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**EAST CAMBRIDGESHIRE
DISTRICT COUNCIL**

East Cambridgeshire Local Plan

Local Housing Need Calculation Evidence Report

November 2017

Introduction to Local Housing Need

- 1.1. In September 2017, Government published a consultation document entitled "Planning for the right homes in the right places"¹, which seeks to shift away from local based methods of calculating housing need and instead apply a national standard method to calculate the 'local housing need' (LHN).
- 1.2. The effect of the new method (and provided government makes no amendment to its method) is to set the East Cambridgeshire housing need to 598pa, and set the start date, for housing purposes, of the emerging Local Plan to 2016. Overall, the baseline housing target for East Cambridgeshire for the 2016 to 2036 period is 11,960 homes. The following explains the calculations in more detail.

The LHN calculation

- 1.3. The LHN calculation is based on two 'steps'
- 1.4. Step 1 involves a projection of future household growth for the East Cambridgeshire area. At the time of writing, the latest version of forecasts (which government expects an area to use) are the 2014-based household projections, published on 12th July 2016.
- 1.5. Government make it clear it should be a 10 year period from which an annual average household growth forecast should be derived (i.e. average between 2016-26). For East Cambridgeshire, the forecasts indicate household growth from 36,679 (2016) to 41,226 (2026), or 445.7 households per annum. [*Note: it is interesting to note that if the full 20 year plan period 2016-36 forecasts were used, ONS projections indicate an annual household growth for the district of 424.55 pa, a drop of 21 pa. compared with the 10 year period*].
- 1.6. Step 2 involves plan makers using the workplace-based median house price to median earnings ratio from the most recent year for which data is available. Such data is normally published in March each year, with data for the year before (for example, at the time of writing, the last data was published on 17 March 2017, giving the ratio for 2016).
- 1.7. By using such data, an 'adjustment' factor can be calculated and subsequently applied to the figure derived at step 1.
- 1.8. For East Cambridgeshire, the 2017 published data identifies that the ratio of median house price to median gross annual workplace-based earnings for the year 2016 is 9.47. Or, to put another way, an 'average' home in East Cambridgeshire costs on average 9.47 times your earnings. Nationally, that ratio is quite high, and makes it difficult for people on average (or thereabouts) income to afford to purchase average (or thereabouts) homes. The figure has steadily risen in East Cambridgeshire, with the ratio rising from 7.92 in 2011 to 9.47 in 2016 (i.e. homes have become less affordable, compared with earnings, since 2011). That said, the ratio in East Cambridgeshire is lower than Cambridge (12.97) and South Cambridgeshire (10.12).
- 1.9. Government's 'adjustment factor' is a calculation as follows:

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644955/Planning_for_Homes_consultation_document.pdf

$$\text{Adjustment factor} = [\text{Local Affordability Ratio} - 4] / 4 \times 0.25$$

1.10. For East Cambridgeshire, the 'adjustment factor' (using March 2017 published data) is therefore 0.341875.

1.11. Once the above two steps are complete, the final LHN figure can be derived, using the following government formula:

$$\text{Local Housing Need} = (1 + \text{adjustment factor}) \times \text{projected household growth}$$

1.12. The Local Housing Need for East Cambridgeshire is, at the time of writing (November 2017), therefore:

$$\begin{aligned} \text{Local Housing Need} &= (1 + 0.341875) \times 445.7 \\ &= 598\text{pa} \end{aligned}$$

1.13. Each year, this figure will change with the publication of the latest affordability ratio, and each second year it will further change when the latest forecast of household growth is released by ONS. However, once a figure has been established in the Local Plan, that figure will remain static until either the Local Plan is reviewed, or the Local Plan is deemed out of date.

East Cambridgeshire Local Plan (Proposed Submission version)

1.14. The Proposed Submission Local Plan uses the new method and therefore has an annual base target of 598pa for the full 20 year period 2016-2036, or 11,960 homes. For preparing the Local Plan, other adjustments then follow, such as redistribution of need to other local authorities and taking account of completions and commitments to date.