



HOUSING AND COMMUNITIES COMMITTEE	AGENDA ITEM No: 2.3
09 NOVEMBER 2020	PUBLIC REPORT

HOUSING MARKET DYNAMICS ACROSS THE CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY AREA.

1.0 PURPOSE

- 1.1. This report gives an overview of the different housing market issues across Cambridgeshire and Peterborough, and the impact on delivery of affordable housing. This sets the work of the Housing Committee in context. It is important to note that many of these issues are subject to national or local policies outside the control of the Combined Authority.
- 1.2. This report is a summary of issues that are set out in more detail in the Combined Authority's Housing Strategy (approved by the Combined Authority Board in September 2018)
- 1.3. The report highlights the key role that Local Plans have in addressing these issues. Each local authority (LA) has adopted their own Local Plan and has the discretion to stipulate different policy requirements, so local plan policies vary across the CPCA region from one council to another.
- 1.4. The Combined Authority is not responsible for planning policies on housing in the local plans adopted by each council. It is reliant on the local plan system enabling both enough market and affordable housing to be consented and enabled for delivery over the planning period.
- 1.5. The Combined Authority has had the opportunity to intervene locally on a scheme specific basis using the £100m housing programme monies to support development to get more housing delivered than would otherwise have been the case.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor Chris Boden, Lead Member for Housing and Chair of Housing and Communities Committee

<u>DECISION REQUIRED</u>	
Lead Officer:	Roger Thompson, Director of Housing and Development
Forward Plan Ref: N/A	Key Decision: No
<p>The Housing and Communities Committee is recommended to:</p> <p>(a) To note the comments made within the report.</p>	<p>Voting arrangements Simple majority of all Members</p>

2.0 BACKGROUND

- 2.1. Members of the Committee have raised issues relating to affordable housing requirements across the area of the Combined Authority. This report is in response to a request to clarify why there are different requirements, such as percentages of affordable housing, site viability or nationally described space standards (NDSS).

Combined Authority Housing Programme

- 2.2. Strategically without intervention the UK housing model requires new market homes to help to fund and deliver affordable homes – and this is one of the key challenges facing the Combined Authority region. Across the area, despite the pattern of economic diversity, one of the stark common themes is the increasing unaffordability within existing housing markets. Affordability (or the lack of it) is driven by different factors – it may be rapidly increasing prices/rents in Cambridge and relatively low wages in the rural north and east – but across the whole region a significant proportion of residents are currently being “failed” by existing housing markets dynamics. The supply/demand equation is not in balance.
- 2.3. Many factors affect the delivery of housing: land values, viability, price of homes, anticipated level of profits or lack of profit, with the added issues in some locations of meeting local standards of accessibility and NDSS, which can lead to the lack of viability, lack of delivery and a reduction in the creation of additional affordable housing. The variety in these issues across the Combined Authority area explains why authorities have adopted different policies in their Local Plans, and why schemes can come to the Committee having obtained planning permission from the Local Planning Authority with different standards or different percentages of affordable housing.
- 2.4. One of the key constraints which affects the pace and scale of housing delivery in the Combined Authority area is development viability. As with patterns of economic growth and housing affordability, the Combined Authority is not a homogenous area – there are significant variations in viability across the

region. Viability is complex – there are many variables, so while there are distinct location trends, it is not simply that location X is viable and location Y is not.

2.5. A relatively simple explanation of whether a site is viable or not can be expressed as the following equation:

- Calculate the total value of the assets developed on a site (for example adding together the sales proceeds of all of the housing units, private and affordable, all of the commercial units and any other uses).
- Take away from this figure the costs of developing these units/uses (including the financing costs and appropriate profit to the developer/construction contractor)
- Take away from this figure the cost of the land, which will itself reflect specific conditions such as access, greenfield/brownfield, flood risk, and planning costs.
- Overlay the perception of risk and the sensitivity of the impact of changes to the above.
- Is sufficient capital or borrowing available to fund the delivery of the development?

If the balance is 0 or above, risks are known and stable, and capital and borrowing is accessible, then in broad terms, the development can be considered as viable.

There are further complexities to this equation relating to the timing of the costs and income detailed above: for example, if sales proceeds are realised a significant period after costs are incurred then a site could be seen as unviable due to the lengthy payback on investment.

Where these costs outweigh income from sales or risks are considered by the developer as being too high, interventions will be required to enable development to come forward.

2.6. Land values vary significantly in the Combined Authority area, land costs in Cambridge are several times higher than the cost of land per square metre in the Fenlands. As of December 2019, development land in Cambridge was selling at £4597 per square metre whereas at the same time in the Fenlands, the cost of land was £1839 per square metre. Although there are localised exceptions, generally speaking the cost of land in the north and north east of the Combined Authority area is lower than the south and west (with Cambridge as the epicentre of higher cost).

2.7. There is also a disparity with the price of housing, again broadly following the pattern of land values. However, as house prices lower, then relatively fixed costs such as construction, infrastructure and professional fees become a greater proportion of overall costs, and in some lower value locations in the Combined Authority area make it unviable to even bring forward land for development. That can mean that relatively few or even no affordable housing units can be negotiated in such areas.

2.8. The table below shows relationship of house prices across the different areas of the combined authority

House by District ¹		
District/Region	Lower Quartile (£)	Median (£)
Cambridge	£338,500	£440,000
East Cambridgeshire	£227,250	£291,000
Fenland	£150,000	£185,000
Huntingdonshire	£210,090	£275,000
South Cambridgeshire	£238,600	£364,897
Peterborough UA	£148,000	£190,000
East of England Region	£210,000	£282,500

2.9. The further table below shows the average price per square metre of land costs in the Combined Authority region, including some parts of West Suffolk. There are noticeable disparities with Cambridge City and South Cambridgeshire showing the highest cost whilst Fenland and Peterborough show the lowest.

Price per square metre².

Table 9 Average price per square metre (£)										
	Dec 2015	Jun 2016	Dec 2016	Jun 2017	Dec 2017	Jun 2018	Dec 2018	Jun 2019	Dec 2019	Change last 12 months
Cambridge	4,373	4,574	4,672	4,659	4,596	4,492	4,551	4,522	4,597	+ 46
East Cambridgeshire	2,253	2,389	2,497	2,541	2,597	2,640	2,627	2,592	2,615	- 12
Fenland	1,525	1,577	1,656	1,711	1,775	1,768	1,837	1,803	1,839	+ 2
Huntingdonshire	2,175	2,272	2,392	2,467	2,497	2,531	2,559	2,554	2,557	- 2
South Cambridgeshire	2,928	3,082	3,179	3,249	3,284	3,316	3,324	3,284	3,293	- 31
Forest Heath	1,941	2,058	2,134	2,185	2,244	2,240	2,295	2,305	2,332	+ 37
St Edmundsbury	2,311	2,399	2,490	2,550	2,600	2,639	2,722	2,664	2,679	- 43
Peterborough	1,636	1,690	1,760	1,805	1,860	1,900	1,917	1,916	1,965	+ 48
East of England	2,693	2,847	2,935	3,044	3,068	3,092	3,095	3,073	3,121	+ 26
England	2,669	2,772	2,764	2,850	2,839	2,844	2,814	2,802	2,897	+ 83

Local Authority	Affordable housing threshold ³
East Cambs	All new open market housing developments which incorporate more than 10 dwellings will be required to make appropriate provision for an element of affordable housing. In April 2019 we decided to use the latest economic evidence which was put forward as part of the former Local Plan review and now ask for 30% affordable housing across East Cambs except for Soham and Littleport where this is 20%.

¹ Source: Land Registry Price Paid data 2019

² Info from Market Housing Bulletin 2020.

³ Research conducted Jan 2020

Local Authority	Affordable housing threshold ³
South Cambs	Our current policy within the Local Plan seeks 40% affordable housing on all developments of 10 or more dwellings. Generally we do manage to achieve our 40% affordable housing contribution on the small/medium sized sites, but this is more difficult to achieve on the large strategic sites where there are significant infrastructure costs affecting the viability.
Fenlands	For Fenland, our policy is 25% affordable housing on sites of 10 or more and unfortunately, we rarely achieve policy levels of delivery regardless of the size of the site. It is not uncommon for viability to demonstrate that no affordable is deliverable.
Peterborough	For Peterborough our policy is 30% affordable housing on sites of 15 or more, we achieve this, for the most part on small/medium-sized sites, but this is not always the case on large strategic sites where significant infrastructure costs can lead to a reduced affordable percentage being delivered.
Cambridge City	Our current 2018 Local Plan threshold is 25% on 11-14 units and 40% on 15 or more. We are generally able achieve the thresholds, although there have been some sites where specific issues – e.g. particular infrastructure issues - where it has not been possible.
Huntingdonshire	Effectively it is 40% affordable housing on a site where 11 homes or 1,001m ² residential floorspace (gross internal area) or more are proposed. For exception sites there is not really a threshold. In terms of what we are achieving, we are for the most part achieving 40%. The exception is the growth sites where significant infrastructure needs to be provided.

2.10. The table above shows the affordable housing policy in each council area.

2.11. In Fenland, the policy is 25% affordable housing on sites of 10 or more. Unfortunately, they rarely achieve that policy level regardless of the size of the site. Frequently the viability demonstrates that a below policy provision or no affordable is deliverable. Even where a reduced affordable housing percentage is achieved, the difficulty can sometimes then be in finding a registered provider that can make the scheme work when the numbers of affordable units in individual schemes are small.

2.12. In Peterborough and northern parts of Huntingdonshire and East Cambridgeshire, there are similar but less acute problems with viability, particularly in lower value locations or where there might be significant infrastructure costs in growth areas and on major urban sites. The infrastructure cost issue can be felt in all regions of the Combined Authority.

2.13. In Cambridge, South Cambridgeshire and the southern parts of Huntingdonshire and East Cambridgeshire, with higher market values they are better positioned regarding viability discussions. These areas should achieve most of their affordable housing threshold percentage, on most of their development sites unless there are exceptional costs impacting on viability.

2.8 Land costs reflect a variety of market forces, the most obvious being the supply of available land for development, state of the local economy and nature of the place (access to services, the environment etc). The government produces the Index of Multiple Deprivation (IMD 2019) that ranks localities on a basket of

socio-economic measures. The last Index (IMD 2019) shows that Peterborough and Fenland were the most deprived parts of the Combined Area, followed by Cambridge City, East Cambs and finally South Cambs, which was considered the least deprived. Although individual measures can vary (for example access to services is proportionally worse in most rural areas) this broadly follows the north east/south west pattern of house prices/land costs. Lack of access to affordable housing can therefore be as much an issue in lower cost areas as higher, and vice versa.

- 2.14. With regards to NDSS this is a technical guidance produced by the government. This guidance indicates the level of space standards deemed ideal on unit' size and is optional rather than mandatory. Some Local Plans have taken the NDSS as a standard requirement in regard to providing housing. Other Local Planning Authorities have decided to negotiate around this issue at pre-planning stage when developers approach. The same applies to accessibility. The table below summarises what we understand to be the current position.

Local Authority ⁴	NDSS	Cat 2/3	Adopted plan
Huntingdonshire	Not obligatory	As part of negotiations	May 2019.
East Cambridgeshire	Not obligatory	No	June 2015
South Cambridgeshire	Yes, on all new residential units	Cat 2 only 5%, overall properties Cat 3 if required need	September 2018
Fenland	No	Cat 2 is not actively pursued due to viability and no Cat 3 criteria	May 2014
Peterborough	Yes, on all rented tenures	Yes and 5% on sites over 50 units for Cat 3	July 2019
Cambridge City	Yes Policy 50, yes on all new residential units	Yes Policy 51, yes, same as South Cambs	September 2018

- 2.10 Cambridgeshire and Peterborough's highest scoring domain (most deprived) is 'Barriers to Housing & Services' and the lowest scoring domain (least deprived) is 'Living Environment'. This highlights the issues relating to accessing housing, affordability, and homelessness, which is quite different across the region.

- 2.11 Cambridgeshire overall shows a poor score in Barriers to Housing, which includes unaffordability and homelessness, followed closely behind Health, Education and Crime, leaving Employment as the lowest average ranking score. This is paramount, as Cambridgeshire, has become an aspirational place for many people to live and work.

- 2.12 In Peterborough, issues relating to barriers to housing are still common, however, education was scored the highest average ranking score which included school attainment and adult qualifications. The lowest ranking average score was the

⁴ As per Jan 2020

living environment. Peterborough has problems with having a relatively high proportion of unqualified workforce and lack of high school attainment.

3.0 SIGNIFICANT IMPLICATIONS

- 3.1 The Combined Authority Housing team work closely with the Local Authorities Housing Enabling officers to bring additional affordable housing to all parts of the Combined Authority areas, reflecting that each area has a different combination of viability and growth issues. All areas appear to have a need for differing reasons.
- 3.2 The Committee are presented with schemes that have met the relevant policies of the Local Planning Authority. As policies on affordable housing vary across the area, inevitably there will be variations in those schemes. The CPCA housing programme is attempting to resolve obstacles and barriers to development and for housing provider. The CPCA is supporting development and sustainable communities. With the necessary funds, working with partners and developers, the Combined Authority has provided a good range of sites all over the region, including areas with severe viability constraints.

4.0 FINANCIAL IMPLICATIONS

- 4.1. There is no financial impact on the programme.

5.0 LEGAL IMPLICATIONS

- 5.1 The recommendation accords with the Combined Authority's powers under Part 4 Article 11 of the Cambridgeshire and Peterborough Combined Authority Order 2017 (SI 2017/251).
- 5.2 The meeting shall be conducted in accordance with Parts 2 and 3 of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

5. APPENDICES

- 5.1 Appendix 1 - October 2020 Housing Market Bulletin

<u>Background Papers</u>	<u>Location</u>
Housing Strategy September 2018	<u>CA Board September 2018</u>