

Huntingdonshire Local Plan Examination

Hearing Statement submitted on behalf of
Bellway Homes Limited in relation to Matter 4
- Overall Provision for Housing

June 2018

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1. Introduction

- 1.1 This hearing statement has been prepared on behalf of Bellway Homes Limited and the landowners (The Trustees of the EJ and BH Smith 2007 Discretionary Settlement and Mr Smith) (hereafter referred to as 'Bellway') in response to Matter 4 (Overall provision for housing) of the Huntingdonshire Local Plan Examination.
- 1.2 Bellway is promoting approximately 14.2 hectares of land to the north of Houghton Road in St Ives ('the site'), which represents a sustainable and deliverable residential land opportunity for up to 350 market and affordable dwellings and public open space. The site is not currently proposed for allocation at this stage.
- 1.3 Pre-application discussions with the Council in respect of the site are at an advanced stage. To date, no physical or other impediments to the delivery of the site have emerged. A public exhibition in St Ives was undertaken on 23 May 2018 and a pre-application meeting with Huntingdonshire District Council held on 7 June 2018. We have also met separately with Cambridgeshire County Council as the Highways Authority on 17 April 2018.
- 1.4 This hearing statement provides written responses to Q1 to Q9 of Matter 4 inclusive.
- 1.5 Bellway welcome the opportunity to participate in the Matter 4 hearing session on Thursday 19 July 2018.

2. Response to Inspector's Questions

2.1 This section sets out our response on behalf of Bellway to the questions that have been raised by the Inspector in his Matters and Issues Paper issued on 16 May 2018. We provide written responses to questions Q1 to Q9 inclusive.

Matter 4 – Overall provision for housing

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?

2.2 The NPPF and PPG confirm that:

- LPAs should use their evidence base to ensure that their Local Plan meets the full OAN for market and affordable housing in the HMA¹.
- OAN evidence across HMAs may be advanced to different timetables to reflect the programmes for Local Plan development and adoption². However, the evidence must build upon that prepared across the HMA³.
- Care must be taken in applying variant migration assumptions, with figures to be agreed through the DtC⁴.
- Where assumptions are lower, failure to do so would increase unmet need and conflict with the objectives of the NPPF⁵.

2.3 The Councils have confirmed⁶ that the last HMA-wide consistent SHMA was published in 2013. The updated OAN for Huntingdonshire has seen a reduction of 50dpa (6%).

2.4 The 2017 paper⁷ does not constitute a full update to the 2013 SHMA. The Council has not presented evidence to assess the implications of reducing its concluded OAN, or whether needs are being met or planned for elsewhere in the HMA.

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?

2.5 No, because:

- It does not apply a reasonable adjustment to account for evidence of worsening market signals, or consider whether its concluded OAN could reasonably improve affordability.

¹ NPPF Paragraph 47(1)

² PPG Reference ID: 2a-007-20150320

³ PPG Reference ID 2a-007-20150320

⁴ PPG Reference ID: 2a-018-20140306.

⁵ *Ibid*

⁶ Update on Objectively Assessed Need (OAN) in the Cambridge Sub-Region Housing Market Area – February 2017

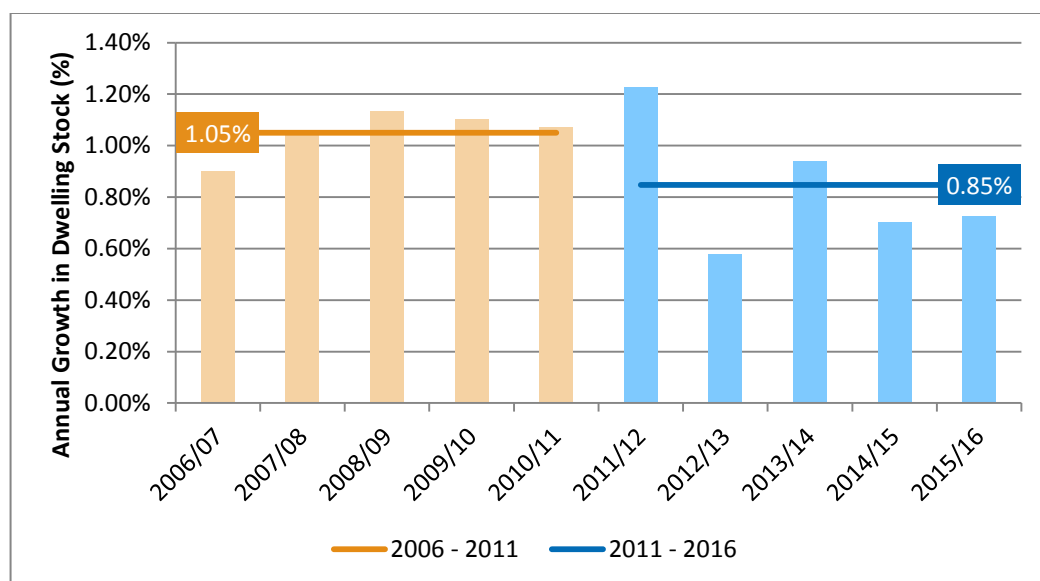
⁷ Huntingdonshire Objectively Assessed Housing Need, April 2017

- It fails to adequately consider how household formation has been affected by historic affordability issues.
- The methodology employed in seeking to balance job growth and housing need is flawed.

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?

- 2.6 The 2014-based household projections are correctly acknowledged as the starting point⁸.
- 2.7 In accordance with the PPG, the paper attempts to consider how past under-delivery may have affected historic population growth, and therefore future projections of growth based on a historic period⁹. Although the Council concludes (Figure 4) that *'low rates of annual house-building are not evident'*, it is apparent below that the housing stock has grown to a lesser extent since the start of the plan period, relative to the previous five years. Irrespective of this, the Council acknowledges that the provision of housing has fallen 1,149 dwellings short of assessed need over the first six years of the plan period¹⁰ (192dpa).

Figure 2.1: Variance in Average Annual Stock Growth (2006 – 2016)



Source: MHCLG Live Table 125

- 2.8 With the 2014-based SNPP drawing upon this recent historic period, they can be reasonably considered very much a minimum starting point from which to assess future need. This accords with the conclusions of the NIC, who highlight the limitations

⁸ Although the 2016-based sub-national population projections (SNPP) were released in May 2018, they will not be officially translated into household projections until September

⁹ PPG ID: 2a-015-20140306

¹⁰ <http://www.huntingdonshire.gov.uk/media/2771/huntingdonshires-housing-land-supply-position-august-2017.pdf>

of overreliance on trend-based projections within the Growth Arc and by implication proximate areas:

“In many cases historic migration has been suppressed by low housing supply, leading to underestimates of migration in areas with high levels of demand and growing housing. This is a national issue, but of particular relevance to the study area given high levels of demand for housing”¹¹

- 2.9 It is acknowledged, however, that their use as a minimum position also enables a degree of consistency – an issue raised in response to Q1 – in this cycle of plan-making across the HMA. For example, the OAN advanced within the submitted East Cambridge Local Plan is also underpinned by this dataset.
- 2.10 Of more concern, however, is the unjustified dismissal of the need to adjust household formation rates. Despite presenting evidence of worsening affordability, the Council presents only a static comparison of household formation rates in 2014. A more appropriate approach would be to consider the extent to which rates have been suppressed historically, and apply positive adjustments to return to the levels seen when affordability constraints were less pronounced. Such an approach has been applied in variant OANs submitted through representations, elevating demographic need by circa 9%¹². This scale of uplift is proportionate to those implied by similar approaches elsewhere, and would represent a reasonable response to an issue highlighted in the PPG.

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?

- 2.11 We support the conclusion that an uplift to the demographic projection is required to support employment growth.
- 2.12 Huntingdonshire is located within an economically prosperous area. Recent evidence highlights strong local employment growth (Figure 2). The Plan’s aim to support 14,400 jobs equates to average annual growth of 0.7%. While this is broadly representative of longer-term historic trends¹³, it can be seen to fall somewhat below that recently suggested by BRES¹⁴.

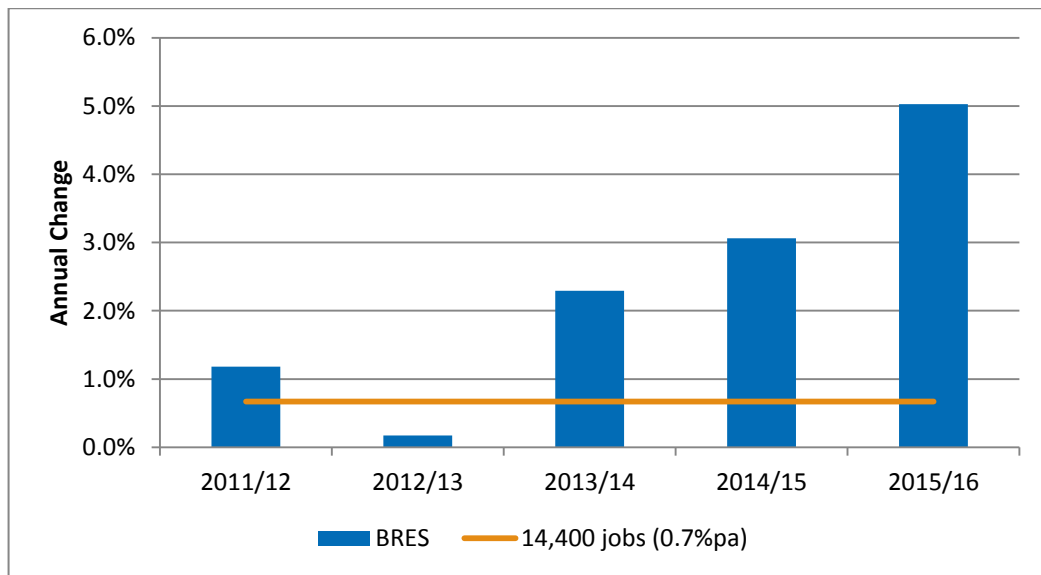
¹¹ Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, November 2017, page 26

¹² Regeneris ‘Huntingdonshire Housing Requirement and OAN’ report (February 2018) submitted as part of representations made by Abbey Properties (Cambridgeshire) Ltd. The 9% is based on the figures presented at paragraphs 3.13 and 3.15. It is also noted that the SPRU paper submitted as part of the representation on behalf of Bedfordia Developments Ltd suggests the need for an adjustment to household formation rates of approximately 7% following a slightly different methodology (Table 4 of the report titled ‘Objection to the housing requirement in Policy LP1 the Submitted Plan Based upon the Objectively Assessed Need for housing in Huntingdonshire District Council’)

¹³ Annual growth rates within the 2016 EEFM over the period 2002 – 2017 (i.e. 15 years) shows a CAGR of 0.7%

¹⁴ BRES data shows annual job growth rates of 1.2% (2011/12), 0.2% (2012/13), 2.3% (2013/14), 3.1% (2014/15) and 5.0% (2015/16)

Figure 2.2: Recent Rates of Employment Growth in Huntingdonshire



Source: BRES / Cambridgeshire Research Group 0.7% job growth forecast

- 2.13 It is agreed that this level of job growth can therefore be viewed as a reasonable minimum position, albeit there is evidently a strong possibility that recently higher levels of job growth will be achieved over the remainder of the plan period.
- 2.14 We do, however, have significant concerns about the suggestion that this level of job growth can be supported by the concluded OAN, relating to:
- **Criticisms of an approach whereby the outputs of an economic model are input within a demographic model**, such as POPGROUP. Whilst we dispute such a criticism – noting its validation by other Inspectors¹⁵ – the Council appears to later ignore its own concern. The concluded job figure (14,400) is itself derived from the demographic modelling of the 2014-based SNPP, but inputs future labour-force behaviours from the EEFM.
 - **The consequences of such an approach** (Tables 5, 6 and 7). The Council’s position appears to be that 19,910 dwellings are needed to support the EEFM (12,230 jobs)¹⁶. However, the concluded OAN implies that the provision of only 190 further dwellings will support an additional 1,980 jobs. This does not stand up to scrutiny.
 - **The failure to appraise the labour-force behaviours assumed in the EEFM**. For example, whilst the EEFM anticipates growth of only 4,130 working age people¹⁷, the detailed modelling outputs confirm that the number of employed residents is assumed to increase by 10,250. Even accounting for those returning to work, this suggests a significant reliance on older people remaining economically active

¹⁵ The use of OBR economic activity rates in preference to the rates applied by individual forecasting houses was recently supported by an Inspector in a S78 Inquiry. Specific reference was made to the fact that it is ‘*updated annually and government endorsed*’ (APP/D2320/W/17/3173275, paragraph 20). The Inspector examining the Telford and Wrekin Local Plan also endorsed the use of OBR rates within a note dated 30 March 2017

¹⁶ This is the apparent output of Table 6 and is linked to the 4% uplift scenario.

¹⁷ CRG Huntingdonshire OAHN April 2017, Table 5

for longer. There is no validation of this assumption against other national forecasts, such as those produced by the OBR. Equally, the EEFM annually changes commuting ratios to internally balance job growth and labour. There is no consideration of the implications of such assumptions for neighbouring areas in the HMA¹⁸.

- 2.15 The above flaws risk underestimating the amount of housing needed to support employment growth and suggest a higher OAN is justified.
- 2.16 The importance of planning housing provision in response to economic growth pressures is articulated through the NIC's final report on the Cambridge-Milton Keynes-Oxford growth arc, which it confirms delivers growth and prosperity for the whole country. The report concludes, however, that *'without swift and determined action to overcome the area's housing crisis, it will fall behind its international competitors and fail to attract and retain the talent and skills it needs'*¹⁹. Its *'central finding is that rates of house building will need to double if the arc is to achieve its economic potential'*²⁰.
- 2.17 Reflecting the above points of challenge, there is a significant risk that the Council's consideration of job growth and its translation into housing need fail to comply with the PPG or respond positively to the Government's agenda.

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?

- 2.18 We consider that the 5% market signals adjustment is not reasonable in the context of clear evidence of worsening market signals and local affordability issues, with the latest data showing that:
- Entry level house prices in Huntingdonshire have grown by 11% in the last year alone (2016/17); over three times the national rate (3%) and amongst the worst 10% of all authorities in England²¹.
 - Entry level house prices have grown by 44% since 2011, which places the district in the top 25% of authorities outside London. Growth in Huntingdonshire has surpassed the regional rate of growth (40%) during this time, with the latter itself double the national rate²² (20%).
 - Only seven authorities in the East of England saw a greater worsening in the median house price than Huntingdonshire over the last year (2016/17), with the district ranking amongst the top 5% worst performing authorities outside London²³.

¹⁸ This is required to be considered under the PPG Reference ID: 2a-018-20140306

¹⁹ Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, November 2017, Foreword

²⁰ *Ibid*, page 3

²¹ ONS (2018) Ratio of house price to workplace-based earnings; Tables 2a and 6a (lower quartile, year ending September 2017)

²² *Ibid*

²³ ONS (2018) Ratio of house price to workplace-based earnings; Tables 1a and 5a (lower quartile, year ending September 2017)

- The worsening in median house prices since the start of the plan period is amongst the worst 25% of authorities outside London during this time²⁴.
- Relative to its size, Huntingdonshire saw a comparatively large number of households accepted as homeless last year (2016/17), at a rate surpassed by only ten authorities in the region²⁵.

2.19 The PPG requires a judgement to be made on the scale of adjustment, accounting for the severity of affordability issues and the extent to which it could be expected to improve affordability. The 2017 paper offers a very limited justification for the selection of a 5% adjustment, namely that there is only ‘*very modest*’ evidence of worsening market signals.

2.20 Reflecting the above review, we disagree with this diagnosis, which significantly downplays the severity of existing affordability issues in Huntingdonshire and across the HMA. We strongly consider that a more pronounced uplift is justified, through a number of potential approaches:

- Some Local Plan Inspectors have applied a more pronounced market signals adjustment where affordability ratios – a suitable proxy for market signals for this exercise – are close to or lower than currently seen in Huntingdonshire²⁶.
- The OAN of 804dpa represents growth of only 1.0%²⁷. This falls somewhat below the growth needed to realise the Government’s aim of delivering 300,000 homes per year²⁸ (1.2%). Such proportionate growth in Huntingdonshire would require closer to 1,000dpa on average over the plan period.
- The Government’s proposed standard method suggests an adjustment of 29.5%²⁹.

2.21 We conclude that a minimum uplift of 15% is justified. The scale of this uplift is also considered justified in the context of the Council’s failure to adjust for the impact of worsening affordability on household formation (Q3).

2.22 The justification for a more pronounced uplift must also be considered in the context of the concern that the OAN underplays the amount of housing needed to support job growth. A growing economy across the FEMA has played a contributory role to elevated housing demand pressures within the HMA and Huntingdonshire. The NIC clearly articulates this issue facing the Growth Arc, citing:

²⁴ *Ibid*

²⁵ MHCLG (2018) Live Table 784: local authorities’ action under the homelessness provisions of the Housing Act, financial years 2004-05 to 2016-17. Numbers accepted as being homeless and in priority need in Huntingdonshire equated to 3.43 per 1,000 households

²⁶ For example, North West Leicestershire where the Inspector recommended a 10% market signal as being suitable (2017 affordability ratio of 7.2). Equally Luton where again a 10% market signal was judged to be reasonable (2017 affordability ratio of 7.5). Huntingdonshire had a median affordability ratio of 8.76 in 2017

²⁷ Compound average growth rate i.e. an average of the annual rates of growth over the plan period. It also represents a growth of only 1.1% of the existing stock in 2017 recognising the relationship with second-hand sales.

²⁸ Growth from national housing stock recorded in 2016 by MHCLG Live Table 100 over the next decade (2016 – 2026)

²⁹ This is based on the 2017 median affordability ratio of 8.76

“...powerful evidence that house prices are already diminishing firms’ ability to attract employees. Workers are being priced out of local housing markets, restricting firms’ access to labour and impacting on their competitiveness”³⁰

- 2.23 The Council’s justification for only a 5% market signals adjustment cannot be viewed as reasonable in the context of existing affordability issues and growing housing demand relating to economic growth. On any reasonable basis, the proportionately modest scale of this uplift (38 additional homes per annum) could not be expected to improve affordability from currently significant levels³¹.

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

- 2.24 The Council continues to evidence a significant annual need for 316 affordable homes. This is closely aligned to the need for 328 affordable homes concluded in the 2013 SHMA, indicating that needs have been consistently not met.
- 2.25 The latest update highlights that this represents 39% of the total OAN, concluding that ‘if it could help deliver the required number of affordable homes, HDC should consider an increase in the total housing figures included in the local plan’. There is no evidence that the Council has taken this into consideration in proposing its housing requirement.
- 2.26 The Council’s evidence confirms that affordable housing typically equates to 21% of gross completions³². A continuation of this trend could require around 1,600 homes each year to meet affordable housing need in full.
- 2.27 As established through legal decisions, the OAN is not required to meet this need in full, but a judgement is required to take it into account³³. This strongly justifies elevating housing provision and applying a more pronounced adjustment to the OAN in response to affordability issues.

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 is so what?

- 2.28 No. It fails to positively respond by increasing the supply of homes to a level which will meet demographic and economic need pressures, and could reasonably improve affordability.
- 2.29 A more pronounced adjustment is required to respond to an evidenced historic worsening in affordability, both addressing its impact on household formation rates and incorporating the further supply-led adjustment required by the PPG. We consider that an adjustment in the order of 15% is justified by market signals and housing demand pressures. Where this was applied to the minimum level of need implied by

³⁰ Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, November 2017, Foreword, page 25

³¹ It is noted that the actual uplift between the OAN and the projection of household growth needed to support economic growth is only 8 dpa. This is the ‘gap’ between the 4% uplift scenario associated with supporting economic growth and the 5% growth associated with responding to market signals as shown in Table 7 (i.e. 20,100 – 19,910 dwellings / the 25 year plan period)

³² Paragraph 133 of the 2017 OAN report (2002 – 2016)

³³ *Jelson Ltd v Secretary of State for Communities and Local Government and Hinckley and Bosworth Borough Council* [2018] EWCA Civ 24, paragraph 36

the starting point (2014 SNHP) this would suggest an OAN in the order of 22,000, or 880dpa.

- 2.30 The identification of this OAN is formed on the basis of a judgment considering the evidence as a whole. This recognises that the higher OAN would go some way to mitigating risks associated with the underplaying of housing need to support the planned level of job growth and the provision of the affordable homes calculated as being needed.

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?

- 2.31 No. Provision should be made to fully meet a higher OAN in the order of 880dpa. In assessing deliverability, this level of provision is realistic when considered that:
- The Council has previously proposed a higher level of provision within its 2017 consultation (840dpa);
 - Higher historic rates of delivery have been recorded at least twice since 2001/02, including the first year of the plan period³⁴; and
 - Two of the three growth options tested in the SA are higher than the OAN. The 'higher growth' option assessed the provision of 25,000 homes, or 1,000dpa. It is noted that the proposed requirement is not tested in the SA, with the 21,000 dwellings option tested and considered to be the most sustainable.

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

- 2.32 No. The Plan adopts an approach which involves allocating 42ha of employment land on top of 150ha at the Alconbury Enterprise Zone³⁵. This level of provision represents a degree of positive planning and flexibility above that based on forecast employment growth according to the 2014 Employment Land Study³⁶. This contrasts with planned housing provision, which is constrained to support 14,400 jobs. This introduces inconsistency and fails to demonstrate that housing and economic policies are integrated as required by the NPPF³⁷.

³⁴ 817 homes were delivered in 2008/09 and 847 were delivered in 2011/12 - <http://www.huntingdonshire.gov.uk/media/1220/annual-monitoring-report.pdf>

³⁵ Allocation totals taken from Figure 2 of the Submission Plan (Key Diagram)

³⁶ Employment Land Study Huntingdonshire District Council, 2014, page 7

³⁷ Paragraph 158

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