



Forest Heath
Objectively Assessed Housing Need
January 2016

A report by Cambridgeshire County Council Research Group to support Forest Heath District Council in objectively assessing and evidencing development needs for housing, both market and affordable.

Executive Summary

1. *“The primary purpose of identifying need is to identify the future quantity of housing needed, including a breakdown by type, tenure and size.”*

Source: Planning Practice Guidance Reference ID: 2a-002-20140306

2. The purpose of this report is to identify the future quantity of housing needed, from 2011 to 2031.
3. The overall housing figure that has been identified is 6,800 dwellings (340 dwellings per annum).
4. This housing figure results from applying the household representative rates from the latest (CLG 2012) household projections to the population forecast from the latest (ONS 2012) population projections, converting the households to dwellings using the Census 2011 ratio of households to dwellings, and adjusting upwards the number of dwellings by 5%.
5. The purpose of this report is also to consider the total need for affordable housing in the context of the overall housing figure.
6. The total need for affordable housing that has been calculated is 2,638 houses for 2011-2031.
7. Table 1 provides a summary of the identified change in population, jobs and dwellings numbers for the period 2011 to 2031.

Table 1: Identified population, jobs and dwellings change from 2011 to 2031 for Forest Heath

District	Population	Jobs	Dwellings	Ratio of new jobs to new dwellings
Forest Heath	17,000	5,200	6,800	0.8

8. The overall housing figure that has been identified is 5% higher than the starting point (CLG 2012) estimate of 6,450 dwellings (5,940 households).

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1 Introduction

9. Forest Heath District Council (FHDC) is preparing a Single Issue Review (SIR) of Core Strategy policy CS7, which will set the overall housing provision and its distribution across the district, and in addition a Site Allocations Local Plan (SALP) document.

10. National planning policy and guidance makes clear that local planning authorities should undertake an assessment of their housing needs working with the other local authorities in the relevant housing market area.

11. The Strategic Housing Market Assessment (SHMA) was prepared in 2011 and updated in 2013 for the Cambridge housing market area (HMA), including Forest Heath. It indicated an objectively assessed need (OAN) for 350 dwellings per annum for Forest Heath in the period 2011 to 2031, or 7,000 homes in total. This figure was used to inform the two options for the overall housing provision at the 2nd Issues and Options stage of the SIR, which was consulted upon in the summer of 2015. The Council is in the process of preparing a 3rd Issues and Options stage document for consultation in March 2016.

12. A number of changes in national and local circumstances have prompted the need for the OAN to be updated in Forest Heath, notably the following:

- (a) Changes in national planning policy and guidance;
- (b) The release of new CLG household projections and EEFM forecasts in early 2015;
- (c) A number of other authorities within the Cambridge housing market area have been required to update their OAN, and there is a need for a consistent approach;
- (d) Local circumstances including the planned closure of the RAF airbase at Mildenhall;
- (e) The need to update the OAN for Forest Heath to ensure a robust evidence base to inform the local plan process, particularly given the need of the SIR to set an appropriate housing provision target, which also requires an update on the jobs assessment in line with housing need, and an update on the affordable housing need assessment.

13. Cambridge City Council and South Cambridgeshire District Council undertook a joint update of their OAN in 2015. Updates are now being commissioned for Forest Heath, St Edmundsbury and East Cambridgeshire District Councils. All OAN updates are being undertaken by Cambridgeshire Research Group (CRG), who undertook the 2011 and 2013 assessments, ensuring a consistent approach.

14. Peter Brett Associates (PBA) has been commissioned on behalf of FHDC to consider the impact of market signals on the objectively assessed housing need in Forest Heath. The results of this work feed into this OAN update.

15. This assessment covers the period 2011 to 2031, which is the same time period as the SHMA (2013 version), but is updated to reflect changes in national and local circumstances.

16. Thus, this report

- (i) provides an updated OAN for FHDC 'building on the existing evidence base' (as per national planning practice (PPG) guidance), but also
- (ii) takes the opportunity to use any updated other evidence, such as national forecasts and projections, in that process.

2 The approach to assessing need

17. To ensure that the assessment findings are transparently prepared, this report follows closely the standard methodology set out in the national planning practice guidance. Using this approach, the overall assessment of need is an objective assessment of need based on facts and unbiased evidence.

18. The assessment is thorough but proportionate, building where possible on existing information sources outlined within the guidance. The report uses existing available evidence and reports as much as possible, but also takes the opportunity to use the latest available evidence, including the latest household projections, ensuring that the assessment is informed by the latest available information.

19. The report builds upon, and feeds into, the existing evidence base of partner local authorities in the housing market area, in line with the duty to cooperate, through the Strategic Housing Market Assessment partnership, which is a partnership of all seven local planning authorities in the Cambridge housing market area.

3 The scope of this assessment

Introduction

20. The objectively assessed need for housing in Forest Heath is assessed in relation to the Cambridge housing market area, which of course includes Forest Heath.

21. *"A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap."*

Source: Planning Practice Guidance Reference ID: 2a-010-20140306

22. The Cambridge housing market area - defined as Cambridge, East Cambridgeshire, Fenland, Forest Heath, Huntingdonshire, South Cambridgeshire and St Edmundsbury council areas - is an established assessment area.

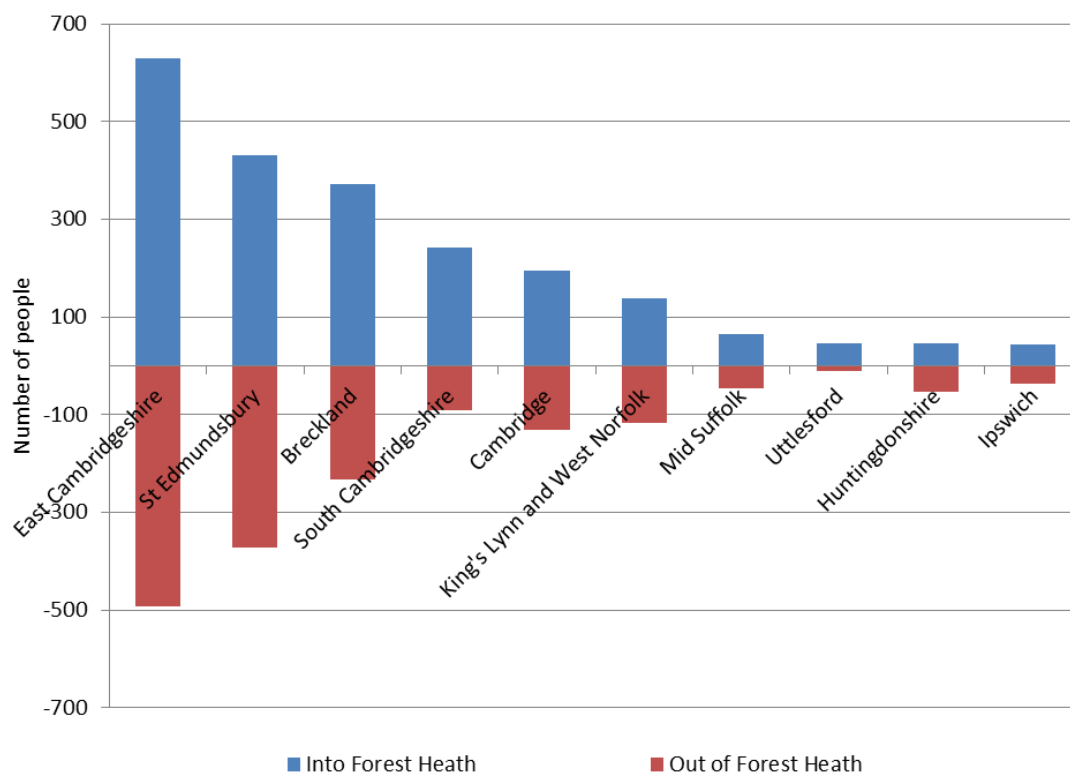
23. In the following sections, we provide up-to-date supporting evidence for this assessment area, using the latest migration and commuting data.

Analysis of migration flow patterns

24. Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. The following analysis of migration flow patterns helps to identify these relationships and the extent to which people move house within this area. The findings identify the areas within which a relatively high proportion of household moves (typically 70%) are contained. This excludes long distance moves outside the UK (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.

25. Figure 1 below shows cross-boundary migration to and from Forest Heath in the year preceding the 2011 Census.

Figure 1: Cross-boundary migration to and from Forest Heath in 2010-2011 (Census 2011)



26. Figure 1 above shows the top ten origins and destinations of people who moved into and out of Forest Heath between March 2010 and March 2011 (i.e. people who had a different address one year before the Census). The top ten includes five of the six other districts in the Cambridge housing market area (East Cambridgeshire, St Edmundsbury, South Cambridgeshire, Cambridge and Huntingdonshire). The top six also includes King's Lynn and West Norfolk, and Breckland.

27. In addition to these cross-boundary moves, 3,546 people moved house within Forest Heath, which represents 50% of the total 'in' moves, and 58% of the total 'out' moves. Including house

moves within Forest Heath, the total number of 'in' moves was 7,107, and the total number of 'out' moves was 6,068. The total number of 'in' moves from the housing market area (including Forest Heath) was 5,117, and the total number of 'out' moves to the housing market area (including Forest Heath) was 4,706. 72% of all 'in' moves and 78% of all 'out' moves were therefore contained within the housing market area, which exceeds the PPG's 70% threshold for identifying a housing market area.

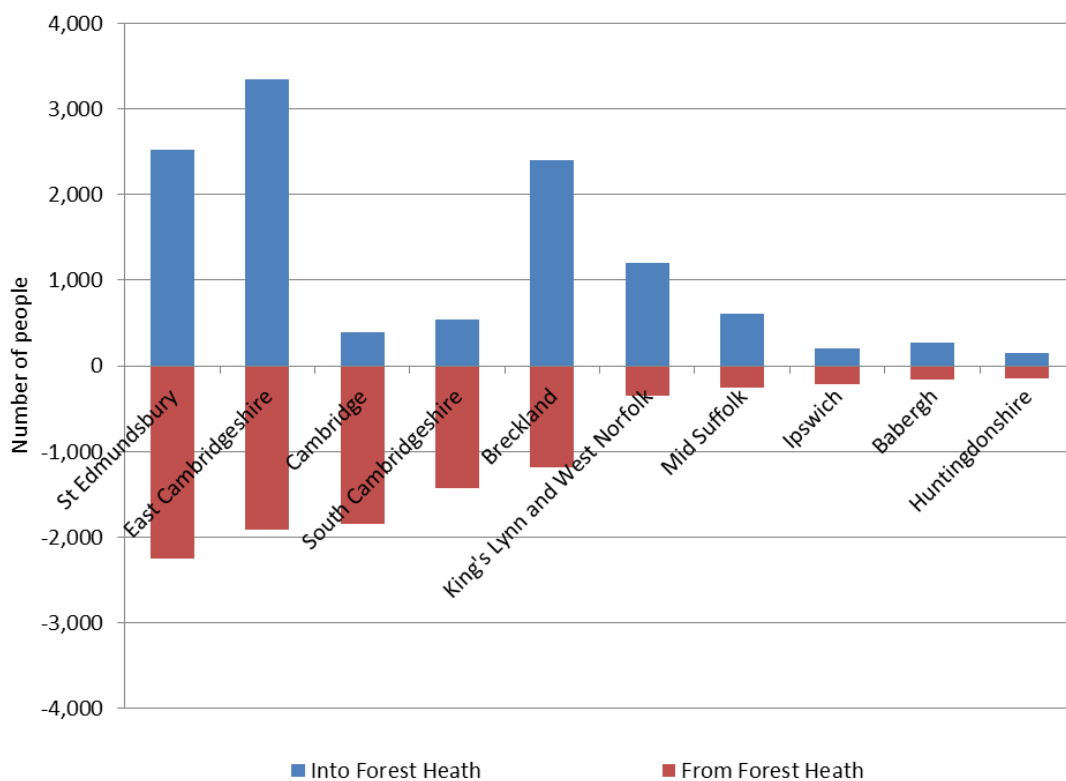
Analysis of commuting flow patterns

28. Travel to work areas can provide information about commuting flows and the spatial structure of the labour market, which will influence household price and location. They can also provide information about the areas within which people move without changing other aspects of their lives (e.g. work or service use).

29. The following analysis of commuting flow patterns helps to identify the key functional linkages between places where people in this area live and work. Maps 1 and 2 overleaf show the places where people who live in Forest Heath work (Map 1), and where people who work in Forest Heath live (Map 2).

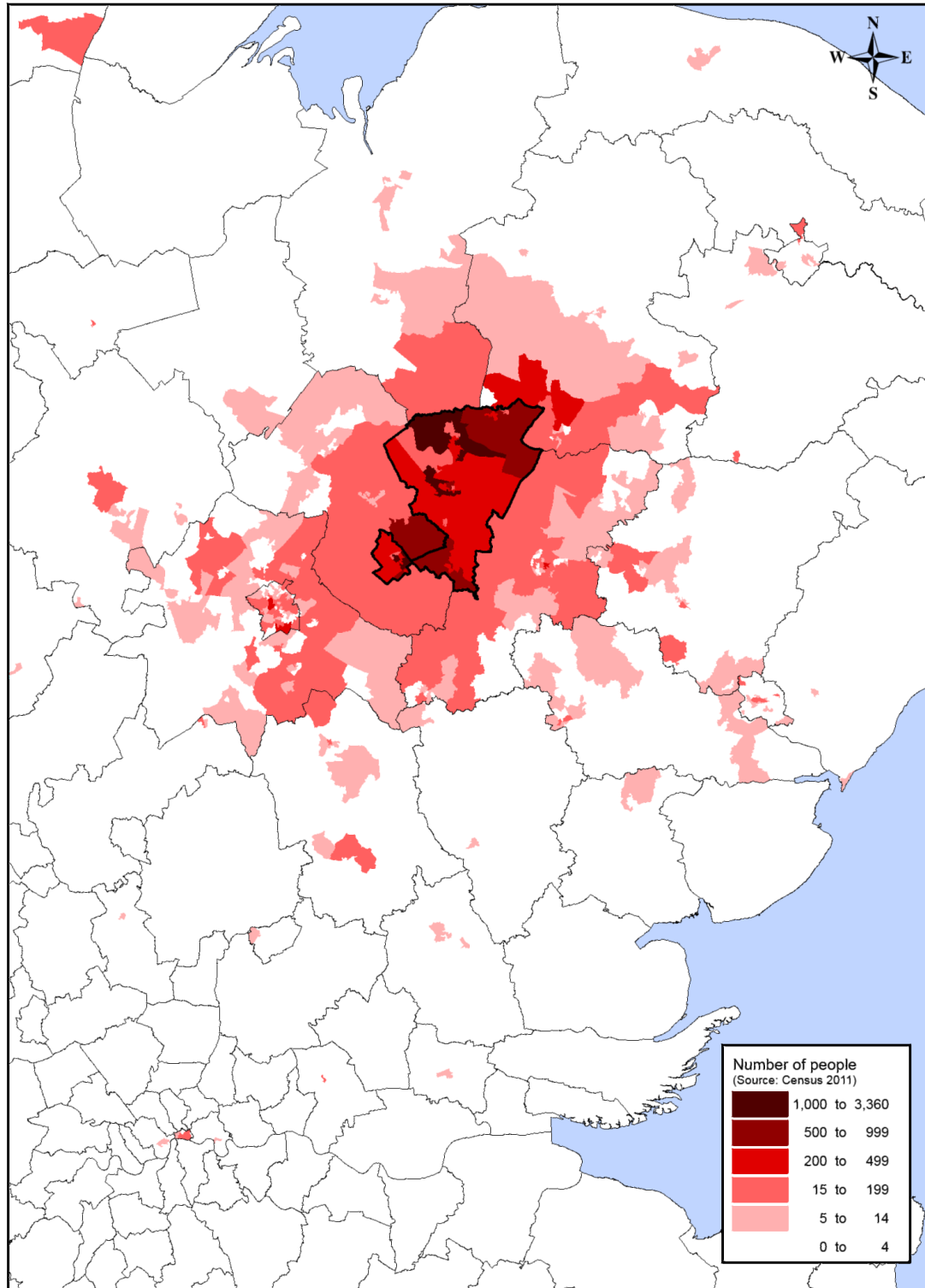
30. Figure 2 below shows cross-boundary commuting to and from Forest Heath at the time of the 2011 Census.

Figure 2: Cross-boundary commuting to and from Forest Heath in 2011 (Census 2011)



Map 1: Area of workplace of the working population of Forest Heath (Census 2011)

Area of workplace of the working population of Forest Heath

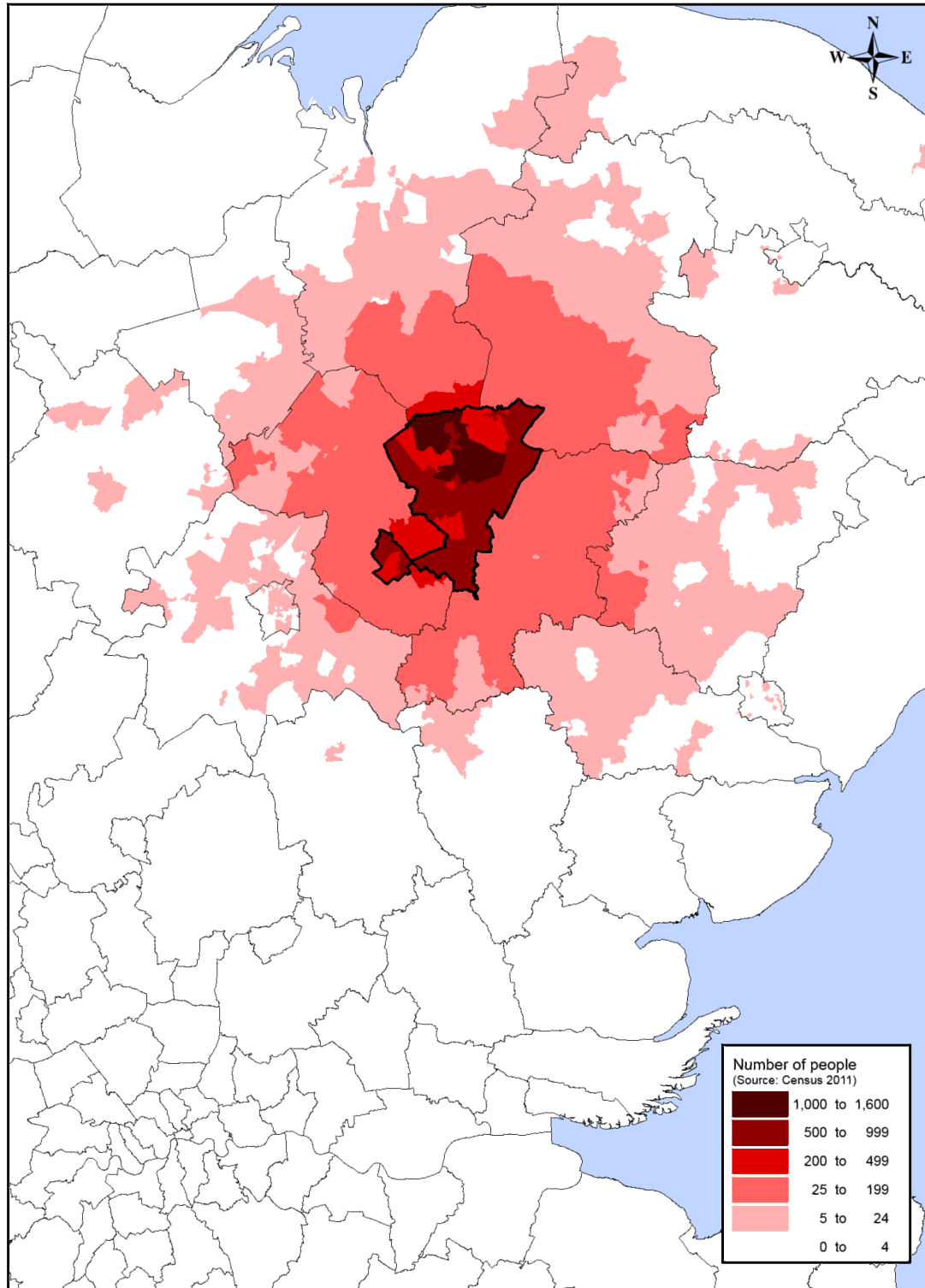


Scale at A4 - 1:700,000

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Map 2: Area of residence of the workplace population of Forest Heath (Census 2011)

Area of residence of the workplace population of Forest Heath



Scale at A4 - 1:700,000

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31. Figure 2 above shows the top ten origins and destinations of people who travelled into and from Forest Heath to work in March 2011. The top ten includes five of the six other districts in the Cambridge housing market area (St Edmundsbury, East Cambridgeshire, Cambridge, South Cambridgeshire and Huntingdonshire), as well as King's Lynn and West Norfolk, and Breckland, which were also in the top six origins and destinations of people who moved house in 2010-2011. This analysis suggests the Cambridge housing market area overlaps the housing market areas of other districts within the Greater Cambridge Greater Peterborough and New Anglia local enterprise partnership (LEP) areas.

32. In addition to these cross-boundary flows, 20,060 people live and work within Forest Heath, including 3,146 people who work at or from home, and 2,631 people with no fixed place of work. 61% of people who work in Forest Heath live in Forest Heath (Map 2), while 63% of people who live in Forest Heath work in Forest Heath (Map 1), with 24% of Forest Heath's employed residents working elsewhere in the Cambridge housing market area (Figure 2).

Other contextual data

33. Forest Heath is in West Suffolk, next to the boundaries of Norfolk and Cambridgeshire. It is a predominantly rural area with three market towns, Newmarket, Mildenhall and Brandon and a number of villages and small hamlets. The district has good connections to London and Norwich along the A11 and to the Midlands, Ipswich and the Port of Felixstowe along the A14.

34. The Strategic Housing Market Assessment (2013 version) provides further contextual information, including area profiles for all seven districts in the Cambridge housing market area.

Conclusion

35. Analysis of the latest migration and commuting data provides up-to-date supporting evidence for the established definition of the Cambridge housing market area.

4.1 The starting point for establishing the need for housing

Introduction

36. In this report, household projections published by the Department for Communities and Local Government (CLG) provide the starting point estimate of overall housing need.

37. The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.

38. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics (ONS). Projected household representative rates are based on trends observed in Census and Labour Force Survey data.

39. The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends.

40. Table 2 below shows the household projection-based estimate of housing need for the period 2011 to 2031.

Table 2: Household projection-based estimate of housing need

Source of estimated/projected population	Population 2011	Population			Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031
		2012	2013	2014				
ONS 2012	60,040	60,740	61,700*	62,690*	76,220*	16,180	5,940	6,450

*The population figures for 2013, 2014 and 2031 are the projected population figures published by ONS on 29 May 2014.

41. Table 2 above shows the starting point estimate of 5,940 households (6,450 dwellings) for the period 2011 to 2031. This starting point estimate results from applying the household representative rates from the latest (2012-based) household projections published by CLG ("CLG 2012") to the latest (2012-based) sub-national population projections published by ONS ("ONS 2012").

42. We convert the households to dwellings using the Census 2011 ratio of households to dwellings from Census 2011 Table KS401EW. This ratio is 25,376 households to 27,547 dwellings for Forest Heath, which means the required number of dwellings is 8.56% higher than the projected increase in households.

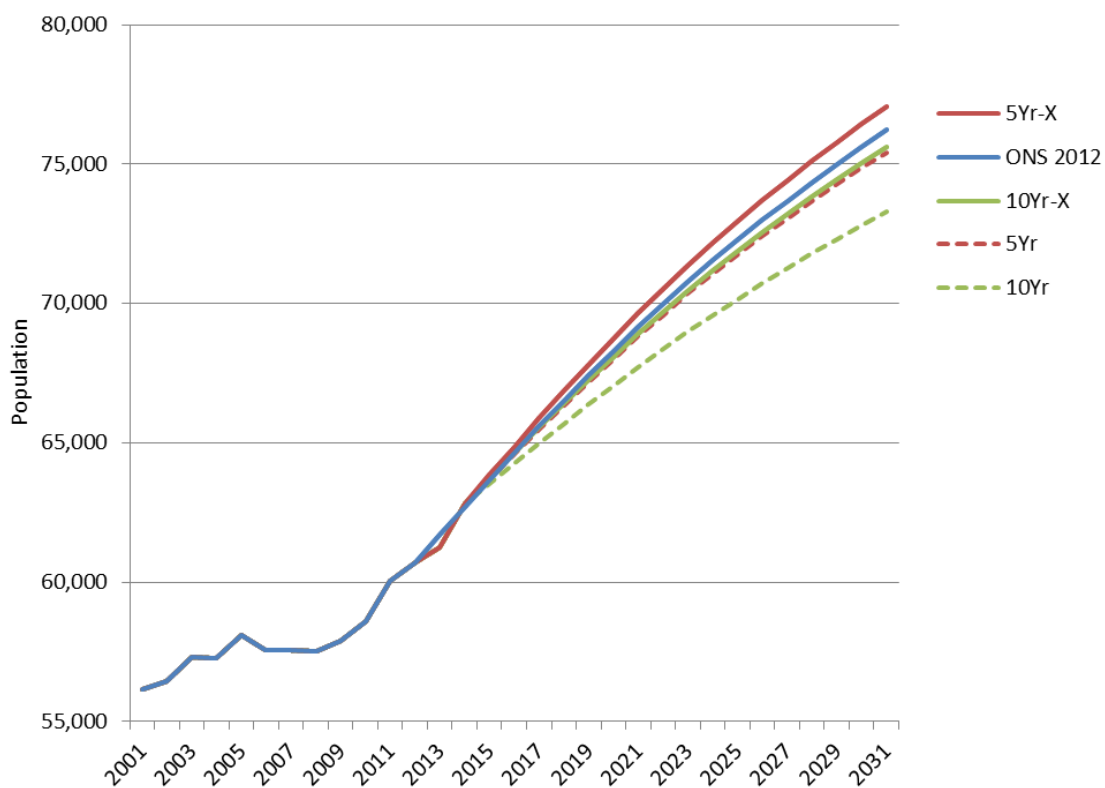
43. To assess what adjustment, if any, this household projection-based estimate of housing need requires, the following sections provide sensitivity testing based on alternative assumptions in relation to the underlying demographic projections and household formation rates.

Underlying demographic projections

44. To test the sensitivity of the underlying demographic projections to alternative migration assumptions, we provide alternative demographic projections based on 5-year and 10-year population trends.

45. Figure 3 below shows the official (ONS 2012) population projection for Forest Heath, two alternative population projections based on 5-year migration trends (5Yr and 5Yr-X), and two alternative population projections based on 10-year migration trends (10Yr and 10Yr-X).

Figure 3: Official and alternative demographic projections (ONS and CRG)



We acknowledge the support of Edge Analytics and the use of POPGROUP technology in the production of the alternative demographic projections.

46. *“A five year historical period is a typical time-frame from which migration ‘trend’ assumptions are derived (this is consistent with the ONS official methodology). However, given the unprecedented economic change that has occurred since 2008, it is important to give due consideration to an extended historical time period for assumption derivation.”*

Source: Greater Essex Demographic Forecasts 2013-2037 Phase 7 Main Report May 2015 (Edge Analytics) (www.uttlesford.gov.uk/article/2417/Essex-Guidance-Documents)

47. ONS projections are trend-based, which means assumptions for future levels of births, deaths and migration are based on observed levels. The 2007 to 2012 period is used as the basis for the ONS 2012 projections. Hence, any underlying trends evident in this period, such as low or high rates of annual house-building, will influence the future projections up to 2031.

48. Figure 3 above shows four alternative demographic projections based upon the latest demographic evidence. We take the opportunity to incorporate the latest available information, which includes the 2014 mid-year population estimate and its accompanying components of change (births, deaths and migration) for the 2013 to 2014 period.

- For all four alternative projections, the fertility and mortality rates from 2014 onwards are taken from the official (ONS 2012) projection for Forest Heath.
- For the 5Yr and 5Yr-X projections, the migration assumptions from 2014 onwards are based on a 5-year historical time frame (2009 to 2014).
- For the 10Yr and 10Yr-X projections, the migration assumptions from 2014 onwards are based on a 10-year historical time frame (2004 to 2014).
- For the 5Yr and 10Yr projections, we assume that the ‘unattributable population change’ (UPC) for the 2001 to 2011 historical period is associated with the mis-estimation of international migration (as this is the component with the greatest uncertainty associated with its estimation).
- For the 5Yr-X and 10Yr-X projections, we exclude the UPC from the international migration assumptions (this is consistent with the ONS official methodology).

49. As Figure 3 shows, the 5Yr-X and 10Yr-X projections - which exclude UPC - suggest population growth rates that are similar to the official (ONS 2012) projection for Forest Heath, reflecting longer-term net migration assumptions in the ONS 2012 projection that are similar to recent historical levels.

50. Table 3 below shows the most recent demographic evidence.

Table 3: 2012-based projected population figures and more recent mid-year population estimates

Source of estimated/projected population	Population 2011	Population			Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031
		2012	2013	2014				
ONS 2012	60,040	60,740	61,700	62,690	76,220	16,180	5,940	6,450
Mid-year estimates	60,040	60,740	61,240*	62,810*				

*The population figures for 2013 and 2014 are the estimated population figures published by ONS on 25 June 2015.

51. As Table 3 above shows, recent historical population levels have been similar to projected levels. In addition to natural change and net migration, the change in the population level between 2012

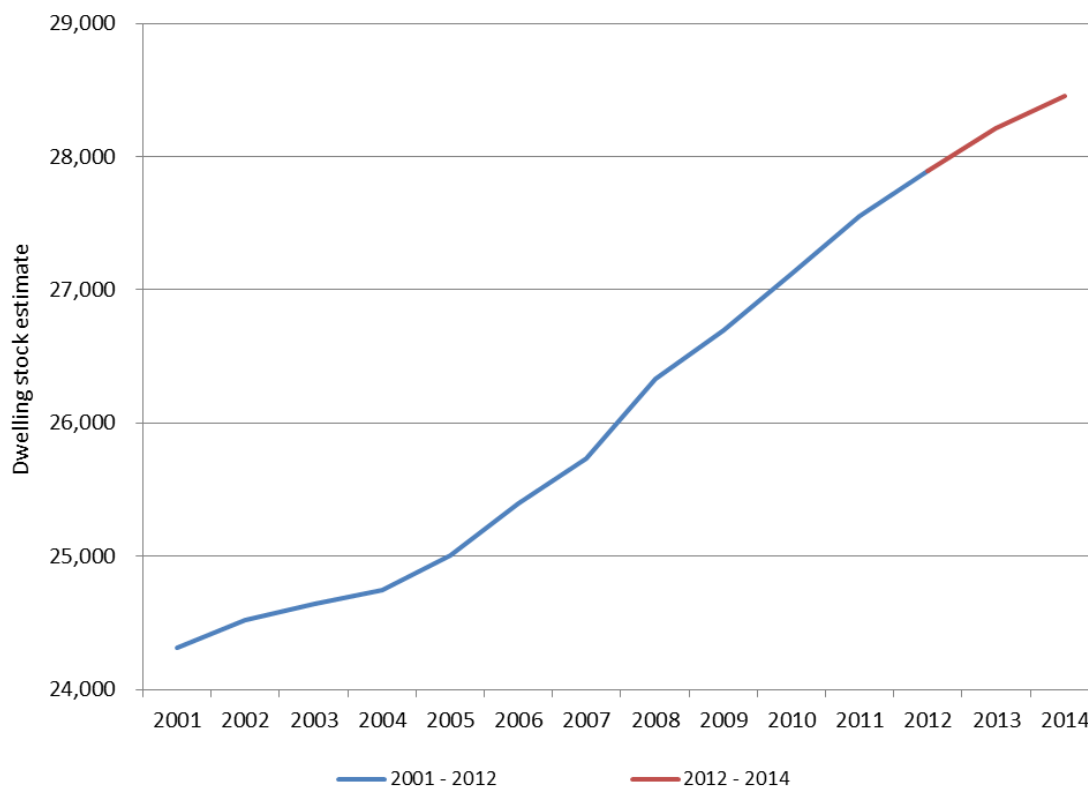
and 2013 includes an estimated change in the armed forces population of minus 664 people. The change in the population level between 2013 and 2014 includes an estimated change in the armed forces population of plus 852 people. The Office for National Statistics uses data supplied by the United States Air Force to estimate the mid-year to mid-year change in the armed forces population.

52. Net migration over the last five years (2009 to 2014) has been slightly higher than over the 2007 to 2012 period. The 5Yr-X projection (which is consistent with the ONS 2012 methodology) therefore projects a slightly higher population growth rate than the ONS 2012 projection. The 10Yr-X projection (which uses an extended historical time period) conversely projects a slightly lower rate of growth than the official projection, mainly reflecting the lower growth rate of the 2004 to 2007 period.

53. The alternative projections provide sensitivity testing in relation to the official projection. Any underlying trends evident in the 2012 to 2014 period, such as any under delivery of housing, will influence the alternative future projections up to 2031.

54. Figure 4 below shows the most recent dwelling stock estimates.

Figure 4: Dwelling stock estimates for Forest Heath (CLG)



55. As Figure 4 above shows, recent annual increases in housing numbers have been lower than previous housing growth rates, with a particularly low rate of growth in 2013/14.

56. Excluding the change in the armed forces population, the higher population growth rate in 2012/13 (net migration of plus 646 people and natural change of plus 526 people) reflects the higher housing growth rate in 2012/13 (plus 320 dwellings); and the lower population growth rate in 2013/14 (net migration of plus 247 people and natural change of plus 470 people) reflects the lower housing growth rate in 2013/14 (plus 250 dwellings).

57. If the projected population growth rates were not similar to the official (ONS 2012) projection, the 5Yr-X and 10Yr-X projections would provide evidence for an adjustment to the ONS 2012 projection. Also, if low rates of annual house-building were evident in the 2007 to 2012 period, the ONS 2012 projection would require adjustment (only one year of lower growth is evident in this period - in 2008/09 - which follows the national trend). However, as the projected population growth rates are very similar to the ONS 2012 projection, and low rates of annual house-building are not evident in the 2007 to 2012 period, the 5Yr-X and 10Yr-X projections do not provide any evidence for an adjustment to the ONS 2012 projection.

Unattributable population change and armed forces population

58. The 5Yr-X and 10Yr-X projections imply higher rates of population growth than the equivalent projections that include UPC in the historical data; a reflection of the adjustment that was allocated to the population to account for the over-count between the 2001 and 2011 Censuses.

59. As Figure 3 shows, the 5Yr and 10Yr projections - which include UPC - suggest population growth rates that are lower than the official (ONS 2012) projection for Forest Heath.

60. UPC has been identified by ONS in each local authority district in England and Wales to close the gap between the population estimated for 2011 after the census of that year and estimates of the 2001 population, and of births, deaths and migration each year between 2001 and 2011. ONS believes its estimates are the best possible, but acknowledges that extra change did occur (or less change, in the case of Forest Heath) which it is unable to attribute to a specific cause. ONS provides the amount of this extra change in its population accounts for 2001 to 2011.

61. The total UPC amount in Forest Heath for 2001 to 2011 is minus 2,413. The amount is negative to correct for the over-estimates of the population by ONS each year between 2001 and 2011.

62. In an analysis of the likely causes of this discrepancy, ONS concludes:

“Armed forces personnel in Forest Heath account for 10-20% of total population. Armed forces may explain some of the difference between rolled forward and census based estimates.”

Source: Understanding the causes of discrepancies between rolled forward and census based mid-year estimates for 2011 (ONS)

63. Armed forces personnel can be significant contributors to discrepancies between census based and rolled forward estimates for a number of reasons. Armed forces personnel can account for a large proportion of the population in some local authorities, most notably Forest Heath, and the

numbers of armed forces personnel can change rapidly between years as old bases are closed and the structure of the armed forces changes.

64. In some local authorities, it is assumed that UPC is most likely associated with the mis-estimation of international migration, and so UPC is included in the derivation of future migration assumptions, as is the case in the '5Yr' and '10Yr' projections above. However, in Forest Heath, ONS considers the armed forces population to be a likely cause of this discrepancy. We therefore believe it is more appropriate not to include the UPC in the derivation of future migration assumptions for Forest Heath, and so the 5Yr and 10Yr projections do not provide any evidence for an adjustment to the ONS 2012 projection.

65. With the planned closure of the RAF airbase at Mildenhall, and relocation of some personnel to the airbase at Lakenheath, the armed forces population is likely to continue to be a source of uncertainty in future population estimates and forecasts. Any reduction in the household population in Mildenhall is likely to be partly offset by an increase in Lakenheath, although some reduction overall is likely. While this reduction in armed forces personnel suggests a reduction in the district's population, the change in the local population structure (e.g. increase in birth rates) that may result from a supply of houses vacated by the armed forces personnel may result in an increase in the district's population. The impact of the planned closure of the RAF airbase at Mildenhall therefore remains too uncertain to make a confident adjustment to the official demographic projection, and so we therefore believe it is more appropriate not to make such an adjustment.

66. All four alternative demographic projections therefore provide no evidence for an adjustment to the underlying (ONS 2012) demographic projections.

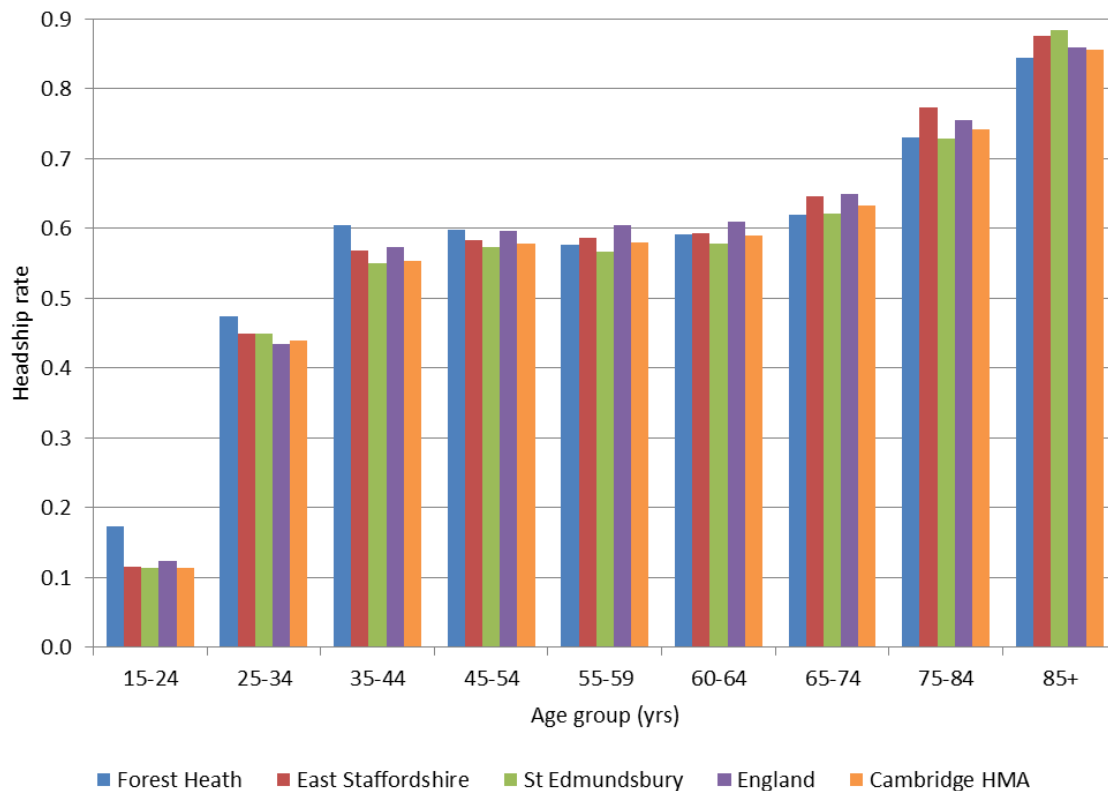
Household formation rates

67. To test the extent to which household formation rates are or have been constrained by supply, we consider alternative household formation rates based on 2012-based and 2008-based official household projections. The 2012-based official household projections (CLG 2012) are the most up-to-date estimate of future household growth. The 2008-based projections (CLG 2008) in general assume higher rates of household formation than the CLG 2012 projections.

68. In this section, we compare the CLG 2012 household formation rates for Forest Heath to the national rates, the HMA rates, and the rates for Forest Heath's 'most similar' areas. We propose to consider alternative, 2008-based, household formation rates for any age groups, especially any younger age groups, where the local rates are generally lower, and therefore constrained, relative to the England and other rates, in 2012. 2012 is the base year for the latest official projections. The CLG 2012 household formation rates therefore do not require adjustment to reflect the lower rates of housing growth in the 2012 to 2014 period (Figure 4).

69. Figure 5 overleaf compares the CLG 2012 household formation rates for Forest Heath to the England, HMA and 'similar area' rates. We use CIPFA's 'nearest neighbours' model to identify East Staffordshire and St Edmundsbury as two of the 'most similar' areas to Forest Heath.

Figure 5: Household formation rates in 2012 (CLG)



70. As Figure 5 above shows, the CLG 2012 household formation rates for Forest Heath are generally higher than, or similar to, the national and other rates for all age groups, especially the younger age groups, in 2012, providing no evidence for an adjustment to the CLG 2012 household formation rates.

Latest population estimates

71. In the preceding sections, we take account of the most recent demographic evidence including the latest (mid-2014) Office for National Statistics population estimates. We take account of the latest migration trends (Figure 3). In this section, we take account of the latest birth rates and the local population structure.

72. Figure 6 overleaf shows the estimated age structure of the populations of Forest Heath and England in 2012 and 2014.

73. As Figure 6 shows, the proportion of Forest Heath’s population aged 0 to 4 is above the England average both in 2012 and in 2014. The estimated proportion of Forest Heath’s population aged 0 to 4 is 7.4% in 2012 and 7.9% in 2014, which is above the projected proportion of 7.7% for 2014.

74. As Figure 5 shows, the household formation rates of Forest Heath’s younger age groups are above the England rates in 2012, with the district’s higher birth rates a reflection of these higher household formation rates.

Figure 6(a): Population age structure in 2012 (ONS)

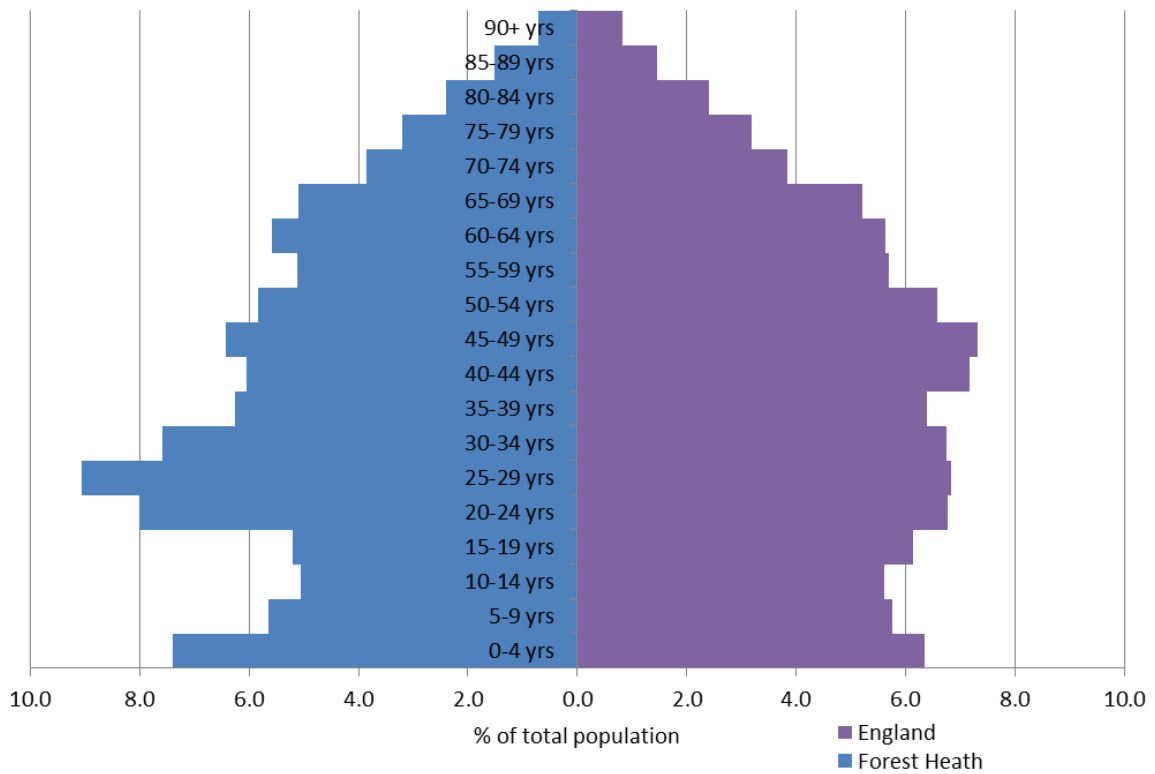
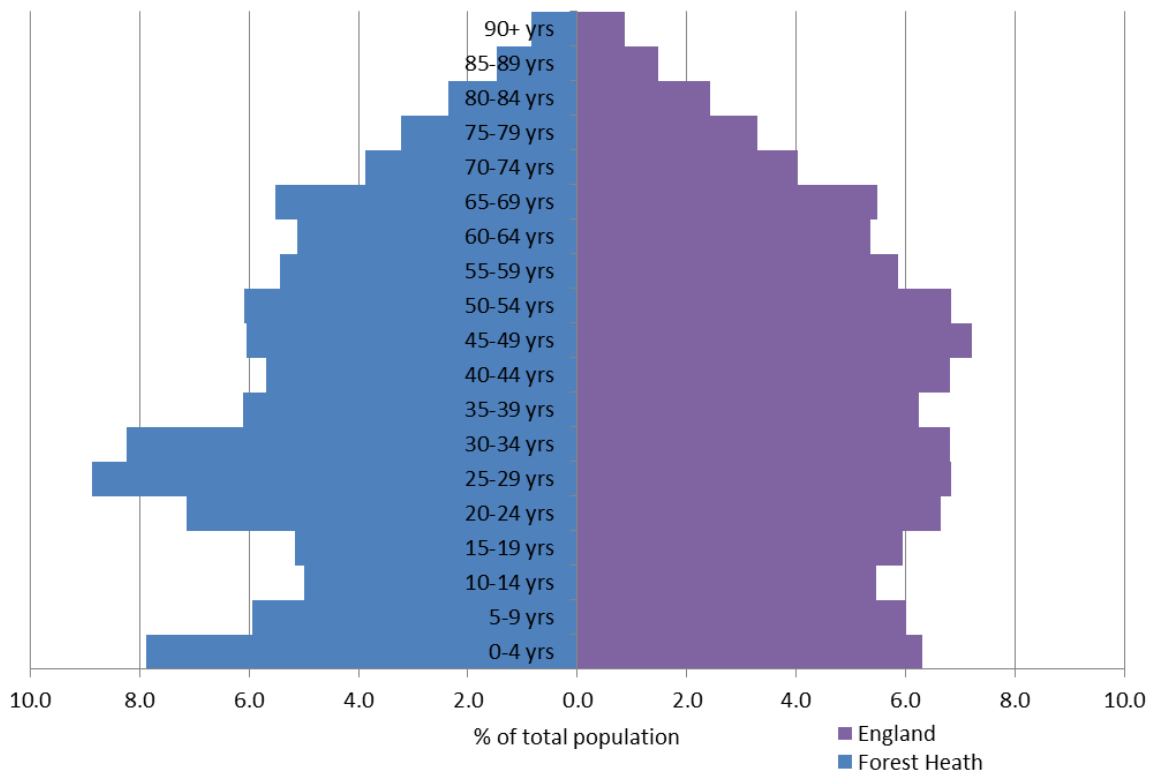


Figure 6(b): Population age structure in 2014 (ONS)



75. The high proportion of children in Forest Heath’s household population explains the unique trend in Forest Heath’s average household size:

The CLG 2012 household projections indicate a rise in household population of 16,000 and a rise in households of 6,000 in Forest Heath between 2011 and 2031. These projections indicate a rise in average household size, which is unique to Forest Heath (with the exception of the Isles of Scilly).

76. The increase in average household size in Forest Heath over the projection period reflects the projected population structure, with the children in the household population not expected to form households until at least 15 years of age.

77. As Figure 6(a) shows, high birth rates in Forest Heath were evident in the 2007 to 2012 period. Local evidence suggests the particularly high number of births in the 2012 to 2014 period is likely to reflect the release onto the market of a large number of houses vacated by United States Air Force (USAF) personnel (www.lakenheath.af.mil/news/story.asp?id=123338879).

78. As high birth rates were evident in the 2007 to 2012 period, and the recent particularly high rates reflect a particular release of housing, the latest population estimates do not provide any evidence for an adjustment to the ONS 2012 projection.

79. Taking account of sensitivity testing and the latest demographic estimates, we therefore find no evidence for an adjustment to the underlying (ONS 2012) demographic projections, or the CLG 2012 household formation rates.

80. Table 4 below shows the official household projection-based estimate of housing need for the period 2011 to 2031. This housing figure results from applying the CLG 2012 household representative rates to the ONS 2012 population projection, and converting the households to dwellings using the Census 2011 ratio of households to dwellings. As Table 4 shows, the official household projection-based estimate of housing need, which requires no adjustment, is 6,450 dwellings.

Table 4: Official (unadjusted) household projection-based estimate of housing need

Source of estimated/projected population	Population 2011	Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031
ONS 2012	60,040	76,220	16,180	5,940	6,450

Conclusion: What adjustment, if any, does the household projection-based estimate of housing need require?

81. Taking account of sensitivity testing and the latest demographic estimates, the starting point (CLG 2012) estimate of 6,450 dwellings (5,940 households) requires no adjustment for the period 2011 to 2031.

4.2 Taking employment trends into account

Introduction

82. If the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns and could reduce the resilience of local businesses.

83. The housing need number suggested by household projections (the starting point) may require adjustment to provide a labour force supply in the housing market area that is not less than the projected jobs growth.

84. Having regard to the growth of the working age population in the housing market area, we make an assessment of the likely change in job numbers based on past trends and economic forecasts. We take account of the most recent economic evidence including the latest (“EEFM 2014”) East of England Forecasting Model employment forecasts.

85. A labour force supply that is less than the projected jobs growth will require upward adjustment to planned housing numbers compared to ones based solely on household projections.

86. If an upward adjustment is required, we will set this adjustment at a level that provides an increase in the labour force in the housing market area that is not less than the projected jobs growth. We will use the EEFM 2014 forecasts to tell us the growth of the working age population in Forest Heath that aligns with the housing market area’s projected jobs growth.

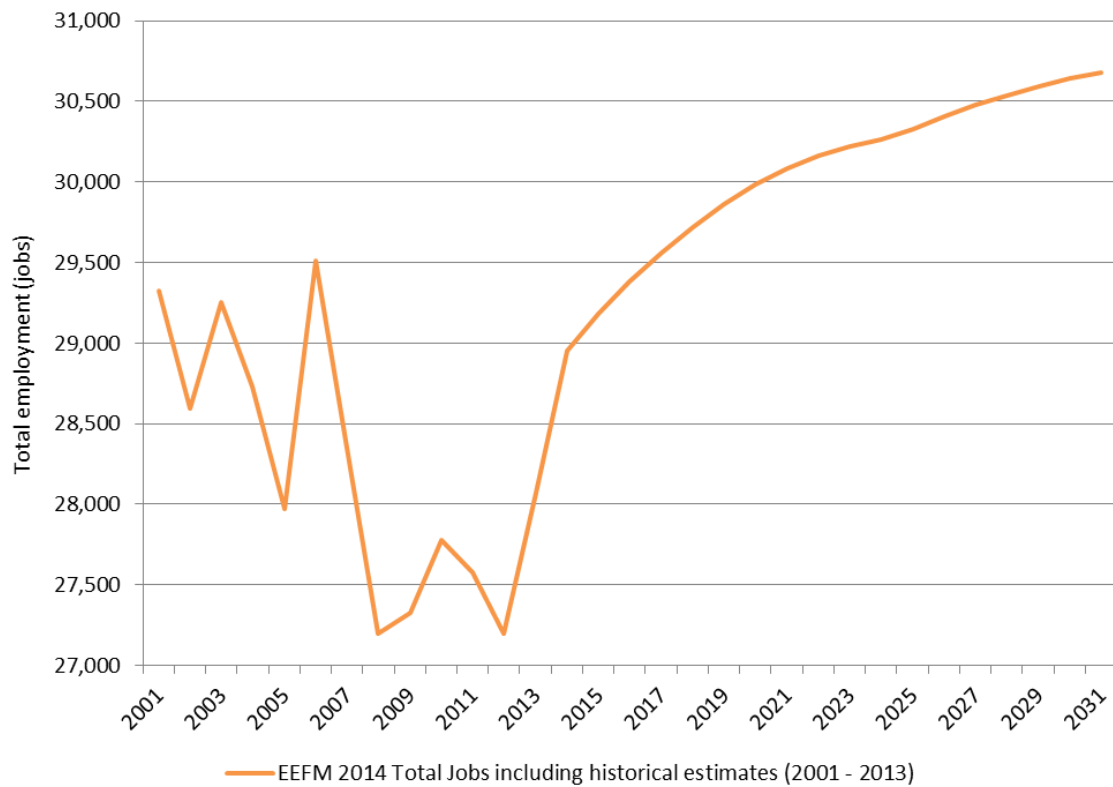
87. The East of England Forecasting Model (www.cambridgeshireinsight.org.uk/EEFM) provides economic-based forecasts for population, employment and housing over the next twenty years across the LEP areas which are either wholly or partly in the East of England, including the Greater Cambridge Greater Peterborough and New Anglia LEP areas. It was set up and is owned by the East of England Local Government Association and is a vital tool for local authorities, LEPs and other organisations who are planning for the delivery of public services, infrastructure, housing and economic development in their area.

88. While we take the opportunity to use the latest available information, we build on the existing evidence base of the local authorities in the housing market area, and overlapping housing market areas, by using the same source of economic forecasts as the local enterprise partnerships, and the Strategic Housing Market Assessment (2013 version).

Latest economic forecasts

89. Figure 7 below shows the latest (EEFM 2014) baseline employment forecast for Forest Heath, and also shows the past trends of the 2001 to 2013 period. The projected increase in employment for the 2011 to 2031 period is 3,100 jobs, with a projected increase in ‘full-time equivalent’ (FTE) employment of 3,030 jobs.

Figure 7: Total employment (jobs) forecast for Forest Heath (EEFM)

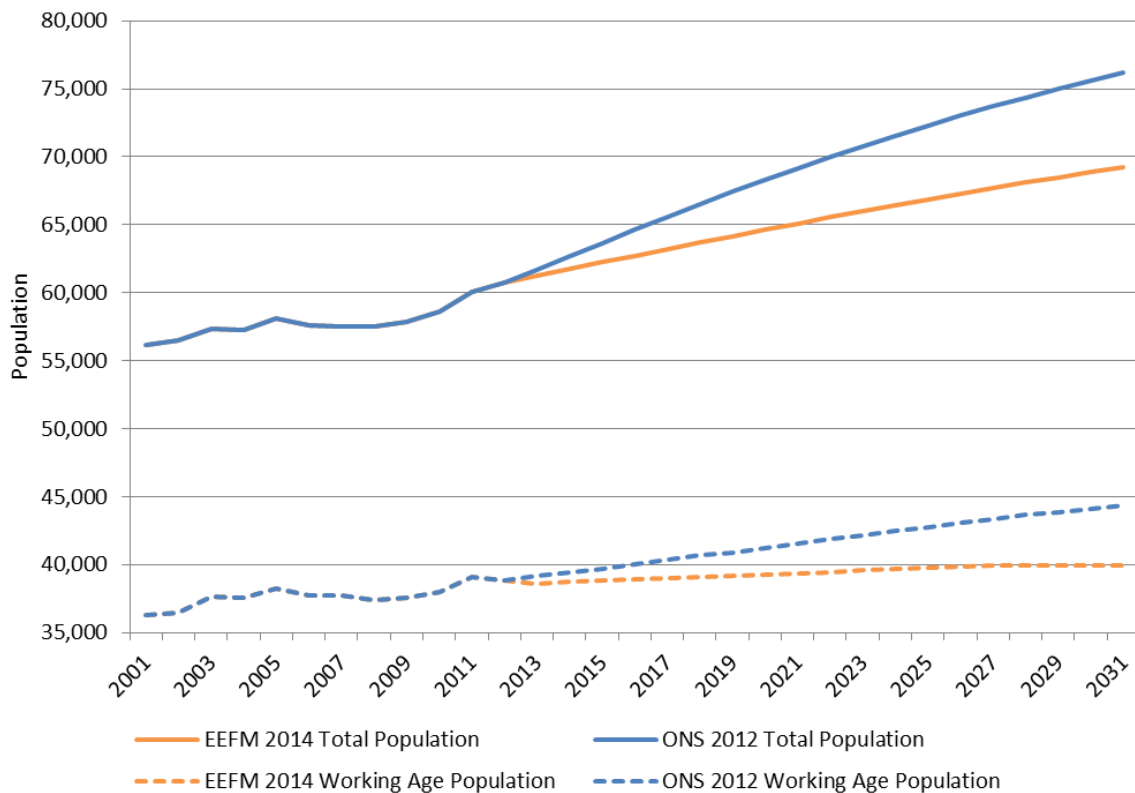


90. The forecasts generated by the EEFM provide a particularly robust evidence base because they are integrated, consistent with wider economic trends and are up to date, being revised every year. Particularly important is the integration of economic and demographic circumstances, and the consistency between all LA areas within the region and in neighbouring regions. Within the EEFM, migration (and hence population and housing) depends on the path of employment. At the same time employment in certain industries simultaneously depends on population, as is the case in the real world.

91. Figure 8 below shows the EEFM 2014 total and working age population forecasts for Forest Heath, and compares the economic-based forecasts to the official (ONS 2012) demographic projections.

92. As Figure 8 shows, the economic-based forecasts suggest population growth rates that are lower than the official (ONS 2012) projections for Forest Heath, reflecting the area’s trend-based economic prospects. The economic-based projected population increase for the 2011 to 2031 period is 9,180 people, with a working age population increase of just 870 people. Around 70% of the increase in employed residents from this increase in population aligns with the increase in the workplace population (jobs growth) in Forest Heath, and around 30% aligns with an increase in net out-commuting, meeting the housing needs of the housing market area.

Figure 8: Official and economic-based total and working age population forecasts (ONS and EEFM)



93. Having regard to the growth of the working age population in the housing market area, the latest employment trends therefore provide no clear evidence for an upward adjustment to the housing need number suggested by household projections. In the following section, we provide an adjusted household projection for Forest Heath that is fully consistent with the EEFM’s population and employment forecasts.

Economic-based household projection

94. The two consistent approaches for projecting housing demand that take into account the EEFM’s employment forecasts are:

- (a) To use the EEFM’s own “demand for dwellings” forecast for Forest Heath;
- (b) To derive a variant household projection using the EEFM’s population forecast - and population structure - using a system such as POPGROUP.

95. Some systems (including POPGROUP) allow users to derive alternative population projections, and then household projections, using the EEFM’s employment forecasts, but, because the employment and population forecasts are inter-linked in the EEFM forecasts, it is not consistent to use the EEFM employment forecasts with alternative population assumptions. The employment and population forecasts are calculated simultaneously within the EEFM. Alternative population assumptions would lead to different employment forecasts and vice versa.

96. In this section, using POPGROUP’s Derived Forecast model, we derive an economic-based household projection for Forest Heath that is fully consistent with the EEFM’s population and employment forecasts.

97. Jobs growth is linked to population growth in the EEFM, and vice versa, so our household projection for Forest Heath is consistent with the EEFM’s employment forecasts, so long as our household formation rate assumptions are applied to the EEFM’s own population forecast.

98. As the national planning practice guidance endorses CLG’s 2012-based household projections as the most up-to-date estimate of future household growth, and as we find no evidence for an adjustment to these rates in Section 4.1 above, we apply the CLG 2012 household representative rates to the EEFM’s latest (EEFM 2014) population forecast for Forest Heath.

99. The EEFM’s only available age groups are: total population (people of all ages); working age population (people aged 16 to 64); young population (people aged 0 to 15); and elderly population (people aged 65 and over). Therefore, we first apply the population structure from the ONS 2012 population projection for Forest Heath to the EEFM’s population forecast, as follows: the structure of the younger population is applied to the EEFM’s younger population forecast (i.e. the proportion of the younger population in each of the younger age groups in the ONS 2012 projection is calculated and multiplied by the EEFM’s younger population figure); the structure of the working age population is applied to the EEFM’s working age population forecast; and the structure of the older population is applied to the EEFM’s older population forecast. The total, working age, young, and elderly population figures are therefore all constrained to the EEFM’s population figures. We then use POPGROUP’s Derived Forecast model to apply the projected household representative rates to the EEFM’s population forecast by five-year age groups. As Table 5 below shows, the EEFM 2014 projected population change from 2011 to 2031 is 7,000 lower than the ONS 2012 projected population change.

100. Table 5 below shows the official household projection-based estimate of housing need for the period 2011 to 2031, and the adjusted estimate based on the EEFM 2014 forecast. The adjusted housing figure results from applying the CLG 2012 household representative rates to the EEFM 2014 population forecast, and converting the households to dwellings using the Census 2011 ratio of households to dwellings. As Table 5 shows, the adjusted estimate of housing need is 2,250 dwellings lower than the official household projection-based estimate for 2011-2031.

Table 5: Official and adjusted household projection-based estimates of housing need

Source of estimated/projected population	Population 2011	Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031	Jobs 2011-2031
ONS 2012	60,040	76,220	16,180	5,940	6,450	-
EEFM 2014	60,040	69,220	9,180	3,870	4,200	3,100

Conclusion: What adjustment, if any, does the household projection-based estimate of housing need require?

101. Having regard to the growth of the working age population in the housing market area, the latest employment trends provide no evidence for an upward adjustment to the housing need number suggested by household projections. Taking account of the latest (EEFM 2014) employment forecasts, the demographic projection therefore requires no adjustment.

4.3 Taking market signals into account

Introduction

102. The housing need number suggested by household projections (the starting point) may require adjustment to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.

103. In the following sections, alongside the report “Forest Heath District Market Signals and Objectively Assessed Housing Need February 2016” by Peter Brett Associates, we take account both of indicators relating to price (such as house prices, rents, affordability ratios) and quantity (such as overcrowding and rates of development).

104. We make appropriate comparisons of indicators. This includes comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally.

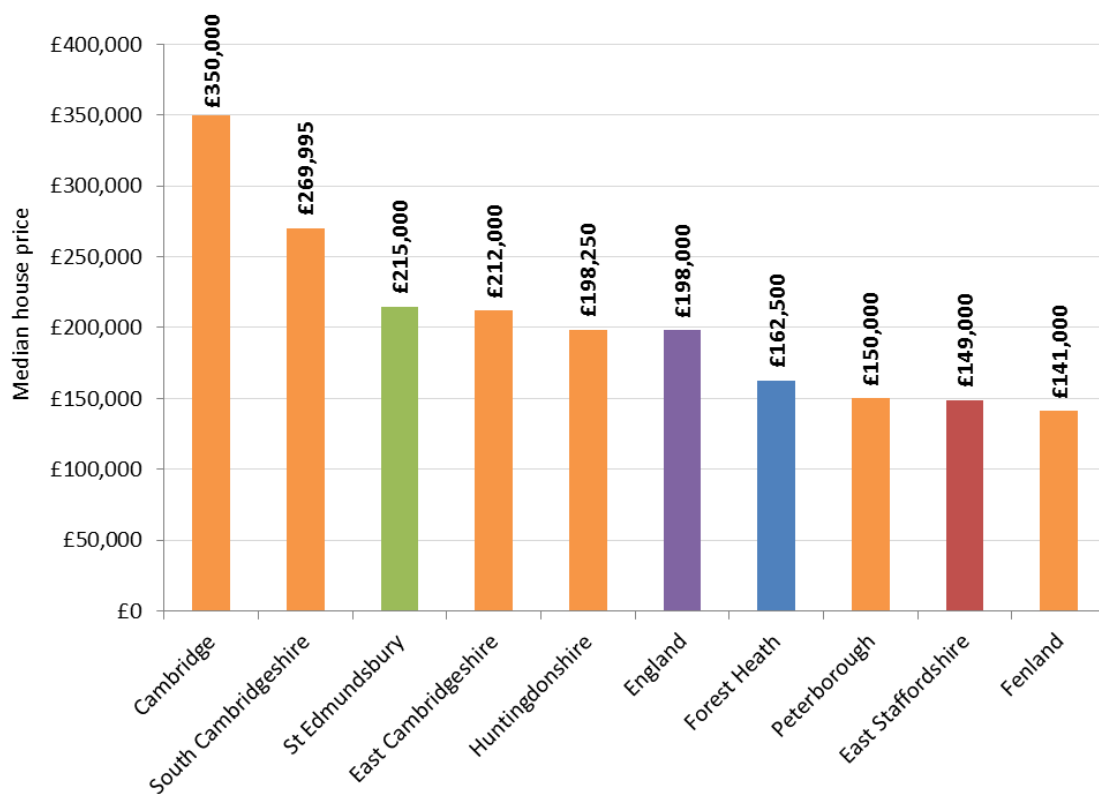
105. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.

106. If an upward adjustment is required, reflecting the findings of Peter Brett Associates, we will set this adjustment at a level that is reasonable, taking account of the outcomes of other local plan examinations.

Indicators relating to price

107. Figure 9 below shows the average (median) house price in Forest Heath, in the other districts across the housing market area including St Edmundsbury, in East Staffordshire, in Peterborough, and across England.

Figure 9: Average house prices in 2014 (ONS)



108. As Figure 9 shows, Forest Heath has the second lowest average house price of the seven districts in the housing market area, above only Fenland.

109. East Staffordshire and St Edmundsbury have average house prices lower and higher than Forest Heath respectively. We use CIPFA's 'nearest neighbours' model (www.cipfastats.net/resources/nearestneighbours/) with all its demographic and economic indicators to identify East Staffordshire and St Edmundsbury as two of the 'most similar' areas to Forest Heath. Forest Heath's average house price is higher than one of these 'most similar' areas, but is below the national average.

110. Longer term changes in house prices may indicate an imbalance between the demand for and the supply of housing. Figures 10 and 11 show the longer term trends in absolute levels (Figure 10) and rates of change (Figure 11). Figures 10 and 11 show a slight increase in Forest Heath's average house price in 2014, while Figure 12 shows the district's recent growth in house sales.

Figure 10: Average house prices by year (ONS)

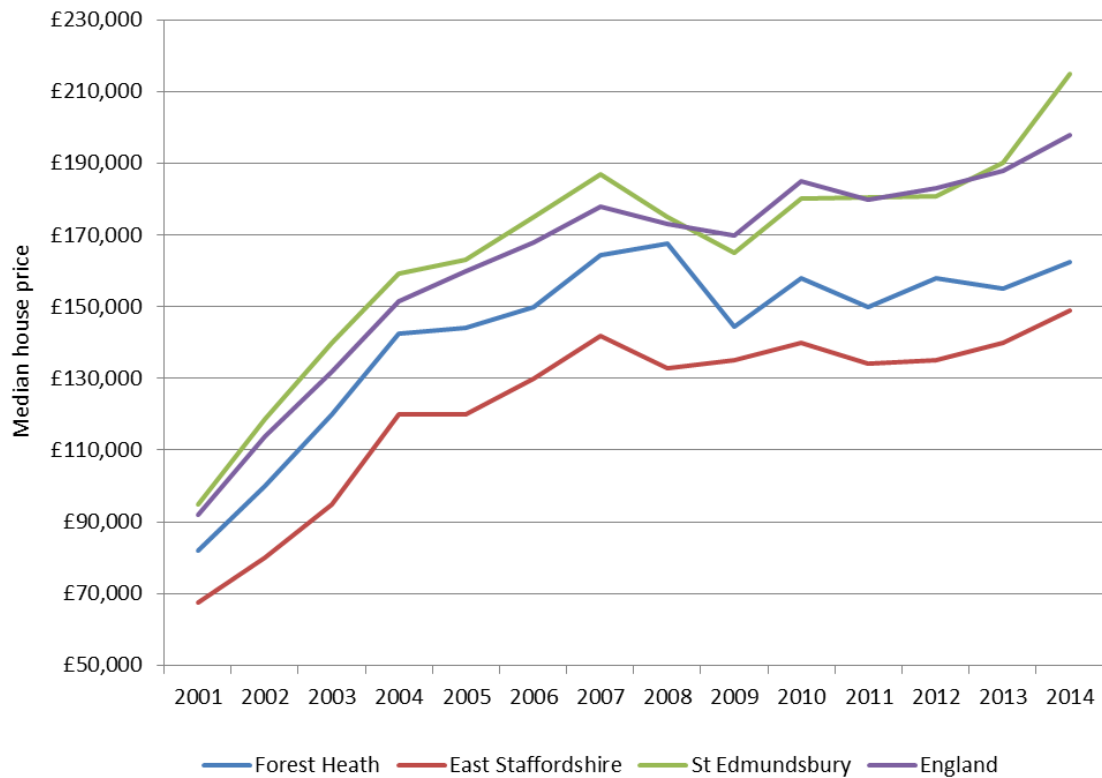


Figure 11: Average house price indexed to 2001 (ONS)

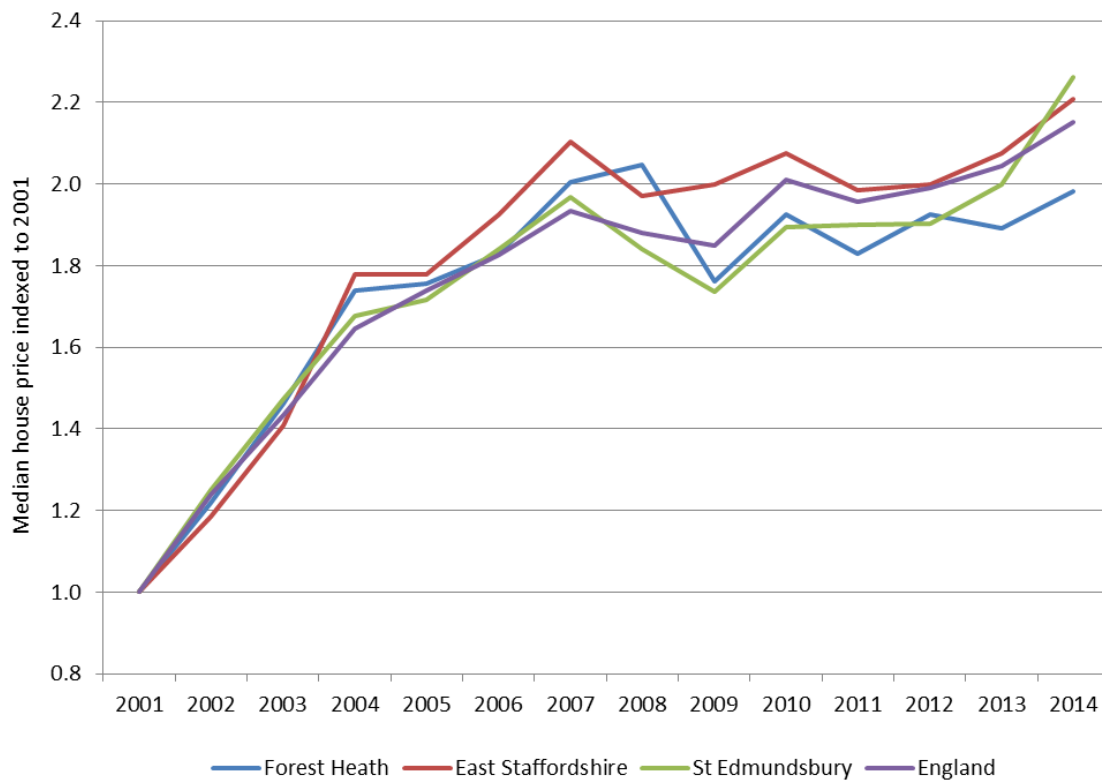


Figure 12: House sale counts indexed to 2001 (ONS)

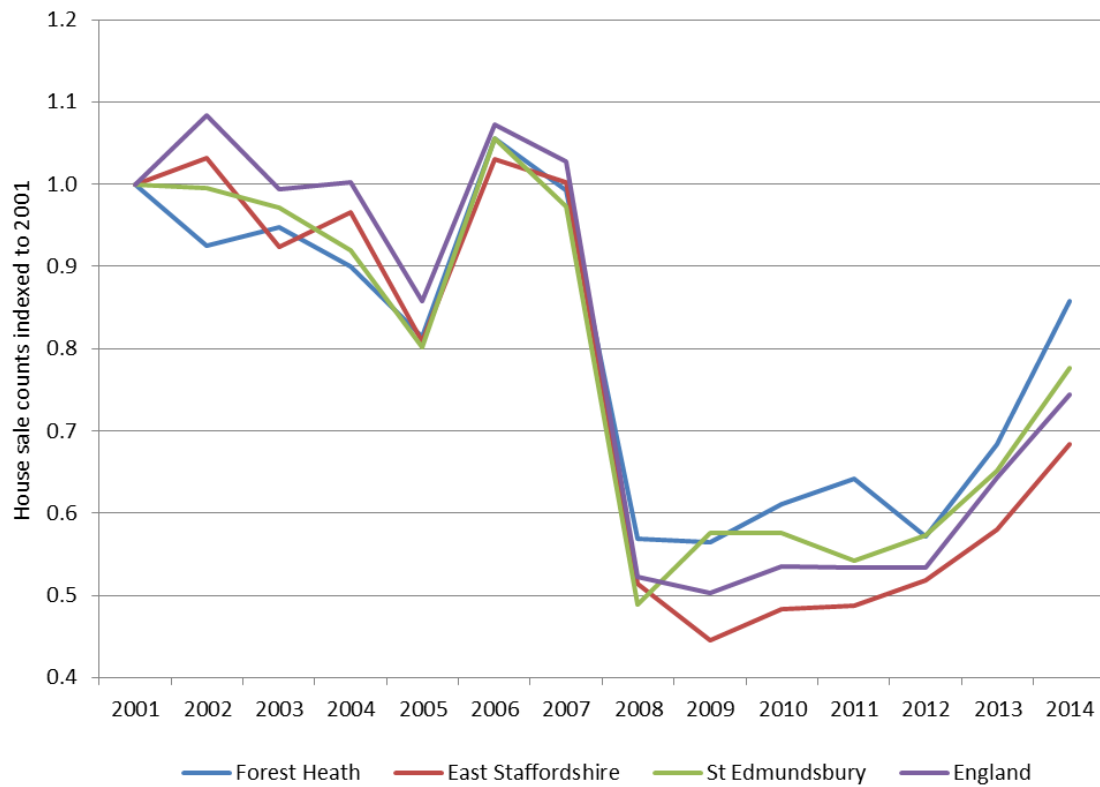


Figure 13: Average monthly rents by year (VOA)

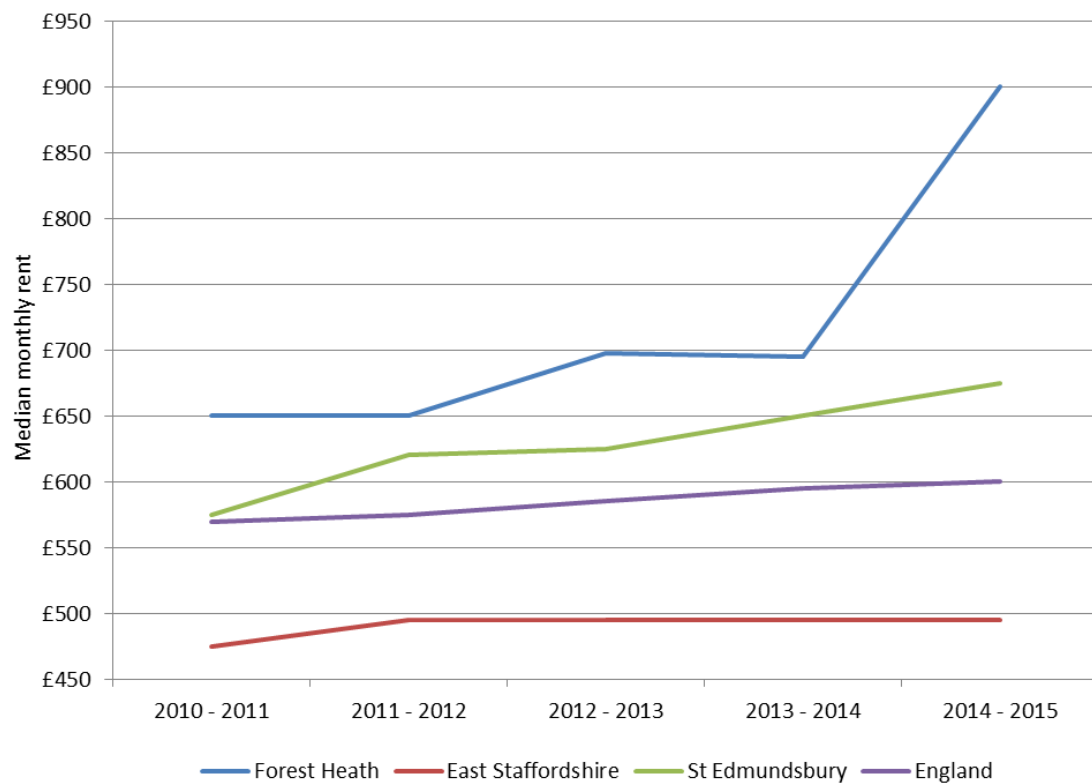
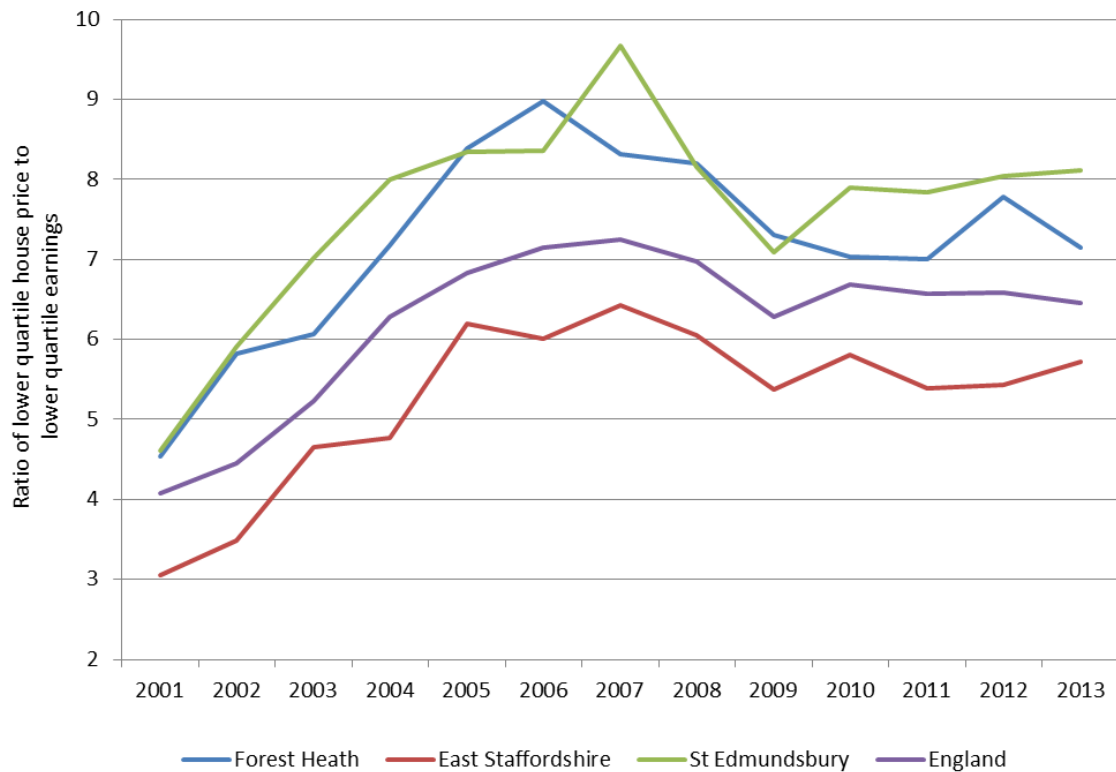


Figure 14: Affordability ratios by year (CLG)



111. Longer term changes in rents may also indicate an imbalance between demand for and supply of housing. Figure 13 shows an increase in Forest Heath’s average monthly rent in 2014/15, and rents in Forest Heath are considerably above the comparator areas.

112. Figure 14 shows the ratio of lower quartile house price to lower quartile earnings, which indicates the relative affordability of housing, and suggests:

“affordability in Forest Heath is slightly worse than for England (though not the East of England and Suffolk) and has been so since the early 2000s. The reason is not that houses in the district are relatively expensive (they are not) but that residents’ earnings are relatively low.”

Source: Forest Heath District Market Signals and Objectively Assessed Housing Need February 2016 (Peter Brett Associates)

113. Overall, while average house prices are lower in Forest Heath than in the comparator areas, there is one indicator that points in the opposite direction:

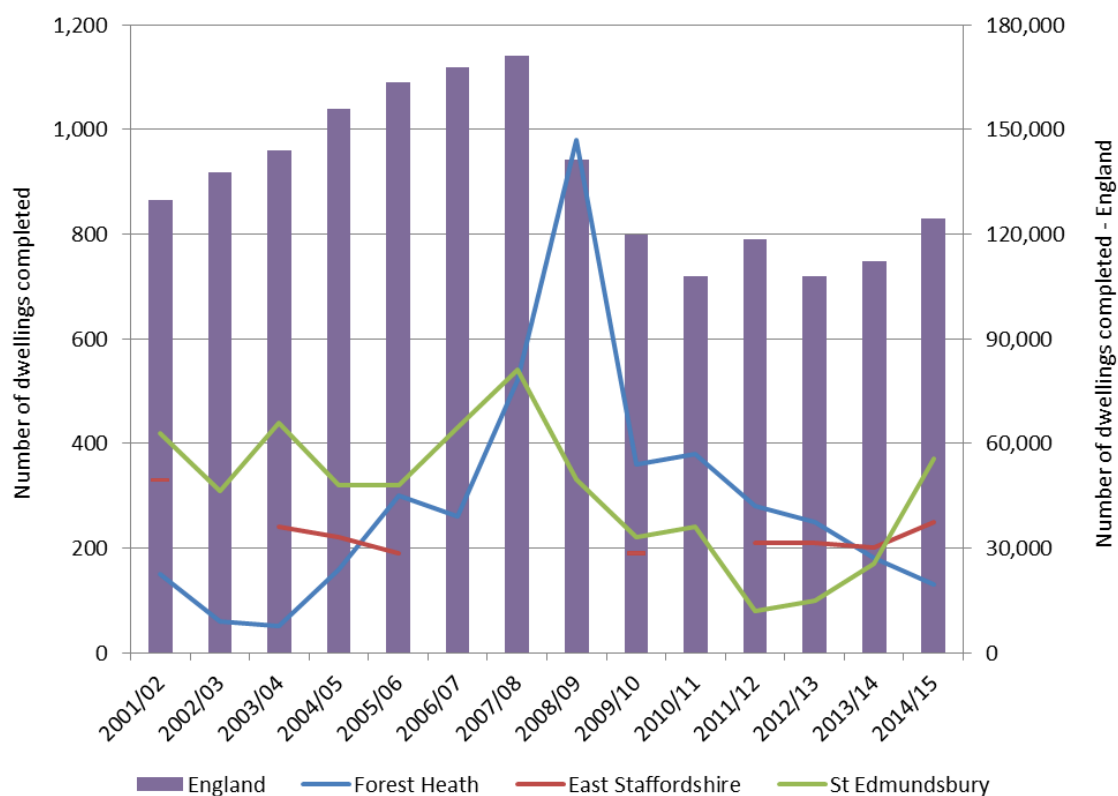
“the exceptionally high level of market rents, which is due to demand from USAFE (United States Air Force in Europe) personnel and their families.”

Source: Forest Heath District Market Signals and Objectively Assessed Housing Need February 2016 (Peter Brett Associates)

Indicators relating to quantity

114. Figure 15 below shows the rate of development in Forest Heath, in East Staffordshire and St Edmundsbury, and across England, for the period since 2001/02. In broad terms, the historic rate of development in Forest Heath follows the national trend over the years until 2013/14. The number of dwellings completed in Forest Heath increases before the economic downturn, then falls sharply, before a weak recovery. However, while nationally, and in the comparator areas, dwelling completions have begun to increase since 2012/13, in Forest Heath, the rate of development has fallen in the year 2013/14 - as is also evident in Figure 4 in Section 4.1 - and has continued to fall in 2014/15.

Figure 15: Dwellings completed by year (CLG)

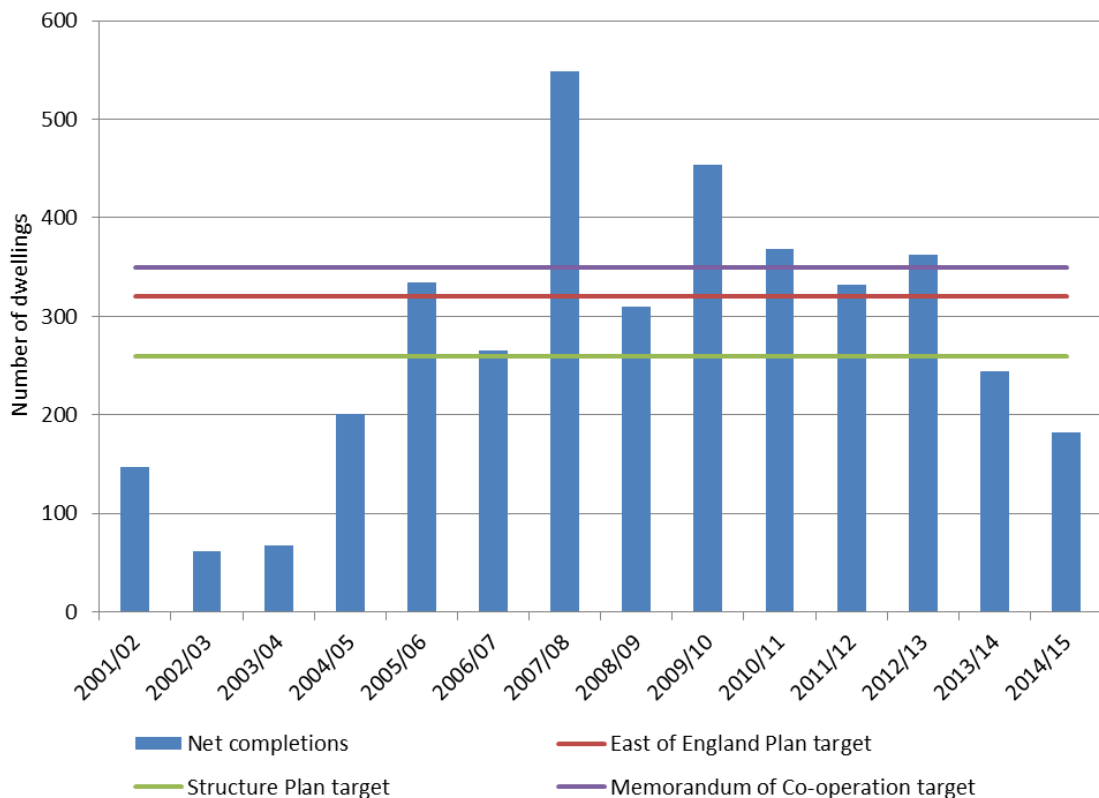


115. Figure 16 overleaf compares the rate of development in Forest Heath to various plan targets, and the Memorandum of Co-operation target, which reflects the SHMA (2013 version) OAN figure of 350 dwellings per annum.

116. *“In the base period whose trends the projections roll forward, 2007-12, the evidence mostly suggests that housing land supply has met demand.”*

Source: Forest Heath District Market Signals and Objectively Assessed Housing Need February 2016 (Peter Brett Associates)

Figure 16: Dwelling completions compared to targets (FHDC)



117. Figures 17 to 20 show various indicators relating to overcrowding. Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increases in the numbers of such households may be a signal to consider increasing planned housing numbers.

118. Figure 17 shows the proportion of households in Forest Heath with a negative occupancy rating in 2011. A negative occupancy rating implies that a household has fewer bedrooms than it requires. Although higher than in East Staffordshire and St Edmundsbury, the proportion of overcrowded households in Forest Heath is well below the England average.

119. Figure 18 shows the proportion of families in Forest Heath classed as concealed in 2011. The proportion of concealed families in Forest Heath is lower than in the comparator areas, and is well below the England average.

120. Figures 19 and 20 show the numbers of homeless households in priority need (Figure 19) and in temporary accommodation (Figure 20). Both indicators show levels below the England average in 2014/15, and decreasing longer term trends.

121. Overall, while longer term increases are not evident in the indicators relating to overcrowding, a worsening trend is evident - over the 2013 to 2015 period - in the rates of development indicator.

Figure 17: Overcrowded households in 2011 (Census 2011)

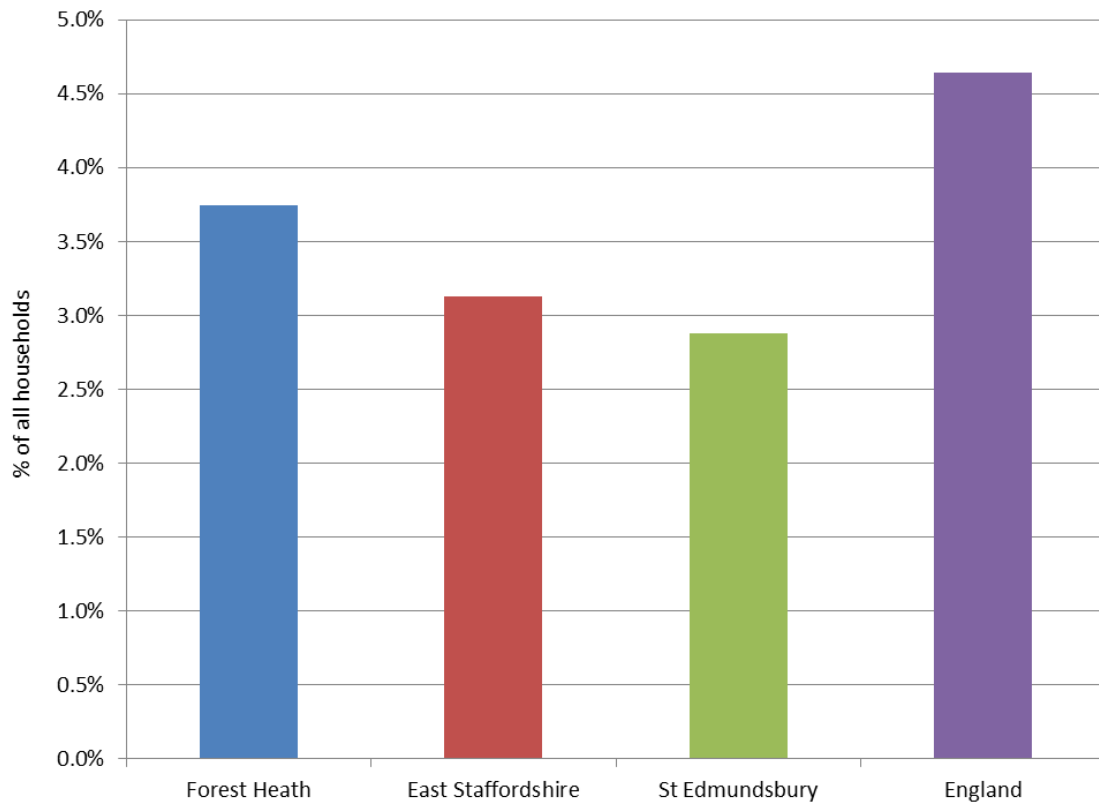


Figure 18: Concealed families in 2011 (Census 2011)

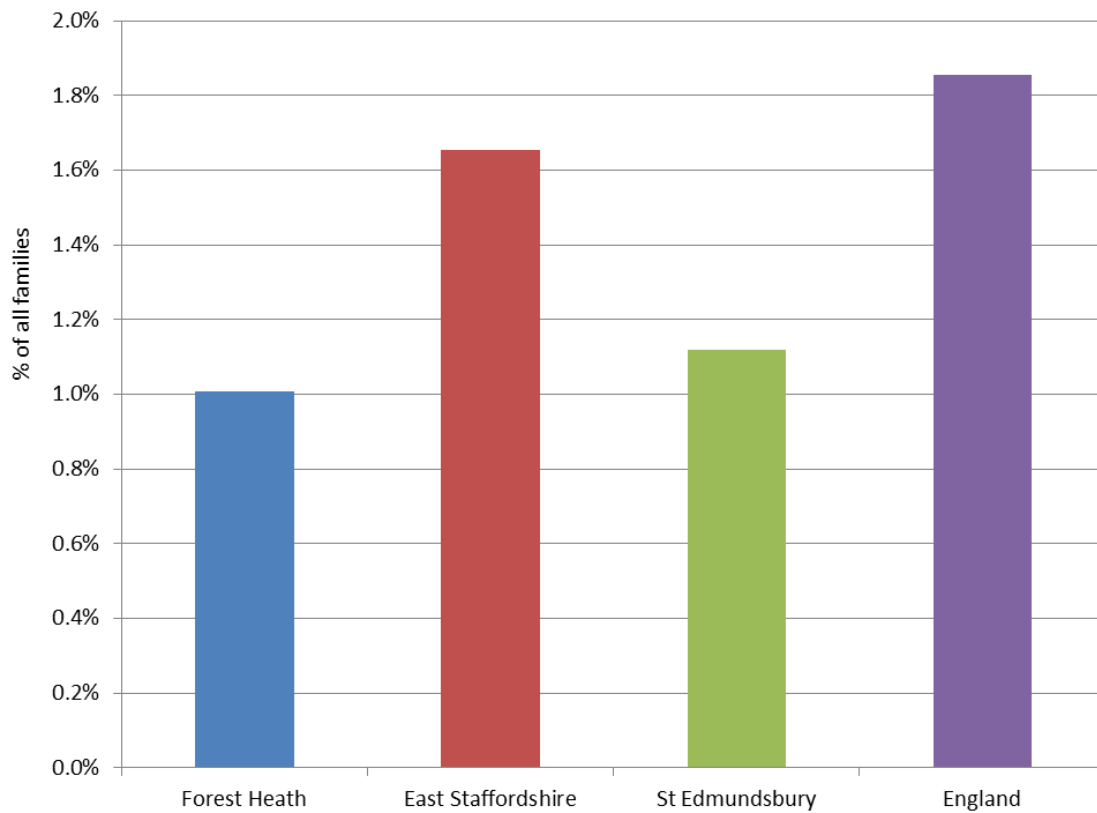


Figure 19: Homeless households in priority need (CLG)

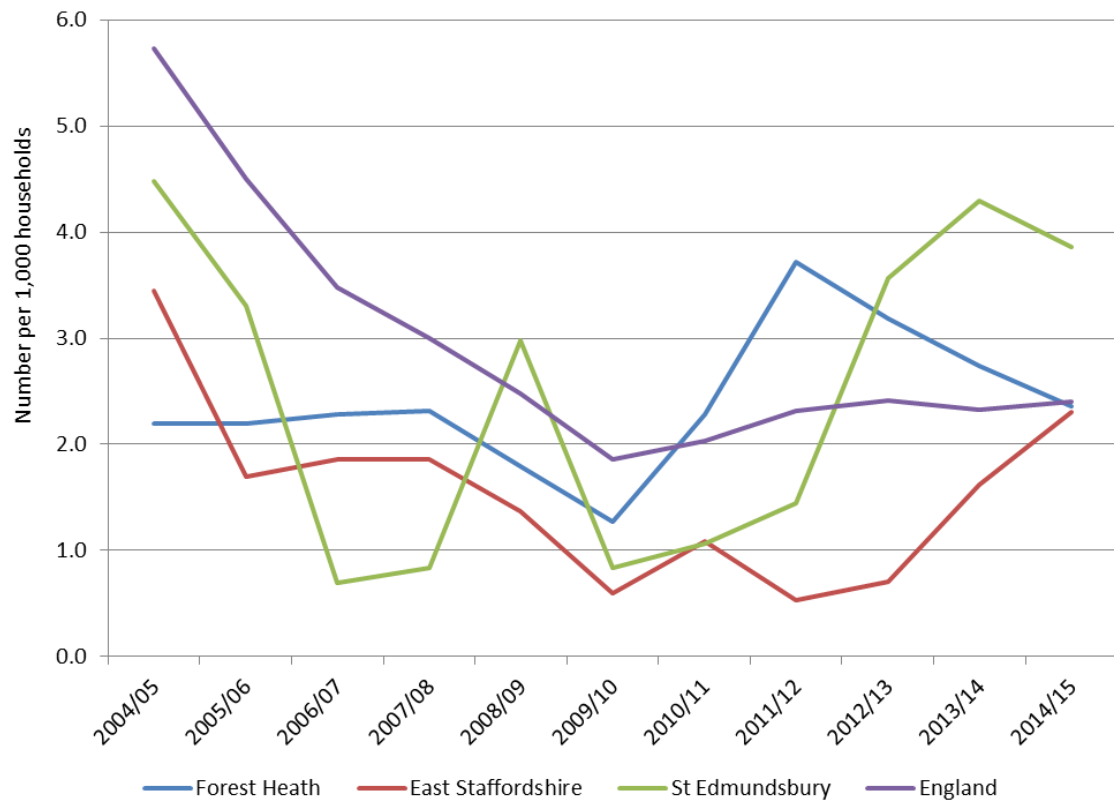
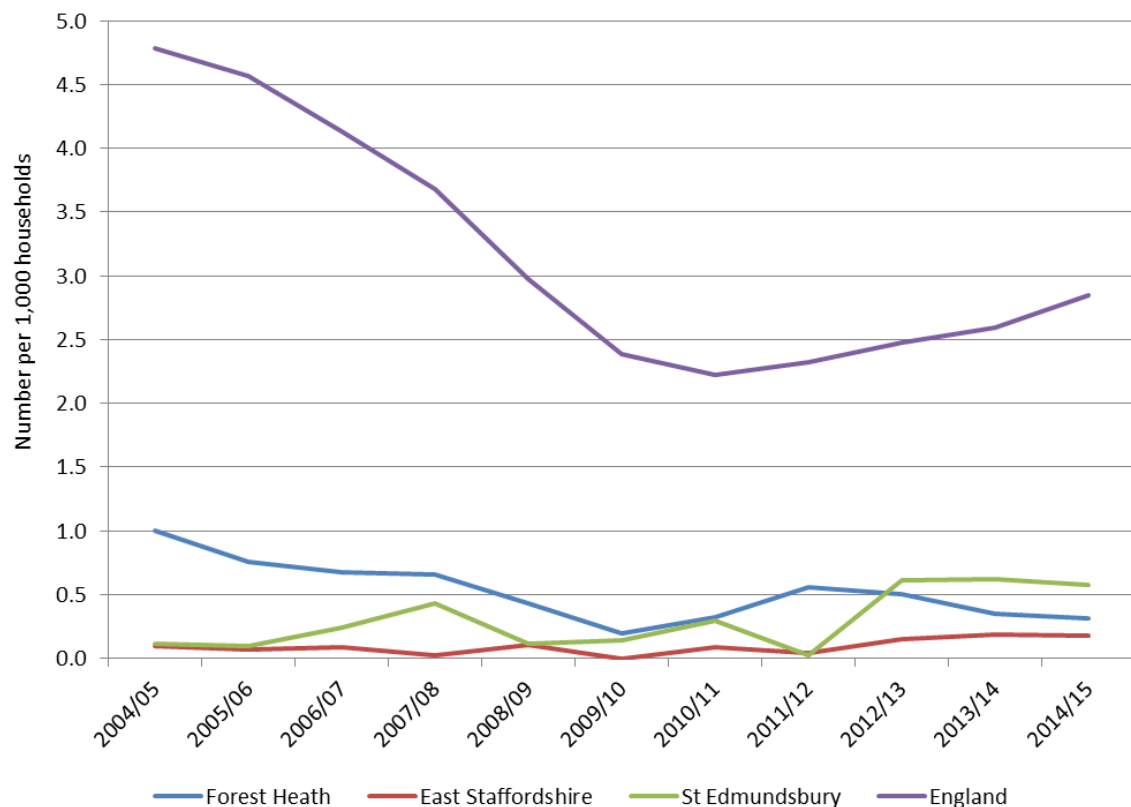


Figure 20: Households in temporary accommodation (CLG)



Market signals uplift

122. In the preceding sections, we find worsening trends in some of the indicators relating to price and quantity. Taking account of the latest market signals, we therefore find some limited evidence for an upward adjustment to the housing need number suggested by household projections. In this section, reflecting the findings of Peter Brett Associates, we set this adjustment at a level that is reasonable, taking account of the outcomes of other local plan examinations.

123. *“Some Local Plan Inspectors have used a rule of thumb, suggesting that in places where the evidence suggests moderate under-provision, or the signals are mixed the projected housing need might be increased by 10%. A possible alternative approach is to try and estimate what household growth would have been if land supply had not been especially constrained.”*

Source: Planning Advisory Service Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015 (Peter Brett Associates) (www.pas.gov.uk/web/pas1/local-planning/-/journal_content/56/332612/6363116/ARTICLE)

124. Taking account of the outcomes of three other local plan examinations, the report by Peter Brett Associates concludes:

“the size of any market signals uplift cannot be simply inferred from earlier examples; it also requires judgment. In our judgment the supply-demand imbalance reflected in the demographic projections for Forest Heath is less than for Eastleigh and Uttlesford and far less than for Canterbury. Therefore we suggest a market signals uplift of 5%.”

Source: Forest Heath District Market Signals and Objectively Assessed Housing Need February 2016 (Peter Brett Associates)

125. Table 6 below shows the official household projection-based estimate of housing need for the period 2011 to 2031, and an adjusted estimate based on a 5% uplift. The adjusted housing figure results from applying an upward adjustment to planned housing numbers over the 2011 to 2031 period (compared to the ONS 2012 ones), to bring the population and households in 2031 to 5% above the levels suggested by the official 2012-based projections (i.e. 5% above the starting point (CLG 2012) estimate of 6,450 dwellings). As Table 6 shows, the adjusted estimate of housing need is 320 dwellings higher than the official household projection-based estimate for 2011-2031. As Table 6 also shows, the adjusted estimate is 2,570 dwellings higher than the EEFM 2014 estimate. Therefore, the level of the 5% uplift adjustment takes account both of the latest market signals, and the latest employment trends.

Table 6: Official and adjusted household projection-based estimates of housing need

Source of estimated/projected population	Population 2011	Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031	Jobs 2011-2031
ONS 2012	60,040	76,220	16,180	5,940	6,450	-
EEFM 2014	60,040	69,220	9,180	3,870	4,200	3,100
ONS 2012 + 5% uplift	60,040	77,030	16,990	6,240	6,770	5,200

Conclusion: What adjustment, if any, does the household projection-based estimate of housing need require? What is the objectively assessed need?

126. Taking account of the latest market signals (but not employment trends), the demographic projection is adjusted to 6,770 dwellings.

127. We take account of employment trends in Section 4.2. Taking account of the latest (EEFM 2014) employment forecasts, the demographic projection is not adjusted from 6,450 dwellings.

128. The highest of these housing figures, which is the objectively assessed need, is 6,770 dwellings.

129. This housing figure is 5% higher than the starting point (CLG 2012) estimate of 6,450 dwellings (5,940 households).

4.4 Addressing the needs for all types of housing

130. Once an overall housing figure has been identified, the Strategic Housing Market Assessment will break this down by tenure, household type (singles, couples and families) and household size.

131. The purpose of this report is only to identify the future quantity of housing needed.

4.5 Calculating affordable housing need

Introduction

132. In the following section, we 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.

133. This calculation involves adding together the current unmet housing need ('A') and the projected future housing need ('B') and then subtracting from this the current supply of affordable housing stock ('C').

134. Building on the existing evidence base of partner local authorities in the Cambridge housing market area, we present an updated calculation which follows the same methodology as the existing Strategic Housing Market Assessment (2013 version).

135. *"As well as the OAN, which covers all tenures of housing, the Cambridgeshire SHMA calculated the need for affordable housing, through a method based on the 2007 Planning Practice Guidance (that guidance has since been revoked, but is replaced by a similar method set out in paragraphs 022-029 of the PPG)."*

Source: Cambridge and South Cambridgeshire Local Plan Examination Objectively Assessed Housing Need Further Evidence November 2015 (Peter Brett Associates)

136. We then consider the total affordable housing need in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments, based on past delivery rates.

Affordable housing need

137. Table 7 below presents a 2014 update of the Strategic Housing Market Assessment (2013 version) affordable housing need calculation. Chapter 13 of the SHMA provides a description of this calculation (www.cambridgeshireinsight.org.uk/housing/shma/shma-current-version).

Table 7: Affordable housing need in Forest Heath

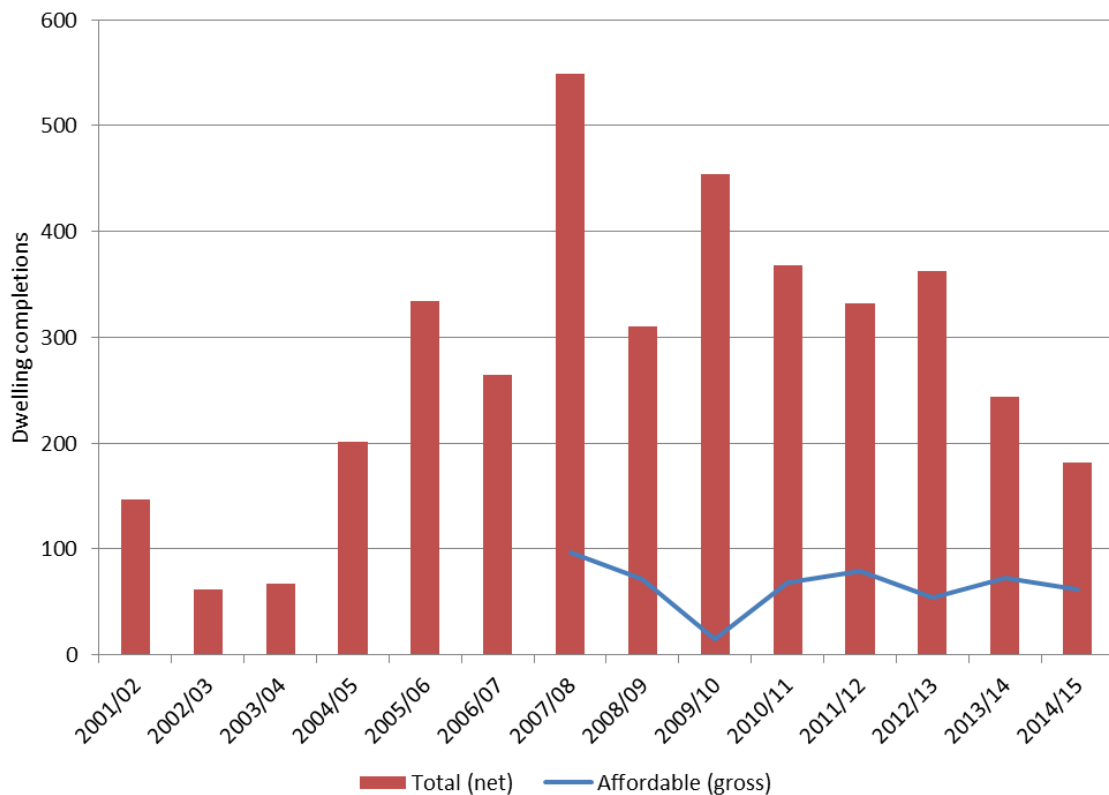
CLG 2007 Guidance reference		2014
5.1.1	Homeless households	10
5.1.2	Overcrowded	344
	Concealed	177
5.1.3	HNR Band A	83
	HNR Band B	343
	HNR Band C	339
	HNR Band D	389
	Revised Band D (not including intermediate overlap)	389
	Intermediate Register	19
	Register overlap	0
5.1	Current total housing need (A)	1,694
5.2.1	From existing households - number	277
	In migrant owner occupiers - number	60
	In migrant private tenants - number	38
	In migrant social tenants - number	6
	In migrant other (LCHO) - number	0
5.2.2	From existing households - multiplier	37%
	In migrant owner occupiers - multiplier	0%
	In migrant private tenants - multiplier	0%
	In migrant social tenants - multiplier	100%
	In migrant other (LCHO) - multiplier	100%
	Newly forming households unable to afford	109
5.2.3	Households who enter the register and are housed within the year	114
5.2	Total newly arising need (yearly)	223
5.3.1	Affordable dwellings occupied by households in need	0
5.3.2	Surplus stock (If less than 3% = 0%)	0
5.3.3	Committed supply of new affordable units	112
5.3.4	Units to be taken out of management	0
5.3.5	Total stock available	112
5.3.6	Annual supply of social re-lets	154
5.3.7	Annual supply of intermediate affordable housing available for re-let or re-sale at sub-market levels	22
5.3.8	Total annual supply of affordable housing	176

	Total supply	288
	Total supply not including committed supply (yearly)	176
	Plan period newly arising need (20 years) (B)	4,457
	Plan period newly arising need AND current need (A + B)	6,151
	Plan period supply not including new build (20 years) (C)	3,513
	Plan period newly arising need AND current need MINUS plan period supply not including new build (A + B - C)	2,638

138. As Table 7 above shows, the current unmet (gross) need for affordable housing ('A') is 1,694 households. The number of newly arising households likely to be in affordable housing need (gross annual estimate) is 222.84 households. The 20-year newly arising (gross) need for affordable housing ('B') is therefore 4,457 households. The total gross need for affordable housing ('A' + 'B') is therefore 6,151 households.

139. As Table 7 also shows, the current total affordable housing supply available is 112 homes. The likely level of future housing supply of social re-lets (net) and intermediate affordable housing (excluding transfers) is 176 homes per year. In 2014, the total available supply of affordable housing stock including committed supply is therefore 288 homes. (The Strategic Housing Market Assessment will consider the relationship between the house size in the current housing stock and current and future needs.)

Figure 21: Total and affordable dwelling completions in Forest Heath (FHDC)



140. Excluding new build, the annual affordable housing supply is an estimated 175.67 homes. The 20-year supply of affordable housing stock excluding new build is therefore 3,513 homes, which is the total available stock of affordable housing ('C').

141. Subtracting total available stock from total gross need ('A' + 'B' – 'C'), the total net need for affordable housing is therefore 2,638 homes over 20 years, which converts into an annual flow of 132 houses per year.

142. The total need for affordable housing over the plan period is therefore 2,638 new homes.

143. Figure 21 above shows the number of affordable dwelling completions in Forest Heath for the period since 2007/08. The percentage of affordable dwelling completions ranges from 34% of all completions (net) in 2014/15, to 3% in 2009/10, and averages at 19% over the period 2007 to 2015.

144. The overall housing figure that has been identified is 6,770. The total need for affordable housing that has been calculated is 2,638. The required number of affordable homes is therefore 39% of the overall housing figure.

145. This proportion is above the average percentage of affordable dwelling completions over the period of available data. If it could help deliver the required number of affordable homes, FHDC should consider an increase in the total housing figures included in the local plan.

Conclusion

146. The total need for affordable housing is 2,638 houses for 2011-2031, which represents 39% of the overall housing figure.

5 Conclusion

147. The purpose of this report is to identify the future quantity of housing needed.

148. To ensure that the assessment findings are transparently prepared, this report follows closely the standard methodology set out in the national planning practice guidance.

149. Building on the existing evidence base of partner local authorities in the Cambridge housing market area, this report follows closely the technical advice in the Objectively Assessed Need and Housing Targets note prepared for the Planning Advisory Service (PAS) by Peter Brett Associates.

150. Analysis of the latest migration and commuting data provides up-to-date supporting evidence for the established definition of the Cambridge housing market area.

151. The starting point estimate of overall housing need is 6,450 dwellings. Taking sensitivity testing into account the unadjusted estimate of overall housing need is 6,450 dwellings. Taking employment trends into account the estimate of overall housing need is 4,200 dwellings. Taking market signals into account the estimate of overall housing need is 6,770 dwellings.

152. Table 8 below provides a summary of our assessment.

Table 8: Establishing future need for housing

Source of estimated/projected population	Population 2011	Population 2031	Population 2011-2031	Households 2011-2031	Dwellings 2011-2031	Jobs 2011-2031
ONS 2012	60,040	76,220	16,180	5,940	6,450	-
EEFM 2014	60,040	69,220	9,180	3,870	4,200	3,100
ONS 2012 + 5% uplift	60,040	77,030	16,990	6,240	6,770	5,200

153. Taking account of sensitivity testing and the latest demographic estimates, the starting point (CLG 2012) estimate of 5,940 households (6,450 dwellings) is not adjusted from 6,450 dwellings for the period 2011 to 2031. Taking account of the latest employment trends, the demographic projection is not adjusted from 6,450 dwellings. Taking account of the latest market signals, the demographic projection is adjusted to 6,770 dwellings. The highest of these housing figures, which is the objectively assessed need, is 6,770 dwellings.

154. This housing figure results from applying the household representative rates from the latest (CLG 2012) household projections to the population forecast from the latest (ONS 2012) population projections, converting the households to dwellings using the Census 2011 ratio of households to dwellings, and adjusting upwards the number of dwellings by 5%. This housing figure aligns with an increase in net out-commuting, meeting the housing needs of the housing market area, and results in an above-trend increase in the workplace population (jobs growth) in Forest Heath, as follows: The housing figure of 6,770 dwellings aligns with a projected population increase for the 2011 to 2031 period of 16,990 people. For a population growth figure of 16,990, which is 5% higher than 16,180 (ONS 2012), the EEFM forecasts a jobs growth figure of 5,200 jobs, which is 2,100 jobs higher than the EEFM 2014 estimate.

155. We consider the future quantity of housing needed is therefore 6,770 dwellings, which is 6,800 dwellings to the nearest 100 dwellings. This report therefore recommends the overall housing figure is 6,800 dwellings.

156. Based on an updated calculation, the total 20-year need for affordable housing is 2,638 houses.

157. If it could help deliver the required number of affordable homes, FHDC should consider an increase in the total housing figures included in the local plan.

158. The SHMA will provide a breakdown of the overall housing figure by type, tenure and size, and will monitor housing conditions for any meaningful change in the housing situation, including changes relating to the planned closure of the RAF airbase at Mildenhall.

**Cambridgeshire County Council Research Group
January 2016**

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