

**CAMBRIDGE CITY AND SOUTH CAMBRIDGESHIRE
MATTER 3: HOUSING NEED**

What part of the Local Plan is unsound?

The housing requirements for Cambridge City and South Cambridgeshire Councils.

Which soundness criterion does it fail?

Both housing requirements are unjustified and are inconsistent with national policy.

Why does it fail?

The housing requirements are unjustified and inconsistent with national policy because they are based upon a non NPPF compliant methodology. The inadequacy of the requirements for Cambridge and South Cambridgeshire is illustrated by the extent of the problem of affordability in both areas, the size of the affordable housing need, and the extent of the past-under-delivery against the earlier development plans. Both plans depend upon a simple demographic projection that is based upon projecting forward the number of homes required based upon current plan policies.

How can the Local Plan(s) be made sound?

Both LPAs will need to revisit the housing numbers to take account of market signals, including affordability, the size of the affordable housing need, and past under-delivery.

The precise change and/or wording that you are seeking:

This cannot be answered. The Main Modifications that may be required (assuming that the changes required can be accommodated by Main Modifications) will be informed by the findings of the revised objective assessments of housing need that are required.

a) Do the figures of 14,000 new homes (Cambridge City) and 19,000 new homes (South Cambridgeshire) reflect a robust assessment of the full needs for market and affordable housing, as required by the Framework (paragraphs 47 and 159).

Cambridge City Council's (CCC) plan will provide 14,000 dwellings between 2011 and 2031, or an average of 700 dwellings per annum (dpa).

South Cambridgeshire District Council's (SDDC) plan will provide 19,000 dwellings between 2011 and 2031, or an average of 950 dpa.

The NPPG advises that the official DCLG Household Projections should provide the starting in the assessment of housing need. The most recent household projection is the 2011 Interim Household Projection. For CCC it is acknowledged by interested parties that this projection is problematic since it indicates a decline in the projected rate of household formation: from 47,000 households in 2011 down to 45,000 in 2011 (see Table 10 of page 15 of the *Population, Housing and Employment Forecasts Technical Report*). This is quite unusual in the national context (a similar decline is registered in Blackpool). It is difficult to know whether this decline is indicative of the future. Cambridge County Council has contested this official projection on the basis that the ONS population projections that provide the basis for the household projections are not credible (see paragraph 3.4.4) because the 2011 Census data confirmed an increase in the population between 2001 and 2011. Section 3.1 also explains that the new ONS methodology for calculating international migration has resulted in a net loss of population. CCC considers this implausible when compared with other data sources such as the local electoral and school roll and NHS records (paragraph 3.1.10).

For South Cambridgeshire the indications provided by the 2011 Interim household Projections show that 10,000 households will form between 2011-2021 (see Table 10, page 15 of the *Population, Housing and Employment Forecasts Technical Report*). If this figure was rolled forward for the second decade of the plan, then this would indicate a need for at least 20,000 dwellings to meet housing need based upon trend projections. Therefore, South Cambridgeshire's plan is not meeting the minimum level of need indicated by the official household projections, bearing in mind that these latest projections are influenced by the twin effects of the recession and a longer-term problem of affordability and the effect that this has had on suppressing the rate of household formation. The NPPG advises that the official household projections should be considered the starting point in the assessment of need, although plan-makers may apply sensitivity testing to reflect local circumstances based on alternative assumptions in relation to the underlying demographic projections and household formation rates. In addition to this, plan-makers are encouraged to consider 'market signals' to account for the factors just referred to above, such as the effect of the recession and more deeply entrenched problems of affordability.

In view of the uncertainties over the ONS population projections for Cambridge City, the City Council has had to make its own assumptions. Unfortunately, both Councils have chosen to use a non-NPPF compliant method of calculating the need which rather than being objective is shaped by the effects of previous planning policy and the constraints imposed. It is doubly troubling when one also considers the scale of the historic under-provision of housing in the sub-region when measured against previous development-plan targets (we will address this below).

It appears that assessment of need for both Council's is based upon the number of dwellings forecast to be built between 2011 and 2031. Page 22 in Section 12.2 of the SHMA 2012 states that:

"Table 10 shows mid-2011 dwelling stock estimates derived from the Census 2011 dwellings figure plus local housing completions data, the indicative dwellings figure for each district in 2031, and the indicative dwellings change from 2011 to 2031."

The methodology appears to equate anticipated supply with need. This is troubling approach to take and we doubt whether this would constitute an 'objective' assessment of need in the manner required by the NPPF. Similarly employment forecasts appear to be related to the projected size of the population (page 24, Chapter 12) which would also appear to constrain employment growth to the size of the dwelling stock by 2031 and the projected household size. As the report states on page 24 of Section 12.2:

"it is considered that the indicative population forecasts are the most appropriate to use to identify forecast jobs and reflect the anticipated growth in the economy."

Employment growth, therefore, is also constrained to the number of dwellings predicted to be built by 2031 and increase in population related to this dwelling increase (based upon the average occupancy ratio). The 'objective' assessment of need is therefore derived from the number of dwelling completions that are anticipated. As the SHMA states in paragraph 4.5.2, *"the forecasts indicate the possible population implications of planned and assumed housing development and other demographic change."* The concern here is over the use of the words 'planned' and 'assumed'. This would imply that the assessment is not an 'objective' one but is informed by policy considerations. Paragraph 4.5.1 reinforces this view when it states that *"CCC produces annual 'policy-led' population and dwelling stock forecasts for the county, districts and wards"*.

We refer to paragraph ID 2a-004-20140306 of NPPG which cautions against the application of constraints to the assessment of need.

Setting to one side the question about the approach used to assess the need, it is apparent that the assessment of need is still just a demographic model that considers the size of the population and occupancy ratio derived from an estimation of how many homes will be built in 2031 based upon past rates. No proper consideration has been given to employment growth (see NPPG ID 21-017-20140306) because, as we described above, employment growth has been constrained to the forecast housing supply. Furthermore, no allowance has been made for other market signals, in the manner the NPPG encourages. The assessment of need, therefore, is simply an 'unadorned' demographic figure, and even then one that is based upon a very questionable approach that is contrary to national planning policy.

We are concerned that the Council has chosen to neglect the question of market signals. The case for making an upward adjustment to the demographic forecasts is compelling in view of the scale of the problem of affordability and under-delivery.

Housing affordability and affordable housing need

The issue of affordability is pivotal to the question of setting an appropriate housing requirement for Cambridge and South Cambridgeshire. In Cambridge, lower quartile house prices are nearly 14 times higher than lower quartile incomes. According to DCLG table 577 in 2013 median house prices are 10.02 times more than mean

incomes. In its profile of Cambridge, the *Cambridgeshire Local Economic Assessment* observes this:

Housing (in Cambridge) is very unaffordable and there is an increasing gap between the rest of Cambridgeshire.

Cambridge City is the most expensive area in the sub-region; the average house price in Aug 2012 to Jan 2013 was £349,064. This is more than double the average house price in Fenland which has the cheapest house prices in Cambridgeshire. Furthermore, house prices in Cambridge are rising at a greater rate than the rest of Cambridgeshire, house prices have increased by 7.6% from the same period in 2011/12.

Nine of the ten least affordable wards in the sub-region are in Cambridge City, including the least affordable – Newnham where the lower quartile house price is 23 times the lower quartile income.

For Cambridge as a whole this ratio is 13.95.

In South Cambridgeshire, the ratio of median house prices to median earnings was 7.97 in 2013 (DCLG Table 577).

Affordable housing need is greatest in Cambridge in the sub-region, followed by south Cambridgeshire. Chapter 13 of the SHMA shows a total net need for 2,140 dwellings. As we explain in our representations, addressing the backlog of need plus newly arising need would require 19,580 affordable homes to be provided in the first ten years of the plan. This exceeds by a significant margin the total planned provision in Cambridge. Table 23 on page 36 of Section 12.2 places the total affordable housing need over the whole plan period as 17,131 dwellings (current and newly arising, based on 2011/12 data). This figure also exceeds the entire requirement. In view of the growing employment needs and demand from more affluent in-migrants, clearly a total supply of 14,000 dwellings is going to be inadequate. The needs of a lot of households will be neglected. This is likely to fuel the process of out-migration. This will have important cross-boundary implications. In-migration into South Cambridgeshire and the other Cambridgeshire districts from households priced-out of Cambridge will increase.

In the case of South Cambridgeshire, the annual net need is for 1,474 dwellings and 11,838 over the full plan period. This would leave only 7,000 dwellings to cater for other market needs. This is clearly inadequate. The reality is that high market need will tend to militate against affordability, and therefore the argument made by the Council's in Section 12.2, on page 36 of the SHMA, that some affordable needs will be met in the private rented sector is highly unlikely. These households will be compelled to move elsewhere, or become homeless, or become overcrowded. If they are compelled to move elsewhere then this demands a consideration of this issue at a strategic level looking at the whole sub-region. Cambridge/South Cambridgeshire is too small an area.

Clearly at the levels of new supply that have been set neither Council will do anything to address housing affordability either generally or provide for the needs of people with a specific need for a home falling with the 'affordable housing' tenure.

The NPPF requires local authorities to take into account market signals including housing affordability when planning for housing (paragraph 17). The NPPG expands upon this point, inviting plan-makers to increase the supply response where there is evidence of a worsening affordability ratio (house prices and rents). See sections ID 2a-019-20140306 and ID 2a-020-20140306 of the NPPG.

Neither Council has made any attempt to make such an adjustment. It is clear from the SHMA, Section 12.2 (page 36) that the Councils did not consider that an increase in supply was warranted in order to address affordability. We recognise that the NPPG was published after submission of the plans, and so the Councils may have considered that they were under no obligation to address the question of affordability, but the draft NPPG was available, and had controversially raised the issue of raising supply to address affordability. We did refer to the draft NPPG in our original representations. We have also already referred to the NPPF and the requirement for plan makers to address affordability. Paragraph 159 of the NPPF requires plan-makers to “*address the needs for all types of housing, including affordable housing...*” and that the scale of supply is adequate so that it “*caters for housing demand and the scale of housing supply necessary to meet this demand*”. This could be construed as including the needs of first-time buyers currently excluded from the housing market. It is clear that the Government has always been anxious for planning authorities to confront the question of affordability, but many authorities have chosen to overlook this. Unfortunately when one considers the plans of both authorities, it is apparent that they have neglected this aspect of the NPPF, considering themselves under no obligation to address the manifest problem of affordability in Cambridge/South Cambridgeshire.

The scale of the affordability issue, and the affordable housing need demands a substantial increase in supply. The NPPG advises that: “*the larger the improvement in affordability needed...the larger the additional supply response should be*”. In connection with the provision of affordable homes – i.e. homes that specifically meet the definition in the NPPF of this tenure, the NPPG advises that “*an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.*”

If the affordable housing need in Cambridge exceeds the total planned supply (17k to 14K) then clearly there is something wrong with the assessment of need and the strategy as a whole. The affordable housing need cannot exceed the ‘objective assessment of need’ – if it does then clearly the assessment is flawed. We have explained why it is flawed: it is flawed because the assessment is based upon past-rates of house building activity in the two districts. Past delivery has nothing to do with an objective assessment of need.

If the City is unable or unwilling to tackle affordability and cater for the scale of the affordable need identified then these households will be compelled to leave Cambridge. This means that these households would have to be accommodated by South Cambridgeshire as Cambridge City’s strategic partner. Equally if South Cambridgeshire’s planned supply is too low to cater for affordable needs then this will fuel the pace of outward migration to elsewhere in the sub-region. This will have implications for neighbouring authorities. There is no contingency for this in the strategy, and it is uncertain if the other authorities in the sub-region are prepared for

this. Therefore this begs the question whether the HMA that has been identified and the basis for cooperation that has been defined is the correct one for the sub-region.

Student needs

The plans take no account of the planned net increase in student numbers, despite the observations in paragraphs 5.24 and 5.32 of the Cambridge plan. The Cambridge plan acknowledges the significant the student numbers have on Cambridge's demography. Paragraph 159 of the NPPF requires plan-makers to consider all needs.

Past under-delivery

Another factor to consider when undertaking an objective assessment of need is the question of under-delivery. We note that figure 5 of the Annual Monitoring Report 2012 for Cambridge City has performed persistently badly against the RS housing target which aimed for 1,110 dpa since it was adopted in 2008. We referred to this in our representations. This under-performance against the previous development plan objectives will have contributed to the affordability problems that Cambridge and South Cambridgeshire face today.

In the case of South Cambridgeshire we note the following from paragraph 4.6 of the AMR of February 2014 (which covers the reporting year 2012-13).

“Since 1999 (the start of the Core Strategy plan period), 10,540 net additional dwellings have been completed in the district; this is an under performance of 4,748 dwellings compared to the cumulative annualised strategic requirement (13 years at an annual rate of 1,176 dwellings gives 15,288 net additional dwellings).”

We note the subsequent points about back-loading to the latter part of the plan, but this would merely mean that this strategy of back-loading would allow South Cambridgeshire to effectively ignore what had been considered necessary by the previously agreed development plan to address housing needs. If homes are not built then households will not form and these trends will be reflected in the official Census data and therefore the projections. Some commentators have suggested that this is what is being illustrated by the difference between the 2008-based and 2011 Interim projections: the effect of tightening supply on housing affordability which in turn is resulting in a decline in the rate of household formation and an increase in the average household size (see for example RTPI Research Briefing No.3, January 2014 and Alan Holmans for the TCPA in: TCPA Tomorrow Series Paper 16: *New Estimates of Housing Demand and Need in England, 2001 to 2031*. This is why the NPPG in paragraph ID 2a-019-20140306 considers it important for plan-makers to reflect on the effect that past planning performance will have on the official projections. It also demonstrates the problems that stem from the practice of 'back-loading', where promises about meeting housing needs are neglected when new plans are prepared using new demographic projections.

In the case of South Cambridgeshire, the East of England RS increased the rate of delivery to 1,330 dpa for the plan period 2000 to 2021. The 2008 RS came into effect in May 2008. We would consequently dispute the claim that the figure of 1,176 would

serve as the performance measure for the period 2008 to 2013. When considered against this measure, then South Cambridgeshire's performance is even more woeful.

The NPPG expects plan-makers to adjust upwards the planned-supply to compensate for the effects of past under-delivery against the development plan. It appears that neither Council has considered that such an adjustment is warranted despite the evidence of under-delivery.

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