

Huntingdonshire Local Plan Examination Inspector's Matters and Issues

Matter 4 – Overall Provision for Housing

Hallam Land Management (Rep ID: 1118661)

1) Is it justified to identify an updated OAN for housing for Huntingdonshire rather than the wider HMA? What are the implications of this for other authorities in terms of plan preparation and meeting identified needs?

- 1.1 The approach taken to update the OAN for a single authority rather than the HMA is sub-optimal as it results in a lack of consistency between the approach adopted and data sources. We consider it more appropriate to establish the OAN for the housing market area and then consider how this is apportioned to the constituent local authorities. This is the approach taken by the previous Cambridge Sub-Region SHMA (2013).
- 1.2 The previous SHMA formed the basis for agreed housing need figures across the HMA through the Cambridge and Peterborough Memorandum of Cooperation. This identified an agreed figure of 21,000 new dwellings in Huntingdonshire over the 2011-36 plan period.
- 1.3 In the single authority update, the OAN for Huntingdonshire is reduced to 20,100 dwellings, however it is not clear how this will impact on neighbouring authorities. The agreed position of 21,000 dwellings should be taken as the starting point.

2) Was the methodology employed in the Huntingdonshire Objectively Assessed Housing Need Update of 2017 appropriate and does it provide a robust basis for establishing the OAN?

- 1.4 GL Hearn consider there are a number of particular issues with the methodology used in the 2017 Update. These are set out in full in GL Hearn's report 'Review of Objectively Assessed Housing Need in Huntingdonshire' submitted alongside this response, on behalf of Hallam Land Management.

1.5 There are three major reasons why we consider the 2017 OAN Update underestimates the OAN for housing:

- **Household formation rates for younger people** – The household projections show formation rates of 25-44 year olds declining over the plan period, in contrast to the projections at the national or regional level. The OAN Update takes no account of this. It considers headship rates a point in time (2014) but does not address the future decline.
- **Housing to support economic growth** – the OAN Update considers the level of future jobs growth using the East of England Forecasting Model (EEFM). This does not adequately account for the expected level of jobs growth at Alconbury Enterprise Campus which is expected to accommodate 8,000 new jobs from 2011-36. These jobs will be in employment (B Class) and related sectors. However, examination of the sector breakdown of jobs in the EEFM shows that only 2,425 such jobs are accounted for. This means there will be 5,575 additional jobs at Alconbury which are not accounted for in the OAN Update's housing need modelling.
- **Affordability uplift** – the Council's OAN figure includes a market signals uplift of only 5%. However the long term trends suggest that this will not adequately address affordability issues. Additionally, the latest data shows the affordability ratio in Huntingdonshire continues to worsen. On this basis a 15% upward adjustment to the demographic starting point would be warranted to address the market signals.

3) Is it justified in not making adjustments to the demographic led figure derived from the 2014 based household projections in terms of alternative migration trends, evidence on household formation rates or other factors?

1.6 The household projections for Huntingdonshire show a trend of clear decline in the household formation rates of younger households (aged 25-34 and 35-44). This reflects the serious affordability pressures in Huntingdonshire and the difficulty younger households are having getting on the housing ladder. The household projections show this situation worsening in Huntingdonshire over the plan period – and worsening to a greater extent than elsewhere in the country or region (Figure 2 in GL Hearn report). Unadjusted, this would result in household formation rates towards the end of the plan period for younger households which are significantly below those at a regional or national level.

1.7 The Council's OAN Update does not consider this issue. It looks at the household formation rates at a single point in time (2014) but fails to consider how this is projected to deteriorate over the plan period.

1.8 The OAN should be adjusted to remedy the declining household formation rates, to provide additional homes to support younger households. To address this, we have modelled an uplift in the formation rates of the 25-34 and 35-44 year cohorts, based on a part return to trends shown in the 2008-based Household Projections. This shows an additional need for 58 dpa, increasing the demographic-based housing need figure from 757 dpa to 815 dpa (Table 4 in GL Hearn report).

4) How have economic/jobs growth forecasts and changes to working age population been taken into account? Is the 4% uplift to take account of this justified?

1.9 The PPG (2a-018) sets out that consideration should be given to the likely change in job numbers based on past trends and/or economic forecasts.

1.10 The Councils' OAN Update uses jobs growth figures from the 2016 East of England Forecasting Model (EEFM). This shows a growth of 12,370 jobs over the plan period. This is equivalent to an annual growth rate of 0.44% from 2016-36. This is lower than the District's growth rate over the period from 2001-16 which was 0.68% (GLH Report, Table 7). Comparison to other areas shows the forecast growth rate in Huntingdonshire (15.6%) is also lower than the county (21.8%), regional (20.5%), or national (16.7%) growth rates (Table 5 in GL Hearn report).

1.11 The EEFM models future employment growth based on past sectoral performance (relative to the UK / region) and modelling these forward. The 2017 Huntingdonshire OAN Update Report claims that the EEFM jobs growth projection for Huntingdonshire *"includes changes relating to the enterprise zone at Alconbury, as an increase in jobs at the enterprise zone is evident in the historical data"* (para 76). However, an assessment of the actual jobs growth shown in the EEFM shows that this is not the case (see section 4 in the GL Hearn Report).

1.12 The Proposed Submission Local Plan allocates the Alconbury Enterprise Campus for employment uses and is expected to accommodate 8,000 new jobs over the period 2011-36 (Para 9.3). It is to provide significant opportunities for new development in the economy. This is echoed in the Council's Economic Growth Plan which identifies Alconbury Campus as a key investment proposition in the District. It outlines that in addition it could have an added value effect through creating new jobs throughout the District setting out that *"if the new jobs accommodated on the Enterprise Campus are focused in target sectors, there is the potential to generate additional employment of 4,600 elsewhere in Huntingdonshire. This is a total of 12,600 jobs over and above the East of England Forecasting Model baseline"* (our emphasis added).

1.13 This level of jobs growth is not accounted for in the EEFM projection, and does not feed into the Council's assessment of housing OAN, as the GL Hearn Report has explained. GL Hearn have assessed the jobs growth in the EEFM by sector to identify the extent to which the jobs growth at

Alconbury are accounted for in the model. As Alconbury is designated for employment uses we have assessed the quantum of jobs growth in employment related sectors shown in the EEFM (Figure 7 in GL Hearn report).

- 1.14 However, examination of the sector breakdown of jobs in the EEFM shows that only 2,425 such jobs are accounted for. This means that the Local Plan makes provision for 5,575 jobs at Alconbury which are not accounted for in the EEFM and therefore are absent from the OAN Update's housing need modelling. This suggests there will need to be significantly more houses built to accommodate the additional workforce growth.
- 1.15 GL Hearn have modelled the number of dwellings required to support the full expected jobs growth at Alconbury. We have modelled the workforce growth using constant commuting ratios (in line with the 2011 Census) and constant unemployment rates (reflecting conditions of 'full employment' in 2016). This identifies a growth in the resident labour supply (which will need housing provision) of 14,611 persons, compared to the EEFM figure of 8,435. GL Hearn have modelled the housing need using economic activity rates from OBR and Experian which result in an economic-led housing need of between 880-989 dpa. Taking the mid-point of this range is a need figure 935 dpa (Table 8 in GL Hearn report). We consider that this is the level of housing provision needed to support the District's economy.
- 1.16 Our economic-led OAN figure of 935 dpa is equivalent to an economic uplift of 24%. We consider this is an appropriate uplift to account for the significant new employment growth at Alconbury which is not adequately captured by the 4% uplift proposed by the Council.

5) How have market signals been taken into account? What do they show? What is the basis for the 5% uplift? Is this appropriate or should it be higher? Is it appropriate to include the uplift for economic/jobs growth within this figure?

- 1.17 The Council's OAN figure includes a market signals uplift of 5%. This is based on market signals over the 5 year period from 2009-14 which is described in the OAN Update report as '*very modest*'. Accordingly, the report applies a 5% upward adjustment to take account of market signals.
- 1.18 However, when considering market signals the PPG emphasises the advisability of using longer-term trends (PPG paras 019 and 020). When considering the longer term trends, the evidence shows the worsening affordability trends in Huntingdonshire pre-date the 2009-14 period and stretch back to 2001. Since 2001 there has been a rapid growth in house prices and worsening affordability in the District:
- Median house prices have grown by 153% since 2001 (6.4% per annum) – a growth three times faster than incomes.

- Lower quartile house prices have increased 158% since 2001.
- Median rental costs have increased by 22% (£125 pcm) over the period 2011-17, the longest time period over which the data is available.
- Since publication of the OAN Update report new affordability data has been released. This shows the affordability ratio in Huntingdonshire continues to rise with the latest figure at 9.15 (2017) – up from 8.01 in 2016.

1.19 The longer term trends clearly show a situation of worsening affordability in Huntingdonshire. The latest data shows that affordability continues to worsen. Consideration of other Inspectors' decisions on this matter suggests that an uplift of 10-15% is more appropriate in Huntingdonshire.

1.20 We note that using the approach in the Government's proposed standard methodology, the affordability uplift in Huntingdonshire is 27%. This is based on the 2016 affordability ratios (the latest available when the standard method was issued), which for Huntingdonshire was 8.3. Updating this approach using the latest (2017) affordability ratios would give an affordability uplift of 32%.

6) Given the scale of identified affordable housing need, should the OAN be increased to assist in delivering more? If so, to what extent?

1.21 The OAN Update report provides an assessment of affordable housing need. This identifies a need for 7,897 affordable homes, which is equivalent to 39% of the OAN.

1.22 Policy LP25 seeks 40% affordable housing provision on schemes of 11 or more homes, subject to viability. Not all sites will deliver policy-compliant levels of affordable housing, and some will fall below the threshold. 40% proportion of affordable housing delivery is well above the historic trends in Huntingdonshire which averages 21% over the period 2002-16.

1.23 The District's housing trajectory includes details of the affordable housing provision secured at residential sites coming forward in Huntingdonshire. This shows the affordable housing provision where this has been agreed:

- Former Alconbury Airfield and Grange Farm (Alconbury Weald) – 10% of the Dwellings within Key Phase 1 up to 879 shall be Affordable Housing Dwellings. 0% of the first 300 Dwellings to be Practically Completed shall be Affordable Housing Dwellings.
- St Neots East, Loves Farm – affordable housing comprises 28% of the total number of homes across the whole site.
- St Neots East, Wintringham Park – 25% of the first 500 dwellings will be affordable homes.
- Luck's Lane, Buckden – 40% of the 180 dwellings will be affordable homes.

- 1.24 This confirms many of the District's key sites are not providing the 40% affordable housing requirement set out in the Local Plan. This suggests that the District's affordable housing needs will not be met.
- 1.25 Following the approach in the PPG, the Council should have considered increasing its housing target to meet the affordable housing need.
- 1.26 Taking the annual housing need for 316 affordable homes, and assuming an average of 25% provision, would require 1,267 homes overall per year. At 30% provision, 1,053 dpa would be needed.
- 1.27 Increasing the OAN and the plan's overall housing target would help to increase affordable housing delivery. Considered alongside the market signals evidence, this provides a clear justification for a greater uplift than the 5% applied in the Council's OAN methodology; and supports GL Hearn's view that a 15% uplift should be applied.

7) In overall terms is the OAN of 20,100 between 2011-2036 (804/yr) appropriate and justified? Is there a basis to arrive at an alternative figure and if so what?

- 1.28 No, the OAN of 20,100 is not appropriate or justified. This is for the reasons set out above, namely that the Council's approach does not include sufficient housing provision to support planned economic growth at Alconbury; it does not provide an adjustment to improve household formation rates throughout the plan period; and it does not provide an adequate uplift to address housing market signals and deliver the affordable housing needed.
- 1.29 Our January 2018 study sets out an alternative OAN for Huntingdonshire taking account of the above factors. Our analysis identifies the demographic starting point of 757 dpa. We have applied an adjustment to improve the household formation rates of younger households, which increased the demographic-based need to 815 dpa. A market signals adjustment of 15% would increase this figure to 871 dpa. We have also considered an economic-led approach which adequately takes account of the planned development at Alconbury. This identifies a need for between 880-989 dpa with a mid-point of this range being 935 dpa providing an economic-led housing need figure. As this is higher than the demographic-led approach we conclude that this is an appropriate OAN for Huntingdonshire. This results in a housing need of 23,375 dwellings over the plan period.

8) Is the Local Plan justified in seeking to make provision to meet this OAN? Is there a case to make provision for a higher or lower number? How does it compare with past rates of delivery?

- 1.30 Yes, there are no overriding constraints which would preclude this level of housing delivery. Whilst it is above historical completions, these are evidently not a cap given historical under-delivery of housing nationally and the NPPF requirement to boost significantly housing supply. The Council itself is proposing a housing requirement which is above historical completions (which averaged 671 dpa between 2002-16).
- 1.31 GL Hearn's analysis points to local authorities across the country delivering housing growth rates of between 0.5% per annum, to around 2.0% pa. There are various examples of other local authorities in the Greater South East delivering rates of housing growth of over 1.2% pa as shown in the Table below.

Stock Growth Rates, Average 2006-16

	10 Year CAGR
Tower Hamlets	2.2%
Corby	1.7%
City of London	1.6%
Milton Keynes UA	1.5%
Uttlesford	1.5%
South Norfolk	1.4%
Islington	1.4%
Hackney	1.4%
Southwark	1.3%
Dartford	1.3%
Cambridge	1.3%
South Cambridgeshire	1.3%
Swindon UA	1.3%
Forest Heath	1.3%
Tewkesbury	1.3%
Rugby	1.3%
Peterborough UA	1.3%
South Derbyshire	1.3%
Harborough	1.2%
Selby	1.2%
Kettering	1.2%
Tonbridge and Malling	1.2%
Aylesbury Vale	1.2%
Mid Suffolk	1.2%
Colchester	1.2%
Newham	1.2%
Torridge	1.2%
Watford	1.2%
Gloucester	1.2%

- 1.32 Delivery of the Council's 804 dpa figure would represent stock growth of 1.0% per annum; whilst GL Hearn's 935 dpa OAN figure would represent delivery of 1.1% stock growth per annum. Whilst

these compare with historical delivery in Huntingdonshire (2009-17) of 0.9% pa, there are clearly examples of areas within the table above with similar housing market statistics sustaining growth rates of above 1.1% pa, clearly indicating that there would not be market constraints to delivery of our proposed OAN figure.

9) Is the approach of the Local Plan towards housing provision and jobs growth/employment land provision consistent?

- 1.33 The OAN Update report identifies an OAN which is higher than the economic-led housing need based on a jobs growth of 12,370. It therefore calculates a housing-led (labour supply) jobs growth figure of 14,400 jobs. The 14,400 jobs planned for in the Local Plan is 2,030 jobs higher than the EEFM.
- 1.34 The Local Plan plans for 8,000 additional jobs at Alconbury. However the EEFM accounts for a growth of only 2,425 jobs in employment (B Class) and related sectors which would take place at Alconbury. This leaves 5,575 jobs which are being planned for at Alconbury which are unaccounted for in the EEFM baseline.
- 1.35 The 14,400 jobs being planned for in the Local Plan is 2,030 above the EEFM baseline. However, even if we are to assume that 100% of these jobs are to be supported at Alconbury, the planned for figure is still insufficient to cover this shortfall (even assuming all of the additional 2,030 jobs were to Alconbury).
- 1.36 This means the Council's housing-led (labour supply) jobs growth figure 14,400 does not sufficiently capture the planned for jobs growth in the District when accounting for Alconbury. If Alconbury is to deliver the planned for jobs growth, this will result in a much higher workforce requirement which either requires a greater level of housing provision, or will result in increased commuting from neighbouring areas.
- 1.37 We have undertaken analysis which takes account of the planned for jobs growth at Alconbury. The analysis shows that an OAN of 23,375 over the plan period (935 dpa) is required to support planned for jobs growth.