

South Cambridgeshire Local Plan Examination

Matter 3: Housing Need

1. This Hearing Statement has been prepared by GVA in liaison with Boyer Planning pursuant to the duly-made representations submitted on behalf of RLW Estates Ltd and the Defence Infrastructure Organisation (DIO). GVA has prepared this Statement following on from the "Audit of Strategic Housing Provision in the Cambridge Sub-region HMA" (October 2013) submitted in support of RLW/DIO representations to the South Cambridgeshire and Cambridge City Proposed Submission Local Plans.

(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)
2. Paras. 47 and 159 of the Framework require local authorities to identify the full, objectively assessed needs (OAN) for market and affordable housing in their housing market area, by preparing a SHMA and by working with neighbouring authorities where HMAs cross administrative boundaries. The local authorities making up the Cambridge Sub-region Housing Market Area (HMA) have worked together to prepare a joint and consistent SHMA (RD/Strat/090) and have entered into a Memorandum of Co-operation (RD/Strat/100) with Peterborough City Council to agree the levels of housing to be provided across the HMA to meet housing need. For Cambridge and South Cambridgeshire, the combined level of OAN is assessed as 33,000 dwellings over the period 2011-31 (1,650 per annum), and the Local Plans propose to deliver their own needs.
3. As explained in the Technical Report (RD/Strat/080), the proposed levels of housing provision have been arrived at by modelling several scenarios to project the HMA's change in population over the various plan periods. These scenarios include ONS population projections, a Census projection, five employment forecasts and three County Council "policy-on" projections. The scenarios are analysed individually for each authority and a view has been taken on where they converge to arrive at an "indicative

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- population figure*". The relevant population figure for each local authority has then formed the basis for forecasting both jobs and dwellings, by applying the East of England Forecasting Model (EEFM).
4. Having regard to the above, the proposed scale of housing is neither exclusively demographic-led nor economic-led but, rather, has regard to various scenarios which include both types of projection/forecast.
 5. Since the publication of the SHMA (RD/Strat/090) and Technical Report (RD/Strat/080) a number of important documents have been published which are material to the assessment of the OAN throughout the Cambridge Sub-region HMA:
 - i. Updated employment-led forecasts were released by EEFM in August/September 2013;
 - ii. The Inspector's Report to Fenland District Council on the Core Strategy Local Plan was published in April 2014 (RD/Strat/320);
 - iii. 2012-based Sub-national Population Projections (SNPP) were released in May 2014; and
 - iv. The Inspector's Interim Conclusions on the East Cambridgeshire Local Plan were published in July 2014 (RD/Strat/310).
 6. Dealing firstly with the two Inspector's Reports, these have concluded that: the Duty to Co-operate has been satisfied for both Local Plans; the County's Technical Report (RD/Strat/080) methodology is sound; the proposed levels of housing provision in both authorities' Local Plans is sound (11,500 dwellings for East Cambridgeshire and 11,000 for Fenland); and, the Peterborough "contribution" to the OAN within these two authorities (2,500 dwellings) is also sound.
 7. Turning to the SNPP, the Framework states that the SHMA should identify the scale of housing that the local population is likely to need over the plan period which meets household and population projections (para. 159). When viewed solely against the 2012-based SNPP, it appears that housing in the emerging Local Plans is being over-provided

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across the HMA as a whole and for Cambridge City and South Cambridgeshire (when viewed individually or as a single sub-region). This is shown in Table 1:

Table 1: 2012-Based SNPP compared to County Technical Report Population Projections

Authority	Technical Report (2011-2031)	SNPP (2012-2031)	SNPP (2012-2032)
Cambridge	27,000	8,000	9,000
East Cambridgeshire	26,000	22,000	23,000
Fenland	22,000	13,000	14,000
Huntingdonshire	31,000	23,000	23,000
South Cambridgeshire	38,000	32,000	33,000
Forest Heath	13,000	15,000	16,000
St. Edmundsbury	19,000	9,000	10,000
Total	176,000 (8,800 pa)	122,000 (6,421 pa)	128,000 (6,400 pa)

8. Having regard to all of the more recent evidence, on the face of it, it appears that:
- i. The Duty to co-operate has been met in terms of identifying and meeting the OAN across the HMA;
 - ii. The SHMA (RD/Strat/90), Technical Report (RD/Strat/080) and Memorandum of Co-operation (RD/Strat/100) provide a robust and sound methodology for assessing the OAN; and
 - iii. The emerging Local Plans across the HMA are meeting and exceeding housing needs arising from the most up-to-date population projections (SNPP) for the HMA as a whole. In addition, the Cambridge City and South Cambridgeshire Local Plans are meeting and exceeding housing needs arising from the SNPP for each authority area when viewed individually.

9. Notwithstanding the above, there are additional and critical factors that must be taken into account for Cambridge City and South Cambridgeshire. The SNPP (and any resultant household projections) are only the “starting point” (PPG Ref ID: 2a – 015- 20140306) and they have significant limitations in identifying the OAN in the Cambridge Sub-region. They project recent trends in population growth and such trends reflect periods of constrained housing delivery, availability and affordability (as recognised in the PPG). Furthermore, they do not in any way anticipate or reflect the impact that changing economic circumstances will have on population and housing needs (also recognised in the PPG). Both of these shortcomings are especially relevant to the Cambridge Sub-region – more so than the wider authorities comprising the HMA – bearing in mind that the Cambridge economy is fundamental to national economic growth and the two authorities have acute shortfalls in affordable housing. This is explained in more detail below.

The proposed levels of housing will fail to support projected economic growth

10. The Framework contains numerous policies on securing, promoting and supporting sustainable economic growth and requires strategies for housing and employment to be aligned (e.g. paras. 17, 21, 156 and 160). Further guidance is provided within the PPG (Ref. 10: 2a – 018 – 20140306) and the Planning Advisory Services' Technical Advice Note on “Objectively Assessed Need and Housing Targets” (June 2014) (Section 6).
11. Nowhere is the need to balance housing with economic growth more imperative than in the Cambridge Sub-region, which has global recognition for business innovation and scientific research (Greater Cambridge & Greater Peterborough Strategic Economic Plan). Future economic growth of the “Cambridge Cluster” is of national significance and realising its economic potential requires dynamic intervention through the planning process, particularly as the City is severely limited in its ability to accommodate all of its own growth needs. Given that South Cambridgeshire encircles the City it has a vital role to play in contributing to the City's economic and housing needs, as well as its own. Having regard to national planning and economic policy and guidance, it is critical that the proposed scale of housing provision in Cambridge and South Cambridgeshire

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- supports the optimal levels of forecast economic growth. A failure to do so may stifle economic growth, and is almost certain to lead to worsening levels of housing affordability and commuting.
12. The South Cambridgeshire Local Plan pledges to deliver “*impressive*” economic growth (Vision) and both Local Plans include Objectives of supporting the position as a “*world leader*” in research and technology based industries (South Cambs Policy S/2 and Cambridge City Vision and Objective 10). It is therefore apparent that the Local Plans are focussed upon delivering impressive economic growth, and this must be reflected in the levels of housing provision.
 13. The SHMA and Technical Report make reference to the various employment forecasts that have been undertaken for the HMA to provide a range of evidence on potential future economic growth, and associated dwelling requirements to support increases in labour. These comprise various scenarios of low-high economic growth modelled using the EEFM and LEFM. In our view, the EEFM forecasts are more applicable to housing projections than the LEFM forecasts given that they balance the forecast of jobs with population and dwellings, to allow for a continuation of existing commuting patterns (the LEFM does not alter the population). As outlined above, the EEFM forecasts were updated in summer 2013 so provide a more up-to-date evidence base (“EEFM 2013 release”)
 14. In our opinion, the EEFM “High Migration” scenario is that which most closely accords with national planning and economic policy and guidance and the Visions/Objectives of the two emerging Local Plans given that it is an economic-led forecast which meets national migration projections and does not impose any policy constraints. It is more relevant to the Cambridge Sub-region than the wider HMA on account of the City’s position as a world leading location for R&D.
 15. The EEFM High Migration forecast (2013) applies national net migration assumptions (understood to be the 2010-based population projections (ONS) of net migration; 200,000 net immigration per annum nationally). ONS revised estimates of net migration indicate that the annual rate of in-migration to the UK was 216,000 between 2001 and 2011 (April 2014), and net migration in the year to March 2014 increased to 243,000 (Migration

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Statistics Quarterly Report, August 2014, ONS). This average trend is obviously higher than the ONS projection applied in the EEFM. As such, despite the Government's targets to reduce net migration, the EEFM High Migration forecast is a robust basis upon which to project future employment and housing needs over the plan period.

16. When viewing Cambridge and South Cambridgeshire as a single entity, it is apparent that the two emerging Local Plans are proposing 1,600 less dwellings than is forecast as being required in the EEFM High Migration scenario (September 2013) (but 3,700 more jobs). This unconstrained forecast suggests that the emerging strategy is proposing, or will result in, migration into other local authorities in the HMA and, in turn, increased levels of commuting. It is also likely to result in worsening levels of housing affordability.
17. Given the constraints on housing capacity in Cambridge City, it is not realistic to anticipate any material increase on the 14,000 dwellings contribution. Indeed, the available supply may fall short of the 14,000 figure. On this basis, the upward adjustment should be made in South Cambridgeshire, resulting in an increase in provision from 19,000 dwellings to 20,600 dwellings. Waterbeach New Town is able to provide additional housing supply during the plan period to meet this increased need, over and above what is allowed for in the emerging Local Plan. This matter will be addressed at a later stage in the Examination.

The proposed levels of housing will fail to meet affordable housing needs

18. The NPPF requires local plans to meet the full needs for affordable housing (paras. 47 and 159) and the PPG requires the OAN to be informed by "market signals" including "affordability" (Ref. 10: 2a-019-20140306). Para. 20 of this section of the PPG states that "A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections".
19. The Strategic Economic Plan recognises that housing affordability is a "significant challenge" in Greater Cambridge with average house prices in Cambridge having increased by 50% in the last eight years (p73). It also states that average house prices in Cambridge are around 8.7 times the average salary, compared to 6.7 for England (p82).

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It concludes that “The impact of all this is to suppress demand and build inefficiency into the economic landscape, making it hard for firms to recruit and retain staff and to access markets ... A failure to address these problems could see Greater Cambridge, and so the UK, lose out to these other city regions ...”.

20. The SHMA (RD/Strat/090) includes an assessment of affordable housing need (Chapter 13 and its Supplement). We have summarised the information on affordable needs in Table 2:

Table 2: Summary of Affordable Housing Needs (2011-2031)

Local Authority	Current Need ¹	Projected Net Need ²
Cambridge	9,634 (34%)	3,760
East Cambridgeshire	1,911 (7%)	800
Fenland	3,512 (12%)	-700
Huntingdonshire	3,312 (12%)	1,880
South Cambridgeshire	5,412 (19%)	2,980
Forest Heath	1,865 (6%)	1,500
St Edmundsbury	2,709 (10%)	-340
Cambridgeshire HMA	28,355	9,880

¹ Table 8 of SHMA Chapter 13 Supplement – this provides the gross “backlog” figure for 2011/12 and is not annualised – it has not been possible to calculate a net figure from the data available.

² Table 22 of SHMA Chapter 12 (2011/12 data); projected annual net need multiplied by twenty years.

21. The affordable housing need is not directly comparable with the total need as they are based upon different methodologies and the affordable need is a component of the total need. However, it is apparent that there is a substantial backlog of affordable housing need and a significant projected need across the HMA as a whole.
22. When combined, Cambridge and South Cambridgeshire's backlog amounts to 53% of the total HMA need/backlog (15,046). It is also clear that Cambridge and South Cambridgeshire have the largest projected net affordable needs in the HMA, which amounts to 6,720 affordable homes when combined (68% of the total HMA need). This equates to 20% of the proposed level of supply (excluding the huge backlog of need).
23. The above data reveals that the proposed level of housing for Cambridge and South

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Cambridgeshire combined will be sufficient to meet projected net affordable needs over the plan period (equating to 20% of the total) but is unlikely to be sufficient to clear the backlog of affordable need. We have been unable to calculate this definitively as the SHMA does not provide a clear position on the net current need, but working on the basis of a total net backlog figure of 14,656, and assuming a Local Plan target of 40% affordable housing delivery, the backlog alone would require a total housing provision of 1,833 dwellings per annum over the plan period (and, moreover, this is exclusive of the projected future need).

24. It is also relevant to examine DCLG data on ratios of lower quartile house prices to lower quartile earnings:

Table 3: DCLG Ratios of Lower Quartile House Prices to Lower Quartile Earnings

	1997	2000	2005	2010	2013
Cambridge	4.49	6.12	9.18	9.50	10.33
South Cambridgeshire	4.33	5.79	8.63	8.10	8.79
England	3.57	3.91	6.82	6.69	6.45

Source: DCLG, Table 576 Ratio of lower quartile house price to lower quartile earnings by district from 1997

25. From the above, it is clear that Cambridge and South Cambridgeshire have more acute problems of housing affordability compared to the national average. The data shows that national housing affordability have improved since 2005, but the position has worsened for the Cambridge Sub-region. Indeed, Cambridge's ratio is on a par with the London outer boroughs.
26. Having regard to all of the above, the two emerging Local Plans are not meeting the full and objectively assessed needs for affordable housing, as required by paras. 47 and 159 of the Framework. The market signal of "affordability" requires an upward adjustment of the planned housing numbers.

(b) Is the methodology used consistent with the advice in PPG?

27. It is evident that both the SHMA (RD/Strat/090) and Technical Report (RD/Strat/080) pre-

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date the PPG. Following on from the response to Question (a) above, the view is taken that the methodology adopted is inconsistent with the PPG in the following respects:

- i. The proposed levels of housing provision fail to take account of high levels of migration and employment growth (EEFM High Migration Scenario, 2013) as required by paras. 017 and 018 of Ref. I.D: 2a-017-20140306.
- ii. The proposed levels of housing provision fail to take account of the market signal of worsening housing affordability, as required by para. 019 of Ref. ID 2a-019-20140306.

Conclusions

28. In conclusion, the view is taken that the level of housing provision in the emerging South Cambridgeshire Local Plan (Policy S/5) is unsound because it does not represent the OAN. It fails to allow for optimal levels of economic growth and realistic levels of migration and will fail to improve housing affordability (increasingly becoming a major problem in the Sub-region). It is requested that Policy S/5 of the South Cambridgeshire Local Plan provides for 20,600 new homes over the plan period, to reflect the OAN identified under the EEFM High Migration Scenario (2013).
29. In addition to the above, the view is taken that Objective (c) in Policy S/2 of the South Cambridgeshire Local Plan is inconsistent with national policy as it only seeks to provide housing to meet "local needs and aspirations", rather than the OAN. It is submitted that this objective should be amended to read as follows:

"To provide land for housing in sustainable locations that meets identified requirements and satisfies local needs and aspirations, and gives choice about type, size, tenure and cost"

**GVA for RLW Estates
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