



**GL Hearn**

Part of Capita Real Estate

## **Matter PM1A – Objectively-Assessed Housing Need**

### **Representations from GL Hearn on behalf of:**

St Johns College ID 3083, Rep No 66029

Pigeon Land & Lands Improvement Holdings ID 25320, Rep No 65434 and 65438

North Barton Road Landowners Group, ID 5336 and 21302, Rep No 66122, 66140 – 66145

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## 1 PM1A.1

### **DOES THE FURTHER WORK ON OBJECTIVELY ASSESSED HOUSING NEED (OAHN), CARRIED OUT BY PETER BRETT ASSOCIATES (PBA) FOR THE COUNCILS (RD/MC/040) ENSURE THAT THE METHODOLOGY USED IS NOW GENERALLY COMPLIANT WITH PLANNING PRACTICE GUIDANCE (PPG)?**

#### Overview

- 1.1 No, GL Hearn does not consider that the conclusions drawn on OAHN are based on a PPG-compliant methodology. A PPG-compliant approach requires an integrated approach which brings together evidence regarding four factors:
- i. Demographic Trends
  - ii. Employment Trends
  - iii. Market Signals
  - iv. Affordable Housing Need
- 1.2 Consideration of all four factors is necessary to draw conclusions on OAHN. The PPG also sets out “the standard methodology set out in this guidance is strongly recommended because it will ensure the assessment findings are transparently prepared.”<sup>1</sup>
- 1.3 Our fundamental concern is that the PBA report responded to a brief which sought to consider demographic trends, market signals and affordable housing need – but not economic trends/ growth potential. It thus provides a partial evidence base, and in doing so is not able to draw PPG-compliant conclusions on OAHN.
- 1.4 Ultimately the situation which arises is a clear misalignment between the strategies for housing and employment within the plans in direct conflict with NPPF Paragraph 158 which outlines that in plan-making “local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals.”

#### Demographic Factors

- 1.5 Trend-based demographic projections provide a starting point for assessing housing need. These are sensitive to two factors in particular – assumptions on migration; and on household formation rates.

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<sup>1</sup> ID 2a-005-20140306

## Migration

- 1.6 GL Hearn recognises the difficulties in projecting population for Cambridge. PBA's approach of using a 10 year trend adjusted for UPC is not unreasonable from a technical perspective. This results in projected population growth of 0.7% per annum. However the 2014 ONS Mid-Year Population Estimates suggests a population growth rate of 1.5% per annum over the 2011-14 period – over twice what PBA's projections suggested. Whilst recognising this is a short period, it highlights the potential for stronger population growth than in PBA's preferred scenario.
- 1.7 The ONS 2012-based SNPP used for South Cambridgeshire are dynamic projections. There are two factors which can be expected to support higher population growth in South Cambridgeshire than shown in this projection: the first is the stronger population growth in Cambridge than in the 2012 SNPP (which PBA expects) which can be expected to support higher out-migration from the City to South Cambs (in absolute terms). The second is higher assumed international migration to the UK by ONS in its 2014-based Population Projections relative to their 2012 set (both in the short- and longer-term).
- 1.8 PBA's conclusions are not unreasonable given the evidence available, but recent evidence would point to upside factors. This should be borne in mind in drawing conclusions on OAHN.

## Household Formation

- 1.9 The PPG must be read as a whole and is clear that household formation may require adjustment ( ID 2a-015-20140306). GL Hearn recognises that there are a range of factors which have historically influenced household formation (as described for instance in PBA's "Response to Objectors"). However we can find no evidence that PBA has critically reviewed the trends shown in the 2012-based Household Projections for Cambridge and South Cambridgeshire for specific age groups. These are set out in our Nov 2015 representations and appended.
- 1.10 It is not the current headship rates (as assessed in the PBA Response to Objectors Figs 2.1 and 2.2) which are the issue, but what is expected within the projections moving forwards. In both Cambridge and South Cambridgeshire, household formation amongst people aged 25-34 is expected to fall quite notably in the 2012-based Household Projections to 2031. Whilst recognising other potential historical influences, PBA acknowledge that past housing delivery has been suppressed (Further Evidence Report, Para 5.5). An adjustment to the forward trend is clearly warranted. The Councils evidence assumes, and plans for, future growth in younger households sharing and living with parents rather than seeking to address it.

## Economic Growth and Employment Trends

1.11 The PPG is clear that consideration of employment trends/forecasts is necessary in drawing conclusions on OAHN. The PBA Further Evidence report recognises this but sets out that “in the present study we have not considered this factor” (Para 3.47). It goes on to outline (Para 3.50, iii) that:

*iii. But for South Cambridgeshire and Cambridge City considered in isolation the labour supply resulting from the proposed housing numbers would not be enough to support the expected job growth*

*iv. Therefore the authorities’ spatial strategy proposes that some of the new jobs in Greater Cambridge can be filled by increased commuting from other parts of the HMA.*

1.12 GL Hearn has analysed the expected growth in economic active residents which can be expected to arise from the planned housing growth in the Main Modifications. Our analysis indicates:

- 22,100 jobs are forecast in Cambridge over the plan period (2011-31). The resident workforce can be expected to grow by 14,500. Net in-commuting can therefore be expected to grow by 7,600 to 2031.
- 22,000 jobs are forecast in South Cambridgeshire. The resident workforce can be expected to grow by 14,700. Net in-commuting can therefore be expected to grow by 7,300.
- Taken together, a labour supply shortfall of 14,900 can be expected to arise across the two authorities. In effect **1 in 3 new jobs over the plan period is expected to be supported by increased long-distance commuting from beyond South Cambridgeshire.**

1.13 The expectation of increased in-commuting from other parts of Cambridgeshire is acknowledged in the PBA Further Evidence Report. We wish to raise two fundamental issues.

1.14 Firstly, the economic evidence is not considered in drawing conclusions on OAHN. The PBA Report does not deal with this issue. The SHMA/ CCC Technical Paper considered employment trends, and this informed conclusions it drew on expected population growth. But the PBA Report has moved away from these population growth assumptions and draws on PBA’s own analysis and that undertaken by Edge Analytics.

1.15 The second issues relates to the assumptions on increased in-commuting from beyond South Cambridgeshire which PBA explicitly acknowledges. OAHN is expected to be defined on a “policy off” basis. This was clearly outlined by Mr Justice Hickinbottom in an earlier case in the Court of Appeal, *Solihull MBC vs. Gallagher Estates Ltd & Lioncourt Homes [2014] EWHC 1283 (Admin)*.

1.16 Yet an assumption that in-commuting will increase in relative terms is a “policy on” decision and thus inappropriate in defining what the OAN is. This has been clarified subsequent to the Inspectors’ Preliminary Conclusions (May 2015) in the High Court in *Oadby & Wigston BC vs. SSCLG & Bloor Homes Ltd [2015] EWHC 1879 (Admin)*, where Mr Justice Hickinbottom (in a development control context) concluded that:

*“For an authority to decide not to accommodate additional workers drawn to its area by increased employment opportunities is clearly a policy on decision which affects adjacent authorities who would be expected to house those additional commuting workers, unless there was evidence (accepted by the inspector or other planning decision-maker) that in fact the increase in employment in the borough would not increase the overall accommodation needs. In the absence of such evidence, or a development plan or any form of agreement between the authorities to the effect that adjacent authorities agree to increase their housing accommodation accordingly, the decision-maker is entitled to allow for provision to house those additional workers. To decide not to do so on the basis that they will be accommodated in adjacent authorities is a policy on decision.” (Para 34, i).*

- 1.17 The narrow brief provided by the Councils to PBA thus becomes a fundamental issue. The PBA conclusions cannot be considered to represent a “policy off” OAHN which is required to consider economic evidence and should not introduce policy factors in respect of distribution of housing across Cambridgeshire.
- 1.18 GL Hearn’s representations identify that to support the forecast jobs growth, at least 37,275 homes would be needed. This is before any adjustments to household formation rates are made.

### Market Signals

- 1.19 GL Hearn considers that whilst the PBA analysis has sought to take account of market signals, it has not adequately considered the scale or implications of past under-delivery or addressed land values, one of the key market signals identified in the PPG.
- 1.20 Consistent data on land values is published by CLG (both in Feb and Dec 2015). As GL Hearn’s Jan 2016 representations indicated, land values in Cambridge are over twice the East of England average, and the 2<sup>nd</sup> highest in the region besides St Albans. They are amongst the highest nationally for local authorities outside of London. This points to a severe shortage of residential land in/around Cambridge.
- 1.21 This is also borne out in historical completions data. The PPG outlines that:

*“Supply indicators may include the flow of new permissions expressed as a number of units per year relative to the planned number and the flow of actual completions per year relative to the planned number. A meaningful period should be used to measure supply. If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.”<sup>2</sup>*

- 1.22 The PBA Reports do not follow the approach set out in the PPG of comparing past completions to planned supply.

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<sup>2</sup> ID 2a-019-20140306

- 1.23 GL Hearn has quantified the scale of under-delivery across the two authorities over the 2001/2 – 2014/15 period as follows:
- Under-delivery of 8,810 homes against Structure Plan targets;
  - Under-delivery of 11,802 homes against the 2008 East of England Plan targets.
- 1.24 This is based on a combined annual housing target across the two authorities for 1,910 per annum in Structure Plan figures; and 2125 per annum from the East of England Plan. The past under-delivery would, following the PPG, result in an expectation that future supply would be increased.
- 1.25 The Main Modifications now propose a level of housing provision of 1675 homes per annum across the two authorities – this is 12% below the Structure Plan; and 21% below the East of England Plan targets. **Instead of seeking to increase rates of housing delivery, the Councils propose a lower rate of housing growth than has been planned for previously. This cannot be regarded either as consistent with the NPPF; or as a positive response which will improve affordability.** It is inconsistent with the Framework’s emphasis (Paragraph 47) on significantly boosting housing supply.

### Affordable Housing Need

- 1.26 Across the two authorities, as our Jan 2016 Representations outlined, there is an expected shortfall in affordable housing delivery of 5,500 to 2031. Affordable housing delivery is expected to fall a third short of meeting housing need.
- 1.27 GL Hearn accepts that the expectation in the NPPF is not that affordable need should necessarily be met in full in determining the OAHN as in practice this may produce a figure of which there is little or no prospect of delivering, as set out in *Kings Lynn & West Norfolk vs. SSCLG & Elm Park Holdings* [2015] EWHC 2464 (Admin).
- 1.28 Nonetheless the Inspector’s Preliminary Conclusions (RD/GEN/170) indicated that the Councils should provide clear evidence that they had fully considered the implications of an upward revision in housing numbers on the provision of affordable housing.
- 1.29 The PBA Report does not fundamentally consider whether a higher level of housing provision could be achieved in Cambridge in order to enhance delivery of affordable housing. There are clearly additional potential sites which are being promoted through the examination process which could be brought forward. GL Hearn’s analysis indicates that the recommended OAHN of 14,000 dwellings for Cambridge would equate to growth in the housing stock of 1.3% per annum over the plan period. The chart below highlights a selection of authorities which have historically delivered rates of housing growth well above 1.3% over entire economic cycles. There are other examples as well.

**Table 1: Examples of Past Rates of Housing Growth Achieved**

	1981-91	1991-2009
<b>Milton Keynes</b>	4.3%	1.9%
<b>Slough</b>	1.9%	1.1%
<b>Swindon</b>	2.1%	1.5%
<b>South Cambridgeshire</b>	1.7%	1.4%
<b>South Derbyshire</b>	1.3%	1.6%
<b>Basingstoke and Deane</b>	2.1%	1.2%
<b>Bracknell Forest</b>	2.3%	1.3%

1.30 The Proposed Modifications retain the 14,000 housing target for Cambridge which was set out in the Submitted Plan. GL Hearn can find no evidence to demonstrate that the process required by the Inspectors and the PPG of *fully considering* whether an upward revision to housing numbers could be achieved, in order to enhance the delivery of affordable housing, has been undertaken. No evidence of market capacity has been presented which would lead to the conclusions that a higher level of housing provision could not be achieved.

**2 PM1A.2**

**BEARING IN MIND THAT PPG NOTES THAT NO SINGLE APPROACH WILL PROVIDE A DEFINITIVE ANSWER, DO THE OAHN FIGURES OF 14,000 NEW DWELLINGS FOR CAMBRIDGE CITY AND 19,500 NEW DWELLINGS FOR SOUTH CAMBRIDGESHIRE PROVIDE A ROBUST BASIS TO UNDERPIN THE PROVISION OF NEW HOUSING IN THE LOCAL PLANS. IF NOT, WHY NOT AND WHAT ALTERNATIVE FIGURES ARE TO BE PREFERRED?**

2.1 No, we do not consider that these figures represent the full OAHN, nor that they provide a robust basis for provision of new housing. The figures are based on a partial evidence base whereby there is no evidence that economic factors have been integrated into drawing conclusions on the OAHN. This is explicit within the PBA Report which sets out that it “has not addressed this factor” (PBA Further Evidence Report Para 3.47) and acknowledges that for Cambridgeshire and South Cambridgeshire “the labour supply resulting from the proposed housing numbers would not be enough to support the expected job growth” (Para 3.50 iii). The figures derived from the PBA Further Evidence Report thus cannot be regarded as representing OAHN, for the reasons outlined above.

2.2 The Plans evidently do not provide a robust basis to underpin future housing provision. They are planning for a labour supply shortfall of 14,900 over the plan period within the two authorities. This can clearly be expected to contribute to a further deterioration in housing affordability, as well as

growth in in-commuting. This is neither supported by the PPG, nor does it represent a sustainable strategy.

2.3 GL Hearn has modelled what housing provision would be needed to address this issue. The modelling approach:

- Take assumptions on economic growth from the Council’s own evidence base: 22,100 jobs in Cambridge and 22,000 in South Cambridgeshire, 2011-31.
- Takes the same demographic starting point as the Councils: the 2012-based SNPP for South Cambridgeshire, and 10 year migration trends for South Cambridgeshire.
- Assume commuting ratios consistent to 2001 Census levels; and that economic activity rises in line with the assumptions made by Edge Analytics in the demographic projections which underpin the Council’s evidence (Greater Essex Demographic Forecasts: Phase 7 Main Report).

2.4 These are standard modelling assumptions and based on the information available to us. We set out below the level of housing provision which arises, based on selected alternative scenarios for household formation rates.

2.5 For Cambridge, GL Hearn considers that to support economic growth and the ability of younger households to form, provision of 15,200 homes is the appropriate OAHN.

2.6 For South Cambridgeshire, 24,400 homes are needed before any adjustments to improve affordability. Addressing these results in an OAHN of 27,000 homes.

**Figure 1: Housing Need to Support Employment Growth with Adjusted Household Formation Rates, 2011-31**

	2012-based CLG	Constant from 2011	Return to 2001
<b>Cambridge</b>	12,908	14,201	15,230
<b>South Cambs</b>	24,367	25,984	27,036
<b>TOTAL</b>	37,275	40,185	42,266

2.7 The increase in Cambridge’s OAHN to 15,200 would deliver over 400 additional affordable homes contributing to reducing the shortfall in affordable housing provision.

**3 PM1A.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.**

- 3.1 This is unclear and an issue which the Council's should clarify at the examination hearings. GL Hearn's reading of the City Deal is that the 1,000 new homes envisaged on rural exception sites by 2031 are in addition to the planned accelerated delivery of the 33,500 new homes already in the draft local plans.