a range of densities and site sizes, and the availability or otherwise of grant.

2.2 Not surprisingly, the sales values seen at the lowest points of the market in 2008-09 make a large proportion of modelled scenarios unviable, regardless of the AH target or other inputs. However, the DJD report finds that, at 40% non-grant aided AH provision, viable schemes fall into the range of 30% to 47% (the former at ‘peak-trough’ conditions and the latter at ‘current-peak’ conditions). It concludes that this demonstrates that a ‘significant proportion’ of the no-grant outcomes are viable. DJD has also made a post-study estimate that 44% of scenarios would be viable based on slightly improved new build values since the study (ie mid to late 2010) and comments that sales values ‘may’ increase even further over the course of the study period, if other factors do not change materially. However, it is currently unclear whether or not the generally upward trend since the trough will continue, become stalled, or be thrown into reverse. [The monthly house-price index appears to have fallen in October and November.] It is also unknown whether or when, after the present ‘period of austerity’, property market conditions will return to the ‘peak’ which, in itself, may perhaps be regarded as representing the unsustainable high-point of a boom.

2.3 Grant-aided scenarios increase the proportions of viable schemes quite substantially, but it is unclear (post-Spending Review) to what extent grant-aid will continue and whether or not other sources of social housing funding may or may not replace it. It certainly appears unlikely that such funds will be available on such a scale as to contribute very far towards enabling the substantially increased scale of AH provision that the JCS envisages. In our view it would be unsound to place much weight on substantial grant-aid being available.

#### Tapering

2.4 The study finds that a 40% target is not currently achievable for schemes down to the submitted JCS threshold of 5 but that ‘phasing it in’ from 5 to 15 units improves viability considerably. The DJD methodology for this phasing ‘is similar to’ the proposed change to policy 4 (ie 20% for schemes of 5-9 and 30% for schemes of 10-15).

#### Preliminary conclusions on proportions and thresholds

2.5 For the above reasons we are uncertain that there is sufficient evidence to conclude that 40% is sound, in terms of being reasonably likely to be viable over the lifetime of the plan. We note that even on the DJD report’s most optimistic scenario of prices returning at some point to peak levels, a 40% requirement would be more often breached than observed. We have therefore sought more comprehensive evidence of the outputs that would result from the lower percentage scenarios modelled by the DJD report with a view to judging whether there is a more robust alternative percentage. We also note that 40% is more than the quantified need over the whole period, albeit that actual provision would be likely to fall short of 40% due to nil contributions from schemes of 4 or less and smaller contributions from schemes of 5-15 (although this factor may be counterbalanced to some extent by 100% provision in rural exceptions schemes, estimated by GNDP at 1170 over the JCS period, and any other 100% schemes that could be brought forward in various ways through new funding arrangements mentioned in the Spending Review). It is of course always the case that if viability conditions were to improve markedly at such time as national economic conditions improve, a review of the percentage target could be triggered.

2.6 *We note (from new document RF89B) that 30% AH provision would raise viability from 30% to 39% for the ‘peak-trough’ scenario and from 47% to 60% for the current to peak scenario and wonder whether this points to a more robust measure of soundness which should be incorporated in JCS policy.*

[We also observe that a lower percentage target could possibly enable us to be more supportive of the ‘short term’ 85/15% tenure split since higher social rented housing is normally a drag on viability compared with a higher proportion of intermediate housing.]

2.7 In our view the tapering provisions in the Focussed Changes are generally sound.

## Preliminary views on other factors

2.8 Plainly, the outputs from the modelling are substantially sensitive to variations in the inputs. The study used a notional 1ha site model with a 100% gross/net development area ratio and assumed that this could be applied pro rata to sites of any size and character, rather than collecting data about a range of 'real sites'. It also made standard assumptions about (a) the required uplift in land value (15% above established use value (EUV) for brownfield sites and various multiples of EUV for greenfield sites) and (b) the necessary developer's profit, varying from 17.5% in a strong market to 25% in a weak market. While all of these inputs are individually debatable, we consider them reasonably robust for the purposes of the study.

2.9 The input figure for future CIL contributions is also pertinent: the study assumes £7000 for each residential unit. This is less than the average that has been required through S106 contributions in the past but nearer to what has been sought for some large schemes recently. Bearing in mind the Local Infrastructure Plan and Programme (LIPP), which identifies additional ranges of items expected to be funded by developers in future, it is feasible that £7000 could prove to be something of an underestimate but in our view the figure is probably robust for present purposes.

2.10 More significant is the modelled assumption concerning building sustainability requirements. The study's base assumption is for private units to comply with current Building Regulations and AH units to achieve Code for Sustainable Homes level 3 (CSH3). Sensitivity testing, based on research for DCLG in March 2010, showed that CSH4 is broadly achievable but that CSH5, with 40% AH, could only be achieved in a small number of scenarios. CSH6 (which policy 3 seeks to reach by 2015) was not modelled but would likely make the provision of AH even more rarely achievable if reliance is to continue to be placed on the present mixed funding cross-subsidy model. As acknowledged by GNDP, there is substantial potential clash between the desire to continue using the planning system to produce affordable housing and the cost implications of providing CSH6 housing, especially as zero-carbon housing (under any definition and any form in which it may emerge) will eventually be mandatory under the Building Regulations. We return to this in our consideration of policy 3.

## APPENDIX 3

### **JCS Policy 3 Energy and water – Inspectors’ Preliminary Conclusions**

- 1 Policy 3 aims to maximise the use of low or zero carbon development, subject to environmental constraints. To that end it requires that major developments of over 500 dwellings or 50,000sqm of non residential development must be supplied with all their energy needs from ‘dedicated contractually linked decentralised and renewable sources’. Moreover, development below this size must maximise any potential for doing the same and, for any outstanding balance, contribute to a carbon offset fund to make equivalent savings. PPS1 Supplement: *Planning and Climate Change* is generally supportive of local requirements that set a target percentage of the energy to be used in new development coming from ‘decentralised and renewable or low-carbon energy sources’ where (a) this is viable, (b) there is a clear rationale for the target, and (c) it has been properly tested. Where there are particular demonstrable opportunities for increasing the target percentage, such cases should be identified using development area or site specific targets to secure this potential. PPS22: *Renewable Energy (at para 8)* also supports policies in DPDs which require a percentage of the energy to be used in new developments to be derived from on-site renewable energy sources. However, it makes clear that this is subject to viability and that the policy should not be framed in such a way as to place an undue burden on developers, for example by specifying that all of the energy to be used in a development should come from on-site renewable generation.
- 2 The evidence base for this policy is the Sustainable Energy Study for the JCS dated May 2009. This identifies a technical plan-wide renewable energy potential of 129% of the area’s current energy consumption. However, this is a ‘high level’, theoretical study which does not fully consider constraints such as landscape, wildlife habitats and grid connection. In our view it does not provide sufficiently robust evidence to demonstrate that local circumstances exist to justify the mandatory nature of the policy 3 requirements, effectively seeking 100% renewable energy or equivalent compensating carbon offsetting in all cases. This is contrary to national advice in PPS22 and we are not aware of any other local planning authorities seeking to apply a requirement of this kind.
- 3 Although GNDP put forward some changes to policy 3 to (a) bring greater consistency with the terminology employed in the glossary to the PPS1 Supplement and (b) delete the requirement for contractual linking of the energy supplies, we do not consider that these are sufficient to bring policy 3 into line with the approach outlined in PPS1 Supplement. Further change is required to the first two bullet points of policy 3, replacing them by a less mandatory, but still stretching, policy, along the following lines: *Area Action Plans, master planning exercises, or detailed proposals for major developments (minimum 500 dwellings or 50,000 sqm or more of non-residential development), will be required to demonstrate through Sustainable Energy Statements that the scheme is meeting the maximum viable proportion of its energy needs from dedicated, decentralised and renewable or low*

*carbon sources, making the most of any available economies of scale. Sustainable Energy Statements will also be required for smaller developments (minimum 10 dwellings or 1,000sqm of non-residential development), demonstrating that the most practicable contribution from such sources has been identified, taking account of the specific circumstances of the site.*

- 4 Turning to sustainable building construction (bullet points 3 and 4 of policy 3), the PPS1 Supplement states that planning authorities should help to achieve the national timetable for reducing carbon emissions from development and acknowledges that there will be situations where it would be appropriate for authorities to anticipate levels of building sustainability in advance of those set out nationally. However, it advises that proposed local requirements for sustainable buildings must be based on clearly demonstrated local circumstances that both warrant and allow this, such as clear opportunities for significant use of decentralised and renewable or low-carbon energy, or circumstances in which without the stated requirement (for example on water efficiency) the development in question would be unacceptable in its location.
- 5 Policy 3 requires all new housing development to reach Code for Sustainable Homes level 4 (CSH4) after adoption of the JCS and CSH6 by 2015, with qualifying non-residential development meeting BREEAM excellent standards after adoption and BREEAM outstanding, or equivalent, from 2015.
- 6 The financial impacts of the JCS requirements on development costs are uncertain. However, they could have a significant impact on such costs, and thereby on the viability of affordable housing. Direct tension could therefore arise between JCS objectives in policies 3 and 4. National policy on the definition of zero-carbon development has yet to emerge and it remains to be seen (a) what form the national target (to reach the standard by 2016) will take, and (b) what role carbon offsetting may play in this process. In the meantime we consider that there is no firm justification for placing all development in the JCS area on a mandatory faster track in terms of sustainability standards. In our view further change to the third and fourth bullet points of policy 3 is required along the lines set out beneath to reduce their mandatory nature, while still encouraging opportunities to be taken for maximising the use of sustainable construction where the scale or economics of development makes this achievable or other specific circumstances permit it. Thus: *‘Development proposals over 10 dwellings or 1000sqm will be required to demonstrate, through the submission of Sustainable Construction Statements, that all viable and practicable steps have been taken to maximise opportunities for sustainable construction.’*
- 7 Looking finally at water-related matters, the JCS area is one of ‘water stress’, close to internationally protected sites including the Norfolk Broads. These are therefore critical issues. Policy 3 makes all new development dependent on the provision of sufficient water infrastructure and the protection or improvement of water quality. We were impressed that the relevant providers and regulatory bodies are working well together to fulfil their various

responsibilities while also meeting the challenging task of providing the infrastructure that will be necessary both to cater for the substantial scale of growth proposed in the JCS and to address the demands of the Water Framework Directive (WFD) and the Habitats Directive (HD). This will require timely and appropriate investment at a number of waste water treatment works referred to elsewhere in this report and a proposed new interceptor sewer required to serve some of the major growth areas such as the North East Triangle.

- 8 Turning specifically to water usage, abstraction within the River Wensum SAC has given rise to reduced flows and unfavourable conditions and the water providers and regulators therefore intend to reduce abstraction from one of the main sources of supply at Costessey to historic levels. The current plans of Anglian Water Services (AWS) should create sufficient headroom to achieve this by 2015, while headroom and demand forecasts will also be reviewed and reset in 2014. Measures to reduce water use, including metering, will play a part in achieving the objectives of the JCS but policy 3 also proposes the imposition of CSH4 water-related standards on adoption and CHS6 water standards by 2015, including grey water recycling and rainwater harvesting.. While this would have cost implications, we accept that careful husbanding and management of water resources are important to reinforce the actions being taken to address the long-term challenges of the WFD and HD by improving water quality in this particular area. We therefore support this part of policy 3.