

South Cambridgeshire Local Plan Examination

Joint Hearing Sessions – Matter PM1: Housing

Representor Reference: 19878

Representation ID's: 66045 and 66047



May 2016

CONTENTS

| | | |
|----------|--|-----------|
| 1 | Introduction | 1 |
| 1.1 | Context | 1 |
| 2 | Objectively Assessed Housing Need (OAHN) | 2 |
| 2.1 | Question 1A.1 and 1A.2..... | 2 |
| 2.2 | Summary on OAHN..... | 8 |
| 2.3 | Question 1A.3..... | 9 |
| 3 | Five Year Housing Land Supply and Joint Trajectory..... | 10 |
| 3.1 | Question 1B.1 | 10 |
| 3.2 | Question 1B.2 | 11 |
| 3.3 | Question 1B.3 | 11 |
| 3.4 | Question 1B.4 | 12 |

1 INTRODUCTION

1.1 Context

- 1.1.1 These representations are submitted by Gladman Developments Ltd (Gladman) and cover issues PM1A (OAHN) and PM1B (5year housing land supply and joint trajectory). The section within this submission covering OAHN has been prepared on Gladman’s behalf by GVA.
- 1.1.2 These submissions should be read in conjunction with representations submitted to the Local Plan Proposed Modifications consultation in January 2016.

2 OBJECTIVELY ASSESSED HOUSING NEED (OAHN)

2.1 Question 1A.1 and 1A.2

Does the further work on OAHN, carried out by PBA for the Councils ensure that the methodology used is now generally compliant with the PPG. Do the OAHN figures provide a robust basis to underpin the provision of new housing in the Local Plans. If not, why not and why are alternative figures to be preferred?

- 2.1.1 The report 'Objectively Assessed Housing Need: Further Evidence' (November 2015 "PBA Report") prepared by Peter Brett Associates (PBA) on behalf of Cambridge City and South Cambridgeshire District Councils ('Greater Cambridge') responds to concerns raised by the Examining Inspectors. It does not represent a full objective assessment of housing needs, but rather responds specifically to the areas identified by the Inspectors as requiring further work and leaves out elements of the OAN process which were not specifically discussed in the May 2015 letter. In this respect it also refers to evidence within the Cambridge Housing Sub-region, Strategic Housing Market Assessment (2013).
- 2.1.2 The PBA Report looks at the demographic starting point, the implications of housing market signals, and the need for affordable housing in relation to planned levels of housing. In terms of assessing future labour force supply against 'likely change in job numbers'¹, the PBA Report comments that the analysis does "not take account of future jobs, because this factor has already been considered by the SHMA, in an analysis which the Inspectors have not questioned."² The PBA Report recognises that the SHMA followed a different method to that espoused by the PPG; "The SHMA does not provide a purely demographic projection. Rather, it derives future population from an integrated view of demographic trends and future jobs"; notwithstanding this, the PBA Report seeks to update the demographic element of the OAN process without assessing the labour force implications of that demographic element. Therefore, by relying on the out of date SHMA³ for its labour force analysis, it is relying on an inconsistent evidence base with different assumptions about migration and age profile. This is problematic and is discussed further below.

Demographic-need

- 2.1.3 The PBA Report utilises the demographic projections from an Edge Analytics report produced for Greater Essex (May 2015). The Edge report provides a number of demographic projections which include Cambridge and South Cambs and the PBA Report relies on its findings for its own interpretation of demographic / trend-based housing needs in Greater Cambridge.
- 2.1.4 Table 2.1 of the PBA Report sets out the demographic scenarios which have been assessed by Edge Analytics. The scenarios provide a range of migration assumptions for the Greater

¹ Paragraph: 018 Reference ID: 2a-018-20140306

² Paragraph 11, PBA Report

³ The SHMA is out of date by virtue of the fact that the PBA Report has superseded its demographic analysis

Cambridge area; specifically, migration rates from the 2012 Sub-national Population Projections (SNPP), from the last five years (2008/9 to 2012/3) and from the last ten years (2003/4 to 2012/3). Given that migration is the most difficult component of population change to project, it is prudent to assess the effect of a range of different scenarios or sensitivity exercises. Overall, the Edge report, relied upon by the PBA Report provides an appropriate range of migration scenarios to test the “starting point.”

2.1.5 There is a further ‘sensitivity’ exercise which is to assess the implications of utilising the 2008 household representative rates (HRRs) as opposed to the 2012 rates. Whilst the PBA Report includes the results of both of these scenarios it goes no further in assessing the implications of these different rates and whether any adjustments are required. Given the specific issues around HRRs in young adults (see below) this has the potential to underestimate household formation in this age group.

2.1.6 Figure 2.1 sets out HRRs for young adults (25 to 34 year olds). The change in household formation in this age group at the start of the last decade indicates that there has been a significant break from past trends. Possible causes for this include the inability of first time buyers or renters to afford local prices, find suitable properties, obtain credit or save for a deposit. This age group is highlighted by the RTPI as being specifically affected by the issues encountered during the housing boom and bust; a period where an increasing number of young adults stayed at home longer or lived in shared houses with friends.⁴ It is therefore likely that local as well as national issues in the housing market have affected the ability of this age group to form new households.

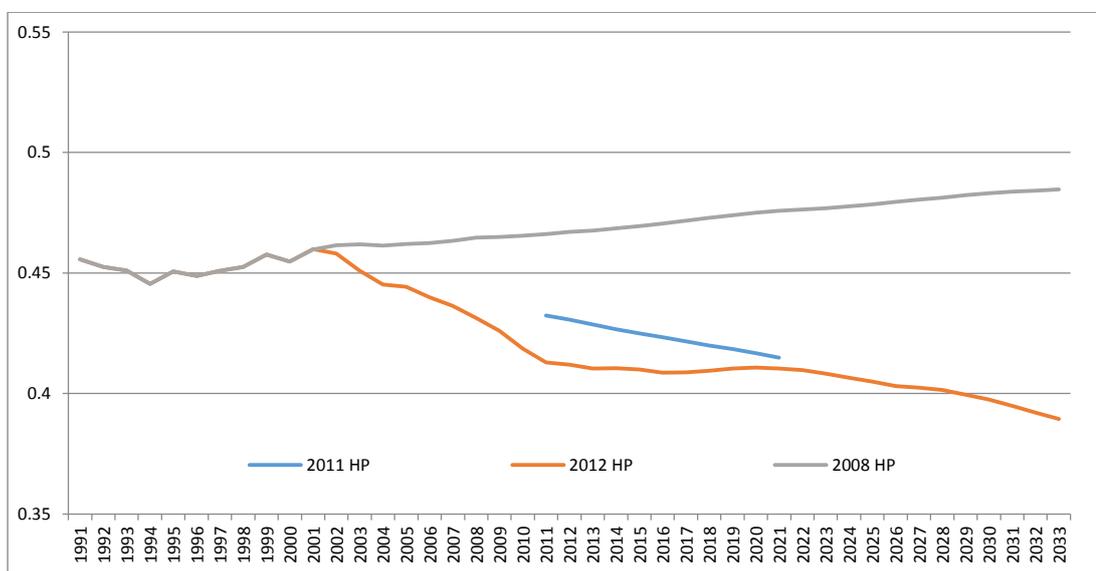


Figure 2.1 HRRs for 25 to 34 year olds in South Cambs (Source: 2012, 2011-interim and 2008 Household Projections, Y axis is the percentage of 25 to 34 year olds who are head of a household)

2.1.7 PBA have attempted to rebut this point in their March 2016 ‘Response to Objectors Paper’ however their response, that lower household formation in South Cambridgeshire is due to more

⁴ http://www.rtpi.org.uk/media/819060/rtpi_research_report_-_planning_for_housing_in_england_-_january_2014.pdf

couples or a mixture of welfare reforms and student debt, does not explain the phenomenon of falling HRRs in this age group. An assessment of the Labour Force Survey shows that at the national level from 2000 there has been an increasing number of young adults living at home, which accelerated (since 2008) from 1 in 5 young adults to around 1 in 4 today (see Figure 2.2).

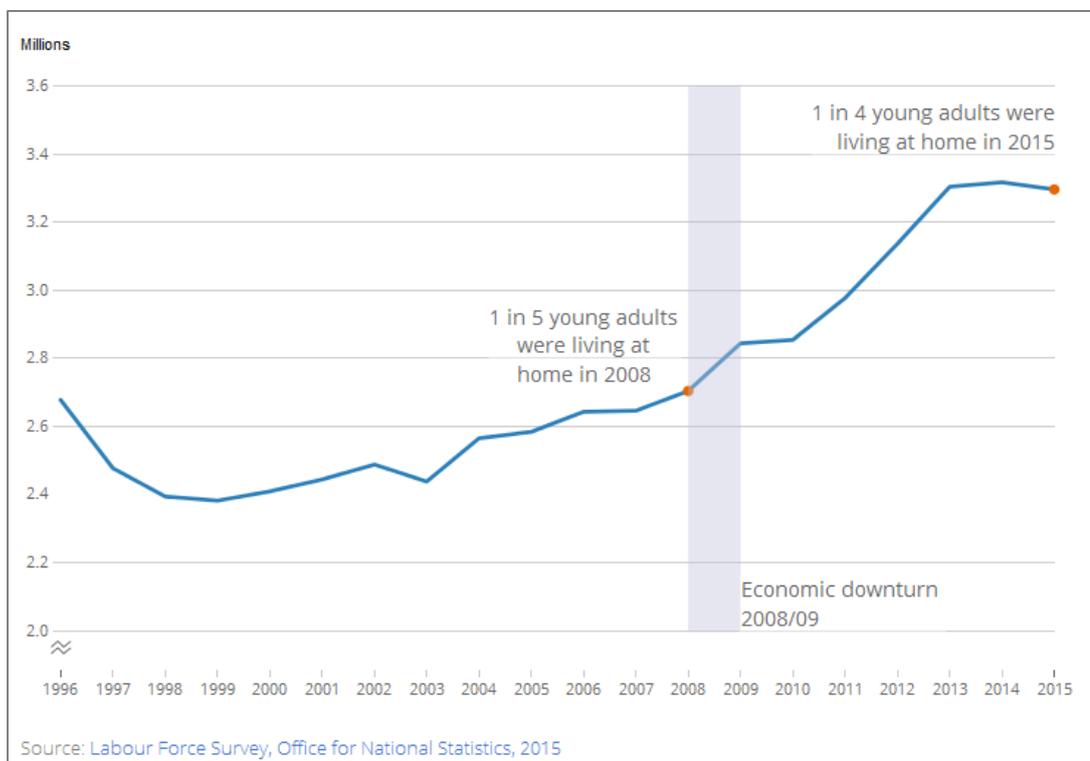


Figure 2.2 Number of young adults aged 20 to 34 living with their parents, UK, 1996 to 2015

2.1.8 Whilst there may, of course, be a range of societal factors at play, the affordability of housing is a significant factor, as demonstrated by the data in Figure 2.3 which shows the ratio of price paid to income between 1971 and 2014. This shows that from 2000 the ratio went from between 2 to 3 (where it had sat from the 1970s) to 4.5 where it has largely remained, despite the downturn. The McDonald and Whitehead ‘New estimates of housing requirement in England, 2012 to 2037’ which is referenced in the March 2016 PBA rebuttal, acknowledges that declining household formation was ‘exacerbated by the credit crunch and the recession’ whilst also recognising that other factors are at play – in particular (as shown by Figure 2.2 and Figure 2.3) the rapid affordability ratio increase that took place in the late 1990s.

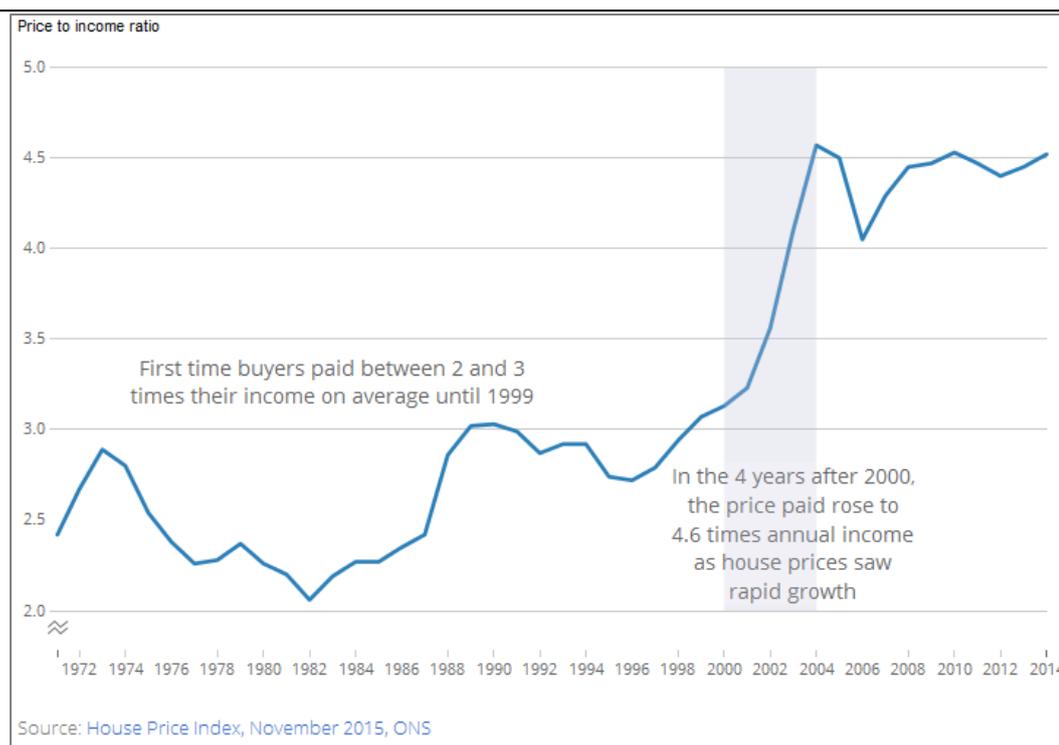


Figure 2.3 Ratio of price paid to income of borrower for first time buyers, UK, 1971 to 2014

Market Signals

- 2.1.9 Section 3 of the PBA Report focuses on market signals in Cambridge and South Cambs and the extent to which the issues identified justify an increase in the total level of housing.⁵ Overall PBA's market signals analysis recognises that across Greater Cambridge there are issues with increasing house prices, worsening affordability, high rental costs and overcrowding. There has also been a historic under-delivery of housing relative to past requirements. In the case of South Cambs specifically, it has high absolute house prices, poor affordability which has worsened relative to comparator areas and high rental prices which have increased over time. There is therefore a recognised need to adjust the demographic trends to take account of market pressures.
- 2.1.10 The PBA Report recognises that *"there is no fixed empirical or statistical approach to arrive at the level of adjustment to address market signals. Based on the PPG requirements, Inspector's decisions approached the matter as an exercise of judgement."*⁶ The PBA Report concludes that an upward adjustment is necessary to address these concerns and discusses the adjustment in relation to areas where market signal adjustments have been agreed by Inspectors. Specifically the PBA Report refers to Canterbury and Eastleigh where an adjustment of 20% and 10% respectively was made to the demographic-led projection of housing need to accommodate a market signals adjustment (30% including the additional adjustment made in respect of Canterbury to accommodate economic growth).

⁵ Paragraph 3.5 of the PBA Report

⁶ Paragraph 3.35 of the PBA Report

- 2.1.11 The PBA Report recognises that the market signals issues are more severe in Cambridge than South Cambs and therefore a different response is required in each area. It is clear that on most measures, the market signals are showing a significant worsening of affordability and house prices in Cambridge relative to South Cambs however the proposed upward adjustment limited to 10%, with respect to South Cambs, is not justified.
- 2.1.12 Figure 2.4 and Figure 2.5 show affordability and house prices in Cambridgeshire and include a number of comparator areas including Eastleigh, Uttlesford and Canterbury (discussed in relation to market signals in the PBA Report) and England. Figure 2.4 shows that in 2013, with the exception of Uttlesford and Cambridge, South Cambs is the least affordable. In absolute terms affordability worsened (by a factor of 4.5) higher than all comparator areas except Cambridge and Uttlesford, and (in percentage terms) it worsened more than all areas except Cambridge, Uttlesford and Fenland. Post-2008 when generally affordability improved, only Uttlesford and Cambridge have seen a lower improvement. Figure 2.5 shows a similar picture with South Cambs median house prices growing significantly, only exceeded by Uttlesford and Cambridge.
- 2.1.13 The most significant conclusion from this analysis is that in Canterbury an upward adjustment of 20% is made to the demographic scenario and in all cases (with the exception of absolute affordability in 2013) South Cambs performs worse in the categories assessed.

| | LQ Prices to Earnings | | | | |
|-----------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
| | 2013 Absolute | '97 to '13 (absolute) | '97 to '13 (change) | '08 to '13 (absolute) | '08 to '13 (change) |
| Cambridge | 10.33 | 5.8 | 130% | -0.2 | -2% |
| East Cambs | 8.08 | 3.5 | 77% | -0.5 | -6% |
| Fenland | 6.14 | 3.2 | 105% | -1.4 | -18% |
| Huntingdonshire | 6.75 | 3.1 | 84% | -0.9 | -12% |
| South Cambs | 8.79 | 4.5 | 103% | -0.5 | -6% |
| Cambridgeshire | 6.90 | 3.1 | 84% | -0.9 | -12% |
| Uttlesford | 11.19 | 6.2 | 125% | -0.2 | -2% |
| Eastleigh | 8.15 | 4.0 | 89% | -1.5 | -15% |
| Canterbury | 9.12 | 4.3 | 89% | -0.7 | -7% |
| England | 6.45 | 2.9 | 81% | -0.5 | -7% |

Figure 2.4 Lower quartile prices to earnings and change over time

| | Median House Prices (All Dwellings) | | | | |
|-----------------|-------------------------------------|---------------------|---------------------|---------------------|----------------|
| | 1995 | '95 to '08 (change) | '08 to '14 (change) | '95 to '14 (change) | 2014 |
| Cambridge | 70,000 | 167,000 | 113,000 | 280,000 | 350,000 |
| East Cambs | 59,950 | 125,050 | 27,000 | 152,050 | 212,000 |
| Fenland | 41,750 | 95,425 | 3,825 | 99,250 | 141,000 |
| Huntingdonshire | 58,000 | 118,450 | 21,800 | 140,250 | 198,250 |
| South Cambs | 75,250 | 159,750 | 34,995 | 194,745 | 269,995 |
| Uttlesford | 82,500 | 177,500 | 55,000 | 232,500 | 315,000 |
| Eastleigh | 60,000 | 134,000 | 31,000 | 165,000 | 225,000 |
| Canterbury | 55,527 | 139,473 | 33,495 | 172,968 | 228,495 |

Figure 2.5 Median prices and change over time

2.1.14 Overall the market signals adjustment suggested by PBA is not justified. The issues in terms of house price (see above) and rents (see para 3.26 of the PBA Report), affordability (see above), past supply of land and housing to meet needs (see para 3.13 of the PBA Report) all indicate a greater than modest level of pressure in the housing market which requires an increase above that identified by the PBA Report.

Future Employment

2.1.15 The approach to balancing labour supply with likely job growth adopted by the Councils is to meet the employment-led housing growth generated within the two authorities (Greater Cambridge) in the surrounding Cambridgeshire authorities, recognising that this will result in significant increases in in-commuting. Properly assessed, this is not an OAN assumption. Instead, the councils are making a policy-on adjustment, as their approach adopts a policy of distributing the housing need across the sub-regional authorities instead of across Cambridge and South Cambs. The Oadby and Wigston High Court Case⁷ highlights the issue of changing commuting rates to suit a strategy or policy approach that is adopted by one authority which affects adjacent authorities and concludes that such an adjustment is a policy on assumption.⁸ The effect of South Cambs meeting its own employment needs (whilst taking into account its current commuting patterns with Cambridge and Cambridgeshire) can be seen from page 101 of the Edge Analytics report where it concludes that to meet the East of England Forecasting Model's employment growth forecast would require in excess of 1,070 dwellings per annum between 2012 and 2037.

2.1.16 The second concern with the Councils' approach is that no consideration has been made of how the latest demographic projections, referred to in PBA's Report, specifically meet the likely change in job numbers. As the Council is now adopting a new set of demographic data, it should assess this against its likely supply of economically active persons. Presumably the reason it has not done this is because the demographic scenarios it utilises are lifted from another report and the PBA Report does not have access to the information. In respect of this second issue, the PBA Report is silent. Instead it provides the statement (cited at paragraph 2.1.2 above) which reiterates the position of the Council that as the Inspectors' took no issue with economic growth in their May 2015 letter, then that must mean that they accept the Council's analysis. There are issues with the fact that the SHMA and PBA Report utilise completely different demographic trends and projections as this will affect the economic activity of the population (i.e. labour force) due to the age profile of the population changing. The Councils' evidence is therefore a confused mixture of statistics and evidence which do not (and cannot) properly logically align.

2.1.17 The strength of the economy in South Cambs is underlined by recent employment growth in the district. Between 2013 and 2014 the total level of employment has increased by 9.97% in South Cambs; 6,685 jobs created in one year. It is therefore critical that sufficient housing is delivered in Greater Cambridge to support this continued employment growth.

⁷ July 2015 EWHC/Admin/2015/1879

⁸ 34(i) of the judgement

2.1.18 Overall, the Councils' housing need evidence should be comprehensively revised. It should take account of the issues raised above, explore the impact of the latest demographic data on the supply of economically active people and assess the need for South Cambs and Cambridge to deliver its own labour supply without significant increases in in-commuting, which must properly be considered to be a policy-on adjustment.

Affordable Housing

2.1.19 In respect of affordable housing, the PBA Report accepts that there is a significant need for affordable housing in both Cambridge and South Cambs.

2.1.20 In respect of South Cambs, the PBA analysis confirms that delivering affordable housing, at a rate of 30% of all housing, the full OAN for affordable housing can be met. In respect of Cambridge, however, the need cannot be met solely through the delivery of market housing. The PBA Report recommends that an increase should be explored. However, it questions whether there would be sufficient demand for these houses over and above the OAN as all of the authorities in the surrounding HMA are meeting their needs.⁹ In response, it should be noted that there is evidence that in Cambridge the economic growth forecasts are higher than originally considered by the Local Plans and this could drive additional demand for market housing and, therefore, affordable housing.

2.2 Summary on OAHN

2.2.1 In summary:

- The PBA Report is not a full and objective assessment of housing need and its conclusion that 19,500 dwellings for South Cambs represents the full OAN for the district is unjustified on the basis of the evidence before the EiP.
- In respect of demographic need the report relies upon an assessment of housing need by Edge Analytics. Overall the approach utilised by the PBA Report should be revised to take into account the falling household formation rates in young adults.
- With respect of greater than modest market signals, the 10% increase would seem inadequate and unjustified.
- Given the change in demographic evidence, a comprehensive assessment of the balance between labour supply and likely employment growth should take place. The Councils' approach is therefore out of date.
- The Councils' approach of shifting housing to the wider sub-region is considered to be a policy-on approach. If South Cambs were to meet its own employment growth for

⁹ Paragraph 4.16 of the PBA Report

example (taking account of its current commuting patterns of course) an OAN of at least 1,070 dpa would be likely.¹⁰

2.3 Question 1A.3

The OAHN figures are also the housing requirement figures in both plans. What is the relationship between these figures and the 1,000 extra homes which are part of the City Deal.

City Deal for Greater Cambridge

- 2.3.1 There is no discussion of the City Deal in the OAN evidence set out in the SHMA or PBA Report. However the main modifications paper (paragraph 2.14 of the modified local plan) states that the additional 500 dwellings provided for by the PBA Report (over the previous OAN of 19,000) delivers half of the 1,000 additional homes being delivered across rural exception sites in Greater Cambridge (the City Deal homes). There is no clear evidential basis for this statement and Gladman would like clarity from the Council as to purpose of this housing and its relationship with the OAN. Given the housing is likely to meet a specific need for affordable housing across Greater Cambridge's rural population it is likely that the 1,000 City Deal allowance should be made in addition to the increase in the total OAN to ensure it leads to a genuine net improvement to affordability and affordable housing across the Greater Cambridge area.

¹⁰ Taken from the Edge Analytics Report (May 2015) Page 101

3 FIVE YEAR HOUSING LAND SUPPLY AND JOINT TRAJECTORY

3.1 Question 1B.1

Are there any local circumstances which justify the use of a joint trajectory without a joint plan? If so what are they?

- 3.1.1 As stated in previous submissions Gladman object to the proposed joint housing trajectory and supply calculation.
- 3.1.2 If the Councils had intended to consider the housing trajectory jointly then the appropriate approach would have been through the production of a Joint Local Plan. This is not the case, and Gladman can see no clear justification or rationale for why a joint trajectory should be applied in this instance.
- 3.1.3 The EiP Inspectors have already stated that progressing with a joint housing trajectory would not resolve the issues regarding five year housing land supply, which is consistent with the Inspector's view in the Waterbeach appeal (APP/W0530/A/13/2207961). Paragraph 41 of the Decision Letter sets out that *"Paragraph 47 of the Framework is directed to each Local Planning authority, e.g. "their housing requirements". Since it is clear that each Local Planning Authority must demonstrate its own 5-year housing land supply, to adopt a different approach would be without precedent."*
- 3.1.4 This approach is also consistent with how land supply is assessed in other joint Core Strategies. For example in Central Lancashire, Preston, Chorley and South Ribble have a joint Core Strategy, however all three authorities calculate their housing land supply on an individual basis.
- 3.1.5 This concern is particularly pertinent as South Cambridgeshire are currently unable to demonstrate the existence of a 5 year housing land supply within the district.
- 3.1.6 Gladman contend that the proposed modification seeking to introduce a joint housing trajectory and joint five year supply calculations should be deleted as it is inconsistent with the Framework. Each Local Planning Authority should calculate their five year housing land supply on an individual basis.
- 3.1.7 The proposed joint housing trajectory and joint supply calculation is not sound; it does not represent positive plan making, is not effective or justified and is not consistent with national policy.

3.2 Question 1B.2

Will the use of a joint trajectory assist in meeting the objectives of the Framework, including the delivery of sustainable development and boosting significantly the supply of land for housing?

- 3.2.1 The use of a joint housing trajectory will not assist in meeting the objectives of the Framework. It will merely serve to mask the significant housing land supply issues within South Cambridgeshire District, which in turn is likely to restrict sustainable development from coming forward.
- 3.2.2 South Cambridgeshire are not currently able to demonstrate a five year supply of housing land, with their latest published position being 3.9 years housing land supply.
- 3.2.3 If the true housing land supply position in South Cambridgeshire is offset by that of Cambridge City it will not in any way help to significantly boost the supply of housing, but will restrict sustainable growth within the LPA boundaries.
- 3.2.4 The approach proposed by the Councils is unsound, it would not result in plans that are positively prepared, effective or justified.

3.3 Question 1B.3

Is it clear how this approach would work in practice; i.e. how would the five year land supply be updated and calculated; and is it clear how any failure to provide a five year supply would be resolved?

- 3.3.1 Gladman submit that in the instance of the circumstances in South Cambridgeshire any failure to meet the five year housing land supply in one authority cannot simply be rectified by over provision in another authority. The lack of five year housing land supply in South Cambridgeshire should not be offset from provision elsewhere. To adopt this approach in the Cambridge and South Cambridgeshire circumstances would appear counterintuitive as the needs of the peripheral rural area for housing are apparently being met within the city.
- 3.3.2 The Framework seeks to provide housing to address needs where they occur and therefore the approach proposed by the Council's is inconstant with this. The proposed modifications to the Local Plan (amended §2.61) outlines that sites at the top end of development in and on the urban edge of Cambridge will deliver in the early and middle part of the plan, whereas delivery in South Cambridgeshire will be greater in the middle and latter parts of the plan period.
- 3.3.3 Gladman remain unclear on how any failure to provide a five year housing land supply in South Cambridgeshire would be rectified.
- 3.3.4 The issue of rectifying a deficient five year housing land supply position should be a consideration at the next stage. The test through the examination should be whether the Local Plan can demonstrate a five year supply of housing land or not. South Cambridgeshire are currently unable to demonstrate this.

- 3.3.5 South Cambridgeshire need to be identifying additional sites within the District in order to rectify any shortfall in housing land supply. Reliance on the delivery of strategic sites in another local authority may ultimately mean failure for the South Cambridgeshire Local Plan. Furthermore the Council should not be placing arbitrary and unjustified limits on development in the rural areas of South Cambridgeshire, ultimately restricting otherwise sustainable development from coming forwards.
- 3.3.6 South Cambridgeshire cannot currently demonstrate a five year supply of housing land, the plan therefore cannot be found sound.

3.4 Question 1B.4

The MoU (RD/STRAT/350) indicates that, as part of the City Deal arrangements, the Council have agreed to prepare a joint Local Plan and Transport Strategy starting in 2019. Should this commitment be expressly included in the Local Plans?

- 3.4.1 In principle, Gladman support the intention for the two local planning authorities to prepare a joint Local Plan in the future, with work due to have started by 2019. However, this commitment needs to be expressed within the Local Plans themselves, and there needs to be a clear mechanism in place to ensure that this joint Local Plan is progressed as intended, rather than it just being an agreed statement within the MoU. Experience elsewhere sadly indicates how such timetables for further development plan preparation often slip. Hence a specific local plan imperative would be desirable.