



Real Estate

Cambridge City and South Cambridgeshire Local Plan Examinations

MATTER PM1 – HOUSING

On behalf of Grosvenor & USS (ID. 25482)

13 May 2016

Matter 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 (RD/MC/040) ensure that the methodology used is now generally compliant with Planning Practice Guidance (PPG). NB Following their letter to the Councils of 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

Introduction

Comments have been provided in respect of the Statement of Common Ground. There are two general areas of disagreement with the approach adopted by the Council and the evidence prepared by PBA:

- a) The consideration of market signals by PBA and the disregard to evidence provided by our client.
- b) The assessment of the OAHN considering the employment and market signals scenarios as alternative calculations.

Previous Evidence and Representations

The response submitted by Savills, on behalf of our client Grosvenor, to the Proposed Modification consultation January 2016 included detailed market signals analysis. This was prepared in response to the Objectively Assessed Housing Need: Further Evidence (November 2015) prepared by PBA ref: RD/MC/040 ("PBA Further Evidence"). Subsequently PBA has prepared an Objectively Assessed Housing Need: Response to Objectors (March 2016) document ref: RD/MC/041 ("PBA Response").

The PBA Response sets out a number of critiques of the Savills work which we respond to within this statement.

Market Signals

In this section we do not repeat the conclusions of the Savills Market Evidence which was submitted in January 2016, instead focussing mainly on the PBA Response consideration of that evidence.

Start Point

Paragraph 3.2 and 3.3 of the PBA Response summarises the Savills analysis and states that the conclusions reached by Savills on the rate of house price growth are not correct. The PBA Response suggests that there is no reason for choosing 2007 as a start point for the comparison.

It is our view that the 2007 start point is a much more logical time at which to start any analysis of house prices change as it represents a previous peak in the market. The Savills analysis still considers a longer term analysis of the housing market covering growth since October 2007 to October 2015. Conversely, PBA suggest that the reason for choosing its analysis period is to correspond to the start point for its demographic scenarios.

On the basis of the two approaches (i.e. starting from previous market peak or demographic start point) we can see no reason why it would not be more appropriate to measure or at very least give due consideration to the rate of house price increases from a previous market high. There is no reason we can surmise as to why the demographic start point would be considered more appropriate, particularly

as in this case as it is 13 years before the current date and eight years before the Local Plan period start date (2011).

Affordability

Paragraph 3.7 and 3.8 of the PBA Response discusses the Savills affordability analysis. The PBA Response again seems to suggest that there should be a link between the periods assessed and the demographic projections start point. Again there appears to be no clear rationale for this position as the analysis is considering price change. The approach proposed by Savills is that the allowance for market signals should be an uplift on these demographic projections – not affecting the baseline demographic analysis which forms a start point. We also believe that PBA may have misinterpreted Figure 5 of the Savills Market Signals report. The relevant extract as to how the alternative methodology has been calculated is set out below:

“The dataset is not currently being updated, so it is not possible to provide a more up to date view. As an alternative, we have used the median property values at Local Authority level from the ONS small area statistics in conjunction with data from the Annual Survey of Hours and Earnings (ASHE) to give 2014 figures for England, Cambridge and South Cambridgeshire. Figure 5 shows the DCLG median ratios for all areas from 2005 to 2013, with the alternative method providing the data points for 2014. Running our analysis for 2013 showed a very close match to DCLG data so the methods are comparable”.

Development Land Price

The development land price analysis that Savills has provided is also not considered to be of relevance by PBA, again the assertion is that as the period selected is not related to the demographic projections it is not relevant. As set out previously, we consider that the previous market high is a more relevant position to consider rate of growth for a market assessment. The analysis of development land from Savills provides a very helpful strand to the analysis of house prices which clearly supports the view that housing and development land values are increasing at a significant rate particularly when other relevant comparators are considered.

Conclusion

Overall the PBA Response dismisses the Savills analysis. We do not agree with this position and consider the Savills analysis to provide a much more robust position from which to consider market signals in an area that has an obvious and significant issue with affordability. The results of the market signals analysis undertaken by Savills clearly indicates that there is a significant issue with affordability of housing in Cambridge and, to a lesser extent South Cambridge, and that demand remains very strong despite the rising house prices.

Affordable Housing

Following the commentary above, paragraph 4.1 of the PBA Response suggests that there is not enough demand for market housing in Cambridge to support an increase in the housing target to enable more affordable homes to be delivered (this is also set out in the PBA Further Evidence at paragraph 4.11). For the reasons set out above we do not agree with this position. There is a significant demand for housing, despite the rising prices, within the Cambridge residential market and this is a further indicator of the issue of affordability which is prevalent.

Consideration of the effects of market signals and employment growth

The PBA Further Evidence and Response clearly set out that the impact of employment has not been considered as part of their assessment. This is set out in paragraph 1.5 of the PBA Response. Paragraph 3.52 of the PBA Further Evidence also states that:

“In short, there is already in place through the SHMA an analysis of the housing required to support future employment growth. Therefore there are two alternative housing need figures: the PBA projection, based on past demographic trends and market signals, and the SHMA projections, which take into account future employment”.

We disagree with this approach to assessing OAN. These factors need to be considered 'in the round', not as two separate projections (the Local Plan Inspector Reports provided by PBA support this position). This is a significant flaw which in effect means that no allowance is made for market signals. It creates a very significant risk that the current affordability issues will be perpetuated into the next plan period as the additional allowance made in housing numbers is effectively only providing a level of housing to meet the needs for the new employment growth only.

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 on new housing in the Local Plans. If not, why not and why are alternative figures to be preferred?

As set out in the above response we consider that the OAHN needs to include an allowance for both the projected need arising from employment and the need that the market signals suggest is required.

On this basis we would consider that the most appropriate method for calculating the OAHN would be to take the population projections as a starting point, then add to this an allowance for employment growth and market signals.

The following sets out how the approach to the OAHN should be considered.

South Cambridgeshire

The "starting point" figure set out in the PBA Further Evidence is 17,579 new dwellings.

The SHMA set out a need for 19,000 new homes based on the employment growth, this would imply an increase above the starting point of 1,421 dwellings.

The PBA Further Evidence indicates that an allowance of 10% above the starting point should be made. This calculation is set out at paragraph 10 of the Executive Summary and provides a figure of 19,337 new dwellings – an increase of 1,758 dwellings.

If taken together there would be an increase of 3,179 new dwellings above the starting point – a total of 20,758 new dwellings over the plan period. If a 20% market signals allowance was provided this total figure would increase to 22,516 new dwellings and a 30% allowance would produce an overall total of 24,274 new dwellings.

Scenario	Proposed OAHN (dwellings)	Annualised Rate (dwellings / annum)
PBA Further Evidence	19,500	975
Baseline + Employment + 10% Market Signals	20,758	1,029
Baseline + Employment + 20% Market Signals	22,516	1,126
Baseline + Employment + 30% Market Signals	24,274	1,214

Cambridge City

The "starting point" figure set out in the PBA Further Evidence is 10,069 new dwellings.

The SHMA set out a need for 14,000 new homes based on the employment growth, this would imply an increase above the starting point of 3,931 dwellings.

The PBA Further Evidence indicates that an allowance of 30% above the starting point should be made. This calculation is set out at paragraph 10 of the Executive Summary and provides a figure of 13,090 new dwellings – an increase of 3,021 dwellings.

If taken together there would be an increase of 6,952 new dwellings above the starting point – a total of 17,021 new dwellings over the plan period. If a 40% market signals allowance was provided this total figure would increase to 18,028 new dwellings.

Scenario	Proposed OAHN (dwellings)	Annualised Rate (dwellings / annum)
PBA Further Evidence	14,000	700
Baseline + Employment + 30% Market Signals	17,021	851
Baseline + Employment + 40% Market Signals	18,028	901

This calculation is based on the figures set out in the PBA Further Evidence and Response. Should any of the assumptions change it would be necessary to reconsider this position.

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.

The City Deal sets out an ambitious platform for growth and investment and the creation of new jobs and homes by capitalising on the Cambridge Phenomenon. At present, the Local Plans do not reflect this level of ambitious growth through their housing targets.

By investing in and prioritising strategic infrastructure, the City Deal is an opportunity to enable the creation of new homes, which in turn will support economic growth, in sustainable locations. The provision of additional 1,000 homes beyond the Local Plans designation should not be limited to rural exception sites, but enabled on brownfield sites where a substantial number of homes and jobs could be created, but where complexity and high infrastructure costs might result in developments to become unviable.

How the City Deal can enable the delivery of homes on windfall sites and the scale of development that this could result needs to be considered as part of a Local Plans, as it has clear implications for the housing targets and the overall growth of employment and jobs.

PM1B – 5 year housing land supply and joint trajectory

PM1B.1 The Framework (paragraph 47) states, amongst other things, that local planning authorities should identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements. Planning Policy Guidance Ref 010 2a-010-20140306 advises: Where there is a joint plan, housing requirements and the need to identify a five year supply of sites can apply across the joint plan area. The approach being taken should be set out clearly in the plan. Are there any local circumstances which justify the use of a joint trajectory without a joint plan? If so what are they?

This question is considered to be directed towards the local planning authorities and those parties supporting the approach. No comment provided.

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?

There is no clear mechanism presented as to how the local planning authorities will operate with a joint housing trajectory.

The current approach to the housing trajectory is in effect rationing how development can be brought forward and it is reliant on a number of large sites being brought forward at a similar time in relatively similar areas.

There is a significant demand for new homes now (demonstrated by the issues with affordability) of a variety of sizes, types and tenures. The Local Plans therefore need to have sufficient flexibility to respond to this demand and also identify sufficient sites with the ability to respond to this demand.

With such a pressing level of housing demand, which is fuelled by continuing economic growth and other trends, there are real dangers in an artificial phasing of sites restricting the delivery of housing in sustainable locations. This will only ration the delivery of housing and could perpetuate the cycle of a shortage of housing and a lack of affordable choice. This cycle needs to be broken.

PM1B.3 Is it clear how this approach would work in practice; i.e how would the five year land supply would be calculated and updated; and it is clear how any failure to provide a five year supply would be resolved?

It is not clear how this approach would work. The issues that may arise have been set out in representations submitted on behalf of Grosvenor. This information needs to be provided by the Local Planning Authorities before further consideration could be given.

It is suggested that separate trajectories should be provided by each local authority and if required justification provided as to why housing delivery takes place at the proposed pace. This would provide a clear rationale for each authority and enable a robust assessment as to whether this approach was in accordance with the NPPF and any further measures that may be required.

PM1B.4 The Memorandum of Understanding (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?

No comment.

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