

Overview of the Cambridge sub-region Strategic Housing Market Assessment (SHMA), May 2013

Executive Summary

This document provides a summary overview of the Cambridge sub-region SHMA. It signposts and explains relevant issues in a short and easily digestible format, without changing anything in the SHMA.

The main points are:

- Chapters 12 and 13 are the key parts of the SHMA that reflect the requirements of the National Planning Policy Framework and supporting guidance in assessing the need for new housing.
- A range of national, sub-national and local data is used to establish the future population of the market area.
- The total population is expected to reach 970,000 by 2031, an increase of 176,000 or 22% from the actual population established by the 2011 Census.
- This level of population growth results in an objectively assessed need for 93,000 additional homes, including 44,863 affordable homes, across the housing market area between 2011 and 2031; and for 81,000 additional jobs in the same period.
- Using population rather than households as the starting point for assessing housing needs enables the widest range of demographic and economic data to be used, including from the 2011 Census; and avoids reflecting past trends of suppressed household formation in future assessments of need, meaning there is no backlog of need.
- The identified total population reflects market and economic signals as it is based on jobs-led forecasts rather than solely on demographic-led forecasts. Account is also taken of other signals including reductions in household size, incomes, house prices and commuting.
- Levels of housing are derived from the indicative population by applying occupancy ratios. The approach taken reflects a rational assumption that occupancy levels will fall in the future, but not as much as the fall suggested by 2008-based projections.
- The objectively assessed need of 93,000 additional homes is higher than comparable figures in the former RSS (around 90,000) and the CLG-based *How Many Homes* toolkit (around 88,000).
- In conclusion, the SHMA takes an integrated and up-to-date approach to future population, housing and economic needs, including forecast job numbers and information from the 2011 Census. As such, the overall additional dwelling figure of 93,000 across the market area provides for the full need for market and affordable housing to 2031, with a corresponding need for 81,000 jobs. Figures are set out by district in the table below.

Dwelling change (all tenures), net affordable housing need and jobs increase 2011 to 2031

	Dwelling change 2011 to 2031	Affordable housing need 2011 to 2031 Based on 2011/12 data	Jobs increase 2011 to 2031
Cambridge	14,000	14,418	22,000
East Cambridgeshire	13,000	3,517	7,000
Fenland	12,000	3,527	5,000
Huntingdonshire	17,000	7,212	15,000
South Cambridgeshire	19,000	9,011	22,000
Cambridgeshire to 2031	75,000	37,684	71,000
Forest Heath	7,000	3,742	3,000
St Edmundsbury	11,000	3,437	7,000
Housing sub-region	93,000	44,863	81,000

1. Introduction

- 1.1 The purpose of this document is to provide a summary overview of the Cambridge sub-region SHMA, a key piece of evidence to support local plan reviews across the market area.
- 1.2 By summarising and explaining the main findings in the SHMA, it is intended to provide a helpful resource to Inspectors and participants at hearings into relevant plans. In particular, the summary will:
- briefly set out the background to the development of the SHMA;
 - highlight the key elements that meet the requirements of the National Planning Policy Framework; and
 - summarise key evidence included in the SHMA.
- 1.3 This document does not seek to change anything in the published SHMA, but simply signposts and explains relevant issues in a short and easily digestible format. Full detail relating to the issues set out in this document can be found in the SHMA itself. A separate document, “Approach to Establishing Objectively Assessed Need for Additional Housing”, describes the approach taken through the SHMA.

2. Background to Development of the SHMA

- 2.1 The Cambridge sub-region SHMA was first produced in 2008 and historically has consisted of different chapters, which addressed a wide range of housing-related data and information focused particularly on

affordable housing. This reflects the fact that a central role of the original SHMA was to replace the former Housing Needs Surveys for affordable housing. Also, there was no requirement at the time for the SHMA to assess the overall need for new homes as this was provided directly from the relevant Regional Spatial Strategy (RSS).

- 2.2 When the National Planning Policy Framework (the Framework) was issued in 2012, the SHMA's role expanded to provide an objective assessment of the need for all homes, as well as for affordable homes, to inform local plan reviews. Cambridgeshire County Council's Research and Performance Team was commissioned to provide a comprehensive assessment of relevant demographic and economic forecasts to inform the update of the SHMA. These were published in a separate report, [Population, housing and employment forecasts Technical Report 2013](#) (the Technical Report).
- 2.3 The Technical Report was a central resource to inform an updated SHMA Chapter 12 *Forecasts for homes of all tenures*. Alongside this, Chapter 13, *Affordable housing need* was also updated. These two chapters were published in May 2013 and form the core part of the SHMA in terms of meeting the requirements in paragraph 159 of the Framework¹.
- 2.4 Chapters 12 and 13 are, therefore, the key parts of the SHMA that reflect the requirements of the Framework and supporting guidance in assessing the need for new housing. These chapters are largely self-contained and, where relevant, cross-reference other chapters within the SHMA. For example, section 12.2 of chapter 12 summarises the background to the Housing Market Area, but points for more detail on this issue to Chapter 2 of the SHMA, *Defining our housing market area*.
- 2.5 The SHMA as a whole, including Chapters 12 and 13, has been developed in accordance with the Department of Communities and Local Government 2007 SHMA guidance, the most recent national guidance available at the time. However, account has also been taken of the National Planning Practice Guidance, published on 6 March 2014.

3. Meeting the Requirements of the Framework

- 3.1 Table 2 of Chapter 12 of the SHMA sets out how this central chapter of the SHMA meets both the CLG guidance on SHMA production and the specific requirements of the Framework. This table is reproduced below for ease of reference.

¹ The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that...meets household and population projections, taking account of migration and demographic change; addresses the need for all types of housing, including affordable housing... and caters for housing demand and the scale of housing supply necessary to meet this demand.

SHMA Chapter 12 paragraph and side heading	Which part of the CLG guidance does this fulfill?	Which part of the NPPF does this address?
12.1.1 An overview of the Strategic Housing Market Area		Work[ing] with neighbouring authorities where housing market areas cross administrative boundaries (para 159)
12.2.2 Housing delivery	Background information on historic trends.	
12.2.3 Trends in housing affordability		
12.2.4 Economic background to the area	How might economic factors influence total future demand?	Assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals. (para. 158)
12.2.6 Looking ahead: projections to 2031 and 2036	How might the total number of households...change in the future?	Cater for housing demand and the scale of housing supply necessary to meet this demand; and (requirement) meets household and population projections, taking account of migration and demographic change (para.159)
12.2.6 Mix of age groups and households types	How might the total number of households and household structure change in the future? And how are household types changing, e.g. is there an aging population?	Identify the scale and mix of housing and the range of tenures that the local population is likely to require... Address the need for all types of housing, including ... the needs of different groups in the community (such as families with children, older people, disabled people, service families and people wishing to build their own homes. (para. 159)
12.2.7 Forecast of affordable housing need	Key question: Is affordability likely to worsen or improve?	Address the need for all types of housing, including affordable housing (para. 159)
12.3 Conclusions	What are the key issues for future policy/strategy?	

4. Key Evidence included in the SHMA

- 4.1 This section provides a summary of the key points included in Chapter 12.
- 4.2 Chapter 12 provides **an overview of the housing market area** and describes the current ambitious growth strategy, with development focused in and close to Cambridge, Peterborough and the surrounding market towns. It explains that **housing completions** over recent years have, in common with the country as a whole, been affected by the economic recession; and by the long lead-in times for a number of the planned strategic sites. However, between 2001 and 2010 over 37,000 houses were completed across the market area, some 83% of the former RSS targets. The chapter reflects that this is a good outcome considering the challenging nature of those targets, the recession and the long-term nature of delivering large strategic developments.
- 4.3 The chapter sets out **trends in housing affordability**, noting that mean house prices to income ratios have increased slightly across the market area over the last three to four years. However, this masks significant differences with the greatest affordability increases in and close to Cambridge. Cambridge and South Cambridgeshire had consistently much higher house prices than other districts, while Fenland and Forest Heath were consistently much lower. Based on current incomes in districts, between 20% and 45%² of households cannot afford lower quartile private rents.
- 4.4 With regard to the **economic background to the area**, much of the resident population is highly skilled with high levels of employment and economic activity. However, there is lower prosperity and skills in the north than the south of the area. Within the market area, Cambridgeshire's labour market is relatively self-contained, with 80% of Cambridgeshire's residents working in the county and 81% of its workers living in the county.
- 4.5 Historic **commuting patterns** reflect a strong inter-relationship between Cambridge and South Cambridgeshire, while a significant element of East Cambridgeshire's working population commute to both of these districts and to Suffolk. To the north and west there is a stronger economic relationship between Cambridgeshire districts and Peterborough. Changes in total jobs numbers and numbers of employed residents suggest that commuting patterns have changed between 2001 and 2011. In general, the number of jobs has risen at a lower rate than the number of employed residents, from which an increase in net out-commuting can be inferred - most notably from Cambridge, Fenland, East Cambridgeshire and Forest Heath.

² In Huntingdonshire and Cambridge respectively.

- 4.6 A range of national, sub-national and local data is used to establish the **future population of the area**. The approach to doing this as a basis for understanding future housing requirements is set out in more detail in Section 5 below. The total population of the market area is expected to reach 970,000 by 2031, an increase of 176,000 or 22% from the actual population established by the 2011 Census. This level of population growth results in an **objectively assessed need** for 93,000 additional market and affordable dwellings across the housing market area between 2011 and 2031.
- 4.7 The **future housing requirement is benchmarked** against the *How Many Homes* toolkit, which provides comparable household projections for the same period; and the former strategic housing targets in the East of England Plan. In both cases the 93,000 figure is higher, with the former RSS including a figure of just under 90,000 additional houses over a 20 year period and the *How Many Homes* toolkit suggesting a need for just under 88,000. As both these earlier figures were established before the recession in a more economically optimistic climate, the conclusion is that the level of growth established in the SHMA is considered to be challenging. It reflects a positive approach to continued economic recovery and significantly boosting housing supply (more details of these comparative targets and data is included in section 5.12 below).
- 4.8 Chapter 12 also uses the indicative population figures to provide a basis for determining consistent **jobs figures** by using an economic forecasting model. The outcome is that there will be 81,000 additional jobs by 2031 or a 19% increase on the number in 2011. Set against the 93,000 additional homes, these 81,000 jobs translate into 0.87 of a job to each new dwelling. The ratio varies between districts, ranging from 0.42 in Fenland to 1.57 in Cambridge.
- 4.9 Overall, there is a reasonable **balance of additional jobs and homes** across the housing market area, reflecting the historic trends of relative self-containment in the wider geographic area. However, there are differences in the balance of projected jobs and homes between districts. This is symptomatic of the established relationship between the economic strengths of Cambridge and the larger towns, and the wider housing market area. In particular, challenges of housing affordability, particularly in and close to Cambridge, means that the wider market area provides an important source of housing choice. This reflects the normal functioning of a housing market and economic area across administrative boundaries.
- 4.10 With regard to **age mix and household types**, the overwhelming majority of household change is accounted for by households aged over 65 (67%). One person and couple households make up the majority of household increase to 2031 – 96% of the change in household numbers.

4.11 The SHMA indicates that there is a need for 66,936 new **affordable homes** across the market area between 2011 and 2031 (table 23). This represents a high level of need, with the highest levels seen in and around Cambridge. However, this is a 'gross' need figure that does not take account of sources of supply other than additional, new affordable homes. Table 24 in Chapter 12 provides the anticipated levels of supply from these other sources, principally relets and resales. For the sake of clarity and without changing the figures included in the SHMA, the table below sets out the difference between these figures and indicates that there is a net need for new affordable homes across the market area of 44,863.

Affordable housing need compared to projected affordable housing supply (excluding new build) 2011 to 2031

	A Affordable housing need 2011 to 2031 (current + newly arising) Based on 2011/12 data (from table 23)	B Affordable housing supply projected over 20 years, excluding new build Based on 2011/12 data (from table 24)	Need minus projected supply (A – B)
Cambridge	17,131	2,713	14,418
East Cambridgeshire	6,197	2,680	3,517
Fenland	7,927	4,400	3,527
Huntingdonshire to 2031	10,259	3,047	7,212
South Cambridgeshire	11,838	2,827	9,011
Cambridgeshire	53,351	15,667	37,684
Forest Heath	5,935	2,193	3,742
St Edmundsbury	7,650	4,213	3,437
Housing sub-region	66,936	22,073	44,863
Huntingdonshire to 2036	11,996	3,808	8,188

Source: Chapter 12 Tables 23 and 24

4.12 The table sets out in column A 'gross' affordable housing need (current and newly arising) and in column B anticipated affordable supply through re-lets and re-sales. The resulting figures in the final column represent the net need to be addressed through provision of additional affordable housing. This approach reflects guidance on *Housing and Economic Development Needs Assessments* included in the National Planning Practice Guidance published on 6 March 2014. Paragraph 22 of this section states that: "Plan makers...will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market. This calculation involves adding together the current unmet housing need and the projected future

housing need and then subtracting this from the current supply of affordable housing stock”.

- 4.13 The SHMA highlights a number of caveats about the affordable housing need figures, including variability in levels of need registered at different points each year; and the need to ensure that the approach taken complies with the most up-to-date national guidance (now included in the National Planning Practice Guidance). This latter point will be addressed through submissions to the local plan examination.

5. Conclusion

- 5.1 In conclusion, the SHMA takes an integrated approach to future population, housing and economic needs, including forecast job numbers. The 2011 Census provides the most up-to-date population figures available and these are reflected in the dwelling forecasts. As such, the overall additional dwelling figure of 93,000 across the market area provides for the full need for market and affordable housing to 2031.