

Council 7th April 2011

Question from Councillor Wright :

“Bearing in mind the recent approvals for hotel building in Cambridge and the pressure to make further provision, what research is the council undertaking to provide sound and independent evidence to policy makers so that levels of supply and demand may be rigorously tested?”

Summary Response

- The Council provided details of the current supply of hotel accommodation in its 2010 Annual Monitoring Report.
- The existing Local Plan policy P6/3 does not take account of demand and needs updating to address this as part of the Local Plan Review the timetable for which has been agreed.
- The accompanying Practice Guidance to PPS4 encourages assessment of need for new hotel development.
- Council officers are considering this as part of evidence base work to inform the Review of the Local Plan through commissioning independent external consultancy.
- This will undertake a gap analysis to establish whether there is an absence or paucity of hotel or serviced accommodation, catering to different market segments e.g. major luxury hotels, conference hotels, boutique hotels, budget hotels and motels.
- This will be refined on the basis of an examination of annualised occupancy levels and any turnaway trade for different hotel locations and quality ratings.
- The likely growth in tourism and visitor activity will then be estimated using an econometric approach and/or through discussions with the tourism industry.
- Quantitative need will be estimated by comparing the current and projected demand for existing and projected staying visitor nights, with available and planned stock in each category.
- Having established a gross need by category, the final stage is to subtract any hotel commitments or developments coming through the pipeline (or anticipated loss of rooms) to leave a residual hotel room need in each quality category in a given survey area.

Detailed Response

Annual Monitoring Report

The Council drew attention to the pressures surrounding hotel development in its Annual Monitoring Report (AMR) in December 2010 at paragraphs 6.17-6.20.

Appendix I of the AMR set out the latest information at that time with regard to the supply of hotel accommodation set against demand evidence presented in

conjunction with the recent Travelodge Hotel applications on Newmarket Road.

Policy Basis

Existing adopted Local Plan Policy 6/3 alongside PPS4 provide the current policy guidance towards new hotel provision. Whilst existing Local Plan policy Policy 6/3 supports new hotel provision to strengthen and diversify the range of short stay accommodation, paragraph 6.9 requires an adequate supply to encourage staying visitors but does not quantify an amount.

PPS4, which came into force at the end of December 2009, is the current national policy basis and requires sites for new main town centre uses such as hotels to be identified through:-

1. Sequential assessment

A sequential approach to site selection is required, which identifies whether sites are suitable, available, and viable in the following order: -

1. Existing centres
2. Edge of Centre
3. Out of centre

2. An Impact assessment

A full EC16 Impact Assessment is not normally required for hotels under PPS4. Hotels are defined as “arts culture and tourism developments” rather than “retail and leisure” under PPS4.

3. Needs Assessment

The LDF however as it emerges will need better evidence on the current state of this need in overall City terms following the introduction of PPS4. The Practice Guide issued alongside PPS4 advises that local planning authorities in preparing LDF's should consider whether there is a shortage or paucity of hotel accommodation for different market segments within a reasonable proximity of town centres.

The Council's officers are currently considering how to update this as part of evidence base work to inform the LDF process by commissioning some independent consultancy to look at current and future need over the period of the Local Plan. Development Plan Scrutiny Committee agreed the approach and timescale towards the review of the Local Plan on 22nd March.

The current government are at the same time committed to consolidating and updating national planning policy guidance, which should be in place this summer.

Applicants in the meantime will be expected should bringing forward up to date information in support of a needs assessment in conjunction with any applications for hotel development.

Researching The Need For New Hotel Accommodation

The PPS4 Practice Guidance outlines the research methodology to assess the need for new hotel accommodation: -

A general indication of need can be derived through 'gap analysis' and the Council should consider whether there is an absence or paucity of hotel or serviced accommodation, catering to different market segments, within reasonable proximity to serve a town centre or a major visitor attractor. This involves identifying the geographical pattern of hotel room provision in a given survey area by type and standard (i.e. quality rating), and plotting imbalances and shortfalls in the provision and distribution; this 'survey area' may be the City boundary or a sufficient drive-time 'isochrone' from the town centre or major attractor that a particular hotel proposal is intended to serve. Identifying locational need at this local level serves the purposes of sustainable development by seeking to reduce the need to travel and promoting balanced sub-regional development.

It may be relevant to refine this gap analysis on the basis of the occupancy levels per quality rating. Hotels cater to different market segments and while occupancy rates may be low at one end of the market, there may be turnaway trade occurring at the other end due to high levels of demand in that segment leading to hotels being booked up to capacity. High annualised occupancy rates (where seasonal fluctuations cause instances of turnaway trade) in a given market segment are an indication of local hotel need. Occupancy rates rise as demand for hotel facilities increases, when occupancy rates rise to the point that turn-away trade occurs in accommodation of a certain quality category there is a need for additional hotel facilities catering to that market segment.

It is possible to assess quantitative need, by comparing the current and projected demand for staying visitor nights, with available and planned stock in each category. The starting point is to establish the existing stock of hotel rooms in the area using a variety of data sources, and categorise them by their quality ratings to indicate which market segment they serve. Although regional assessments are useful at identifying broad need for hotel accommodation, the assessment of need for hotel accommodation is normally best undertaken at local level where it may be appropriate to differentiate between the need for different market sectors (e.g. business, short stay and holiday/visitor accommodation).

The next step is to establish the existing average annualised occupancy rate per quality category (i.e. the average occupancy rate among the number of hotels in each quality category), noting the range of seasonal fluctuations in occupancy. Where occupancy levels are above optimal levels, indicated by instances of turnaway trade in a given quality category, then need is demonstrated in that specific market segment. If the occupancy levels in each

quality category are within the optimal range, projected increases in visitor numbers may pressurise the existing hotel stock.

Estimates of growth in tourism and visitor activity can be identified using an econometric approach (based on global GDP projections and the consequent impact on tourism trends) and/or through discussions with the tourism industry in the context of future long-term growth trends at a regional, sub-regional and local level. Once the increase in visitor numbers is established it may be necessary to consider other factors, accounting for expected trend shifts, in order to estimate the number of extra visitor nights that the hotel provision will be expected to accommodate over a given time horizon. These include:

- Average number of staying nights spent by foreign and domestic visitors.
- Estimated percentage of visitors who stay in hotels.
- Estimated average number of people per room.

This information is used to calculate the estimated percentage increase in staying visitor nights, which can be used to grow the existing room stock in each quality category, preserving the same occupancy levels.

Having established a gross need by category, the final stage is to subtract any hotel commitments or developments coming through the pipeline (or anticipated loss of rooms) to leave a residual hotel room need in each quality category in the area.