

Cambridge City and South Cambridgeshire Local Plan
Examination

Statement for Matter PM1A: Objectively Assessed Housing Need

On behalf of St John's College, Cambridge (ID 3084)
Representation Number: 66029

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PM1A.1

Does the further work on Objectively Assessed Housing Need (OAHN), carried out by Peter Brett Associates (PBA) for the Council's (RD/MC/O40) ensure that the methodology used is now generally compliant with Planning Practice Guidance (PPG). NB. Following their letter to the Council's of the 29th March 2016, the Inspectors expect this to have been addressed through the preparation of a Statement of Common Ground, which will form the basis for the discussion of any areas of disagreement at the Hearings.

PM1A.2

Bearing in mind that the 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 for South Cambridgeshire provide a robust basis for us to underpin their provision of new housing in the Local Plan. If not, why not? And why are alternative figures to be preferred?

PM1A.3

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

- 1.1 Savills (UK) Ltd are instructed by St John's College to submit the necessary Hearing Statements to the Examination of Local Plans for both Cambridge City and South Cambridgeshire District Councils. This pre-hearing statement amplifies previous submissions made, most recently our response to modification PM/CC/2/B in the Cambridge and South Cambridgeshire Modifications Report November 2015 (RD/MC/010). This submission should be read in conjunction with GL Hearn's submission to the Statement of Common and Uncommon Ground regarding OAHN (April 2016).
- 1.2 This Hearing session relating to Objectively Assessed Housing Need follows on from early Examination session on such issues.
- 1.3 This Hearing Statement is accompanied by the below reports attached as appendices which have been prepared in response to **Questions PM1A.1** and **PM1A.2**. We do not wish to comment on matters relating to Question PM1A.3.
 - **Appendix 1:** Cambridge and South Cambridgeshire Housing Requirements: Market Signals – Response (Savills)
 - **Appendix 2:** Objectively Assessed Housing Need (GL Hearn)

A summary of both reports is provided below.

Market Signals – Response (Savills)

- 1.4 This report has been prepared in response to PBA's 'Objectively Assessed Housing Need: Response to Objectors' with particular focus on the comments made in Chapter 3 (Market Signals).
- 1.5 PBA stated that '*new analyses provided by Savills add nothing to the evidence on market signals for Cambridge and South Cambridgeshire.*' However, it is Savills' view that PBA are too dismissive of more up-to-date evidence. This evidence highlights the worsening housing affordability that is affecting local residents in Cambridge and South Cambridgeshire. Failure to consider that most up-to-date evidence is inconsistent with the NPPF (namely paragraph 158) and thus objectively assessed housing needs figures and the Local Plans, cannot be considered sound.
- 1.6 PBA's reliance on house price data ending in 2014 or over other historic time periods is failing to provide the two authorities with adequate and relevant evidence. As shown in Savills' analyses, house prices in Cambridge have increased significantly over the past 3 years and it is essential that in looking to the future, recent trends are considered.
- 1.7 In regards to affordability in Cambridge, PBA have again failed to consider the most up-to-date evidence claiming that the affordability ratios for 2014 (and presumably 2015) are not relevant to whether the demographic projections should be uplifted. Whilst it is acknowledged that projections based on recent trends will never be timely, to ignore projections completely is unreasonable particularly in Cambridge which has seen significant increases in house prices and worsening affordability over the last 3 years.
- 1.8 Based on the findings of the Savills reports and PBAs failure to consider the most up-to-date evidence, we do not consider that the OAHN figures of 14,000 new dwellings for Cambridge City and 19,500 for South Cambridgeshire provide a robust basis for us to underpin their provision of new housing in the Local Plans.

GL Hearn

- 1.9 This report concludes that the methodology used to calculate both Councils Objectively Assessed Housing Needs is not compliant with Planning Practice Guidance (PPG).
- 1.10 In regards to household formation, the PPG is clear that household formation may require adjustment (ID 2a-015-20140306). GL Hearn have found 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. Household formation amongst people aged 25-34 is expected to fall quite notably over the plan period and thus future housing targets should be adjusted accordingly. The current approach by PBA assumes that future growth in younger households sharing and living with parents.

- 1.11 The PPG is clear that consideration of employment trends/forecasts is necessary in drawing conclusions on OAHN. Whilst PBA recognise this, it has not been considered in their most recent studies (November 2015 and March 2016). Cambridge is one of the most desirable locations in the country for businesses and in order to support the forecast jobs growth, at least 37,275 new homes will be required. This is before any adjustments to household formation rates are made.
- 1.12 GL Hearn considers that PBA's analysis 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. Between 2001 and 2015, the Councils have recorded significant under-delivery against Local Plan targets of the time. Thus, one would assume that future supply would increase. However, instead of seeking to increase the rate of housing delivery, the Councils propose a lower rate of housing growth than has been planned for previously. This cannot be regarded as either consistent with the NPPF; or as a positive response which will improve affordability.
- 1.13 Finally, GL Hearn do not consider that the Councils have fully considered the implications of an upward revision in housing numbers on the provision of affordable housing as requested by the Inspectors (RD/GEN/170) or required by the PPG.
- 1.14 GL Hearn do not consider that the OAHN figures of 14,000 for Cambridge City and 19,500 for South Cambridgeshire provide a robust basis for the provision of new housing. GL Hearn's analysis, presented in the report and earlier reports submitted in support of our previous representations, suggests an OAHN for 15,200 dwellings in Cambridge and 27,000 in South Cambridgeshire.

Appendix 1: Cambridge and South Cambridgeshire Housing Requirements: Market Signals Response

Cambridge & South Cambridgeshire Housing Requirements

Market Signals – Response



Cambridge City Council and South Cambridgeshire District Council (SCDC) commissioned Peter Brett Associates (PBA) to provide evidence¹ on housing need in response to questions raised by the Inspectors examining their Local Plans. PBA concluded their work with the following objectively assessed need (OAN) figures, both covering a 2011-31 plan period:

- Cambridge: 14,000 dwellings, including 30% uplift due to market signals
- South Cambridgeshire: 19,337 dwellings, including 10% uplift due to market signals

These figures are very similar to the 14,000 and 19,000 recommended in the SHMA².

PBA conclude that the best way to quantify the appropriate amount of uplift required due to market signals is by reference to Inspectors' decisions on other Local Plans, namely Uttlesford, Eastleigh and Canterbury. Given the lack of PPG guidance on how large an uplift should be in order to be "reasonable", we do not entirely disagree with this approach, but we do disagree with the conclusions drawn.

Response to the Response

This second short report follows the PBA "Response to Objectors" published in March 2016. Their response concluded that *'the new analyses provided by Savills add nothing to the evidence on market signals for Cambridge and South Cambridgeshire'*. Unfortunately their response, while making some valid individual points, is far too dismissive of more up-to-date evidence that highlights the worsening housing affordability that is affecting local residents in Cambridge and South Cambridgeshire and hence the need for larger numbers of new homes.

The NPPF sets out that in considering policies for development in Local Plans, authorities should take full account of **up-to-date** evidence (paragraph 158): *"Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. 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."*

The following analysis responds to some of the specific points raised by PBA and provides additional evidence that there has been a significant shortfall of housing supply relative to demand in Cambridge and South Cambridgeshire. Overall, analysis of the two districts alongside the comparators chosen by PBA show that the recommended levels of uplift are insufficient.

¹ "Cambridge and South Cambridgeshire Local Plan Examination, Objectively Assessed Need: Further Evidence", Peter Brett Associates, November 2015

² Cambridge sub-region SHMA, May 2013

Cambridge & South Cambridgeshire Housing Requirements

Market Signals – Response



House Prices

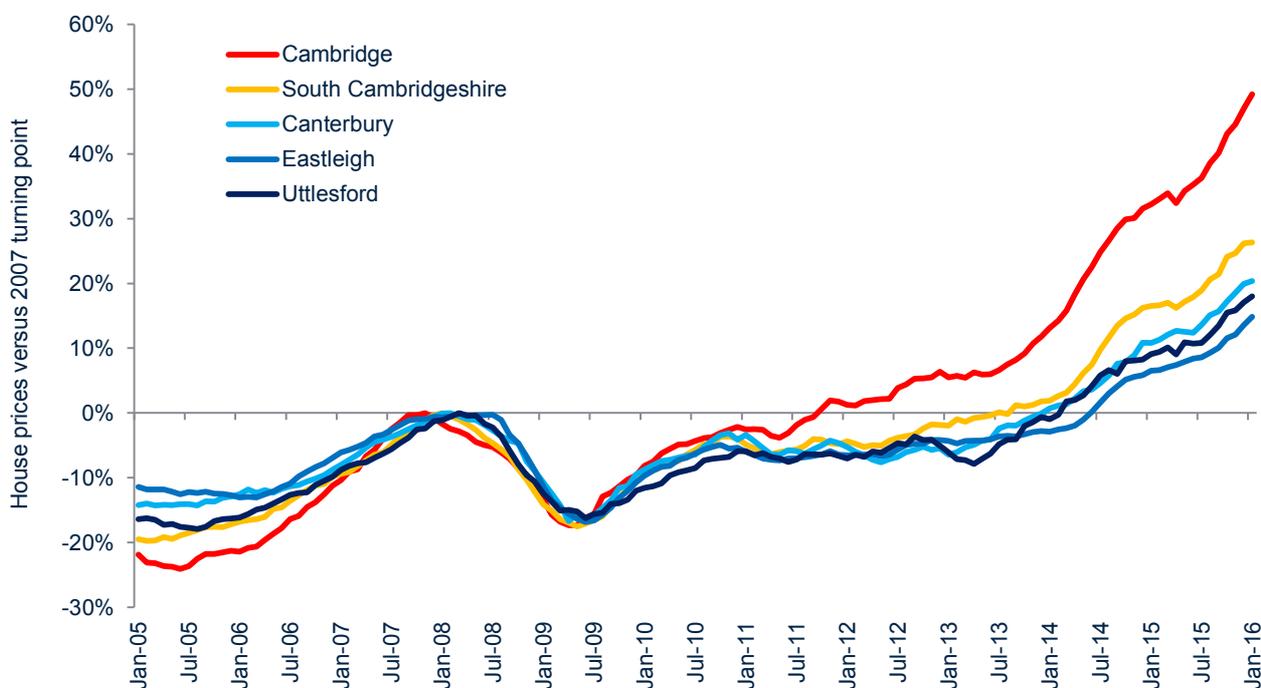
The PBA response to our analysis highlights that the comparison of house price growth between periods is highly sensitive to the choice of start and end dates. This is entirely correct and their analysis of mean house prices between 2003 and 2013 highlights this with greater total growth in Canterbury than Cambridge in this period.

However, it is appropriate to compare growth across a particular time period if that point is chosen due to a consistent external factor(s) that caused a turning point across all housing markets (when the derivative changes sign: e.g. positive price growth to negative price growth). The choice of a 2007 start period for our comparison is based on the identification of a turning point in both the economic and housing market cycle: i.e. the peak of the market prior to the credit crunch. We could have equally chosen the 2009 trough of the market but this would not significantly alter our conclusions. For this reason our original analysis remains robust.

While PBA's comparisons to the base period of the underlying demographic projections are important, there is also a requirement for authorities to take full account of up-to-date market and economic signals. This need for up-to-date market signals is necessary because the underlying demographic projections are based on backwards looking and out-of-date information. Using up-to-date market signals is important in ensuring the Local Plan is relevant to both the current housing market alongside ensuring that longer term market signals during the period on which the projections are based are also accounted for.

On this basis, PBA's continued reliance on house price data ending in 2014 or over other historic time periods is failing to fully provide the two authorities with adequate and relevant evidence. While there appears to be minimal difference between Cambridge and Canterbury over the previous housing market cycle, recent data shows the rate of change in house prices in Cambridge and South Cambridgeshire is greater than in comparator markets. Therefore the PBA analysis fails to fully account for up-to-date trends in house prices and the ongoing divergence from other comparator markets.

Figure 1 – Average house price distance from 2007 peak, including comparator districts



Source: Savills using HM Land Registry data to January 2016

Cambridge & South Cambridgeshire Housing Requirements

Market Signals – Response



Ratio of house price to earnings

House price to earnings ratios are simplistic but effective measures for comparing affordability across different housing markets. PBA were unable to replicate the analysis we originally provided and so, for clarity, we have provided more detail on the latest publicly available data we have used to calculate and update these ratios, as per the tables below.

The latest ONS published median house price to median earnings ratios are now available for 2014 from this link:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/housingsummarymeasuresanalysis/2015-08-05>

However, the Annual Survey of Hours and Earnings (ASHE) has since been updated for 2014 and published for 2015, and so we have updated the calculated ratio using the ASHE data available from: <https://www.nomisweb.co.uk> For 2015 house prices, we have calculated the median house price using data downloaded from: <https://data.gov.uk/dataset/land-registry-monthly-price-paid-data> (downloaded on the 11th of May).

The up-to-date affordability ratios presented below highlight the worsening affordability in both Cambridge and South Cambridgeshire, as house prices continue to rise faster than earnings. The worsening affordability ratios are also highlighted in the latest Cambridgeshire Insight Housing Market Bulletin, published in March 2016 and available from here:

<http://www.cambridgeshireinsight.org.uk/file/2930/download>

In their response to our previous evidence, PBA state that affordability ratios for 2014 (and presumably 2015) are not relevant to whether the demographic projections should be uplifted. They go on to say that the: *'the projections take no account of anything that happened in 2014. If the city's supply in that year deteriorated relative to demand, the projections will not carry forward that deterioration, they cannot carry it forward because they do not know about it.'* It is for this very reason that using up-to-date market evidence is important. Projections based on recent trends will never be timely given the work involved in collecting the data and producing them. While analysing market signals over the period on which the starting projections are based is important it is also essential to use more up-to-date market and economic signals to account for recent divergences in local housing supply and demand.

Table 1 - Cambridge Affordability

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Median House Price	250,000	237,000	235,750	260,000	262,250	275,000	308,450	350,000	400,000
Median Gross Annual Salary	22,146	25,258	25,834	26,111	25,769	25,070	26,207	25,508	
Ratio	11.3	9.4	9.1	10.0	10.2	11.0	11.8	13.7	
Updated Salary								25,730	26,621
Updated Ratio								13.6	15.0

Source: ONS, NOMIS, ASHE, Land Registry

Table 2 – South Cambridgeshire Affordability

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Median House Price	242,000	235,000	215,000	230,000	242,000	240,000	249,950	269,995	315,500
Median Gross Annual Salary	22,747	24,352	26,133	26,274	25,169	25,893	27,306	26,593	
Ratio	10.6	9.7	8.2	8.8	9.6	9.3	9.2	10.2	
Updated Salary								26,597	26,944
Updated Ratio								10.2	11.7

Source: ONS, NOMIS, ASHE, Land Registry

Cambridge & South Cambridgeshire Housing Requirements

Market Signals – Response



Table 3 - Canterbury Affordability

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Median House Price	199,995	195,000	175,000	205,000	200,000	205,000	210,000	228,495	244,995
Median Gross Annual Salary	19,064	19,798	20,879	19,532	21,046	20,928	21,580	21,704	
Ratio	10.5	9.8	8.4	10.5	9.5	9.8	9.7	10.5	
Updated Salary								21,379	23,977
Updated Ratio								10.7	10.2

Source: ONS, NOMIS, ASHE, Land Registry

Table 4 - Eastleigh Affordability

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Median House Price	200,000	194,000	183,000	200,000	200,000	207,250	210,000	225,000	240,000
Median Gross Annual Salary	21,898	21,727	23,887	22,369	22,682	23,910	23,344	24,227	
Ratio	9.1	8.9	7.7	8.9	8.8	8.7	9.0	9.3	
Updated Salary								24,223	23,164
Updated Ratio								9.3	10.4

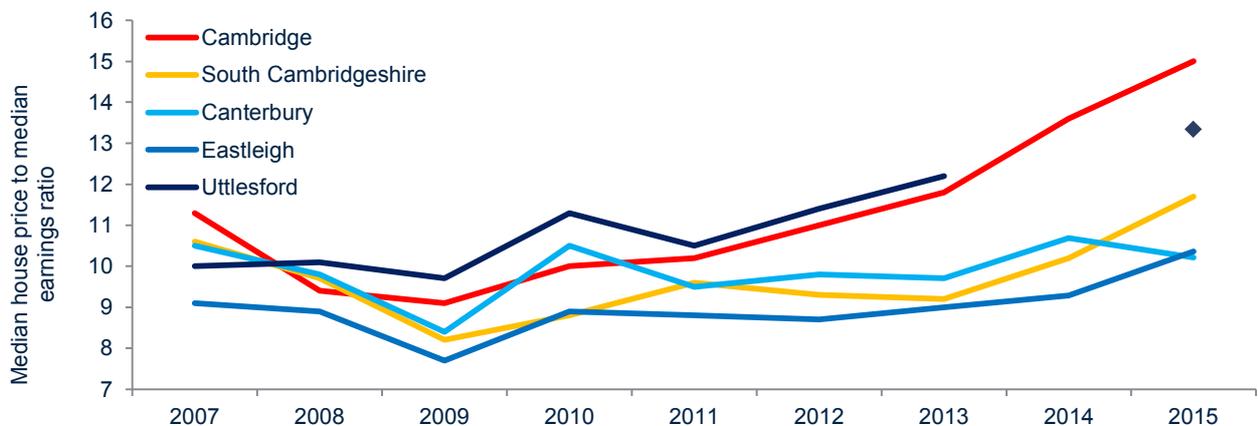
Source: ONS, NOMIS, ASHE, Land Registry

Table 5 - Uttlesford Affordability

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Median House Price	260,000	260,000	250,000	278,375	272,950	290,000	298,000	315,000	337,000
Median Gross Annual Salary	25,969	25,771	25,687	24,703	26,075	25,403	24,431	NA	
Ratio	10.0	10.1	9.7	11.3	10.5	11.4	12.2	NA	
Updated Salary								NA	25,268
Updated Ratio								NA	13.3

Source: ONS, NOMIS, ASHE, Land Registry

Figure 2 – Median House Price to Median Earnings Ratio



Source: ONS, NOMIS, ASHE, Land Registry

Cambridge & South Cambridgeshire Housing Requirements

Market Signals – Response



Development land prices

PBA's dismissal of the Savills land index is disappointing and we are confident in its methodology and suitability for use in assessing the Cambridgeshire land market. However, we recognise the difficulties in assessing the Savills index given the lack of any alternative data on development land prices in this country to compare it to, particularly one that is up-to-date and publicly available.

Summary

PBA's conclusion that *'the new analyses provided by Savills add nothing to the evidence'* is disappointing given the clear picture of worsening affordability the Savills research provides. This outright dismissal appears to be on the basis that the analysis is more up-to-date with a focus on recent trends and therefore doesn't offer new evidence for the period used by the demographic projections. The market signals evidence for the period covered by the demographic projections is important to consider and shows similar patterns to comparable areas (e.g. Canterbury in terms of price growth over the previous market cycle).

However, the use of evidence and hence market signals for just the period covered by the projections ignores the importance of considering recent and ongoing supply and demand imbalances in the local housing market. The NPPF is clear that authorities should take full account of **up-to-date** evidence and the evidence we have presented highlights the worsening housing market conditions in especially Cambridge but also South Cambridgeshire, confirming the need for a significant uplift to OAN beyond that proposed by PBA.

Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

Appendix 2: Objectively Assessed Housing Need (GL Hearn)

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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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.”¹
- 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.

¹ 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 2nd 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.”²

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

² 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
Milton Keynes	4.3%	1.9%
Slough	1.9%	1.1%
Swindon	2.1%	1.5%
South Cambridgeshire	1.7%	1.4%
South Derbyshire	1.3%	1.6%
Basingstoke and Deane	2.1%	1.2%
Bracknell Forest	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
Cambridge	12,908	14,201	15,230
South Cambs	24,367	25,984	27,036
TOTAL	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.