

Cambridge and South Cambridgeshire Local Plans Proposed Modifications Joint Hearing

Matter PM1 – housing PM1A Objectively assessed housing need (OAHN)

PM1A.1

Does the further work on objectively assessed housing need (OAHN), carried out by Peter Brett Associates (PBA) for the Councils ensure that the methodology used is now generally compliant with the Planning Practice Guidance (PPG)?

Yes.

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 why are the alternative figures to be preferred?

The OAHN figures are unsound because they are unjustified.

Cambridge

We agree with some elements of Cambridge Council's new assessment. We disagree with assumption about migration.

Adjustment for vacant and second homes

We support converting a household projection into a dwelling projection by accounting for vacant and second homes (para 2.8, page 4 of the PBA report).

A 10 year or five year trend for migration?

The Council favours a 10 year trend for migration (the Edge 10yr HH12 scenario, table 2.1 of the PBA Report). We consider that the five year trend (the Edge 5yr HH12 scenario) better reflects what may transpire in the future. We described in our representations the reasons why we consider that a five year trend is a more appropriate basis for planning for the future housing needs of Cambridge, as well as for many other authorities in the greater south east. We will explain our reasons why.

The Government guidance (NPPG) advises that the household projections should be used as the starting point but may require adjustment to “*reflect factors affecting local demography and household formation rates which are not captured in past trends*”. Generally, the HBF favours the use of the DCLG projections unadjusted, because, as the NPPG states, the projections “are statistically robust and are based on nationally consistent assumptions”. If every local authority in England used the DCLG projections as the basis for their own OAN, then the sum of all the local plans in England should at least match the overall need suggested by the projections (i.e. 222,000 households per year for the period 2011-2031). Nationally we would then be on our way to beginning to address the housing crisis. Adjustments above the baseline demographic need indicated by the 2012 projection would provide the ‘significant boost’ to housing supply advised by the NPPF.

There is a growing tendency for local authorities in the south east to use 10 year migration trends because this results in a projected level of need that is lower than the 2012 household projections (Swale, Bedford, Luton, Uttlesford, St Albans, Aylesbury Vale, Chiltern, South Bucks, Wycombe). This means that a significant element of the projected future population is not being catered for by the planning system. If a local authority is assuming lower net migration than that indicated by the official projections, then someone else will need to cater for those migrants. Lower migration does not mean that the population disappears. It moves elsewhere.

One of the starkest expressions of this problem is the issue of migration with London. The Mayor of London’s housing assessment to support the new London Plan is some 12-13,000 dwellings fewer than the official DCLG household projections (2011-interim and 2012 based). This is because the Mayor assumes increased out-migration from London and decreased inward migration. The problem is that no-one is planning for this: the Mayor assumes more people will leave London and that fewer people will arrive, but the surrounding authorities are rejecting the assumptions underpinning the London Plan. Indeed they are making the housing supply deficit even worse by planning for lower migration.

In addition to the migration issue there is the problem of London’s unmet need which is at least 6,600 dwellings per annum (dpa), but is increasing because the London authorities bringing forward new plans based on the London Plan are declaring that they are either unable to match the Mayor’s benchmark housing targets. The inability of London to provide for its housing needs will fuel the pace of out-migration into the wider south east.

We recognise that in Cambridge, the official projection suggests a probably unrealistically low level of household formation. As the PBA report explains, the SNPP/DCLG 2012 projection suggests that 6,795 households may form over the plan period 2011-31. The very high affordable housing need in the City indicates that this figure is likely to be an under-estimate. We therefore agree, that relying on the official DCLG household projection in this instance is unlikely to provide a reliable forecast of future housing needs.

The alternative modelling deployed by PBA results in a higher suggested need under both the Edge 5 year of 10 year scenarios. This is a positive move by Cambridge Council, and the alternative modelling in this specific instance was necessary to

compensate for the likelihood that the official ONS SNPP and DCLG 2012 household projection for Cambridge under-estimates the likely level of future household formation in the City, as a consequence of the probability of higher net migration into the City (see paragraph 2.3 of the PBA report).

The PBA report models alternative scenarios (*Objectively Assessed Housing Need: Further Evidence, November 2015*). We consider that a 5 year migration trend is probably more reflective of the pattern of migration and household formation in the future. A 10 year trend will tend to reflect the effects of the recession plus years of housing under-delivery in the City compared to the housing need. Cambridge has been a poor performer relative to its East of England Plan targets – as Table C1 in the AMR report for 2014-15 illustrates, as does Figure 31 of the PBA OAHN Report. This will have had an effect on the demographics. By contrast, the 5 year trend, which is derived from the ONS time period of 2007-12, will tend to reflect better the more recent Census 2011 evidence which shows that population growth has been strongest in the south east of England in recent years, with 55% of all household formation for England being expected to occur in London, the East of England Region, and the South East regions (*TCPA Tomorrow Series Paper 17: New Estimates of Housing Requirements in England, 2012 to 2037*). A 10 year trend wouldn't capture the recent population boom.

The adoption of a five year trend will also tend to better reflect the effect of two issues.

a) Firstly, the problems we mentioned in relation to London – both in terms of the Mayor of London's migration assumptions underpinning his new London Plan (his Central Variant C) plus London's increasingly large unmet need and the implications this will have on the population and thus housing need in Cambridge City and South Cambridgeshire. The *TCPA Tomorrow Series Paper 17: New Estimates of Housing Requirements in England, 2012 to 2037* observes that "likely changes in internal migration would be expected to lead to more pressure in the South outside of London as more Londoners move out" (page 19).

b) Secondly, the evidence from the ONS about international migration. The most recent evidence from the ONS shows that international migration into the UK reached an all-time high of a net 330,000 people per year to March 2015. A 10 year historic trend will not have picked-up this recent data. The *TCPA Tomorrow Series Paper 17: New Estimates of Housing Requirements in England, 2012 to 2037* remarks upon the need to consider the "possibility that net international migration may be higher than is assumed in the projections" (key headline 5, page 2).

Although it is impossible to be certain, we consider that planning on the basis of the five year trend will provide a better reflection of what is likely to occur in the future.

The Council's five year trend (Edge 5yr HH12) provides an alternative demographic projection of 13,032 dwellings for the planning period 2011-2031. This should provide the demographic basis for Cambridge City.

Headship rates

We consider that it is acceptable for the Council use the headship rates from the 2012 household projections but it should apply these in conjunction with the 5 year migration trend (Edge 5 yr HH12). It is highly likely that the ability for new households to form, particularly among younger age groups, has been suppressed through a combination of recession and poor past delivery. Our recommendation of the adoption of the five year trend, in combination with the Council's 30% uplift, would provide an adequate response to this.

UPC

As a rule the HBF resists adjustments for UPC irrespective of whether this has a positive or negative effect. However, in the case of Cambridge we consider that it is acceptable to adjust for UPC owing to the unique circumstances in the City – the fact that the official projections are so low compared to what is generally regarded as needed in the city. By adding the UPC to the calculation for Cambridge this results in the higher Edge projections. As the PBA report explains, “this lift(s) future net migration, and hence the city's future population, above what it would be otherwise” (paragraph 2.20). The report explores the likely reasons. We agree that it probably relates to the under-recording of international students, especially post-graduates.

Market signals

We support the 30% market signals uplift given the scale of the affordability problems in Cambridge and the size of affordable housing need. However, we consider that the uplift should be applied to the Edge 5yr HH12 scenario of 13,032 for the reasons we have explained above.

Figure 3.4 in the OAHN Report shows that Cambridge City and South Cambridgeshire are the two least affordable authorities in Cambridgeshire.

Adding the 30% uplift to the baseline demographic figure of 13,032 would result in an OAN figure of 16,942 dwellings for the plan period 2011-2031. This should be rounded-up to 17,000 dwellings, which generates an average of 850 dpa.

Affordable Housing need

The affordable housing need in Cambridge is considerable. The City requires 10,402 affordable homes over the plan period (paragraph 17 of the OAHN Report). The number of affordable homes needed is therefore higher than the number of homes indicated as needed *across all tenures* according to the demographic projection indicates in needed (10,069 dwellings). The household projections only reflect what has happened in the past in terms of household formation, not what the need is.

Paragraph 4.8 of the OAHN Report observes that an OAN of 14,000 would yield only 4,900 affordable homes – i.e. less than half the number of affordable homes the City needs. The same paragraph observes that a total requirement of 29,720 homes would be required to meet the affordable housing need in full.

The scale of the affordable housing need is a measure of how successful planning was in the past in anticipating future housing need and demand. If the affordable

housing need is great, as in the case of Cambridge, then it indicates a failure in the past (the planners got their predictions wrong). In theory this should be corrected by the next plan. This is why relying on the projections too much can be misleading in terms of calculating future housing need. The scale of the affordable housing need speaks to the housing crisis as it is experienced in Cambridge.

While the 30% adjustment is warranted, and supported by the HBF, the resulting OAN of 13,090 is still too low. The adjustment of 30% should be applied to the 10 year migration scenario. This is because if the Council fails to adequately plan for higher levels of net migration then new in-migrants (including students) are likely to outbid locals for access to the housing stock, thereby exacerbating the affordable housing problem. Moreover, the Council will need to provide more affordable housing products for workers on average incomes to ensure that the City can continue to function.

Students

There is an issue with students and how future needs are calculated. If the projected increase in the student body is not reflected in the OAN assessment then the housing supply will be inadequate. This is because the student population typically remains fixed unless the higher education sector expands. This has implications for future residential land supply.

South Cambridgeshire

The OAN is unsound because it is unjustified.

We differ over the uplift for market signals. We consider that the uplift of 10% is too small and that a bigger uplift is necessary to provide flexibility in the plan.

Demographic starting point

We support the Council's view that the demographic starting point is the DCLG 2012 household projection of 17,502 households, rising to 17,579 dwellings, once an adjustment is made for vacant and second homes. Using any one of the alternative demographic scenarios would result in a much lower demographic starting point.

However, it is possible that net migration will exceed the indications provided by the official projections, for the reasons we have argued in connection with Cambridge (higher net migration in relation to London and higher international net migration). We are not advocating the application of an alternative net migration scenario, but the Council will need to build-in a larger contingency in case net migration in the future exceeds what occurred in the past. By applying a 20% market signals adjustment, instead of the 10% proposed, the plan would provide this contingency.

Headship rates

We agree that no adjustment should be made to the headship rates embedded in the 2008-based household projections. However, this is not to say that suppression has not been an issue in South Cambridgeshire. A comparison of the headship rates

embedded in the 2012 projections with those of 2008 and 2011 shows that household formation among the 25-34 and 35-44 age groups is projected to be lower than had been the case hitherto. The poor affordability in the district provides one possible explanation for the fall in household formation among these age groups.

Household suppression will also have been reinforced by poor past delivery rates – if completions are lower than past projected need then households will not have been able to form.

It is our view that the adjustment for suppression and affordability should be made through a higher market signals adjustment – e.g. 20%.

Market signals

We agree that an adjustment above the demographic need is essential to address affordability issues in the district, the potential of suppression in household formation implicit in the projections, and the evidence of the very high affordable housing need.

Figure 3.4 in the OAHN Report shows that Cambridge City and South Cambridgeshire are the two least affordable authorities in Cambridgeshire. They are also both more expensive than the East of England average. Paragraph 7.24 acknowledges the high cost of housing in the district.

We consider that a 10% adjustment is too small to counter the combined effect of: a) the poor affordability of housing in the district; b) the affordable housing need; c) the possibility that net migration may exceed the levels indicated by the projections; d) poor past delivery which depresses the population and household projections; and e) the need to provide flexibility. For these reasons we advocate the application of a 20% uplift.

Past delivery

Figure 3.1 of the OAHN Report shows that South Cambridgeshire and Cambridge City have failed to meet the housing targets established by the East of England Plan. The undersupply has been significant and persistent. This will have suppressed household formation. The NPPG observes (ID 2a-015-20140306):

“formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing.”

To compensate for its poor past delivery the Council should apply a 20% uplift on the baseline demographic need.

Affordable housing need

The affordable housing need is relatively high. The Council has calculated that 5,573 affordable homes are needed. This would require delivery of 18,576 dwellings overall to fund the required number of ‘affordable homes’ (paragraph 4.7). The overall housing requirement of 19,500 should enable this. However, whether the affordable

housing need remains at 5,573 homes depends on the demographic projection providing an accurate forecast of need. As we argued above, the demographic projection may under-estimate future migration. If South Cambridgeshire gets more migrants from London the affordable housing need will rise.

The other factor to consider, is whether all allocated sites will yield 30% affordable housing. In case some sites under-deliver it would be sensible to increase the overall supply to provide some contingency.

Flexibility

Paragraph 3.57 of the OAHN Report refers to the possibility of South Cambridgeshire providing 21,091 dwellings to provide some flexibility to respond to rapid change. We think this is wise. This would reflect the NPPF (paragraphs 14 and 17). Although the housing requirement of 19,500 dwellings does include a 10% uplift for market signals, we are not convinced that this is adequate to deal with the potential uncertainty in terms of higher need as a consequence of higher migration and demand from younger workers.

If a 20% uplift is applied to the demographic projection, then this would generate a housing figure of 21,095. This is comparable to the 21,091 advocated by the OAHN Report.

Conclusion

A combination of issues requires an uplift greater than 10%. We consider that the uplift should be 20% in line with the recommended contingency argued in the OAHN Report (paragraph 3.57).

The HBF considers that a figure of 21,095 provides a more realistic OAN for South Cambridgeshire. This should be rounded down to 21,000 for the purposes of the plan.

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?

We note the City Deal and the aim to provide 1,000 additional units on rural exception sites in addition to 33,500 homes in the plans.

Firstly, the two local plans will need to provide some clarity in relation to what the City Deal is saying. The combined number of homes provided through the two local plans is 33,500 – i.e. 500 more than is suggested by the City Deal. Secondly, the local plans do not refer to these 1,000 additional rural exception sites homes.

PM1B 5 year housing land supply and joint trajectory

PM1B.1

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

Clearly the two local authorities are very closely related in terms of the housing market area and the economic geography. It is disappointing that a joint plan was not produced since this would have made a great deal of sense.

A joint trajectory would also help with managing housing delivery. Some of the strategic sites in South Cambridgeshire may face delays coming forward, so the housing delivery in Cambridge City could compensate for this in the early years of the plans.

Our concern is with transparency and clarity and the need to avoid double counting in terms of deliverable sites and completions.

PM1B.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?

In theory a joint trajectory has merit since it could help to manage delivery. A short-term shortfall in output in South Cambridgeshire could be remedied by stronger delivery in Cambridge City, and vice versa. However, our concern is that South Cambridgeshire may come to depend on Cambridge to mask its poor performance. In the original trajectory (see Modification PM/SC/2/V, Figure 3) South Cambridgeshire has a substantial number of homes in its Strategic Locations scheduled for delivery post 2020. In Cambridge delivery is front-loaded to 2015-2020. When the time comes for South Cambridgeshire to begin delivering substantial numbers of completions from 2020 onwards it may be faced with the insuperable task of too many sites needing detailed permission and built-out quickly. This challenge could be made more difficult by issues of local market absorption. It would then also be too late to bring forward alternative or new sites (which might require a new plan) to remedy the shortfall by the end of the plan in 2031.

Therefore, while there is logic in a joint trajectory, it could give both councils a false sense of security. Both authorities must deliver their planned housing requirements in full. The best way to guarantee delivery would be to operate separate trajectories. This would ensure that each authority is managing its land supply effectively. Therefore, rather than relying on Cambridge City to mop-up any under-supply, South Cambridgeshire will need to manage its own land supply better to maintain delivery in line with its trajectory. This may require the release of reserve sites or a review of the local plan around 2020.

If a joint plan had been produced with a single housing requirement figure of 33,500 dwellings to be delivered across both administrative areas by 2031, then this would be different matter. This would allow any allocated site located within either Cambridge or South Cambridgeshire to be released at any point to help manage delivery.

However, if it is felt that there is merit in a joint trajectory, then both plans would need to include policies to say that in the event of a five year land supply shortfall, allocated sites in either council area should be released without delay. In theory, this should not have to be stated (e.g. NPPF, paragraph 14). Unfortunately it is our experience that local authorities resist the release of allocated sites, hence the Government's introduction of the Permission-in-Principle. An amendment to policy 1 in the Cambridge Plan is therefore necessary. The policy should be amended to read:

“Cambridge and South Cambridgeshire operate a joint housing trajectory. This means that a supply shortfall in Cambridge can be rectified by the release of additional sites in South Cambridgeshire. In the event of South Cambridgeshire being unable to provide a five year housing land supply Cambridge Council will release for development without delay sufficient residential sites within its administrative area to rectify the shortfall. The Council will grant permission unless material circumstances indicate otherwise...”

In the South Cambridgeshire Plan, Policy S/3 will need to be amended to read:

“Cambridge and South Cambridgeshire operate a joint housing trajectory. This means that a supply shortfall in South Cambridgeshire can be rectified by the release of additional sites in Cambridge. In the event of Cambridge Council being unable to provide a five year housing land supply South Cambridgeshire Council will release for development without delay sufficient residential sites within its administrative area to rectify the shortfall. The Council will grant permission unless material circumstances indicate otherwise...”

Paragraph 2.17 of PM/CC/2/C should have text added as follows:

“In the event of a five year supply shortfall, both councils will approve applications on allocated sites without delay.”

PM1B.4

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

Yes.