SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Housing and Environmental Services Portfolio Holder Growth and Sustainable Communities Portfolio Holder Planning Services Portfolio Holder	14 November 2007
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STRATEGIC HOUSING MARKET ASSESSMENT-RESULTS FROM PHASE ONE

Purpose

1. This report outlines the South Cambridgeshire results from Phase One of the Cambridge Sub-Region Strategic Housing Market Assessment (SHMA) and identifies the next steps in using this information, including a suggested tenure split for new affordable housing developments. The figures for housing needs are currently subject to consultation by stakeholders and should be signed off by the end of March 2008.

Executive Summary

2. This authority is participating in a Sub Regional SHMA in line with guidance recently published by the government. This study has been commissioned from the County Council Research Group by all of the local authorities in the sub region, in partnership with other interested agencies. The specification for the project conforms to the 11 criteria listed by the government as the test for a "fit for purpose" assessment. The details of the proposal were agreed by the Housing Portfolio Holder (4.9.2006) and the Planning and Economic Development Portfolio Holder (15.12.2006) since the project is relevant to both housing and planning functions.

3. The full results are written up as a series of topic chapters and will shortly be available on the Cambridgeshire Horizons website at www.cambridgeshirehorizons.co.uk . These are substantial and detailed documents and therefore the report below simply picks out some of the headline findings with particular reference to the identified need for affordable housing. These results will inform the contents of an Affordable Housing Supplementary Planning Document (SPD) which will now be prepared as part of the Local Development Framework process and subject to the required statutory consultation and adoption processes. The Local Development Scheme (March 2007) programmes public consultation for February/March 2008 with adoption anticipated in July 2008. However, in view of the slippage of the sign off date for this project the SPD timetable will need to be revised. The Housing Strategy document agreed in July 2007 contains commitments to complete the first phase of the SHMA followed by preparation of an Affordable Housing SPD.

Background

4. The Cambridge sub-region local authorities and partners meet monthly as a social housing group. The meeting addresses a wide array of housing and housing-related issues across the sub-region. It includes senior representatives from each of the seven councils, together with Cambridgeshire County Council, Cambridgeshire

Horizons, GO-East, the Housing Corporation, EERA and National Housing Federation.

The sub regional housing board agreed to work together to undertake the SHMA. The board set up a small project team to help organise the assessment, arrange the budget and service level agreements for its organisation, and set up a structure to consult a wider group of stakeholders who would be able to add to, inform, help interpret and challenge the findings of the Assessment.

Cambridgeshire County Research Group provides the necessary research and statistical expertise to the project. Research and intelligence expertise is essential, particularly with regard to maintenance, development and interpretation of information, which requires a degree of continuity of investment and specialist knowledge. The County Research Group also commissioned and managed the necessary primary research.

5. The plan is that, as time progresses, the researchers will add to the foundation of data gathered for the first release of the SHMA. This will be in two main ways:

-Updating the data used for the first release – for example when income information is updated on the national CACI and ASHE databases; or when a new Census is completed in 2011.

-Adding new data as it becomes available – for example new surveys being completed, data arising from the new Choice Based Lettings system once it is launched in February 2008etc, and additional primary research being completed by the County Research Group

This should make the SHMA as up to date as possible in contrast to the previous system of completing Housing Needs Surveys once every 5 years with no substantial reviews carried out between surveys.

6. In addition to the 7 district councils, Cambridgeshire Horizons and English Partnerships are also funding partner agencies. These agencies also form part of the project team. Other non-contributing agencies also form part of the project team, including GO-East and the Housing Corporation who contribute time and advice to the team, though not financial resources. Other partners were encouraged to participate, to ensure that relevant expertise and advice was available for the assessment.

7. All of the main chapters have now been completed and a survey has been carried out which contains data which is robust at individual district level so that results can inform local planning policies. The headlines from those chapters, and the conclusions from the survey results and the other data sources which relate to the need for affordable housing, are outlined below in note form. The draft results have not yet been subject to formal consultation with stakeholders although they have been involved during the process. It is not anticipated that the consultation will do more than raise points of detail and identify areas for future work.

Detail-Headline Results

8. **Defining Housing Markets**

Cambridge City and South Cambridgeshire effectively function as one housing market, based on commuting hinterlands and distance moved by house purchasers. Across the whole sub region the majority of buyers move less than 10 miles from their original address. There are very few wards outside the two districts where significant percentages of employed residents commute to City/South Cambridgeshire and most of these are in East Cambridgeshire (particularly Ely) with some limited influence in East Huntingdonshire.

9. **The Private Rented Sector**

The amount of private renting in South Cambridgeshire at the last Census was less than the general level in the sub region and less than half that of Cambridge City.

Although sub regionally 20% of renters move from overseas the figure in South Cambridgeshire was 0%. Similarly, sub regionally 14% of renters have moved from 40+ miles away but again in South Cambridgeshire the figure was 0%.(based on survey figures)

South Cambridgeshire is the second most expensive place to rent in the sub region behind Cambridge City. The average rent was £1,142 pcm and the lowest quartile was £925pcm.

Variations in rent levels were marked across the sub region with worrying implications for the introduction of Broad Rental Market Areas (the appropriate Portfolio Holder has already written to the Rent Officer Service to raise this issue)

The average rent in Cambridge City takes 40% of median household income. In South Cambridgeshire the figure is 33% and in Fenland it is 27%.

10. **Stock Condition**

No new research conducted for the SHMA.

Compared to other local districts and nationally-South Cambridgeshire has lower rates of non-decent stock.

11. **Buy-to-Let and Estate Agent Survey**

Based on national data the average price for a buy-to-let property in South Cambridgeshire would be just under £200K and the preferred property would be a modern 2 bed.

Estate agents estimate that 18% of sales are in the buy-to-let market and as much as 25% in Cambourne (although this is based on information from one agent only. In the 2006 Cambourne survey 11% of the private sector properties were privately rented)

12. **House Prices**

The district with the highest prices for all property types was Cambridge City followed by South Cambridgeshire. In general properties were 24% higher in South Cambridgeshire than the county average. Fenland had the lowest prices-in general only 71% of the county average.

House price inflation in 2005/6 was only 1.5% across the county but was highest in South Cambridgeshire at 9.9%.

One way of considering opportunities for lower income households is to consider lower quartile prices. The lower quartile for the County overall was £132K but was at its highest in Cambridge City and South Cambridgeshire at £165K. The district with the smallest percentage of homes sold for less than £120K in 2006 was South Cambridgeshire (5.6%)

The mix of properties sold in South Cambridgeshire was different to the county average with relatively fewer flats, maisonettes and terraced properties. The percentage of detached properties sold was 42%-the highest figure in the sub region.

One measure of affordability is to look at the ratio of house prices to local incomes. Looking first at **average house prices** and **average incomes** the ratio was 6.75 which is higher than the county overall figure of 6.36. However, looking just at **lower quartile house prices** and **lower quartile earnings** the ratio was 8.55 (compared to the county figure of 7.31). This demonstrates that property in South Cambridgeshire is relatively “more affordable “ for an average purchaser than it is for someone on lower quartile earnings such as a typical first time buyer/newly forming household.

13. The Need for Affordable Housing

The methodology for identifying the current and future need for affordable housing is detailed in the government guidance manual. In the first instance, the calculation looks only 5 years ahead since longer timescales introduce more uncertainty. However, with a growing population it is reasonable to expect that the need for affordable housing will continue beyond that time period. The key conclusions are shown in the table below-

TABLE ONE - NEED AND SUPPLY -AFFORDABLE HOUSING

TYPE OF NEED	***AMOUNT OF NEED/SUPPLY PER ANNUM- next 5 years (properties)***
Reduce the backlog-LCHO	48
Reduce the backlog-RENT	905
Newly Arising Need-LCHO	455
Newly Arising Need-RENT	546
A) TOTAL NEED	**1954**
SOURCE OF SUPPLY	
Relets/Resales from existing stock	297
Possible extra relets from meeting existing tenants needs	73
B) TOTAL SUPPLY FROM EXISTING STOCK	370
C) NEED FOR NEW AFFORDABLE HOMES-A minus B	**1584**
Current average new build programme	**300**
Anticipated annual shortfall	**1284**
New Build Supply needed to stop the backlog increasing- newly arising need minus supply from existing stock	**631**

14. Although the methodology has changed significantly since the previous Housing Needs Survey 2002 the overall conclusions are consistent in that the current level of supply of affordable housing falls far short of what is needed by local households. Whilst the major sites coming on stream will bring forward increased levels of affordable housing, even with the anticipated increase in local housebuilding, the supply of new affordable homes cannot be expected to rise from around 300 per year to over 1500 per year. The average annual rate of completions anticipated in the LDF trajectory over the period to 2016 is over 1,500 dwellings per annum. If the target of 40% or more affordable dwellings were applied, this would yield 600 affordable homes per annum. This still falls well short of the annual housing need.

Options

15. At this stage the only action needed is to note the results from the first phase of the SHMA and to use those results to influence future policy development, and the negotiations for affordable housing included in Section 106 agreements.

Housing Mix / Tenure Split / Affordable Housing

16. One important aspect of future policy will be the target for the balance between affordable rented housing and low cost home ownership. Since it is clear that the overall supply of affordable housing will not meet identified need, there is a requirement for members to agree which needs will be prioritised and which will not. Whilst this issue will be addressed by the Affordable Housing SPD, in view of the ongoing discussions on a number of the major sites, and to assist negotiations on planning applications generally, it is considered desirable to consider the implications of the SHMA for the tenure mix of affordable housing sought in new developments for the interim period before the SPD is prepared and subject to public consultation.

17. Alternative approaches could include the following options-

1. Concentrate on the <u>backlog figures</u> rather than future need to target those households who are already waiting for assistance.

2. Concentrate on <u>future emerging need</u> since the lead in time for any future developments is likely to be some years and households who are already waiting are likely to be in different circumstances by the time future supply is delivered.

3. Adopt an approach <u>midway between 1 and 2</u> as a reasonable compromise given the inherent difficulties involved in forecasting the future of the housing market, and the need to try and produce some sort of (undefined) balanced communities. In reality, households allocated property from the housing register will be a mixture of "backlog" and newly emerging needs.

4. Use the <u>Communities and Local Government (CLG) model</u> approach to try and identify the balance of overall need and supply, net of likely relets and resales in the existing stock

18. Whatever approach is chosen, it is intended that the proposals in paragraph 17 above will affect all sites <u>except</u> Rural Exceptions Sites which will be geared towards local needs and influenced by local circumstances and viability issues.

Preferred Option

19. All of the options shown in paragraph 17 lead to a preference for rented units since the need for this exceeds LCHO needs, both for the backlog and for newly emerging needs. The following table sets out the outcomes for each option shown above-

TABLE TWO - Tenure Breakdown-Alternative Options

OPTIONS	% for RENT	% for LCHO
Option One	95%	5%
Option Two	55%	45%
Option Three	74%	26%
Option Four	68%	32%

20. Officers believe that a target balance between Options 3 and 4 is the most appropriate for the following reasons-

a) it aims for a balance which prioritises the greatest level of need(rented) but still promotes a balanced community

b) it is close to current targets (70% rented and 30% LCHO) and can therefore be seen to be a workable target. In practice, the target balance will not be achieved across the whole programme because rented housing requires more subsidy than LCHO and there are inevitably more bids for subsidy than there are resources. Initial targets therefore have to be renegotiated on a scheme by scheme basis to reflect the reality of resource allocation and viability issues which cannot be identified in advance because resources are not controlled by South Cambridgeshire but by the Housing Corporation.

Renegotiation takes place after the Housing Corporation indicate which bids they will fund and which they will not. The table below shows the overall outturn for recent affordable housing programmes against a background where the indicative target is 70% rented and 30% LCHO-

TABLE THREE - PROGRAMME BALANCE

	2005/6	***2006/8***
RENT	67%	58%
LCHO	33%	42%

Although the percentage of rented units has fallen in recent years the actual numbers have increased from 176pa in 2005/6 to 225pa in 2006/8. One of the main reasons is that there has not been sufficient public subsidy to support a larger programme of rented units.

The result of limited resources is that the LCHO component overachieves against its nominal target level and the rented element underachieves. Officers would not recommend reducing the target percentage for rented housing because this would probably reduce the achieved percentage even more and this would jeopardise our ability to meet high priority needs. In addition to the hardship this would cause to the households concerned this could also result in more households in expensive and unsuitable temporary accommodation with increased costs falling on the General Fund. Increased public subsidy following the Comprehensive Spending Review of 2007 may increase the proportion of rented housing to a figure closer to the suggested target.

c) a target for at least 70% to be rented, given an overall target for affordable housing of at least 40% , gives a maximum total level of affordable rented housing in the new communities of about 28%. This figure is higher than the level of social rented housing in Cambridge City in 2001 but lower than the amount which existed in 1991.

Given that Cambridge City in the 1990s could not be described as an "unbalanced community", the maximum target of 28% can therefore be shown to be compatible with a thriving, sustainable community whilst still aiming for a figure which is twice the current level of social rented housing in South Cambridgeshire.

(In practice, most new developments function as part of larger adjoining existing districts and therefore the overall level of social rented housing in most areas will not reach 28% because existing developments generally have much lower figures to start with and the target balance is not always achieved.)

d) the recently announced targets for spending the Regional Housing Pot 2008-11 anticipates a minimum target figure of 60% social rented units.

21. **Housing Mix / Property Sizes / Affordable Rented Housing**

In the smaller sites the preferred tenure and size mix will be heavily influenced by local need and local circumstances. Elsewhere, in terms of property size, the indicative breakdown of needs for general needs rented housing suggests that around 22% of the units should be for singles/couples. However, in practice this is a higher figure than is desirable because-

-the existing supply of homes already provides a reasonable supply of one bed units. Between 2003 and 2006 the relets and nominations available to housing register applicants included 32% one beds/bedsits.

-couples (particularly those intending to start a family) generally aspire to a two bedroom home which provides greater long term flexibility. Social tenants transferring to a smaller property also have a strong preference for two bedroom homes.

-the needs figures do not differentiate special needs and sheltered homes which will be specified separately and which can be expected to include a significant number of smaller units.

For these reasons it would be appropriate to suggest a target figure of not more than 10% one bed units unless local circumstances dictate otherwise.

Implications

22. The results from this phase of the SHMA confirm the widely accepted view that there is a shortage of affordable housing which cannot be successfully tackled with current levels of new affordable provision. This therefore justifies the planning and housing policies which members are pursuing, and the continued importance of affordable housing as a corporate priority area.

23. These results are implicitly acknowledged by recent government announcements and are compatible with the Inspectors remarks about the level of identified need in the examination of the Development Control Policies DPD (based on the 2002 Housing Needs Survey) -

"*The method and findings of this survey are criticised, but it is clear to us that there is an unmet need which goes beyond the proportion that can realistically be achieved from new housing, and it is necessary for the plan to specify some lower percentage."*

24. This demonstrable level of current and future need will help to inform members future decision making as they have to make difficult choices about limited resources.

25.

Financial	These results support the importance of affordable housing as a competitor for future resources. The need to cope with continuing shortages will also have financial implications for services such as homelessness etc
Legal	
Staffing	The need to achieve a “step change” in the delivery of affordable housing will need adequate staffing levels in all sections of the council that are involved in the process, and resources to buy in external staff resources should these be needed for specialist work.
Risk Management	In reality it is unlikely that the future supply of affordable housing will keep pace with emerging need and therefore there is likely to be increased pressure on the Housing Options and Homelessness services
Equal Opportunities	The proposed policies have been screened for their potential impact on the authorities race equality duties. The monitoring carried out of applications and allocations shows that BME households are accessing both affordable rented and LCHO housing in a fair and proportionate way and therefore will not be adversely affected by the recommendations in this report. Any housing intended for people with special needs will be commissioned specifically, either within the rented or shared ownership elements, depending on what is most appropriate. The most vulnerable will be prioritised in the allocation of scarce housing resources but overall shortages will adversely affect some households whatever allocations policies are adopted. The provision of sites for Travellers will be the subject of a separate SPD.

Consultations

26. Paragraph 4 identifies the main partners who have been actively involved in developing this study but a much wider group have been involved in public stakeholder consultation events.

Effect on Annual Priorities and Corporate Objectives

27.

Affordable Homes	This project does not directly provide any services to deliver any Corporate Objectives. It does, however, help to inform decision making and it therefore supports objectives of the Local Development Framework which are critical to achieving all Corporate Objectives. The most general relevance is to affordable homes but an adequate supply of these supports all the other objectives, from improving the sustainability of existing local communities to developing the growth areas. Partnership was central to completing this project and will be essential to deliver future affordable housing schemes.
Customer Service	
Northstowe and other growth areas	
Quality, Accessible Services	
Village Life	
Sustainability	
Partnership	

Conclusions/Summary

28. This new study shows a higher level of need for affordable housing than the previous study carried out in 2002. In part this reflects the growing affordability gap for lower income households in the intervening 5 years but since the two studies use different approaches then the two figures are not directly comparable. The draft figures have

not yet been signed off by the commissioning group but the final stakeholder consultation is not expected to lead to significant changes.

29. If the current backlog had not been allowed to grow –ie more affordable homes had been built in the recent past-then we would only need around 1001 lets/sales per year to meet newly arising need. With the current stock generating around 370 lets/sales per year then we would only need around 631 new homes a year.

30. Even if recent government pronouncements about affordable housing translate into more output in South Cambridgeshire there are still likely to be continuing shortages. This emphasises the importance of both pursuing all options for developing new affordable housing, and other services such as housing advice and homelessness which respond to the impact of housing shortages.

Recommendations

31. 1. Portfolio Holders are asked to note the draft out-turn figures from the first phase of this sub-Regional project

2. Portfolio Holders are asked to note the draft results of the research and to use them in deciding future policies and in making decisions about scarce resources

3. Portfolio Holders are asked to agree a target balance for the interim period before the SPD is prepared of 70% rented and 30% LCHO for the preferred target split between new affordable rented housing and new low cost home ownership on large sites, and that the target for the affordable housing rented element should include 10% one bed units. This will be reviewed at the time of preparing the new Affordable Housing Supplementary Planning Document in the light of experience operating the targets and alongside the headline findings from the SHMA once the draft figures are approved.

Background Papers: the following background papers were used in the preparation of this report:

Communities and Local Government SHMA model-results-attached as Appendix One

CLG Announcement 16.10.2007-Regional Housing Pot-available from Mike Knight at mike.knight@scambs.gov.uk

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Appendix One

CLG Guidance SHMA Model – South Cambridgeshire

Homeless households and households in temporary accommodation	306
Overcrowded and concealed households	957
Housing Needs Register	3,262
Total Backlog	**4,525**
Annual Backlog over 5 years	**905**

Newly forming households unable to afford to buy or rent at market price	411
Existing households falling into housing need	638
Future Annual Housing Need	**1,049**

TOTAL HOUSING NEED
=1,954

MINUS

Annual supply of affordable units through re-lets	297
Possible extra re-lets through meeting existing tenants needs	73
Total Available Supply	**370**

Projected supply of new affordable units = 297

=GROSS ANNUAL NEED FOR NEW AFFORDABLE HOMES = 1,584
Of which

=NET AFFORDABLE HOUSING NEED = 1,287

SOCIAL RENTED
= 1081 (68%)

LCHO
= 503 (32%)