Opinion Research Services

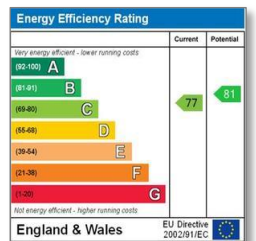*Excellent research for the public, voluntary and private sectors*

Outer North East London Strategic Housing Market Assessment

Report of Findings

September 2016

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1. Introducing the Study

Background to the project and wider policy context

1.1   Opinion Research Services (ORS) was jointly commissioned by the Outer North East London local authorities (London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge) to prepare a Strategic Housing Market Assessment (SHMA) to establish the Objectively Assessed Need for housing across the Area. We would note that London Borough of Waltham Forest were not part of the commissioning group, but given the identified housing markets in the study area results for Waltham Forest have been included within this document.

1.2   The study adheres to the requirements of the National Planning Policy Framework published in 2012 and Planning Practice Guidance (March 2014). The methodology also had regard to emerging good practice and outcomes from Examinations, as well as the Technical Advice Note about Objectively Assessed Need and Housing Targets Version 2 that was published by the Planning Advisory Service (PAS) in July 2015.

1.3   The purpose of the study is to support the local authorities in objectively assessing and evidencing the need for housing (both market and affordable) across Outer North East London for the 22-year period 2011-33, and provide other evidence to inform local policies, plans and decision making.

Government Policy

1.4   The National Planning Policy Framework (NPPF) contains a presumption in favour of sustainable development, and states that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area. While Regional Spatial Strategies are now revoked, the London Plan has not been revoked. However, within the context of the London Plan, a responsibility for establishing the level of future housing provision required rests with the local planning authority.

> *At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development,** which should be seen as a golden thread running through both plan-making and decision-taking.*
>
> *Local planning authorities should positively seek opportunities to meet the development needs of their area.*
>
> *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.*
>
> **National Planning Policy Framework (NPPF), paragraph 14**

> *To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.*
>
> **National Planning Policy Framework (NPPF), paragraph 47**

1.5   Given this context, Strategic Housing Market Assessments (SHMAs) primarily inform the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective is to provide the robust and strategic evidence base required to establish the full Objectively Assessed Need (OAN) for housing in the Housing Market Area (HMA) and provide information on the appropriate mix of housing and range of tenures needed.

> *Local planning authorities should have a clear understanding of housing needs in their area.*
>
> *They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
>
> » *meets household and population projections, taking account of migration and demographic change;*
>
> » *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
>
> » *caters for housing demand and the scale of housing supply necessary to meet this demand;*
>
> **National Planning Policy Framework (NPPF), paragraph 159**

1.6   Modelling future housing need requires a consideration of the housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered.

1.7   Planning Practice Guidance (PPG) on the assessment of housing and economic development needs was published in March 2014 and has been updated in March 2015. Previous SHMA Guidance (2007) and related documents were rescinded at that time, so the approach taken in preparation of this report is focussed on meeting the requirements of PPG. In addition, it reflects emerging good practice and the PAS OAN technical advice note.

London Specific SHMAs

1.8   The Strategic Planning Authority for London is the Greater London Authority. The GLA have produced a London SHMA (2013) covering the whole of Greater London which has been used to underwrite the evidence base for the Further Alterations to the London Plan (FALP) 2014.

1.9   The Report on the Examination in Public into the Further Alterations to the London Plan was published in November 2014. Issue 2 of the report was:

Given that the FALP sets out the objectively assessed housing need for London should London Boroughs be required to undertake their own assessments?

1.10   In response to this question the inspector concluded that this was not necessary. From paragraph 18 onwards he concluded that:

"The NPPF at paragraph 47 requires local planning authorities to, amongst other things, 'use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area'. The guidance in the NPPF regarding plan making is silent with regard to how responsibilities should be divided in a two tier system as exists uniquely in London. The London Plan is part of the development plan for London and, in my view, it must be right that read together with the development plan documents produced by London Boroughs, the development plan should be consistent with national policy.

However, in a two tier system there should be no need for each part of the development plan to include the full range of policies necessary to accord with all parts of the NPPF or PPG, provided that together they do (as far as is necessary) and are consistent with national policy. The PPG advises that there should be no need to reiterate policies that are already set out in the NPPF in Local Plans. It seems to me that the same principle should apply to a spatial development strategy. Further, to avoid unnecessary duplication and potential confusion, there should be no need for a local plan in London to reiterate policies set out in the FALP.

Section 334 of the GLA Act requires the Mayor to prepare a spatial development strategy. That plan must include a statement formulating the Mayor's strategy for spatial development for the use of land in Greater London. Housing need, supply and distribution are undisputedly strategic matters in London. I conclude below that the Mayor's estimate of objectively assessed housing need in London is justified by the evidence submitted to the EiP. Further, although I have reservations, I also consider that the FALP's strategy with regard to supply and distribution can be supported in the short term.

Once adopted, statute will require the local plans produced by London Boroughs to be in general conformity with the FALP. That includes conforming with a strategy which seeks to meet London's needs on brownfield land within the existing built up area. The SHLAA identifies most of the existing capacity and, effectively, through the SHLAA, the FALP has determined the extent to which individual Boroughs can contribute to meeting the strategic need for housing across London. Within the confines of the FALP's strategy there is little scope to do more.

I acknowledge that the NPPF requires each local planning authority to identify its own objectively assessed housing need. However, in my view, it is the role of the spatial development strategy to determine the overall level of need for London and to guide the distribution of new housing to meet that need. The Mayor points to the acceptance by previous EiP Panels that London constitutes a single housing market area with sub markets which span Borough boundaries. The Mayor also points to the findings of the High Court, following a challenge to the Revised Early Minor Alterations to the London Plan, within

which in his (undisputed) opinion, the Court accepted that although local variations exist, this did not compromise the view that London constitutes a single housing market area.

Other than some fine tuning regarding local need relating to the size and type of property and tenure, there is no need, in my view, for each London Borough to duplicate the work done by the GLA and produce their own individual assessment of overall need. IRC1 recommends that the FALP is changed to reflect this approach by removing references to London Boroughs needing to identify objectively assessed need with regard to the quantum of new housing in their areas".

1.11 In a position which lead to some initial confusion, the wording of this letter has been accepted by the Mayor of London, however no polices in the FALP were changed as a result of it. The GLA's position was clarified in May 2015 in their Draft Interim Housing Supplementary Planning Guidance, and confirmed in the final Housing SPG published in March 2016[1]. At paragraph 3.2.11 the March 2016 documents lists how the London boroughs should proceed in assessing their housing needs.

> » Consider housing market area geographies that extend beyond single borough boundaries

> » Consider different demographic scenarios, ideally using GLA household projections for consistency

> » Make allowance for backlog need and other factors that increase the number of homes required.

> » Take account of market signals

> » Consider how the economy and jobs growth will influence housing need.

> » Take into account wider needs.

> » Specific needs.

1.12 **In conclusion**, this SHMA meets the CLG national guidance and the GLA's London Plan and March 2016 Housing Supplementary Planning Guidance, paragraph 3.2.11. It is mindful of the Inspector's findings (at the FALP examination) yet has followed the Mayor's methodology for assessing housing need.

Developing the Strategic Housing Market Assessment

1.13 The objective of the SHMA study was to give the Outer North East London authorities an objectively assessed and evidence based assessment of development needs for housing (both market and affordable) and to ensure that this was compliant with the requirements of the National Planning Policy Framework and Guidance, as well as the Mayor's methodology.

1.14 Fieldwork was undertaken with local stakeholders given that the implications of the study could have implications beyond the local authority boundaries. These included:

> » A series of telephone interviews with Landlords and their agents, Housing associations, universities, business organisations, house builders and neighbourhood forums.

> » Separate workshops for private and public sector stakeholders to consider the projects emerging findings

» A separate report on the fieldwork outcomes has been produced

Overview of the SHMA

1.15 The first key objective of this SHMA was to identify and define the functional housing market area(s) across Outer North East London area.

1.16 The second key objective of this SHMA was to establish the OAN for housing (both market and affordable) in the Outer North East London HMAs, ensuring that this was fully compliant with the requirements of the NPPF and PPG and mindful of good practice. The OAN for housing will help inform the planning policies for the period 2011-33.

1.17 The SHMA methodology was based on secondary data, and the SHMA sought to:

» Provide evidence of the need and demand for housing based on demographic projections;

» Consider market signals about the balance between demand for and supply of dwellings;

» Establish the Objectively Assessed Need for housing over the period 2011-33;

» Identify the appropriate balance between market and affordable housing; and

» Address the needs for all types of housing, including the private rented sector, people wishing to build their own home, family housing, housing for older people and households with specific needs.

1.18 This report considers the key outputs from the SHMA – namely establishing the Housing Market Areas and establishing the Full Objectively Assessed Need for housing in Outer North East London (including the overall balance between market and affordable housing) over the 22-year period 2011-33.

1.19 It is important to recognise that the information from the SHMA should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. The SHMA does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

Executive Summary

1. The Outer North East London Boroughs Strategic Housing Market Assessment 2015 (SHMA) has been undertaken at a time of considerable change, both locally and nationally. The SHMA highlights the complexity of understanding housing need in a relatively dynamic housing market. Key drivers such as the local economy, complex population change and the need to support growth in the local economy – all these factors interact to make the establishment of objectively assessed housing need a significant challenge.

2. The SHMA has considered various factors regarding the housing needed in the commissioning boroughs of Barking and Dagenham, Havering, Newham, Redbridge, along with Waltham Forest, which was not a commissioning borough. Critically, it has considered the current evidence base on population and households and the impact of wider Market Signals. From this, the SHMA has derived an objectively assessed housing need to inform housing and planning policies.

3. At the present time, the five boroughs are undergoing considerable change; London's status as a World City and the regeneration of historically 'poor' areas, such as Stratford, combined with Crossrail, mean that the relative affluence of the boroughs is changing rapidly. This poses significant challenges for the future; the operation of housing markets is complex and the ability of local authorities to interact in order to deliver desired strategic outcomes is challenging.

4. This Executive Summary, therefore, summarises the key challenges facing the Housing Market Areas and highlights the housing needed to meet them. The local authority areas are considered in two different geographies:

   » The Outer North East London housing market area which includes the boroughs of Barking and Dagenham, Havering and Redbridge;

   » The Outer East London housing market area which includes the boroughs of Newham and Waltham Forest (who were not part of this report commission).

Key Challenges

Housing Delivery

5. The National Planning Policy Framework paragraph 47 aims to *'To boost significantly the supply of housing'*. Nationally, new housing delivery nationally has fallen substantially in recent years relative to demand.

6. The rate of development in **Outer East London** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +8.7%, which is higher than England (8.3%), but lower than comparator areas except for Barnet, Enfield and Haringey.

7. The rate of development in **Outer North East London** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +6.1%, which is lower than England (8.3%) and lower than comparator areas except Ealing, Hillingdon and Hounslow.

8. However, there is a continuing need to support housing delivery if wider strategy goals are to be achieved.

Benefit Reform

9. Benefit reforms pose a considerable risk to existing households renting in the five boroughs in both the private and public housing sectors. The combination of the Benefit 'cap', changes regarding under-occupation and changes in Local Housing Allowance (LHA) are likely to mean adjustment in the rental sectors. One issue to note is the growth in Private Rented Sector and how this contributes to meeting housing need; Benefit reform poses a risk to this. The full implications of Reform are not yet known.

Duty to Co-operate

10. Section 110 of the Localism Act 2011 imposes a 'Duty to Co-operate' on Councils who submit plans for Examination after 15 November 2011. The scale of objectively assessed housing need identified in this SHMA has meant a proactive approach to co-operation between the commissioning authorities and their neighbours. The key challenge facing the various authorities remains how assessed need can be met.

11. The Outer North East London housing market area identified in the SHMA contains Barking and Dagenham, Havering and Redbridge and, in addition, the influence of the market area has wider implications for Enfield and Epping Forest necessitating Duty to Co-operate consultation there.

Housing Market Area

12. The identification of Housing Market Areas (HMAs) is the first relevant building block in the evidence for identifying objectively assessed housing needs. HMAs are defined as reflecting *"the key functional linkages between places where people live and work"* because, in general, people will live within a certain commuting distance or time of their work and, in general, will move house or their employment to facilitate that commuting. HMAs as defined do not align to individual local authority areas; they can be larger or smaller than a single local authority, but either way they can cut across boundaries. For this reason it is important to identify the HMAs and local authorities which it cuts across. In the case of Outer North East London the HMA cuts across the four boroughs in the study.

13. On the basis of the evidence, we would conclude that:

   » Greater London can be considered as a single large housing market area which contains many smaller overlapping housing market areas within it.

   » Migration[2] and travel to work flows do not identify any distinct housing market areas in London.

   » House price represents a means of identifying separate housing market areas in London. The VOA has worked with house price and rent nationally to identify Broad Rental Market Areas (BRMAs) which determined LHA levels.

   » BRMAs represent the most practical and pragmatic approach to identifying housing market areas in London. The 13 BRMAs in London will allow small groups of London boroughs to plan together.

   » 100% of Newham's population fall in the Outer East London BRMA.

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[2] Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

» 100% of Barking and Dagenham, 100% of Havering[3] and 98% of Redbridge's populations fall in the Outer North East London BRMA.

» When assessing objectively assessed needs at housing market area level we recommend that Barking and Dagenham, Havering and Redbridge be considered as one area, with Newham as part of a separate area (along with Waltham Forest).

» Given the overlapping nature of housing market areas, this does not preclude Barking and Dagenham, Havering, Redbridge and Newham from also considering their needs as part of the wider Outer North East London area. The Census migration data supports this conclusion.

» Given this context, it is appropriate for the SHMA analysis to focus upon two core areas (i.e. Barking and Dagenham, Havering and Redbridge, and Newham). Nevertheless, it will be important that the four boroughs consider the needs of other authorities in surrounding areas, their relationship and that these issues are explored under Duty to Co-operate arrangements.

» The HMA analysis should not be seen as prescriptive on other authorities who may wish to identify their housing market areas by other means.

Population and Household Growth

14. A key input into the modelling of housing need is the rate of household growth. Guidance states:

> *Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*

> *Planning Policy Guidance (CLG, March 2014), para 015*

15. While CLG household projections are a useful starting point, there is a need to test these further to ensure that they are a robust basis for modelling need. These have been analysed and household figures derived to input into the assessment of housing need.

Market Signals

16. Current guidance states that market signals should be taken into account when considering assessed housing need:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.*

> *Planning Policy Guidance (CLG, March 2014), para 019*

> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections … Plan makers should set this adjustment at a level that is reasonable*

> *Planning Policy Guidance (CLG, March 2014), para 020*

17. Market signals are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.

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[3] Note: although part of London Borough of Havering is outside the Outer North East London BRMA; however, this is less than 1% of the Borough

18. Given the relative market signal indicators, and the trends they identify for the two areas under consideration, and the views of the Inspectorate and the Greater London SHMA to would seem reasonable to:

    »   Consider an uplift of 20% to be reasonable for Outer East London as the area experiences significant housing market pressures which are in line with other highly pressurised markets in London.

    »   Outer North East London experiences lower housing market pressures when compared with Outer East London, but does have similar pressures to London as a whole, so an uplift of around 15% would seem to be appropriate.

Objectively Assessed Housing Need

19. The SHMA identifies the Full Objective Assessed Need for Housing in the **Outer East London HMA** to be **96,100 dwellings over the 22-year Plan period 2011-33**, equivalent to an average of 4,370 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 37,400 dwellings over the same period, equivalent to an average of 1,700 dwellings per year.

20. Meanwhile, the SHMA identifies the Full Objective Assessed Need for Housing in the **Outer North East London HMA** to be **99,800 dwellings over the 22-year Plan period 2011-33**, equivalent to an average of 4,540 dwellings per year. Again, this includes the Objectively Assessed Need for Affordable Housing of 38,600 dwellings over the same period, equivalent to an average of 1,760 dwellings per year.

21. The figures below summarise the housing size and tenure mix for each of the boroughs over a 22 year period.

Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer East London 2011-33 (Note: Figures may not sum due to rounding)

	Outer East London		
	Newham	**Waltham Forest**	**TOTAL**
MARKET HOUSING			
1 bedroom	2,600	2,500	5,200
2 bedrooms	6,400	4,900	11,200
3 bedrooms	20,200	19,400	39,600
4 bedrooms	700	2,400	3,100
5+ bedrooms	-300	0	-300
Total Market Housing	**29,600**	**29,200**	**58,800**
AFFORDABLE HOUSING			
1 bedroom	-500	1,300	800
2 bedrooms	5,300	3,900	9,200
3 bedrooms	13,100	7,500	20,600
4 bedrooms	3,300	2,100	5,400
5+ bedrooms	1,000	400	1,400
Total Affordable Housing	**22,200**	**15,200**	**37,400**
TOTAL	**51,800**	**44,400**	**96,200**

Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer North East London 2011-33 (Note: Figures may not sum due to rounding)

	Outer North East London			
	Barking and Dagenham	**Havering**	**Redbridge**	**TOTAL**
MARKET HOUSING				
1 bedroom	1,400	900	1,600	3,900
2 bedrooms	3,300	2,600	3,200	9,100
3 bedrooms	8,300	10,900	20,700	40,000
4 bedrooms	-200	2,400	5,500	7,700
5+ bedrooms	-200	300	500	600
Total Market Housing	**12,600**	**17,000**	**31,500**	**61,200**
AFFORDABLE HOUSING				
1 bedroom	1,200	900	1,600	3,600
2 bedrooms	5,600	2,400	3,900	12,000
3 bedrooms	6,700	4,100	7,500	18,300
4 bedrooms	1,400	700	1,900	3,900
5+ bedrooms	300	100	400	800
Total Affordable Housing	**15,100**	**8,200**	**15,300**	**38,600**
TOTAL	**27,800**	**25,200**	**46,900**	**99,800**

Specific Needs

Private Rented Sector

22. One of the most significant housing changes in the past decade, in the five boroughs and in England, has been the rise in the relative size of the private rented sector and the decline in owner occupation. In the five boroughs, between 2001 and 2011, owner occupation declined by between -5.0% (Havering) and -8.2% Barking & Dagenham, -8.6% Newham, -10.7% Redbridge; private rent, however, increased by between +5.1% Havering, +9.5% Redbridge, +11.7% Barking & Dagenham, +15.4% Newham.

23. Overall, in terms of the private rented sector, the evidence supports continuing demand for, and growth in, the Private Rented Sector homes in the four authorities, in both self-contained and shared accommodation.

People wishing to self-build

24. Overall, the evidence suggests limited demand for self-build. However, this may under-estimate actual demand. Therefore, arrangements should be put in place to comply with the Self-Build and Custom Housebuilding Act and undertake a possible future survey to ascertain levels of demand for self-build in the HMA.

Older People

25. Overall, the evidence suggests a net need of 14,587 additional specialist units for older people by 2032. However, this need should be considered in partnership with other agencies as well as other factors and constraints in the market. These outputs are relatively similar to those in the GLA's London Housing Plan 2015. The exception is Barking and Dagenham where the GLA has benchmarked double the level of specialist housing needed.

26. Within the identified need there is a further need to consider the split in the identified need for rent and sale/intermediate sale homes; the GLA London Housing Plan provides a useful basis for this as does the Housing LIN approach.

	Annualised Need using Housing LIN	GLA London Plan 2015 Benchmark
Barking & Dagenham	34	70
Havering	185	185
Newham	69	75
Redbridge	108	125

Households with Specific Needs

27. Building regulations Approved Document M (2015) introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed in the SHMA. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime

Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible standard.

28. Overall, in terms of the need for adapted or wheelchair adapted dwellings for households with specific needs, the evidence supports:

» the need for all dwellings to meet Category 2 requirements, providing that this does not compromise viability.

» the need for 10% of market housing and 15% of affordable housing to meet Category 3 requirements.

Students

The main university in the area is the University of East London (UEL) which records 2,785 of its 11,351 students as living in postcodes E1 to E18. London South Bank University (LSB) also has a smaller presence in Havering. Students are concentrated in Newham, with some LSOAs having over 300 students. Parts of Waltham Forest, Redbridge and Barking and Dagenham also have some concentrations of students. UEL provides 1,170 units of specialist student accommodation in the area, though LSB has none. There is little evidence of further expansion from these two local universities.

Conclusion

29. As London boroughs, Barking and Dagenham, Havering, Newham, Redbridge and Waltham Forest face considerable strategic challenges in meeting the housing needs of their future population. The boroughs are changing rapidly and in parts becoming more affluent, largely as an indirect benefit from London's status as a World city. However, these benefits are not affecting all people and all parts of the boroughs. Further, there has been fundamental tenure adjustment, the continuing challenge of new housing delivery, responding to the needs of those households affected by welfare reform and a changing population profile.

30. Overall, therefore, there is a need for a continued co-ordinated approach towards the varied housing challenges faced to ensure future success.

Note: Since this SHMA was prepared, the GLA have published updated population and household projections. Further work is being undertaken to understand the implications of these projections in the Outer North East London Housing Market Area. In light of this additional work being undertaken the London Borough of Havering has not yet formally published the SHMA as part of the evidence base for its emerging Local Plan.

2. Defining the Housing Market Area

An evidence base to identify functional housing markets

Chapter Summary

2.1   This chapter follows the Planning Policy Guidance to analyse the available data and concludes with our recommendation that Barking and Dagenham, Havering and Redbridge be considered as part of a Housing Market Area which also includes Epping Forest, with Newham and Waltham Forest being part of a separate Housing Market Area. The key points leading to this conclusion are:

>   » Housing market areas reflect *"the key functional linkages between where people live and work"*

>   » To meet Planning Policy Guidance, a housing market area can be defined using house prices and rates of change in house prices; household migration and search patterns, and; contextual data (e.g. travel to work area boundaries, retail and school catchment areas)

>   » PPG recommends using travel to work areas (TTWAs) to provide information about commuting flows and the spatial structure of the labour market, but this is not feasible for London boroughs as the whole of London is a single TTWA.

>   » Census travel to work data demonstrates that travel to work for a significant minority of North East London boroughs' residents may be loosely related with place of residency.

>   » Census migration data demonstrates that none of the boroughs can be considered to be housing market area on its own, but the inter-borough migration between the four boroughs suggests that some combination with neighbouring boroughs will meet the definition of a housing market area.

>   » There is a high degree of alignment between Broad Rental Market Areas and house prices in London.

>   » The Outer East London BRMA shows a high degree of containment for Newham along with Waltham Forest: 100% of Newham's population, 75% of Waltham Forest and 2% of Redbridge fall within the Outer East London BRMA.

>   » The Outer North East London BRMA shows a high degree of containment for Barking and Dagenham, Havering and Redbridge: 100% of Barking and Dagenham's and of Havering's populations and 98% of Redbridge fall within the Outer North East London BRMA. 52% of Epping Forest's population and 25% of Enfield also fall within this BRMA. The need for co-operation between these local authorities is clearly particularly important.

Functional Housing Market Areas

2.2   The definition of a functional housing market area is well-established as being "...the geographical area in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay" (Maclennan et al, 1998)[4].

Planning Practice Guidance

2.3   Planning Practice Guidance (PPG)[5] on the Assessment of Housing and Economic Development Needs (March 2014) reflects this existing concept, confirming that the underlying principles for defining housing markets are concerned with the functional areas in which people both live and work:

> ***What is a housing market area?***
>
> *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 the housing market areas overlap.*
>
> *The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.*
>
> **Planning Practice Guidance 2014, paragraph 10**

2.4   Therefore, PPG requires an understanding of the housing market area and says this can be defined using three different sources of information:

- » House prices and rates of change in house prices
- » Household migration and search patterns
- » Contextual data (e.g. travel to work area boundaries, retail and school catchment areas)

2.5   These sources are consistent with those identified in the CLG advice note *'Identifying sub‑regional housing market areas'* published in 2007[6].

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[4] Local Housing Systems Analysis: Best Practice Guide. Edinburgh: Scottish Homes
[5] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/
[6] Identifying sub‑regional housing market areas (CLG, March 2007); paragraph 1.6

Geography of Housing Market Areas (NHPAU/CURDS)

2.6   CLG also published a report on the *'Geography of Housing Market Areas'* in 2010[7] which was commissioned by the former National Housing and Planning Advice Unit (NHPAU) and undertaken by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University. This study explored a range of potential methods for calculating housing market areas for England and applied these methods to the whole country to show the range of housing markets which would be generated. The report also proposed three overlapping tiers of geography for housing markets:

>   »   Tier 1: framework housing market areas defined by long distance commuting flows and the long-term spatial framework with which housing markets operate;

>   »   Tier 2: local housing market areas defined by migration patterns that determine the limits of short-term spatial house price arbitrage;

>   »   Tier 3: sub-markets defined in terms of neighbourhoods or house type price premiums.

2.7   The report recognised that migration patterns and commuting flows were the most relevant information sources for identifying the upper tier housing market areas, with house prices only becoming relevant at a more local level and when establishing housing sub-markets. The report also outlined that no one single approach (nor one single data source) will provide a definitive solution to identifying local housing markets; but by using a range of available data, judgements on appropriate geography can be made.

2.8   Advice recently published in the PAS OAN technical advice note also suggests that the main indicators will be migration and commuting (paragraph 5.4).

>   *"The PPG provides a long list of possible indicators, comprising house prices, migration and search patterns and contextual data including travel-to-work areas, retail and school catchments. In practice, the main indicators used are migration and commuting. With regard to migration, the PPG explains that areas that form an HMA will be reasonably self-contained, so that…*

>   *A relatively high proportion of household moves (typically 70%) are contained [within the area]. This excludes long-distance moves (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)."*

2.9   The PAS OAN technical advice note also suggests that analysis reported in the CLG report *"Geography of Housing Market Areas"* (CLG, November 2010) should provide a starting point for drawing HMAs (Figure 1). It is apparent that this study identifies a single housing market across London and beyond. Consequently, this is not useful in defining functional HMAs for the boroughs.

2.10   Nevertheless, it is important to note that whilst the 'starting point' CLG study (2010) was commissioned by the former National Housing and Planning Advice Unit (NHPAU) and undertaken by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University, the analysis of migration and commuting was based on data from the 2001 Census. Given this context, the PAS OAN technical advice note recognises that "*more recent data should always 'trump' this geography*" (paragraph 5.9).

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[7] Geography of Housing Market Areas (CLG, November 2010); paragraph 1.6

Figure 1:   NHPAU Study - PAS OAN technical advice note 'Starting Point
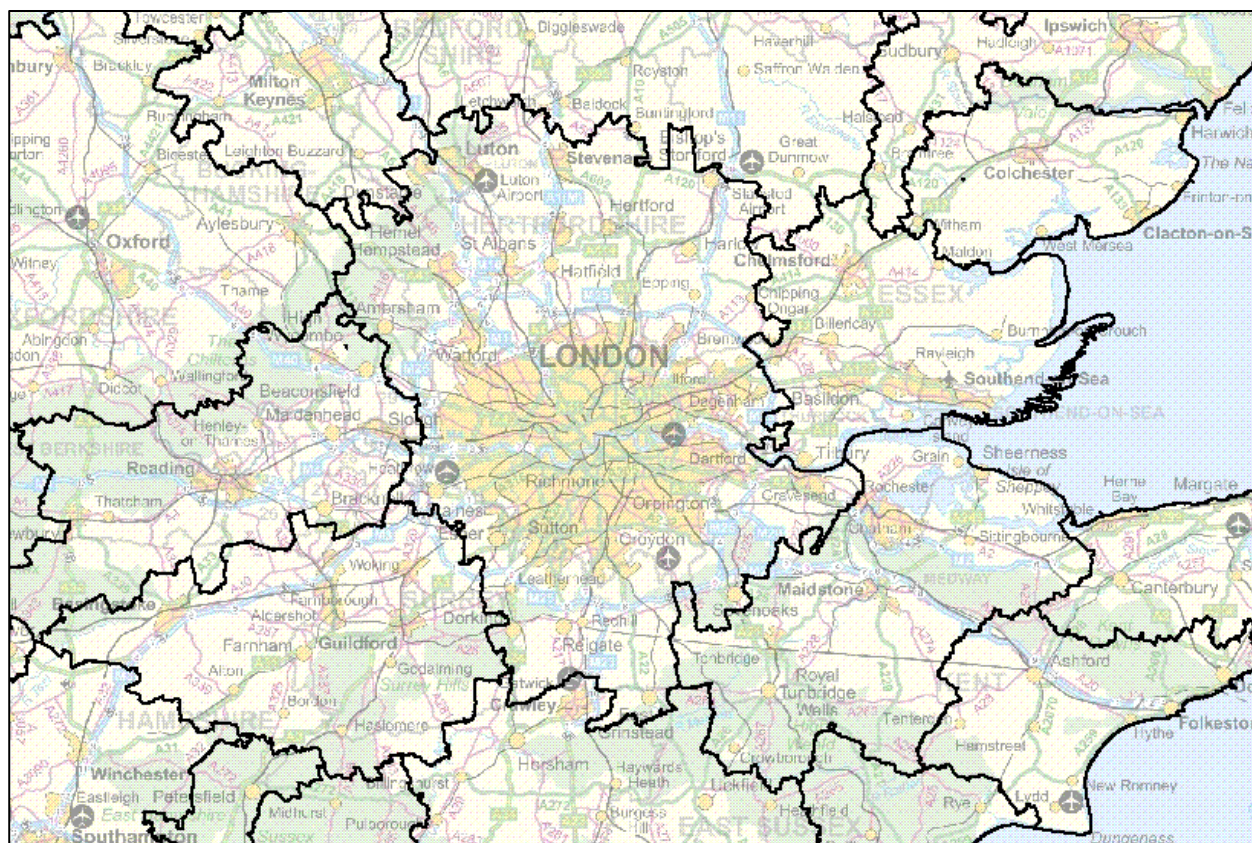
Travel to Work Areas

2.11   Housing market areas reflect *"the key functional linkages between places where people live and work"* and therefore it is important to consider travel to work patterns within the identified area alongside the migration patterns:

> *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).*
>
> **Planning Practice Guidance 2014, paragraph 11**

2.12   One of the PPG suggested data sources is the Office for National Statistics travel to work areas (TTWAs). Figure 2 shows the latest ONS TTWAs. These were published in 2015 and they are based on the origin-destination data from the 2011 Census.

2.13   London is represented by a single TTWA. Consequently, TTWAs are not useful in defining functional HMAs for London boroughs.

Figure 2:   ONS Travel To Work Areas (Source: ONS 2015 based on 2011 Census data)
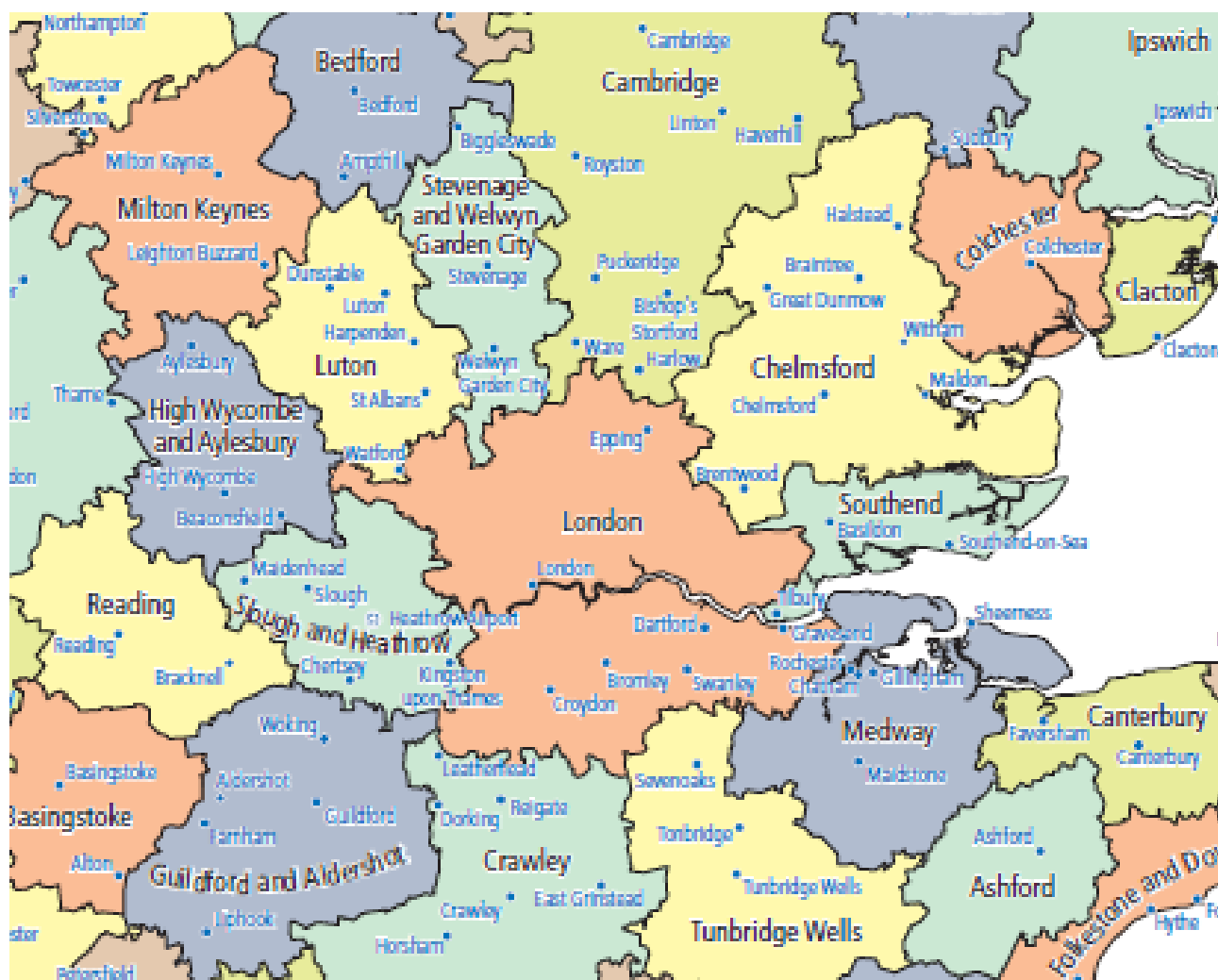
Contains Ordnance Survey data © Crown copyright and database right

Housing Markets in London

2.14   Housing Market Areas reflect *"the key functional linkages between places where people live and work"* and therefore it is important to consider travel to work patterns within the identified area alongside the migration patterns. The Guidance (Paragraph 11) states:

> *"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)."*

2.15   The identification of housing markets in London is not a new area of study. As previously noted, the ONS identified London as a single Travel to Work Area and the CURDS analysis identified a single housing market area for London that extended beyond the city's administrative boundary.

2.16 The Greater London Authority has published Strategic Housing Market Assessments in 2008 and 2014 which both treat London as a single housing market area. The 2014 Greater London SHMA at Table 5 notes;

> *"While the London housing market is accepted to cross the regional boundary, practical considerations including data availability and the precise identification of the market area (see chapter 2)* **favour limiting the study to the Greater London area,** *in line with previous such studies and with common practice both within London and in neighbouring areas".*

2.17 The identification of a single London wide housing market has been further supported by a recent High Court judgement. Nine London Boroughs sought to challenge the Mayor of London's policy in relation to Affordable Rent in March 2014. The claimants case was summarised in paragraph 9 of the judgement in that:

> *"The Claimants submit that the Defendant has failed to have proper regard to the requirements of the NPPF. Indeed, he has mis-interpreted the NPPF when he claims that rent caps would undermine the deliverability of affordable housing, contrary to the objective of the NPPF.* **He was also mistaken in treating London as a single housing market.** *Each Borough had to assess its own needs, and develop its own targets and policies to meet them."*

2.18 In relation to the issue of a single housing market in London the judgement concluded at paragraphs 39-41 that:

> *"Turning to the next issue, I accept the Defendant's submission that he was entitled to conclude, in the exercise of his planning judgment that* **London represented a single housing market.**
>
> *The term "housing market area" appears in the NPPF, but is not defined. That a "housing market area" within the meaning of the NPPF does not necessarily equate to LPA administrative boundaries is plain from paragraph 159:*
>
> > *"159. Local planning authorities should have a clear understanding of housing needs in their area. They should: prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. [...]"*
>
> *The view that London should be regarded as a single housing market is not new. As the reasons supporting MD1268 noted at paragraph 7.22:*
>
> > *"[...] since at least the establishment of the GLA, London has always been regarded as a single market for strategic planning purposes. Both the London Plan and the Mayor's Housing Strategy are based on this accepted approach."*

2.19 However, paragraph 43 of the judgement states

> *The Draft Replacement London Plan, Report of Panel, March 2011 stated at 3.28:*
>
> > *"As it was not disputed that London is a single Strategic Housing Market Area with complex sub-markets that spread across Borough boundaries and has constrained land supply the use of which has to be optimised, we agree with the Mayor that it is not only appropriate but necessary to include Borough provision targets."*

2.20   The view that London contains many housing market areas within it is further supported by the 2014 Greater London SHMA which notes at paragraph 1.13:

> "It is important to note that this SHMA, like the 2004 HRS and the 2008 SHMA before it, looks at housing requirements at the regional London level only, and does not provide any estimates of requirements at the local level. London boroughs remain responsible for assessing their own requirements, within the policy context set by the NPPF and the London Plan. Given the fact that housing market areas in London frequently extend across local borough boundaries, many boroughs have chosen to work in partnership to assess housing requirements on a sub-regional basis."

2.21   Given this context, we can conclude that the North East London authorities form part of the Greater London Housing Market Area (GLHMA); the GLHMA (a "Tier 1" HMA that is defined by commuting and migration patterns) needs to ensure a balance of jobs and workers. The Greater London Authority has prepared a SHMA for the GLHMA to inform the London Plan, and it is this study that must consider the need to balance jobs and housing at the London-wide level.

2.22   In the light of the above, there is a need to consider how housing market area geography might be considered at a level below London, in order to develop a pragmatic solution for practical planning purposes and the local assessment of housing need. In this way, it allows for practical planning by small groups of boroughs, working together, within the framework of an overarching GLHMA.

2.23   This SHMA, therefore, is based on a lower-tier HMA that will help the LPA plan housing at a Borough level. In determining the number of homes needed at Borough level, the SHMA will need to be consistent with the London Plan and the projected population/households consistent with GLA figures. By doing so, this lower-tier HMA will, therefore, contribute to balancing jobs and workers across the Greater London HMA, consistent with the London Plan.

Jobs and Housing

2.24   It is not possible to define an HMA that is smaller than Greater London that is self-contained in terms of commuting – so if jobs and workers are to be in balance, the analysis must be undertaken for the whole of Greater London. Nevertheless, it remains helpful to consider the functional relationships between where people live and work when considering appropriate lower-tier HMAs.

2.25   Figure 3 summarises the underlying travel to work data for the North East London Boroughs including Waltham Forest, and shows that at least 54% of people who work in each borough also live in that borough. Between 1% and 13% of those who work in one of the four boroughs Barking and Dagenham, Havering, Newham and Redbridge, live in another of the four. There is comparatively little travel to work from some of the neighbouring commuter belt local authorities such as Brentwood and Thurrock.

2.26   Figure 4 shows that at least 41% of each borough's residents work in that borough. Between 3% and 9% live in one of the four boroughs Barking and Dagenham, Havering, Newham and Redbridge, and work in another of the four, while between 9% and 15% work in Westminster or the City of London. There is comparatively little travel to work out of London to Essex.

2.27   Both tables demonstrate that travel to work for a significant minority of North East London boroughs residents may be loosely related with place of residency.

Figure 3: **Residence Location by Work in North East London Boroughs (Source: Census 2011 - Note: Top five values shown, based on at least one borough having no less than 5%)**

		Work in								
		Barking and Dagenham		Havering		Newham		Redbridge		Waltham Forest	
Reside in			54%		66%		60%		63%		68%
	Havering	13%	Barking and Dagenham	8%	Redbridge	8%	Barking and Dagenham	7%	Redbridge	7%
	Redbridge	8%	Redbridge	5%	Barking and Dagenham	5%	Havering	7%	Newham	4%
	Newham	5%	Thurrock	4%	Waltham Forest	5%	Waltham Forest	5%	Epping Forest	3%
	Thurrock	5%	Brentwood	3%	Havering	4%	Newham	4%	Enfield	3%

Figure 4: **Work Location by Resident in North East London Boroughs (Source: Census 2011 - Note: Top six values shown, based on at least one borough having no less than 5%**

		Reside in								
		Barking and Dagenham		Havering		Newham		Redbridge		Waltham Forest	
Work in			43%		50%		45%		41%		43%
	Havering	9%	Westminster City of London	12%	Westminster City of London	15%	Westminster City of London	14%	Westminster City of London	15%
	Westminster City of London	9%	Barking and Dagenham	7%	Tower Hamlets	10%	Tower Hamlets	8%	Camden	5%
	Redbridge	8%	Tower Hamlets	5%	Camden	4%	Newham	7%	Tower Hamlets	5%
	Newham	7%	Redbridge	5%	Redbridge	3%	Waltham Forest	5%	Islington	4%
	Tower Hamlets	6%	Thurrock	3%	Islington	3%	Barking and Dagenham	4%	Hackney	4%

Migration Patterns

2.28 One of the ways to define a Housing Market Area is to consider an area *"where most of those changing house without changing employment choose to stay"*. Unfortunately, no data is available that relates migration with changes in employment circumstances, but given that most working people will live relatively close to their job, it is reasonable to assume that those migrants moving longer distances will tend to also change their place of work.

2.29 Figure 5 shows migration flows within London. This shows a complex pattern of moves from Central London to outer London boroughs, with a clear eastwards movement across Outer North East London. The main flows are net out migration from Waltham Forest to Redbridge, Newham to Redbridge and Newham to Barking and Dagenham. There are comparatively modest flows from Barking and Dagenham, Newham and Redbridge out to Havering and from Tower Hamlets to Newham. This does not imply that there is no other migration as only *net* flows of 500+ are shown by the blue arrows.

Figure 5:   Migration between London Boroughs (Source: Census 2011)

1. City of London
2. Hammersmith and Fulham
3. Islington
4. Kensignton and Chelsea
5. Westminster
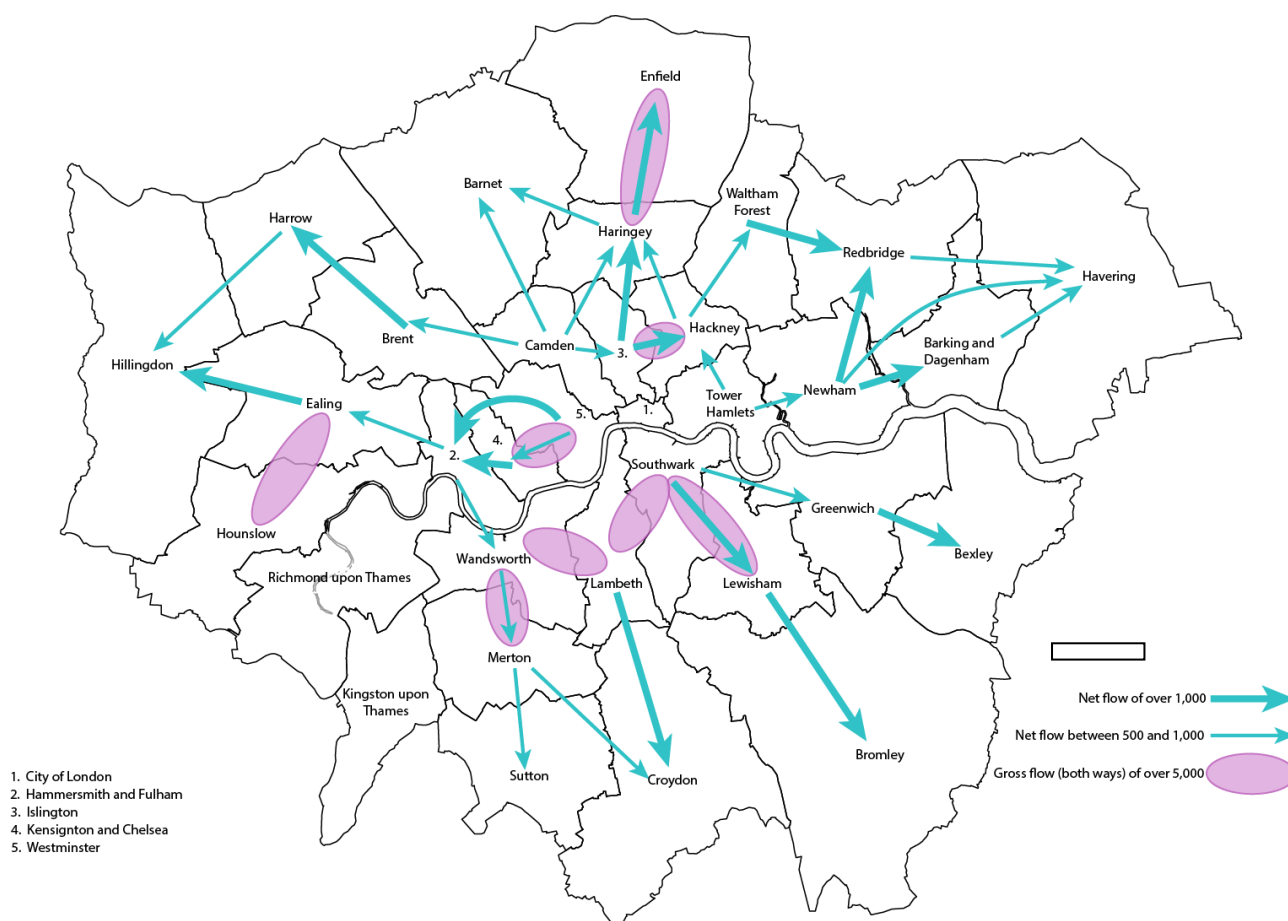
2.30 The UK Census of population has recently released data on people who moved in the 12 months before the Census. Figure 6 shows the point of origin of people who moved and now live in one of the Outer North East London boroughs, while Figure 7 shows the location of people who lived in one of the boroughs and who moved in the year before the Census.

Figure 6:   **Current residents in North East London Boroughs who moved in the 12 months preceding the Census 2011 (Note: Top six values shown, based on at least one borough having no less than 5%)**

	Residence at time of Census									
	Barking and Dagenham		**Havering**		**Newham**		**Redbridge**		**Waltham Forest**	
Residence 1 year before Census	Barking and Dagenham	54%	Havering	61%	Newham	66%	Redbridge	53%	Waltham Forest	61%
	Newham	14%	Barking and Dagenham	10%	Tower Hamlets	7%	Newham	14%	Newham	7%
	Redbridge	11%	Redbridge	8%	Waltham Forest	6%	Waltham Forest	9%	Hackney	6%
	Havering	5%	Newham	5%	Redbridge	4%	Barking and Dagenham	7%	Redbridge	4%
	Tower Hamlets	4%	Thurrock	3%	Barking and Dagenham	3%	Tower Hamlets	4%	Haringey	4%

Figure 7:   **Locations of households who lived in the North East London Boroughs before the Census 2011 and moved in the 12 months preceding the Census (Note: Top six values shown, based on at least one borough having no less than 5%)**

	Barking and Dagenham		**Havering**		**Newham**		**Redbridge**		**Waltham Forest**	
		56%		65%		60%		56%		60%
	Havering	10%	Barking and Dagenham	5%	Redbridge	9%	Barking and Dagenham	8%	Redbridge	9%
	Redbridge	9%	Thurrock	5%	Barking and Dagenham	6%	Newham	6%	Newham	7%
	Newham	6%	Brentwood	5%	Waltham Forest	5%	Havering	6%	Epping Forest	3%
	Thurrock	4%	Basildon	3%	Tower Hamlets	4%	Epping Forest	5%	Haringey	3%
	Waltham Forest	2%	Redbridge	3%	Havering	2%	Waltham Forest	5%	Enfield	2%

2.31   Between 53% and 66% of households who moved and now live in one of the Outer North East London boroughs were previously living in that borough. Meanwhile, between 56% and 65% of households who lived in one of the Outer North East London boroughs and who moved before the Census remained in the same borough. The largest proportion of moves between areas occurred between Barking and Dagenham, Newham and Redbridge rather than further afield, with moves to and from

Havering being comparatively common compared to other areas, but less so than between the other three boroughs.

2.32 There is some migration between the Outer North East London boroughs and Essex which demonstrates an outward flow from London. There is, however, little migration in from the neighbouring Essex local authority areas. For example, 3% of moves into Havering were from Thurrock and 2% from Brentwood, with smaller proportions in from Essex to the other Outer North East London boroughs. There is more outward migration, as might be expected when considering house prices; 5% of moves out of Havering were to Thurrock and 5% to Brentwood, with 4% of moves out from Barking and Dagenham being to Thurrock and 1% to Brentwood. Moves out to the neighbouring Essex authorities from the other Outer North East London boroughs were no more than 1% in any case. The sum of moves out to all Essex authorities is more significant; a total of 22% of moves out from Havering were to 11 Essex authorities, with 12% of moves out from Barking and Dagenham being to 10 Essex authorities, and 9% of moves out from Redbridge to 5 Essex authorities, though only 3% of moves out from Waltham Forest and 2% from Newham were to Essex. Numerically, this amounts to a significant number; in the year leading up to the 2011 Census, there were 8,579 moves out to Essex authorities from any of the five boroughs. Other than Havering, where 6% of moves into the Borough were from all Essex local authorities, in-migration was low, being between 0% and 3% for each borough.

2.33 Planning Practice Guidance on the Assessment of housing and economic development needs (Paragraph 11) states:

> *"Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (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'".*

2.34 It is evident from the above analysis that none of the four boroughs can be considered to be housing market area on its own; migrants come and go from beyond Outer North East London. The inter-borough migration between the four boroughs suggests that some combination with neighbouring boroughs will meet the definition of a housing market area; although this is inconclusive as such moves often reflect the London-wide aspects of the housing market rather than a local housing market area.

House Prices and Valuation Office Agency Broad Rental Market Areas

2.35 The Broad Rental Market Area (BRMA) is the geographical area used by the Valuation Office Agency (VOA) to determine the Local Housing Allowance (LHA), the allowance paid to Housing Benefit applicants in the private rented sector. The BRMA area takes into account local house prices and rents, and is based on where a person could reasonably be expected to live taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping. When determining BRMAs the Rent Officer takes account of the distance of travel, by public and private transport, to and from these facilities and services. The boundaries of a BRMA do not have to match the boundaries of a local authority and BRMAs will often fall across more than one local authority area.

2.36   Figure 8 shows a relatively high degree of alignment between the BRMAs and house prices for London. Clearly there are areas of higher and lower prices around which it would be possible to form a series of housing market areas in London based on this measure, and the BRMA geography provides a useful framework for considering lower-tier housing market areas in London.

Figure 8:   House Prices in London by Broad Rental Market Area (Source: Land Registry 2014)
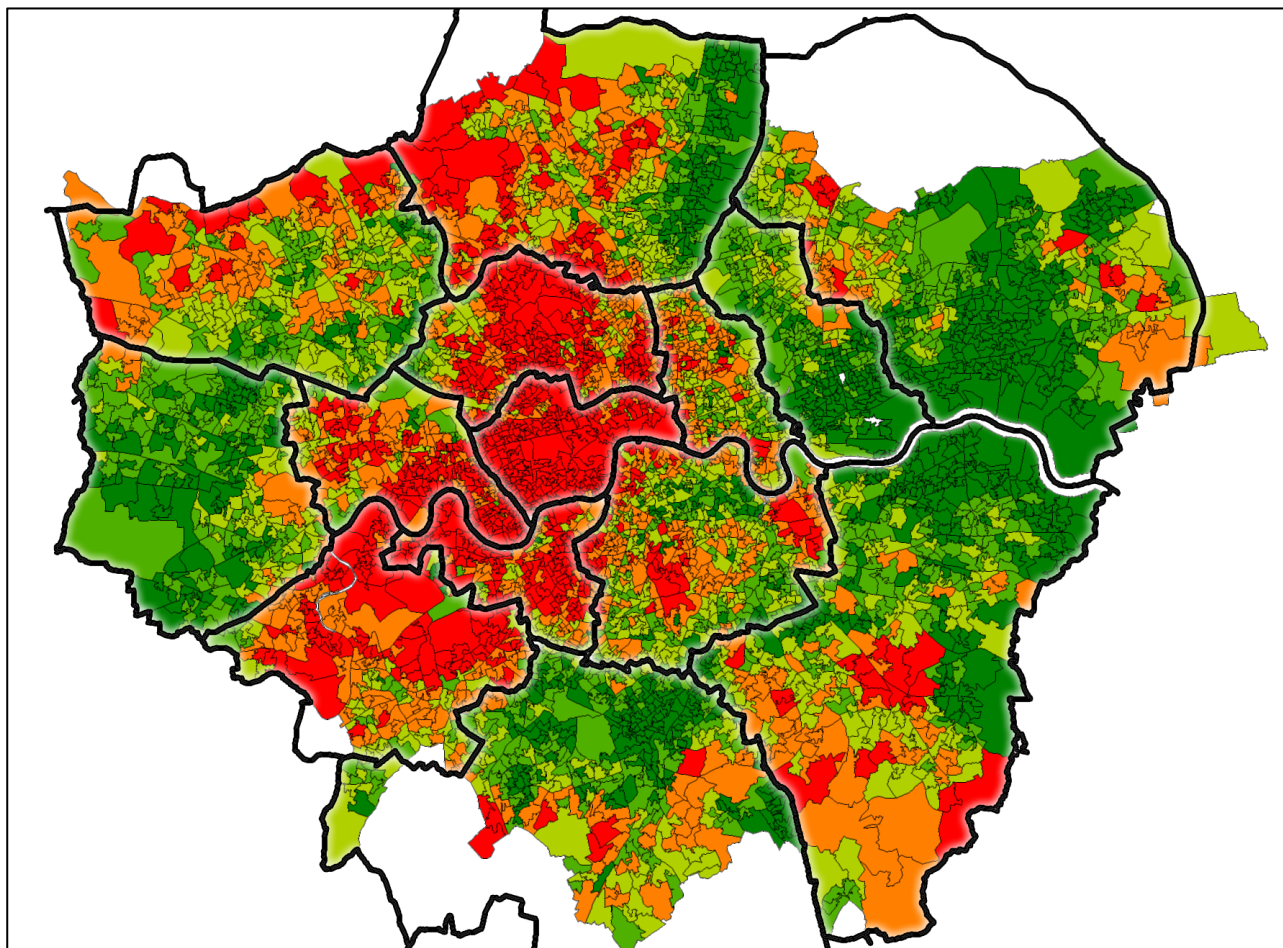
House Prices Relative to the London Median
- 1.65 and over
- 1.15 to under 1.65
- 0.89 to under 1.15
- 0.72 to under 0.89
- Under 0.89

2.37   Figure 9 shows that 100% of Newham's population falls within the Outer East London BRMA. It is also the case that 75% of Waltham Forest's population and a small proportion (2%) of Redbridge's population fall within the same BRMA. Therefore, the Outer East London BRMA shows a high degree of containment for Newham and Waltham Forest.

2.38 Figure 10 shows that 100% of Barking and Dagenham and Havering's populations falls within the Outer North East London BRMA along with 98% of Redbridge's population. It is also the case that 25% of Enfield's population fall within the same BRMA. Therefore, the Outer North East London BRMA shows a high degree of containment for Barking and Dagenham, Havering and Redbridge. If this BRMA is to define the housing market area, then close co-operation between all five local authorities is essential to ensure policies are developed which can deliver against the OAN, particularly to take account of Epping Forest being a district council rather than a London Borough.

2.39 While Epping Forest is also part of the BRMA for 'Outer North East London', it is not part of the Greater London Authority area, and, consequently, is subject to different planning arrangements to London boroughs and, therefore, outside the scope of this study. However, Epping Forest has been part of the wider consultation undertaken in the development of this study. Further, Epping Forest is undertaking their own SHMA as part of a wider HMA covering West Essex and East Hertfordshire.

Figure 10: Outer North East London Broad Rental Market Area
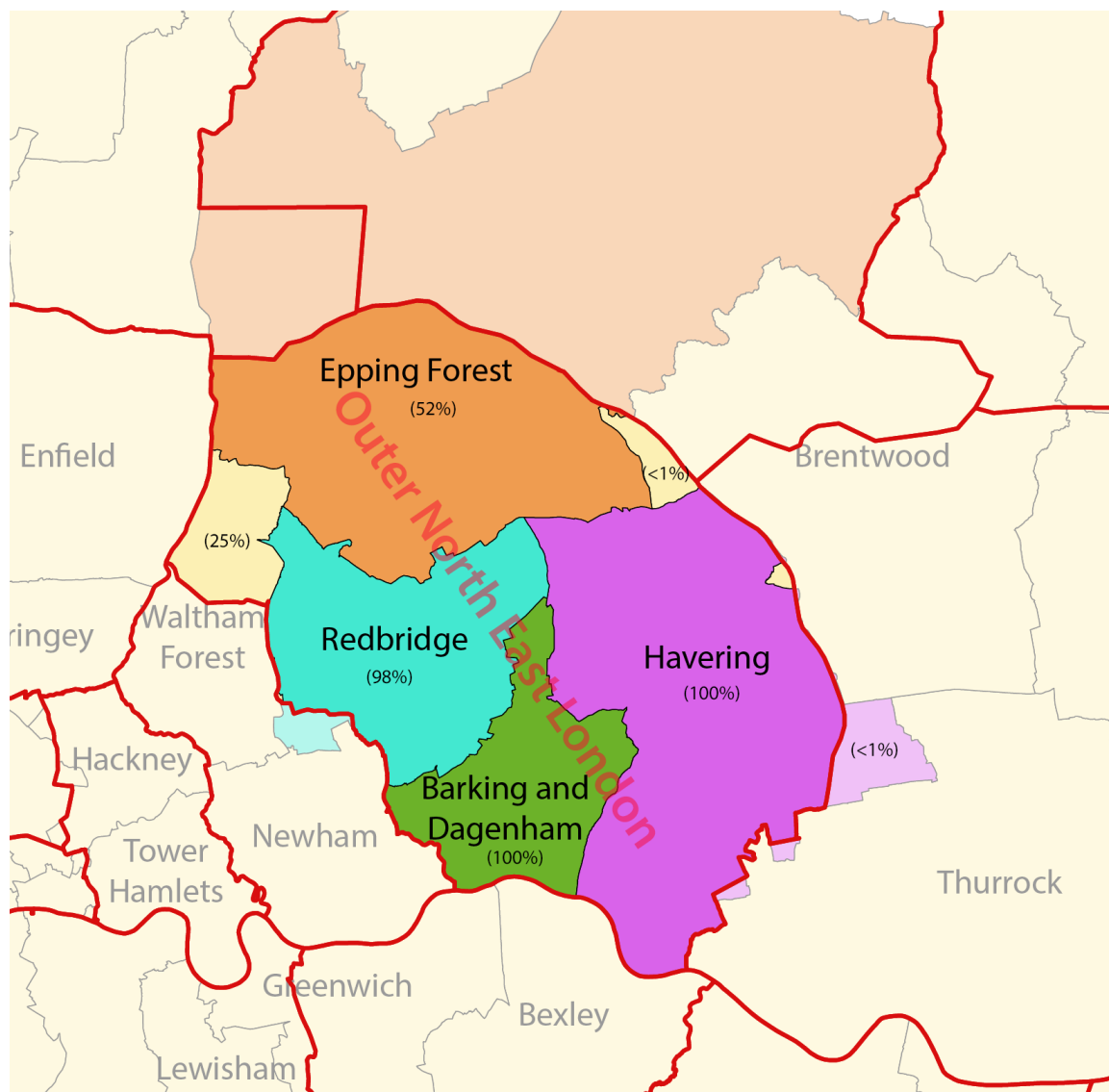
2.40 For planning purposes and the operation of the NPPF it is sensible for housing market areas to be relatively small to allow local authorities to work together as cohesive units. Therefore, ORS considers that the national Government-defined BRMAs based on house prices and rents form a sensible basis for deriving housing market areas in London where migration and travel to work patterns do not identify any distinct sub-markets.

2.41 We would stress that there are many ways of analysing housing sub-markets. The SHMA conclusion that Barking and Dagenham, Havering and Redbridge can considered as part of a single housing market area, with Newham part of a separate housing market area with Waltham Forest is based on a tested methodology which has been accepted in examination, but that does not prevent other options being explored.

Administrative Boundaries and Housing Market Areas

2.42   The NPPF recognises that housing market areas may cross administrative boundaries, and PPG emphasises that housing market areas reflect <u>functional</u> linkages between places where people live and work. The previous 2007 CLG advice note[8] also established that functional housing market areas should not be constrained by administrative boundaries, nevertheless it suggested the need for a "best fit" approximation to local authority areas for developing evidence and policy (paragraph 9):

> *"The extent of sub-regional functional housing market areas identified will vary and many will in practice cut across local authority administrative boundaries. For these reasons, regions and local authorities will want to consider, for the purposes of developing evidence bases and policy, using a pragmatic approach that <u>groups local authority administrative areas together as an approximation for functional sub-regional housing market areas</u>."*

2.43   This "best fit" approximation has also been commended by the PAS OAN technical advice note, which suggests (paragraph 5.21):

> *"It is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities data availability is poor and analysis is becomes impossibly complex. There may also be 'cliff edge' effects at the HMA boundary, for example development allowed on one side of a road but not the other."*

2.44   This means there is a need for balance in methodological approach:

»   On the one hand, it is important that the process of **analysis and identification of the functional housing market areas should not be constrained by local authority boundaries**. This allows the full extent of each functional housing market to be properly understood and ensures that all of the constituent local planning authorities can work together under the duty to cooperate, as set out in Guidance (PPG, paragraph 10).

»   On the other hand, and as suggested by the recent PAS OAN technical advice note (and the previous CLG advice note), it is also necessary to identify a "best fit" for each functional housing market area that is based on local planning authority boundaries. This "best fit" area provides an appropriate basis for analysing evidence and drafting policy, and would normally represent the group of authorities that would take responsibility for undertaking a Strategic Housing Market Assessment (SHMA).

2.45   In summary, therefore, the approach to defining housing market areas needs to balance robust analysis with pragmatic administrative requirements. Therefore, whilst we have established the most up-to-date functional housing markets for Outer North East London, it is now necessary to consider the most appropriate working arrangements for establishing the evidence base that the NPPF requires.

---

[8] Identifying sub-regional housing market areas (CLG, March 2007)

Conclusions

2.46   On the basis of the evidence, we would conclude that:

» Greater London can be considered as a single large housing market area which contains many smaller overlapping housing market areas within it.

» Migration and travel to work flows do not identify any distinct housing market areas in London.

» House price represents a means of identifying separate housing market areas in London. The VOA has worked with house price and rent nationally to identify BRMAs which determined LHA levels.

» BRMAs represent the most practical and pragmatic approach to identifying housing market areas in London. The 13 BRMAs in London will allow small groups of London boroughs to plan together.

» 100% of Newham's population fall in the Outer East London BRMA.

» 100% of Barking and Dagenham, 100% of Havering and 98% of Redbridge's populations fall in the Outer North East London BRMA.

» When assessing objectively assessed needs at housing market area level we recommend that Barking and Dagenham, Havering and Redbridge be considered as one area, with Newham as part of a separate area (along with Waltham Forest).

» Given the overlapping nature of housing market areas, this does not preclude Barking and Dagenham, Havering, Redbridge and Newham from also considering their needs as part of the wider Outer North East London area. The Census migration data supports this conclusion.

» Given this context, it is appropriate for the SHMA analysis to focus upon two core areas (i.e. Barking and Dagenham, Havering and Redbridge, and Newham). Nevertheless, it will be important that the four boroughs consider the needs of other authorities in surrounding areas, their relationship and that these issues are explored under Duty to Co-operate arrangements.

» The HMA analysis should not be seen as prescriptive on other authorities who may wish to identify their housing market areas by other means.

3. Demographic Projections
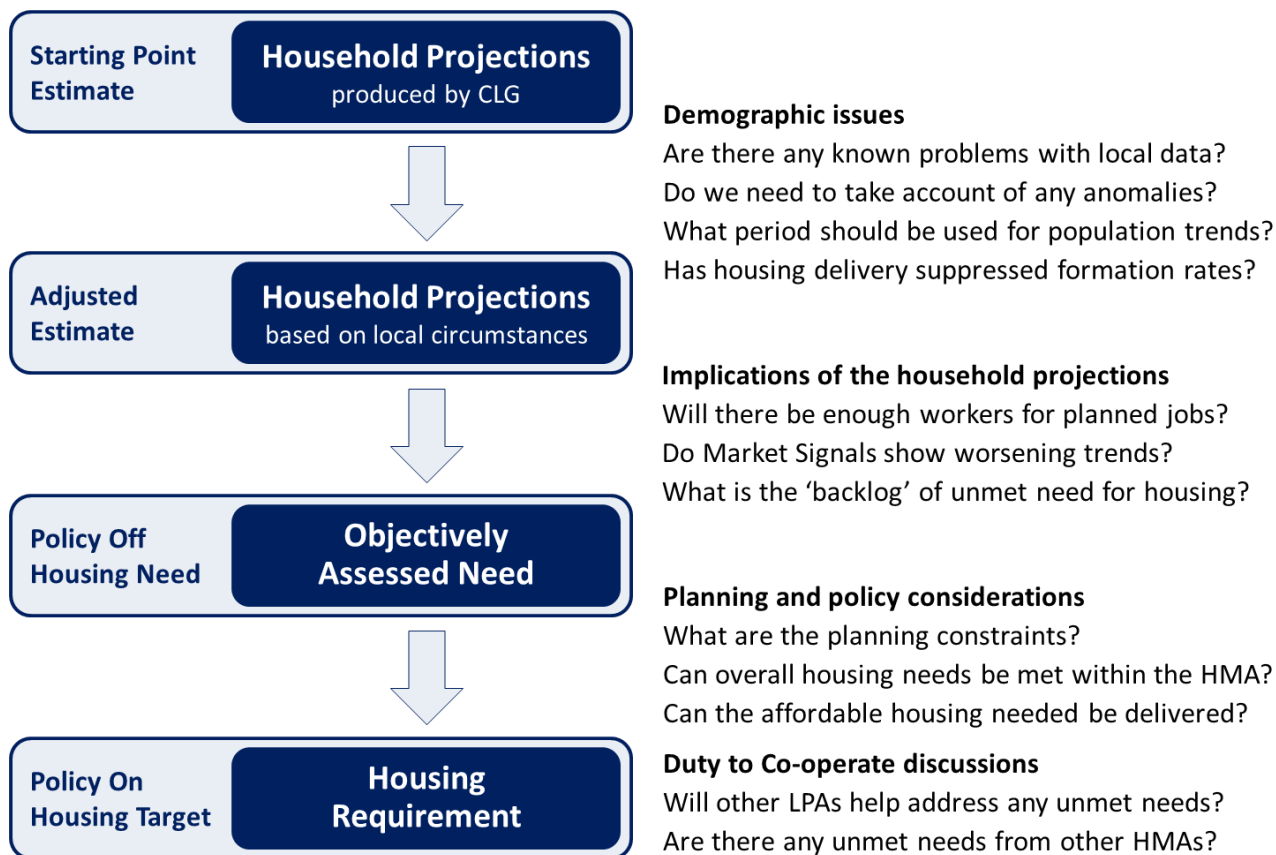## The starting point for Objectively Assessed Need

Chapter Summary

3.1   The first step in the Objective Assessment of Need is a demographic process to derive housing need from a consideration of population and household projections, after which market signals are considered. The key points and conclusions of the demographic process are:

» PPG places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. The ONS Sub National **Population projections** are also considered.

» For the 25-year period 2012-37, the CLG 2012-based projections show an annual increase of 3,900 households in Outer East London and 4,927 households in Outer North East London.

» Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

» CLG and GLA household projections are considered. GLA long-term trend migration scenario is used as the basis for the SHMA central estimates. Long-term 10-year migration scenarios are more likely to capture both highs and lows and are not as dependent as 5-year scenarios on trends that may be unlikely to be repeated.

» GLA long-term trends based on 12-year migration flows identifies a total increase of 7,428 households per annum (7,587 dwellings) over the 22-year period 2011-33 and this provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing for the 22-year Plan period 2011-33.

Process for Establishing Objectively Assessed Need

3.2   The Objective Assessment of Need identifies the quantity of housing needed (both market and affordable) in the Housing Market Area over future plan periods. This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).

3.3   Figure 11 sets out the process for establishing the housing number for the Housing Market Area. It starts with a demographic process to derive housing need from a consideration of population and household projections. This chapter therefore considers the most appropriate demographic projection on which to base future housing need.

3.4   To establish the Objectively Assessed Need (OAN), external market and macro-economic constraints are applied to the demographic projections ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings. Nevertheless, it is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors should subsequently be considered by the local planning authorities as part of the plan-

making process in order to establish the appropriate Housing Requirement and planned housing number.

Figure 11: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)

Starting Point Estimate	**Household Projections** produced by CLG

Demographic issues
Are there any known problems with local data?
Do we need to take account of any anomalies?
What period should be used for population trends?
Has housing delivery suppressed formation rates?

Adjusted Estimate	**Household Projections** based on local circumstances

Implications of the household projections
Will there be enough workers for planned jobs?
Do Market Signals show worsening trends?
What is the 'backlog' of unmet need for housing?

Policy Off Housing Need	**Objectively Assessed Need**

Planning and policy considerations
What are the planning constraints?
Can overall housing needs be met within the HMA?
Can the affordable housing needed be delivered?

Policy On Housing Target	**Housing Requirement**

Duty to Co-operate discussions
Will other LPAs help address any unmet needs?
Are there any unmet needs from other HMAs?

Official Household Projections

3.5 Planning Practice Guidance published in March 2014 places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections.

> *Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*
>
> *The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.*
>
> **Planning Practice Guidance 2014, paragraph 15**

> *The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.*
>
> **Planning Practice Guidance 2015, paragraph 16**

3.6 Given this context, Figure 12 sets out the 2012-based **household** projections together with previous household projections that CLG has produced for the area. The projections have varied over time,

with the most recent set of projections showing the highest projected rates of growth. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

Figure 12: CLG Household Projections for North East London: annual average growth (Source: CLG Household Projections Note: Figures may not sum due to rounding**)**

	2012 based		2011 based interim		2008 based	
	10 years 2012 22	25 years 2012 37	10 years 2011 21	25 years Not published	10 years 2008 18	25 years 2008 33
Newham	2,654	2,244	1,408	-	164	379
Waltham Forest	1,667	1,656	1,196	-	446	580
OUTER EAST LONDON	**4,320**	**3,900**	**2,603**		**610**	**959**
Barking & Dagenham	1,511	1,507	1,471	-	468	568
Havering	1,162	1,306	1,163	-	949	1,007
Redbridge	2,191	2,114	2,179	-	1,329	1,256
OUTER NORTH EAST LONDON	**4,863**	**4,927**	**4,813**		**2,746**	**2,831**

3.7   The CLG 2012-based household projections show an increase of 4,927 households each year over the 25-year period 2012-37, and a marginally lower rate (4,863 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede both the 2008-based household projections (which projected a household growth of 2,831 per year from 2008-33) and the interim 2011-based household projections (which projected growth of 2,746 per year from 2011-21). The differences are largely due to changes in the ONS population projections (Figure 13) on which the CLG household projections are based; although there have also been changes to household representative rates (considered later in this chapter).

Official Population Projections

3.8   Figure 13 and Figure 14 show the outputs from the latest (2012-based) ONS Sub National **Population** Projections together with the previous projections that have informed the various CLG household projections (though note that CLG did not produce household projections based on the 2010-based SNPP). It is evident that the 2012-based projections follow a similar trajectory to the 2010-based and 2011 based projections, albeit from a higher starting point in Outer East London, but a notably higher rate of increase than projected by the 2008-based projection.

Figure 13: **ONS Mid-Year Estimates and Sub-National Population Projections for Outer East London (Source: ONS. Note: There were methodological changes to the migration assumptions between the 2008-based and subsequent SNPP. Household projections were not produced for the 2010-based SNPP)**

Figure 14: **ONS Mid-Year Estimates and Sub-National Population Projections for Outer North East London (Source: ONS. Note: There were methodological changes to the migration assumptions between the 2008-based and subsequent SNPP. Household projections were not produced for the 2010-based SNPP)**
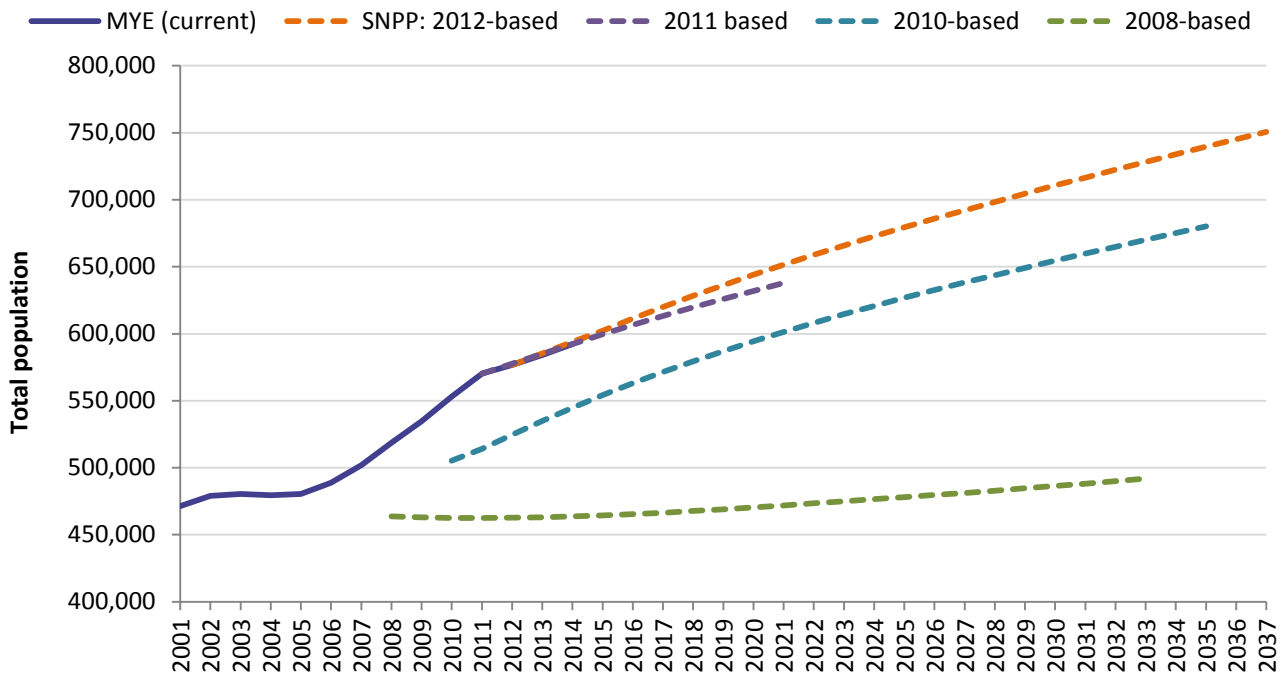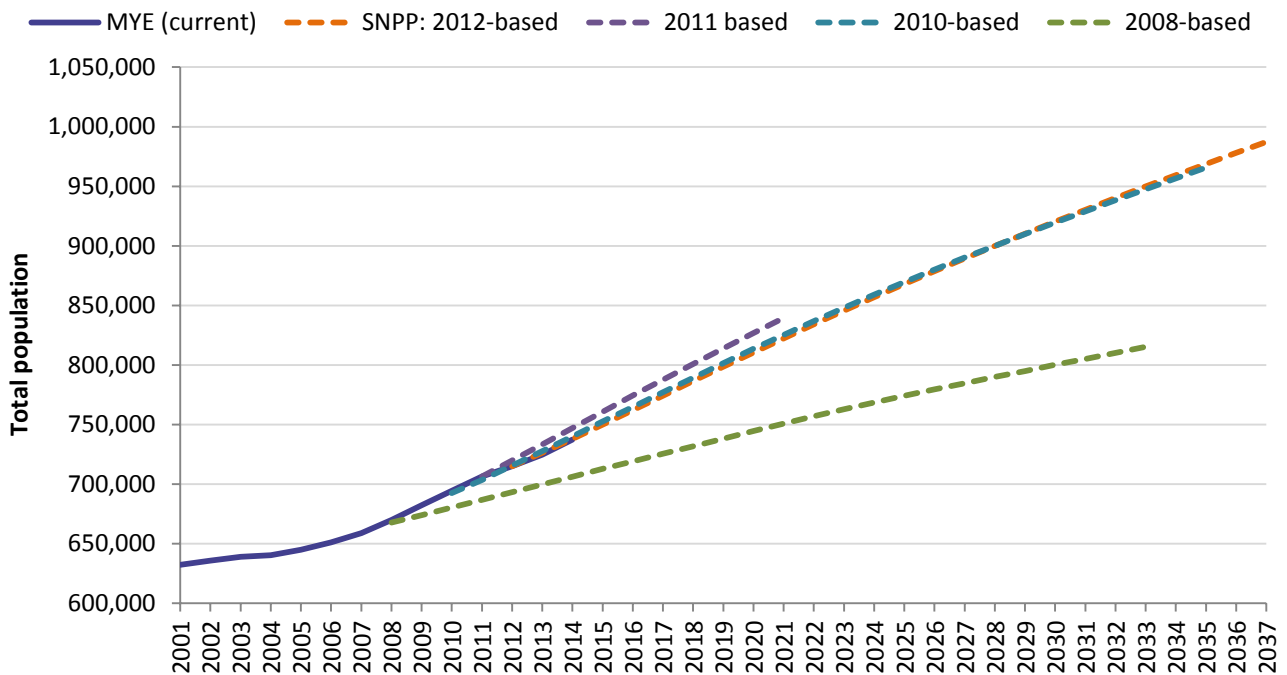

3.9   Differences in the projected increase in population between the different projections are largely associated with the **assumed migration rates**, which are based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth. There were also methodological changes to the migration assumptions between the 2008-based and

2010-based figures. However, it is clear that the 2008-based household projections were based on a much slower population growth than is currently projected.

Population and Household Projections based on Local Circumstances

3.10   Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance 2014, paragraph 17**

3.11   Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (paragraphs 6.12-5.13):

> *''To predict migration between local authorities within the UK that model uses a base period of five years (for international migration the period is six years and the figures are controlled to national totals). This can throw doubt on the projections, because for many areas migration varies widely over time. Over a number of years one would expect such fluctuations to cancel out, so that long-term trends become apparent. But a five-year base period does not seem enough for this, bearing in mind that the ONS projections look ahead 25 years and Local Plans 15 years or longer. This is a main reason why for many areas successive rounds of population projections show very different results.*
>
> *The base period used in the latest official projections, 2007-12, is especially problematic. The period covers all of the last recession, in which migration was severely suppressed as many households were unable to move due to falling incomes and tight credit. Therefore the official projections may underestimate future migration - so that they show too little population growth for the more prosperous parts of the country, which have been recipients of net migration in the past. If so, by the same token the projections will also overestimate population growth for areas with a history of net out-migration.''*

3.12   This issue was also considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015)[9].

> *"The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. … A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a*

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[9] "Making sense of the new English household projections", Town and Country Planning (April 2015)

boom period with a recession, it serves to indicate the impact of the choice of reference
period for trend projections."

3.13 On balance, we consider that:

» 5-year trend migration scenarios are less reliable: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are unlikely to provide a robust basis for long-term planning.

» 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-year migration trends as the basis for our analysis.**

3.14 This SHMA has, therefore, produced additional projections based on long-term migration trends as part of the analysis. Whilst no one scenario will provide a definitive assessment of the future population; considering demographic projections where migration is based on long-term trends provides a more appropriate basis on which to consider future housing need.

3.15 We have adopted this approach systematically across all SHMAs that we have undertaken since the publication of the NPPF, and the approach was supported by the Inspector examining the Core Strategy for Bath and North East Somerset. His report[10] concluded (paragraphs 42-43):

"Given the uncertainties inherent in some of the data, particularly for flows of migrants
internationally, a 10 year period is a reasonable approach … The inter-censal period provides
a readily understandable and robust check on the reasonableness of the average of about
550 per year for migration and other change used in the ORS model. Thus I consider that the
ORS mid-trend population projection is a reasonable demographic projection."

Population Trends

3.16 Figure 15 to Figure 19 shows the current and historic mid-year **population** estimates and Census estimates for each of the authorities since 1981. The data shows that the local authorities' populations were relatively stable throughout the 1980s and 1990s. However, since 2001 all of the authorities have seen a sharp growth in their populations with the growth in both Newham and Waltham Forest not being identified until the release of the 2011 Census.

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[10] Report on the Examination into Bath and North East Somerset Council's Core Strategy (June 2014)

Figure 15: Newham official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)
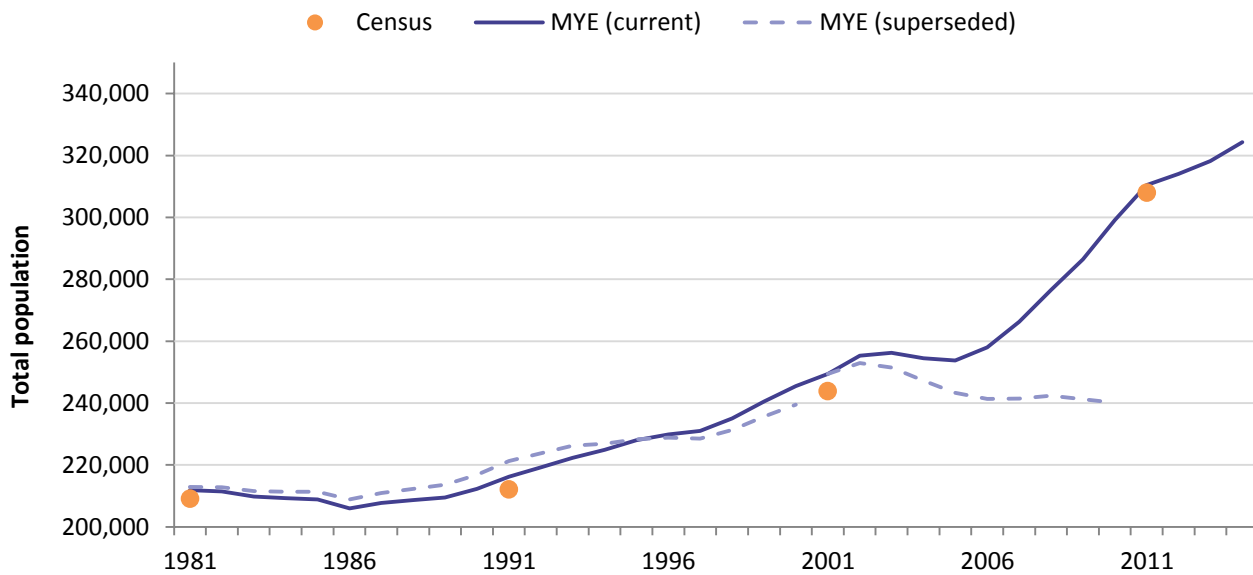

Figure 16: Waltham Forest official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)
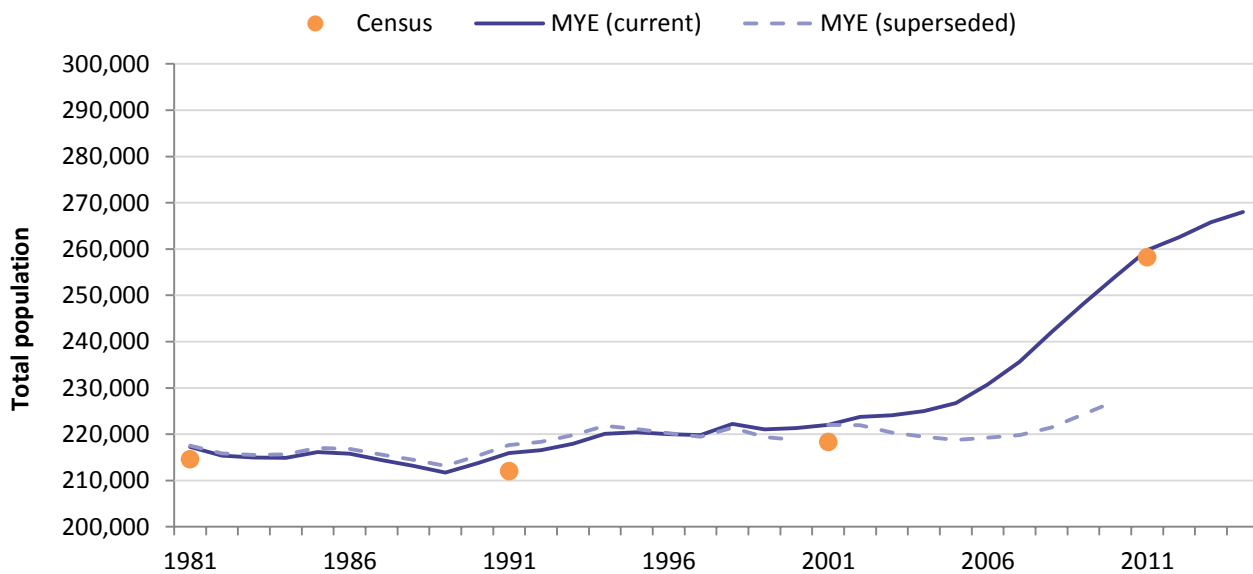
Figure 17:   Barking & Dagenham official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)

Figure 18:   Havering official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)

Figure 19:   Redbridge official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)
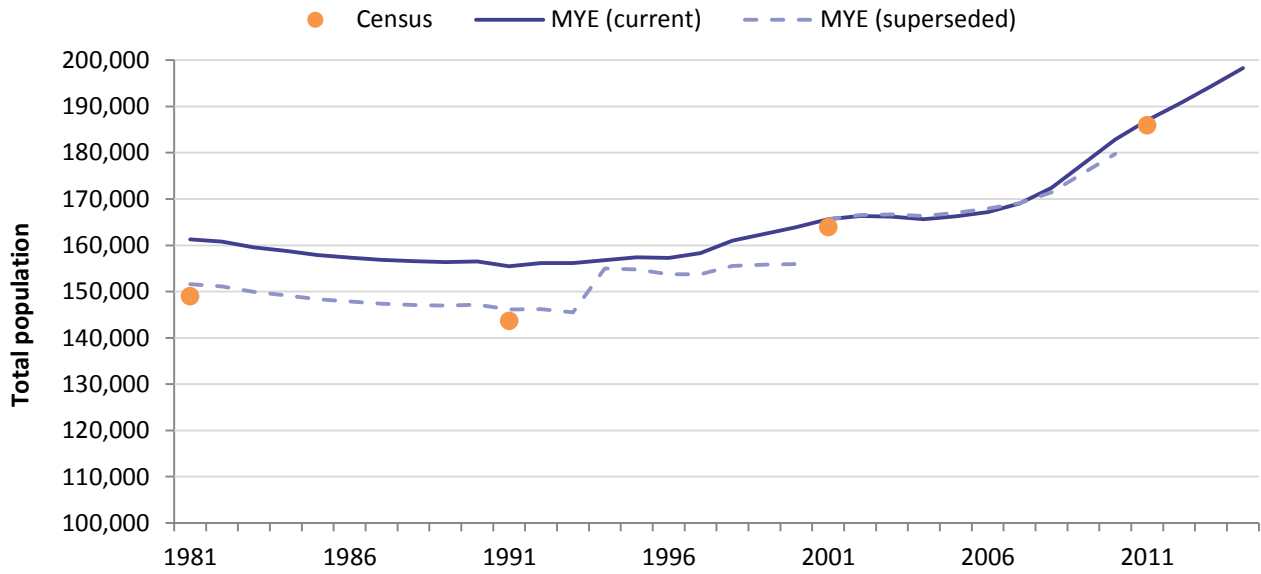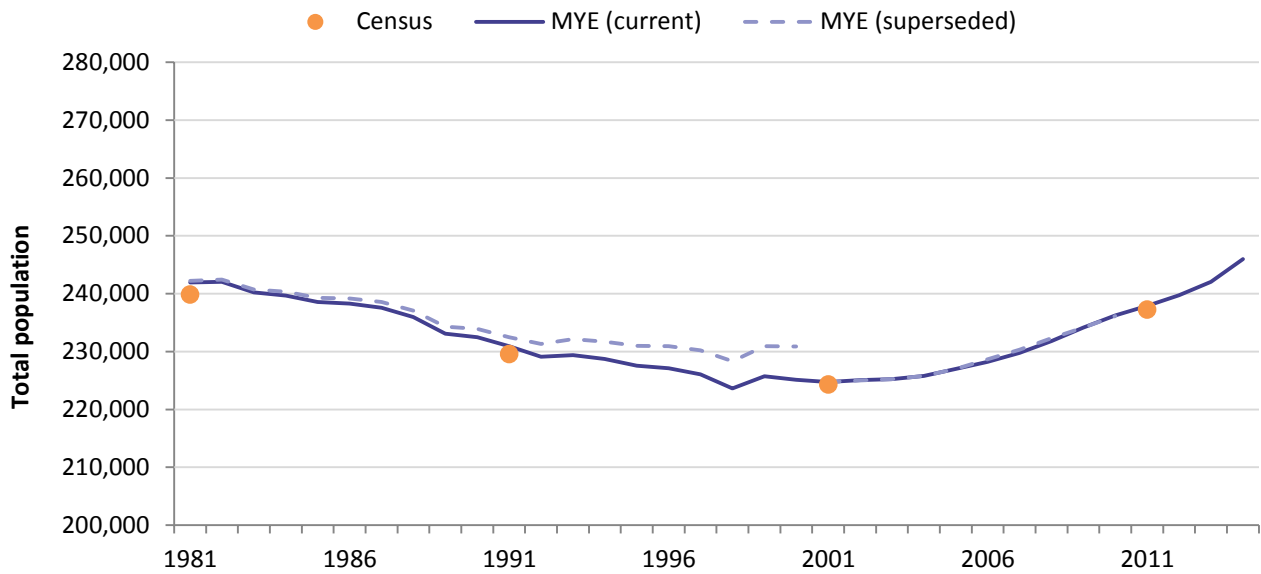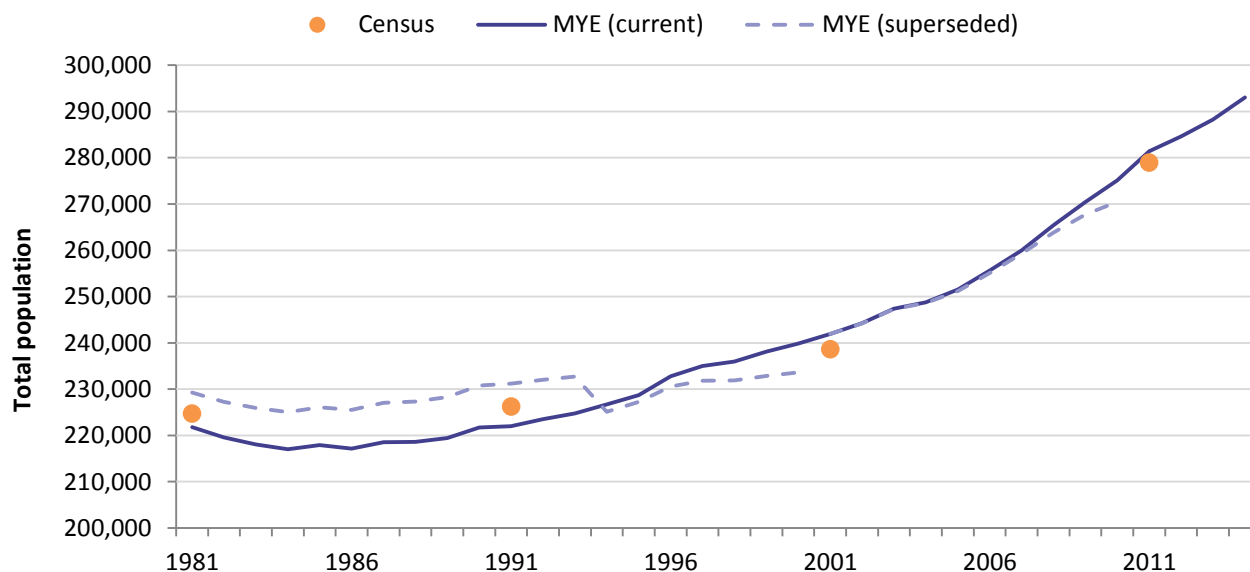

Population Projections

3.17   Having considered past population growth and its components, both the ONS and the GLA have produced population projections for each of the boroughs. Figure 20 shows all of the official estimates and projections for population in one chart for Outer East London and Figure 21 shows the equivalent figures for Outer North East London. It is clear that the GLA 2014 round short-term round data closely mirrors the 2012 based SNPP which is unsurprising given that the data underwriting them are from similar periods.

3.18   However, the GLA 2014 round long-term trends show a lower rate of growth with an assumption of slightly lower in-migration to London and higher out-migration from London.

Figure 20: Official population estimates and projections for Outer East London the period 2001-2035 (Source: ONS and GLA
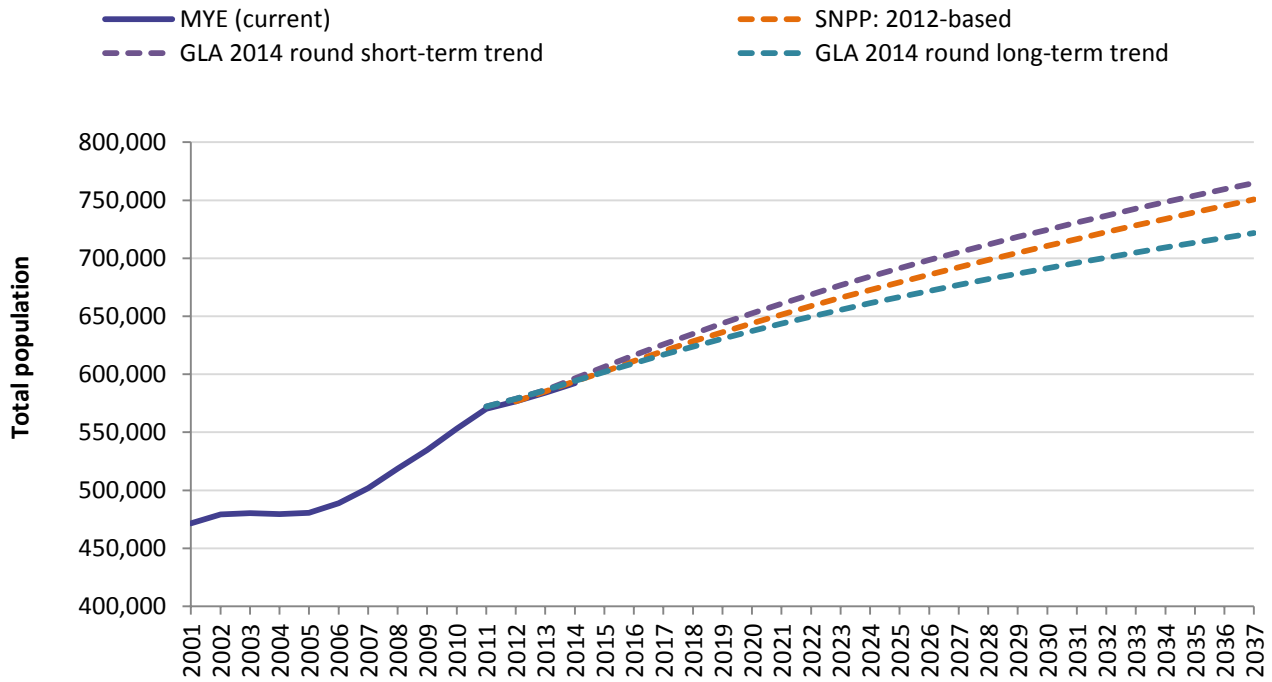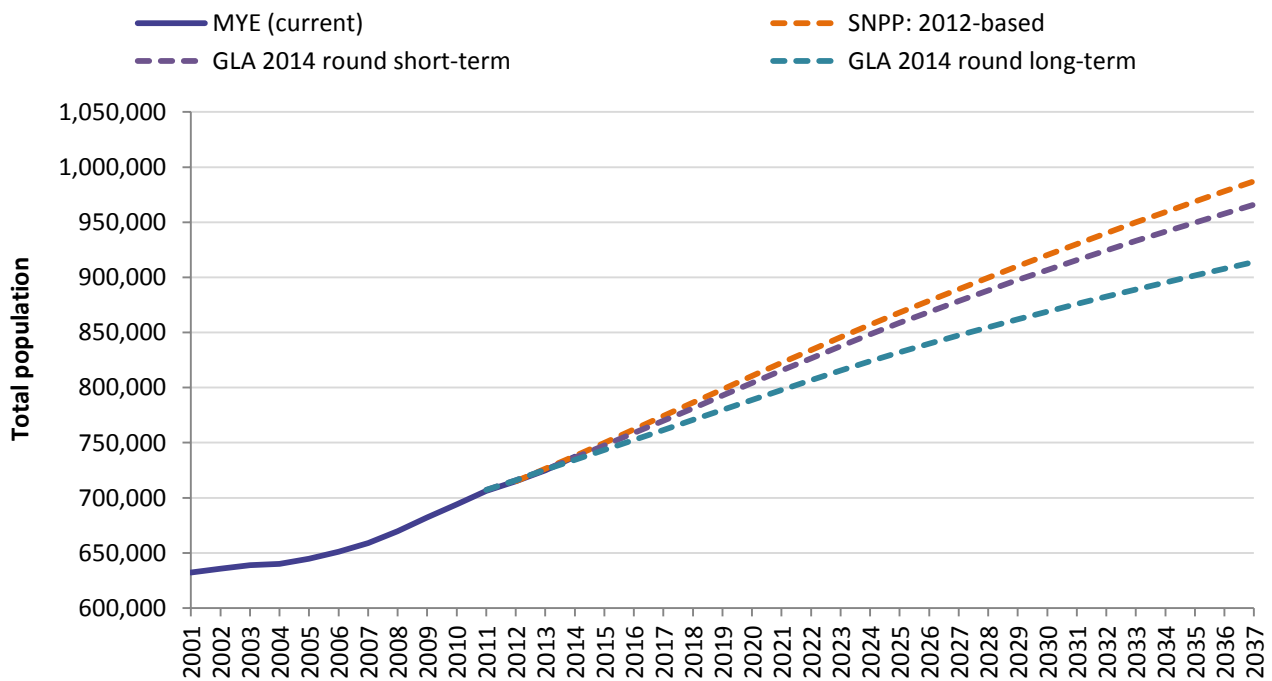

Figure 21: Official population estimates and projections for Outer North East London for the period 2001-2037 (Source: ONS and GLA

Establishing the Future Need and Demand for Housing

3.19 Modelling future need and demand for housing requires a consideration of the future housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered. Further, it needs to be produced in a way that is consistent, strategic and robust.

3.20 The National Planning Policy Framework contains a presumption in favour of sustainable development, and states that Local Plans should meet objectively assessed needs for market and affordable housing based on household and population projections that take account of migration and demographic change:

*At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*

Local planning authorities should positively seek opportunities to meet the development needs of their area.

Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.

National Planning Policy Framework (NPPF), paragraph 14

To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.

National Planning Policy Framework (NPPF), paragraph 47

Local planning authorities … should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries.

The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change.

National Planning Policy Framework (NPPF), paragraph 159

Official Household Projections

3.21 Planning Practice Guidance published in March 2014 places emphasis on the role of CLG Household Projections as the appropriate starting point in determining objectively assessed need. However, the Guidance does allow for the use of sensitivity testing of CLG Household projections to 'test' whether these are appropriate, allowing for alternative assumptions to be used.

3.22   In the case of London we consider it appropriate to acknowledge the role of the GLA's own household projections. As discussed above, the projections undertaken by the GLA are more specific to London than those undertaken by CLG. Therefore, they form a more credible basis for planning in London than CLG's projections.
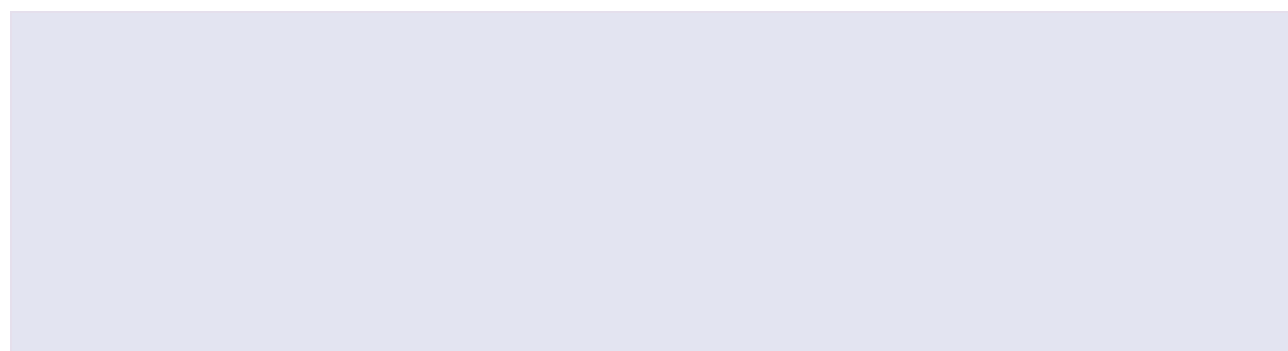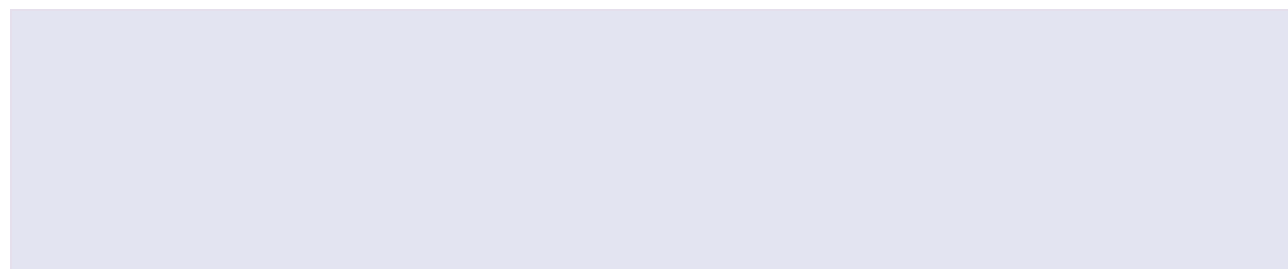
3.23   Given this context, Figure 22 sets out the range of household projections that CLG and GLA has produced for the boroughs for both 10 and 25 year periods. The GLA short term trend migration model uses data from 2008-2013 to project future migration, while the long-term migration scenario uses migration from 2001-2013 as the basis for its projection.[11]

Figure 22: CLG and GLA Household Projections for North East London: annual average growth (Source: CLG Household Projections Note: Figures may not sum due to rounding**)**

	CLG 2012 based		GLA 2014 Round Short term trends		GLA 2014 Round Long term trends	
	10 years 2012 22	25 years 2012 37	10 years 2011 21	25 years 2011 36	10 years 2011 21	25 years 2011 36
Newham	2,654	2,244	2,829	2,441	2,229	1,856
Waltham Forest	1,667	1,656	1,771	1,,710	1,760	1,617
OUTER EAST LONDON	**4,320**	**3,900**	**4600**	**4,151**	**3,989**	**3,473**
Barking & Dagenham	1,511	1,507	1,488	1,516	1,063	1,067
Havering	1,162	1,306	1,010	1,181	865	1,000
Redbridge	2,191	2,114	1,771	1,710	1,851	1,783
OUTER NORTH EAST LONDON	**4,863**	**4,927**	**4,269**	**4,407**	**3,779**	**3,850**

3.24   It is clear that the GLA projections using long-term trends for migration are typically lower than both the CLG 2012 based and GLA short-term trend migration models. The GLA projections indicate that the last 5 years for London have seen high levels of net migration and that a return to longer-term trends would see this figure being reduced.

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[11] The 2014 round GLA household projections were updated in December 2015 after the analysis for this report was completed.

3.25 Across England as a whole we have taken the view that on balance, we consider that:

» 5-year trend migration scenarios are unlikely to be robust: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are unlikely to provide a robust basis for long-term planning.

» 10-12-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-12 migration trends as the basis for our analysis.**

3.26 ORS are undertaking SHMAs for a range of local authorities across England, with many in commuter areas around London. In all cases we are utilising long-term trends in our modelling, so and assumption of long-term migration trends to and from London are balance by the same assumptions being applied to areas outside of London.

3.27 This SHMA therefore, uses the GLA long-term trend migration scenario as the basis for its central estimates. However, it is important to recognise that no one scenario will provide a definitive assessment of the future population and therefore we have sensitivity tested the figures using the short-term trend analysis form the GLA.

Household Projections and Dwellings

3.28 Using the GLA household projections, we can establish the projected number of additional households. The projected increase in households across the area is summarised in Figure 23.

3.29 Figure 23 also provides an estimate of dwelling numbers, which takes account of vacancies and second homes based on the proportion of dwellings without a usually resident household identified by the 2011 Census. This identified a rate of 2.1% for Barking and Dagenham, 2.1% for Havering, 2.0% for Newham, 2.4% for Redbridge and 1.9% for Waltham Forest.

Figure 23: Projected households and dwellings over the 22-year period 2011-33 (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in 2011 Census Note: Figures may not sum due to rounding)

	GLA 2014 Round Short term trends		GLA 2014 Round Long term trends	
	Households 22 years 2011 33	Dwellings 22 years 2011 33	Households 22 years 2011 33	Dwellings 22 years 2011 33
Newham	2,518	2,569	1,921	1,960
Waltham Forest	1,731	1,765	1,649	1,681
OUTER EAST LONDON	**4,249**	**4,334**	**3,570**	**3,641**
Barking & Dagenham	1,525	1,558	1,075	1,098
Havering	1,153	1,178	975	996
Redbridge	1,989	2,038	1,808	1,852
OUTER NORTH EAST LONDON	**4,667**	**4,773**	**3,858**	**3,946**

3.30 While ORS consider that the GLA population and household projections utilised more local information than those produced by the ONS and CLG, we note two key points around their use in Outer North East London.

3.31 The first issue relates to the treatment of Unattributable Population Change (UPC) in the GLA's population projections. UPC is an accountancy adjustment to reflect the difference between MYE and

Census population estimates. In Newham and Waltham Forest, the 2011 Census indicated a very much larger population than had been identified by the MYE and the ONS label this discrepancy as UPC.

3.32   In their population projections, the GLA allocate the UPC to international migration. Therefore, the GLA effectively state that the population of Newham and Waltham Forest has grown faster than was previously believed and that all of this was due to international migration. This extra migration is then assumed to continue in to the future giving a higher projected population growth. Therefore, additional persons per annum have been added to the migrant numbers for Newham and Waltham Forest for each year in the projections.

3.33   As a general rule, ORS would agree with this approach. However, the UPC for Newham and Waltham Forest is so high that the figures should be treated with caution because some of the change may be due to other factors such as an under-estimate of the 2001 population. If the 2001 population was an under-estimate then the population growth between 2001 and 2011 wouldn't have been so high.

3.34   A second point to highlight is that the GLA household projections use the household representative rates from CLG 2012 based projections. While household sizes have risen in all authorities except for Havering since 1991, the CLG household representative rates see household sizes falling rapidly in the future. While some of this change can be attributed to an ageing population it does represent a striking reversal of recent trends and should be treated with caution.

Conclusions

3.35   PPG identifies that the *"starting point estimate of overall housing need"* is the CLG 2012-based household projections shown in Figure 22. For the 25-year period 2012-37, these projections show an annual increase of 8,827 households across the 5 local authorities; 3,900 in Outer East London and 4,927 in Outer North East London.

3.36   The data above shows that the principal projection (GLA long-term trends based on 12-year migration flows) identifies a lower increase of 7,428 households per annum (7,587 dwellings) over the 22-year period 2011-33, The long-term migration trends provide the most robust and reliable basis for projecting the future population, and therefore **the projected household growth of 7,428 households each year (7,587 dwellings) provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing for the 22-year Plan period 2011-33**.

4. Affordable Housing Need
Identifying households who cannot afford market housing

Chapter Summary

4.1   This chapter considers the need for affordable housing, taking into account homeless households, concealed households, overcrowded households and other households living in unsuitable housing that cannot afford their own home. Newly forming households are then considered. It also provides initial estimates of the size mix of affordable housing required, affordable rents, shared and low cost home ownership and households with specific needs. The key points and conclusions of the affordable housing assessment are:

» Census data shows totals of 8,325 concealed families in Outer East London, and 6,560 in Outer North East London in 2011. The **increase in concealed families under 55** between 2001 and 2011 Censuses was 3,859 in Outer East London and 2,745 in Outer North East London.

» Applying the bedroom standard of overcrowding to Census data and English Housing Survey (EHS) trends yields estimates that, **4,115 owner occupied, 6,372 private rented and 7,768 social rented households were overcrowded** in Outer East London in 2011 and that **4,191 owner occupied, 3,859 private rented and 4,828 social rented households were overcrowded** in Outer North East London.

» DWP HB data alongside Census data shows considerable percentages of existing households in some categories based on age, household type and borough of residence are unable to afford their housing costs.

» The Model identifies that in Outer East London 37% of all newly forming households are unable to afford their housing costs, while the figure in Outer North East London is 34%.

» Bringing the information together for Outer East London gives a net estimate (after taking into factors such as account vacancies in affordable housing stock) of a need for additional affordable housing for 36,646 households over the period 2011-33. This is equivalent to an average of 1,666 households or 1,700 dwellings when allowing for vacant homes per year. This equates to 44% of all provision.

» Bringing the information together for Outer North East London gives a net estimate (after taking into factors such as account vacancies in affordable housing stock) of a need for additional affordable housing for 37,850 households over the period 2011-33. This is equivalent to an average of 1,720 households or 1,750 dwellings when allowing for vacant homes per year or 43.1% of all provision.

Defining Households in Housing Need

4.2   Demographic projections provide the basis for identifying the Objectively Assessed Need for all types of housing, including both market housing and affordable housing.

4.3   PPG notes that affordable housing need is based on households *"who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market"* (paragraph 22) and identifies a number of different types of household which may be included:

> ***What types of households are considered in housing need?***
>
> *The types of households to be considered in housing need are:*
>
> » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
>
> » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
>
> » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
>
> » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
>
> » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**
> **Paragraph 023**

4.4   PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (paragraph 24):

» Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.

» The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.

» Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

4.5   The following section considers each of these sources in turn, alongside other relevant statistics and information that is available.

Past Trends and Current Estimates of the Need for Affordable Housing

Local Authority Data: Homeless Households and Temporary Accommodation

4.6   In both Outer East London and Outer North East London, there was a downward trend in the number of households accepted as being homeless and in priority need from 2005-2011 (Figure 24). However, the figures have started to rise again since 2011, with the most recent quarter in 2015 showing 426 cases in Outer East London and 328 cases in Outer North East London.

4.7   In Outer East London there has also been a downward trend in households living in temporary accommodation. In Outer East London there were 4,097 such households in 2002, including 873 in bed and breakfast accommodation and a further 131 in hostels; this had reduced to 3,811 in 2011, a net reduction of 286 households. The opposite pattern emerges for Outer North East London with a

sharp growth in those living in private sector leased properties being part of a net 1,186 growth in the number of households living in temporary accommodation.

Figure 24: Households accepted as homeless and in priority need and households in temporary accommodation 2001-15 (Source: CLG P1E returns. Note: Gaps in the chart represent missing data) –
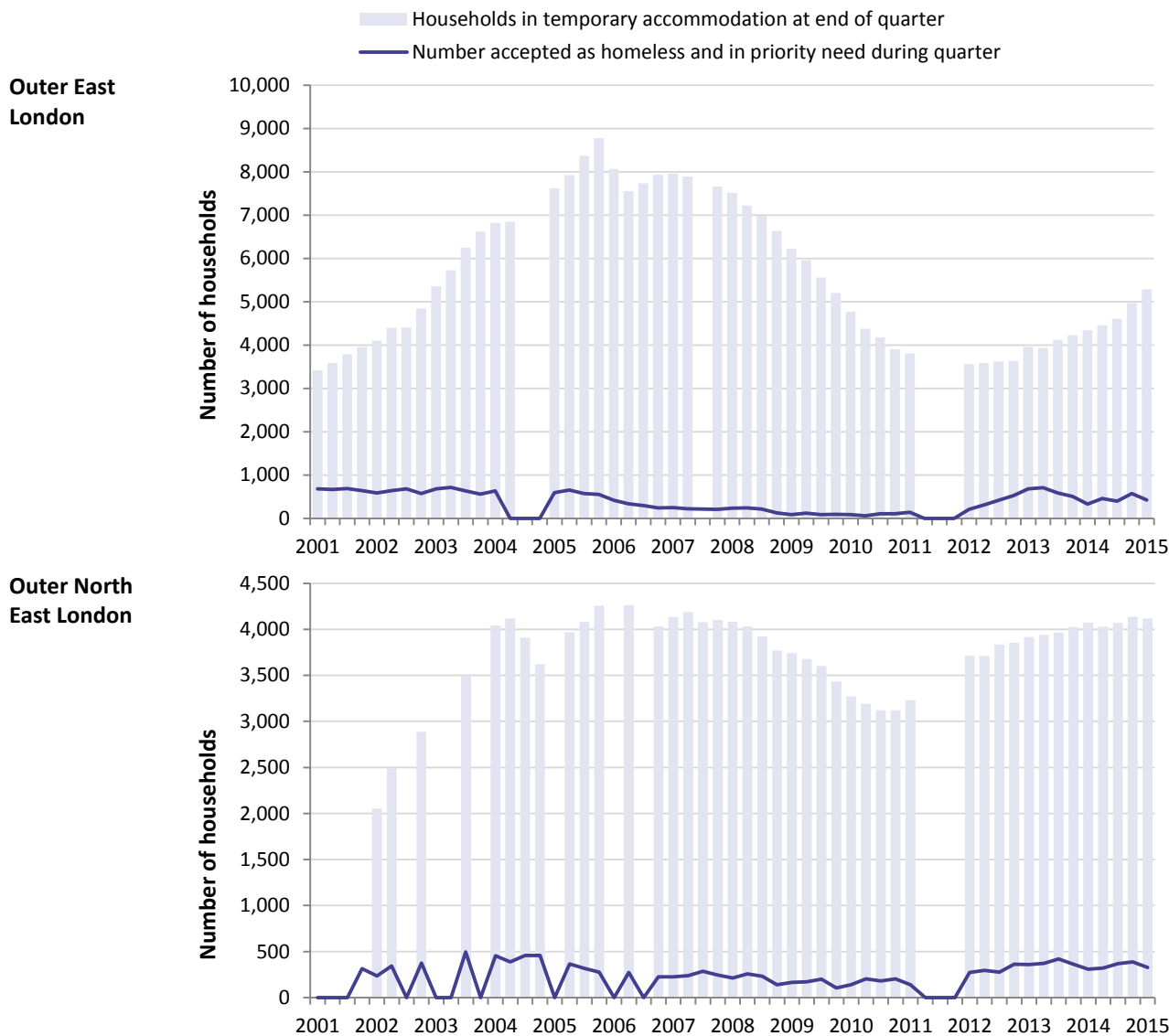

Figure 25: Households in temporary accommodation (Source: CLG P1E returns for March 2001, March 2002 and March 2011 Note: Figures may not sum due to rounding)

		Outer East London			Outer North East London			England 2011
		2001	2002	2011	2001	2002	2011	2011
	Bed and breakfast	776	873	43	*	286	118	-
	Hostels	230	131	37	*	69	92	-
	Local Authority or RSL stock	918	1,100	176	*	882	8	-
	Private sector leased (by LA or RSL)	1,465	1,576	1,639	*	245	2,637	-
	Other (including private landlord)	27	417	1,916	*	572	375	-
	TOTAL	3,416	4,097	3,811	*	2,054	3,230	**-**
	Rate per 1,000 households	18.7	22.1	20.8	*	8.2	12.2	*2.2*
Households accepted as homeless but without temporary accommodation provided		604	755	18	*	0	0	-

4.8   It is evident that statutory homelessness has not become significantly worse across the study area over the period since 2002, but this does not necessarily mean that fewer households risk becoming homeless. Housing advice services provided by the councils limit the number of homeless presentations, through helping people threatened with homelessness find housing before they become homeless and many councils have a strong record of homelessness prevention in the years preceding the Localism Act. Housing allocation policies can also avoid the need for temporary housing if permanent housing is available sooner; however many households facing homelessness are now offered private rented housing.

4.9   Changes to the Law in 2011 means homeless households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change, Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2010 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

Census Data: Concealed Households and Overcrowding

4.10   The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their "host" household (in the case of concealed families) or with other households (for those sharing).

Concealed Families

4.11   Concealed families are defined as; "family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity"[12]. The number of **concealed families** living with households in Outer East London increased from 3,523 to 8,325 over the 10-year period 2001-11 Figure 26, an increase of 4,802 families (60%). Meanwhile the number of concealed households in Outer North East London rose by 3,780 over the same time period.

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[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

Figure 26: Concealed families in Outer East London and Outer North East London HMAs by age of family representative (Source: Census 2001 and 2011 Note: Figures may not sum due to rounding**)**

	Outer East London			Outer North East London		
	2001	**2011**	**Net change 2001 11**	**2001**	**2011**	**Net change 2001 11**
Aged under 25	375	1,128	+753	278	864	+586
Aged 25 to 34	1,141	3,407	+2,266	874	2,375	+1,501
Aged 35 to 44	552	841	+289	466	668	+203
Aged 45 to 54	303	855	+552	212	667	+456
Sub total aged under 55	**2,371**	**6,231**	**+3,859**	**1,830**	**4,575**	**+2,745**
Aged 55 to 64	435	829	+395	343	634	+291
Aged 65 to 74	574	809	+235	471	839	+368
Aged 75 or over	143	456	+313	136	512	+376
Sub total aged 55 or over	**1,152**	**2,094**	**+943**	**950**	**1,985**	**+1,035**
All Concealed Families	**3,523**	**8,325**	**+4,802**	**2,780**	**6,560**	**+3,780**

4.12   Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 3,859 families over the period 2001-11 in Outer East London and 2,745 in Outer North East London, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Sharing Households

4.13   The number of sharing households in Outer East London increased from 1,178 to 1,213 over the 10-year period 2001-11 (Figure 27), an increase of 35 households.   Outer North East London saw a rise on 32 households sharing.

Figure 27: Shared Dwellings and Sharing Households in Outer East London and Outer North East London HMAs (Source: Census 2001 and 2011 Note: Figures may not sum due to rounding**)**

	Outer East London			Outer North East London		
	2001	**2011**	**Net change 2001 11**	**2001**	**2011**	**Net change 2001 11**
Number of shared dwellings	445	385	-60	193	204	+11
Number of household spaces in shared dwellings	1,254	1,260	+6	650	664	+14
All Sharing Households	**1,178**	**1,213**	**+35**	**597**	**629**	**+32**
Household spaces in shared dwellings with no usual residents	76	47	-29	53	35	-18

4.14   Figure 28 shows that the number of multi-adult households living in Outer East London increased from 14,924 to 25,349 households over the same period, an increase of 10,425. The equivalent figure in Outer North East London was 4,618 more households. These people also have to share basic facilities, but are considered to be a single household as they also share a living room, sitting room or dining

area. This includes Houses in Multiple Occupation (HMOs) with shared facilities, as well as single people living together as a group and individuals with lodgers.

Figure 28: **Multi-adult Households in Outer East London and Outer North East London HMAs (Source: Census 2001 and 2011**
Note: Figures may not sum due to rounding**)**

	Outer East London			Outer North East London		
	2001	**2011**	**Net change 2001 11**	**2001**	**2011**	**Net change 2001 11**
Owned	6,850	7,382	+532	6,674	8,160	+1,486
Private rented	5,988	15,917	+9,929	2,489	5,356	+2,867
Social rented	2,086	2,050	-36	1,252	1,517	+265
All Households	**14,924**	**25,349**	**+10,425**	**10,415**	**15,033**	**+4,618**

4.15   The growth in multi-adult households was focussed particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs. This growth accounts for 9,928 households in Outer East London and 2,867 households in Outer North East London and this represents over four-fifths (85%) of the total increase in multi-adult households living in the area.

4.16   Nevertheless, shared facilities is a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.

4.17   There is therefore likely to be a continued (and possibly growing) role for HMOs, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

Overcrowding

4.18   The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

"There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement."

4.19   When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

» A one person household is assumed to require three rooms (two common rooms and a bedroom); and

» Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:

– each couple (as determined by the relationship question)

– each lone parent

– any other person aged 16 or over

– each pair aged 10 to 15 of the same sex

– each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex

– each pair of children aged under 10 remaining

– each remaining person (either aged 10 to 15 or under 10).

4.20 For Outer East London, overcrowding increased from 38,558 to 57,866 households (an increase of 19.328) over the 10-year period 2001-11 (Figure 29). This represents a growth of 37%, which is higher than the national increase for England (23%). The equivalent growth in overcrowding for Outer North East London is 49%.

4.21 When considered by tenure across both HMAs, overcrowding has increased relatively marginally in the owner occupied sector. However, there has been a sharper growth in the social rented sector, but with the sharpest rises in overcrowding being seen in the private rented sector.

Figure 29: **Proportion of overcrowded households 2011 and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: UK Census of Population 2001 and 2011** Note: Figures may not sum due to rounding**)**

	Occupancy rating (rooms)						Occupancy rating (bedrooms) 2011	
	2001		2011		Net change 2001 11			
	N	%	N	%	N	%	N	%
Newham								
Owned	7,277	18.2%	7,106	19.9%	-171	+10%	5,895	16.5%
Private rented	6,508	35.6%	17,981	50.2%	+11,473	+41%	12,832	35.8%
Social rented	10,365	30.9%	10,344	34.4%	-21	+11%	6,854	22.8%
All Households	**24,150**	**26.3%**	**35,431**	**34.9%**	**+11,281**	**+33%**	**25,581**	**25.2%**
Waltham Forest								
Owned	4,269	8.1%	4,652	9.4%	+383	+17%	3,701	7.5%
Private rented	4,327	28.0%	10,750	41.2%	+6,423	+47%	6,940	26.6%
Social rented	5,812	27.2%	7,053	33.0%	+1,241	+21%	4,262	19.9%
All Households	**14,408**	**16.0%**	**22,455**	**23.2%**	**+8,047**	**+44%**	**14,903**	**15.4%**
OUTER EAST LONDON								
Owned	11,546	12.4%	11,758	13.8%	+212	+11%	9,596	11.3%
Private rented	10,835	32.1%	28,731	46.4%	+17,896	+45%	19,772	31.9%
Social rented	16,177	29.5%	17,397	33.8%	+1,220	+15%	11,116	21.6%
All Households	**38,558**	**21.2%**	**57,886**	**29.2%**	**+19,328**	**+37%**	**40,484**	**20.4%**
Barking & Dagenham								
Owned	2,889	7.7%	4,111	12.4%	+1,222	+61%	3,107	9.3%
Private rented	1,082	23.0%	4,565	35.1%	+3,483	+53%	2,905	22.4%
Social rented	4,347	17.4%	5,359	22.8%	+1,012	+31%	3,383	14.4%
All Households	**8,318**	**12.4%**	**14,035**	**20.1%**	**+5,717**	**+63%**	**9,395**	**13.5%**

Havering								
Owned	2,298	3.2%	2,590	3.6%	+292	+13%	1,749	2.4%
Private rented	787	12.9%	1,952	17.6%	+1,165	+36%	849	7.6%
Social rented	2,056	15.8%	2,624	19.0%	+568	+20%	1,303	9.4%
All Households	**5,141**	**5.6%**	**7,166**	**7.4%**	**+2,025**	**+32%**	**3,901**	**4.0%**
Redbridge								
Owned	4,819	6.9%	4,831	7.6%	+12	+9%	3,864	6.0%
Private rented	3,411	25.4%	8,261	34.7%	+4,850	+37%	5,054	21.2%
Social rented	2,353	25.1%	3,612	32.0%	+1,259	+27%	1,806	16.0%
All Households	**10,583**	**11.5%**	**16,704**	**16.9%**	**+6,121**	**+47%**	**10,724**	**10.8%**
OUTER NORTH EAST LONDON								
Owned	10,006	5.6%	11,532	6.8%	+1,526	+22%	8,720	5.1%
Private rented	5,280	21.8%	14,778	30.8%	+9,498	+42%	8,808	18.4%
Social rented	8,756	18.5%	11,595	23.9%	+2,839	+29%	6,492	13.4%
All Households	**24,042**	**9.6%**	**37,905**	**14.3%**	**+13,863**	**+49%**	**24,020**	**9.0%**
All Households								
ENGLAND	-	**7.1%**	-	**8.7%**	-	**+23%**	-	**4.6%**
Lambeth, Lewisham & Southwark	-	21.6%	-	25.9%	-	+20%	-	13.6%
Barnet, Enfield & Haringey	-	15.7%	-	21.1%	-	+34%	-	12.1%
Hackney & Tower Hamlets	-	28.4%	-	33.5%	-	+18%	-	15.8%
Bexley, Bromley & Greenwich	-	8.6%	-	11.6%	-	+34%	-	6.3%
Croydon, Merton & Sutton	-	11.0%	-	14.8%	-	+35%	-	8.4%
Ealing, Hillingdon & Hounslow	-	15.7%	-	20.6%	-	+31%	-	12.2%

English Housing Survey Data

Overcrowding

4.22   The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.

4.23   The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach[13] is based on a *"bedroom standard"* which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

> *"The 'bedroom standard' is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired*

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[13] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284648/English_Housing_Survey_Headline_Report_2012-13.pdf

person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.

"Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed."

4.24   Nationally, overcrowding rates increased for households in both social and private rented housing, although the proportion of overcrowded households has declined in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

Figure 30: Trend in overcrowding rates by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey 2008-09 onwards)
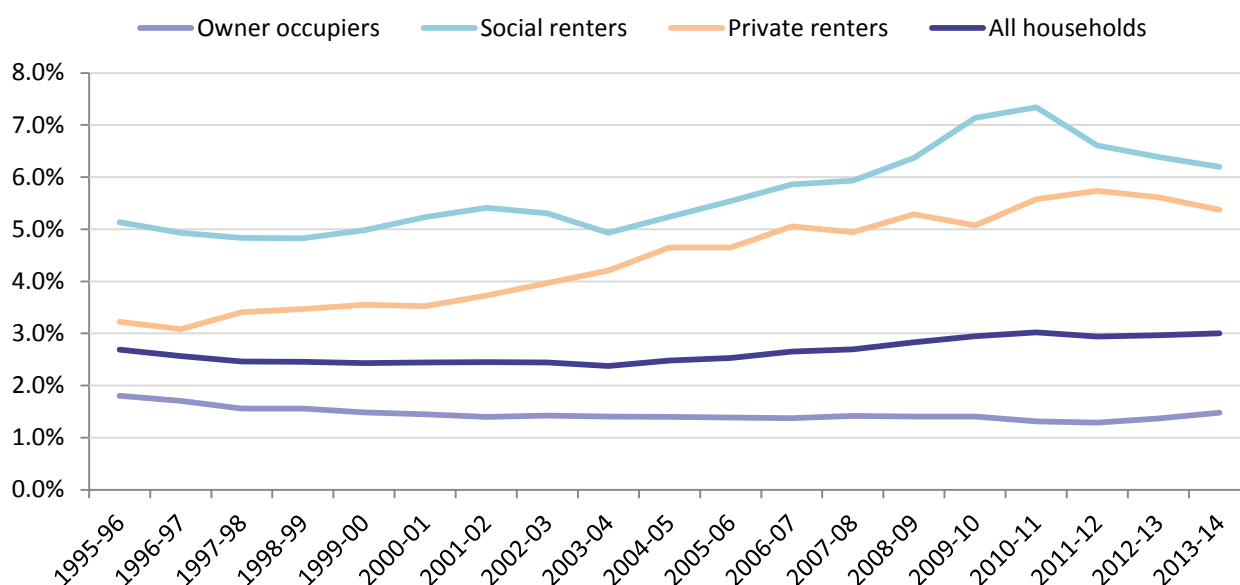
4.25   Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance[14] that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended).

4.26   This Guidance, *"Allocation of accommodation: Guidance for local housing authorities in England"*, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:
– married or cohabiting couple;
– adult aged 21 years or more
– pair of adolescents aged 10-20 years of the same sex
– pair of children aged under 10 years regardless of sex

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[14] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf

4.27   The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for the HMAs, we can estimate overcrowding using the bedroom standard. Figure 31 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **4,115 owner occupied, 6,372 private rented and 7,768 social rented households were overcrowded** in Outer East London HMA in 2011. Meanwhile, it is estimated that **4,191 owner occupied, 3,859 private rented and 4,828 social rented households were overcrowded** in Outer North East London HMA in 2011. Student households have been excluded from this calculation given that their needs are assumed to be transient.

Figure 31: Estimate of the number of overcrowded households by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011 Note: Figures may not sum due to rounding**)**

		Owned		Private Rented		Social Rented	
	EHS bedroom standard 2011 Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
	Census occupancy rating Percentage of households overcrowded [B]	2.3%	*Rooms* 3.3%	8.8%	*Rooms* 20.2%	8.9%	*Rooms* 16.9%
	Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
OUTER EAST LONDON	**Census occupancy rating** Number of overcrowded households [D]	*Bedrooms* 9,596	*Rooms* 11,758	*Bedrooms* 19,772	*Rooms* 28,731	*Bedrooms* 11,116	*Rooms* 17,397
	Full-time student households [E]	1,938	2,094	8,162	9,756	905	977
	Estimate of overcrowded households based on the bedroom standard [C × (D - E)]	**4,365**	**3,866**	**7,430**	**5,313**	**8,475**	**7,061**
	Estimate of overcrowded households based on the bedroom standard (average)	**4,115**		**6,372**		**7,768**	
OUTER NORTH EAST LONDON HMA	**Census occupancy rating** Number of overcrowded households [F]	8,720	*Rooms* 11,532	8,808	*Rooms* 14,778	6,492	*Rooms* 11,595
	Full-time student households [G]	1,194	1,304	2,065	2,625	540	627
	Estimate of overcrowded households based on the bedroom standard [C × (F - G)]	**4,290**	**4,091**	**4,316**	**3,403**	**4,940**	**4,716**
	Estimate of overcrowded households based on the bedroom standard (average)	**4,191**		**3,859**		**4,828**	

Housing Condition and Disrepair

4.28   The EHS also provides useful information about **housing disrepair**. The EHS headline report for 2013-14 identifies that private rented sector dwellings had the highest rate of disrepair: 7% compared with 4% of owner occupied dwellings and 3% of social sector dwellings.

4.29   The Decent Homes Standard provides a broad measure of **housing condition**. It was intended to be a minimum standard that all housing should meet and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

»   Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and

»   Be in a reasonable state of repair; and

»   Have reasonably modern facilities (such as kitchens and bathrooms) and services; and

»   Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

4.30   If a dwelling fails any one of these criteria, it is considered to be "non-decent". A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: "A Decent Home – The definition and guidance for implementation" June 2006.

4.31   Figure 32 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, almost a third of the private rented sector (33.1%) remains currently non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

Figure 32: Trend in non-decent homes by tenure (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)
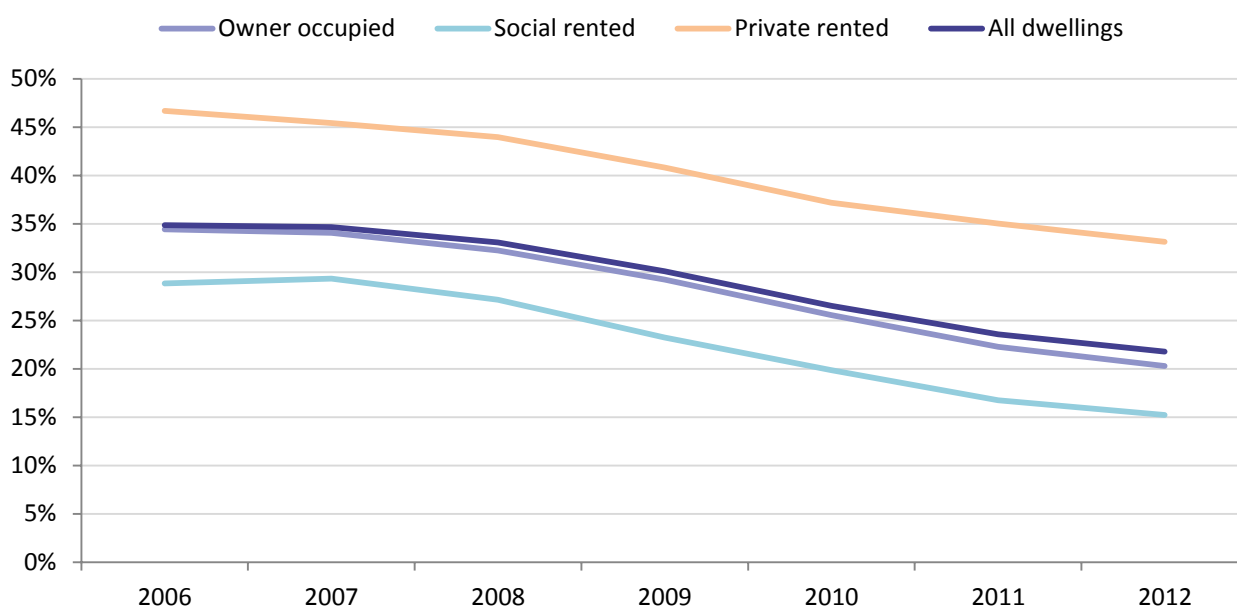
Housing Register Data

4.32   The local authority **housing register** and **transfer lists** are managed through individual Choice Based Lettings schemes managed by each of the five local authorities in the area. Households apply for a move via the scheme and 'bid' for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.

4.33   Figure 33 shows the trend in households on the housing register over the period since 2001. Whilst the overall number of households on the housing register increased from 2001 to 2013. Between 2001 and 0213 the number of households on the housing registers rose from just under 30,000 to just over 85,000.

4.34   Nevertheless, the criteria for joining the housing registers in all five areas have recently changed as a result of policy changes following the Localism Act. Only people with a local connection now qualify for the housing register, and people with adequate financial resources (including owner occupiers) are no longer included – so the trends discussed above have to be understood in this context.

Figure 33:   Number of households on the local authority housing register 2001-14 (Note: Solid line shows total number of households; dotted line shows number of households in a reasonable preference category. Source: LAHS and HSSA returns to CLG)
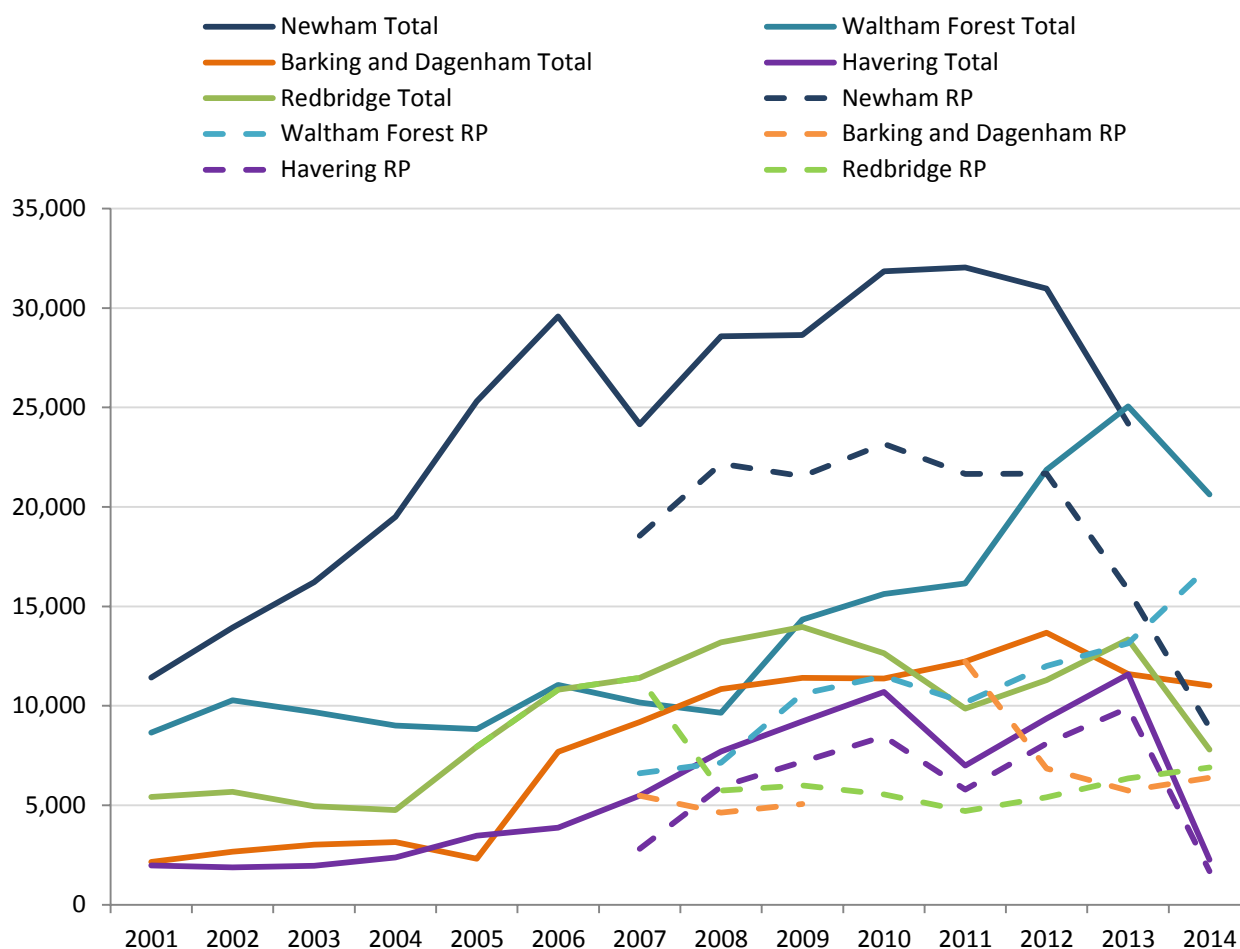
4.35   Figure 33 also show the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires "reasonable preference" for housing to be given to people who are:

» Legally homeless;

» Living in unsatisfactory housing (as defined by the Housing Act 2004);

» Need to move on medical/welfare grounds; or

» Need to move to a particular area to avoid hardship.

4.36   Figure 34 provides further detailed information for the last 2 years. The number of households in **reasonable preference categories** has also been subject to variation from year-to-year, although these have not always followed the trends in the overall number of households on the register. There are over 25,000 households in Outer East London and nearly 15,000 households in Outer North East London in a reasonable preference category. These figures need to be understood in the context of the implementation of the Localism Act mentioned above, which mean numbers on the registers are lower than in recent years.

	OUTER EAST LONDON			OUTER NORTH EAST LONDON			
	Newham	Waltham Forest	TOTAL	Barking & Dagenham	Havering	Redbridge	TOTAL
Total households on the housing register	18,058	20,635	**38,693**	11,024	2,271	7,804	**21,099**
Total households in a reasonable preference category	**8,908**	**17,036**	**25,944**	**6,384**	**1,684**	**6,908**	**14,976**
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	2,877	1,632	**4,509**	32	53	0	**85**
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	2,564	0	**2,564**	1,394	97	2,532	**4,023**
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	5,741	14,271	**20,012**	4,429	2	3,477	
People who need to move on medical or welfare grounds, including grounds relating to a disability	721	543	**1,264**	474,	204	369	**1,047**
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	0	0	**0**	8	0	5	**13**

4.37   Nevertheless, we previously estimated that there were around 18,255 overcrowded households in the Outer East London HMA and 12,878 households in Outer North East London, based on the bedroom standard (Figure 31) – but in Outer East London 20,212 people were recorded by the housing registers in 2014 as currently *"occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions"*. This result can be attributed to Waltham Forest where 14,271 households are on their housing register due to these issues, which is a very similar figure to the 2011 Census. However, most owner occupiers would not qualify for rented affordable housing due to the equity in their current home whilst others may only be temporarily overcrowded and will have sufficient space available once a concealed family is able to leave and establish an independent household. Therefore, the housing register for Waltham Forest appears to be overstating the number of overcrowded households in the area.

4.38   When considering the types of household to be considered in housing need, the PPG also identified "households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ" and "households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move". It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category. Nevertheless, there were 1,263 households in Outer East London and 1,047 households in Outer North East London registered "who need to move on medical or welfare grounds, including grounds relating to a disability".

Households Unable to Afford their Housing Costs

4.39   The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

> *Plan makers … will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and <u>who cannot afford to meet their housing needs in the market</u> (paragraph 022, emphasis added)*
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of … those that <u>cannot afford their own homes</u>. Care should be taken to avoid double-counting … and to <u>include only those households who cannot afford to access suitable housing in the market</u> (paragraph 024, emphasis added)*
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households <u>unable to buy or rent in the market area</u> (paragraph 025, emphasis added)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

4.40   Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09 which includes more detailed information about claimants and the tenure of their home.
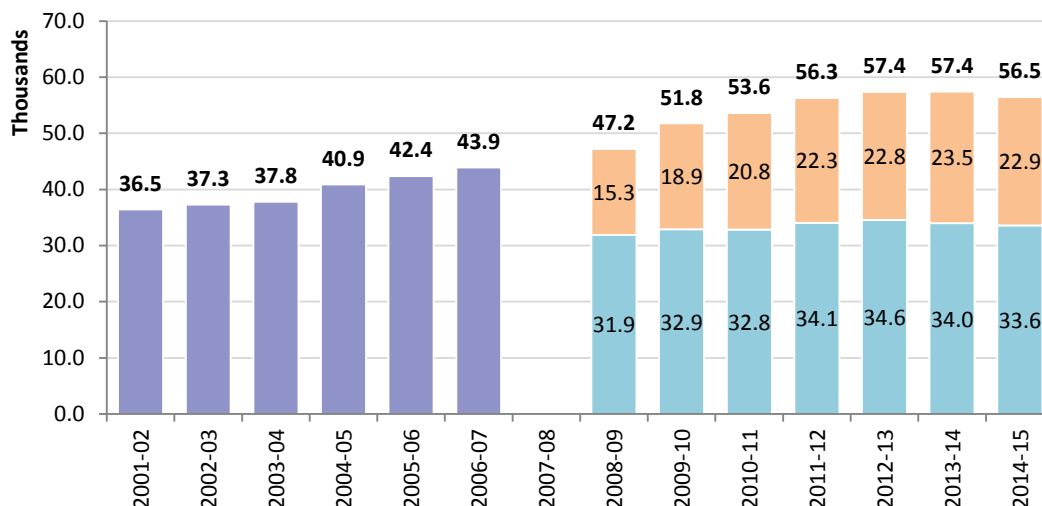
Housing Benefit Claimants

4.41   Figure 35 shows the trend in the number of housing benefit claimants.

Figure 35:   Number of claimants in receipt of housing benefit by tenure (Source: DWP)
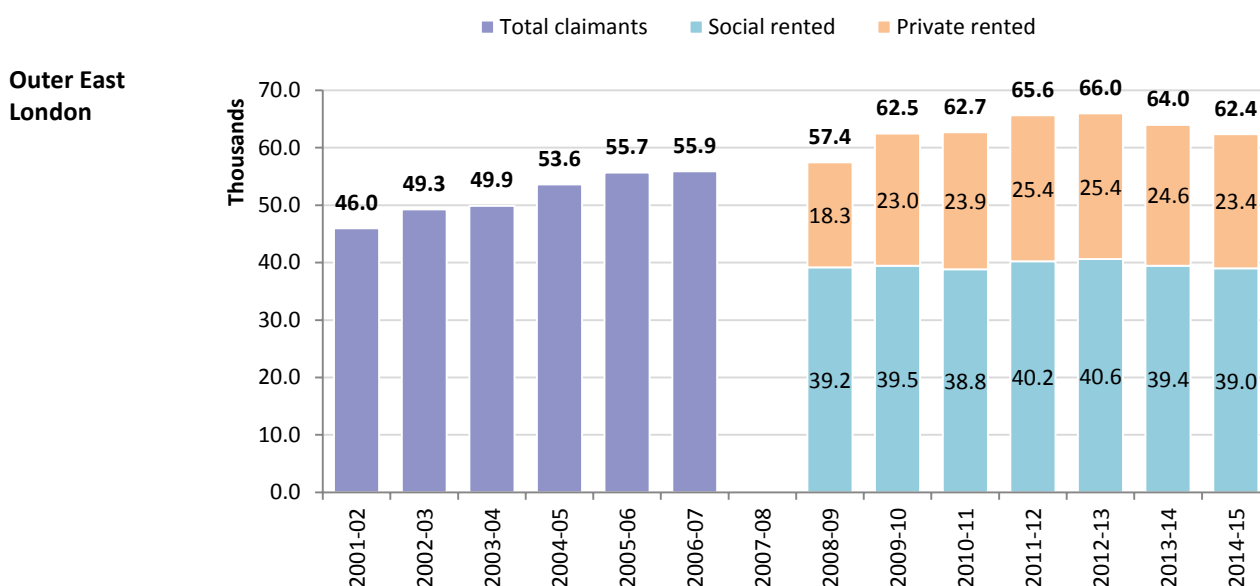
Outer North East London

4.42   The number of housing benefit claimants in Outer East London HMA increased from 46,000 to 55,900 over the period 2001-02 to 2006-07, equivalent to an average annual growth of around 2,000 families. The number of claimants reached 66,000 in 2012-13, so the rate of growth had continued. In Outer North East London the rate of growth between 2001-02 and 2006-07 was slower, but then accelerated to peak at a total number of claimants of 57,400 in 2012-13.

4.43   Considering the information on tenure, it is evident that the number of claimants in social rented housing increased by 1,400 in Outer East London and 2,500 In Outer North East London over the period 2008-09 to 2012-13. However over the same period the number of claimants in private rented housing increased by 7,100 in Outer East London and 7,500 in Outer North East London.

4.44   This increase in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing registers. Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford; so not all will necessarily need affordable housing, though many may prefer this type of housing if it were available.

4.45   The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**

Establishing Affordable Housing Need

4.46   In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.

4.47   PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

> ### *How should affordable housing need be calculated?*
>
> *This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**
> **Paragraph 022**

Current Unmet Need for Affordable Housing

4.48   In terms of establishing the **<u>current</u>** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

> ### *How should the current unmet gross need for affordable housing be calculated?*
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:*
>
> »   *the number of homeless households;*
>
> »   *the number of those in priority need who are currently housed in temporary accommodation;*
>
> »   *the number of households in overcrowded housing;*
>
> »   *the number of concealed households;*
>
> »   *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
>
> »   *the number of households from other tenures in need and those that cannot afford their own homes.*
>
> *Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.*
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4.49   Earlier sections of this chapter set out the past trends and current estimates for relevant households based on the data sources identified by PPG (based on a reference point of March 2011). Although this evidence does not provide the basis upon which to establish whether or not households can afford to access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

Establishing the Current Unmet Need for Affordable Housing

4.50   Households assumed to be unable to afford housing include:

»   All households that are currently **homeless**;

»   All those currently housed in **temporary accommodation**; and

» People in a **reasonable preference category** on the housing register, where their needs have not already been counted.

4.51 Given this context, our analysis counts the needs of all of these households when establishing the Objectively Assessed Need for affordable housing at a base date of 2011.

4.52 For overcrowding, it is likely that most owner occupiers would not qualify for rented affordable housing (due to the equity in their current home); but it is reasonable to assume that households living in overcrowded rented housing are unlikely to be able to afford housing, otherwise they would have found a more suitable home.

4.53 Our analysis counts the needs of all households living in overcrowded rented housing when establishing the OAN for affordable housing (which could marginally overstate the affordable housing need) but it does not count the needs of owner occupiers living in overcrowded housing (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in the area.

4.54 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household, and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.

4.55 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).

4.56 Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55 (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).

4.57 The needs of these households are counted when establishing the OAN for affordable housing and they also add to the OAN for overall housing, as concealed families are not counted by the GLA household projections.

Outer East London

4.58 Figure 36 sets out the assessment of current affordable housing need for Outer East London.

Figure 36: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	**Supply**	
Homeless households in priority need (see Figure 25)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	80		80
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	3,555		
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	176	176	
Households accepted as homeless but without temporary accommodation provided	18		18
Concealed households (see Figure 26)			
Growth in concealed families with family representatives aged under 55	3,859		3,859
Overcrowding based on the bedroom standard (see Figure 31)			
Households living in overcrowded private rented housing	6,372		
Households living in overcrowded social rented housing	7,768	7,768	
Other households living in unsuitable housing that cannot afford their own home (see Figure 34)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	1,264	168	
	0	0	
TOTAL	**23,092**	**8,112**	**3,957**

4.59 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that there are **23,092 households currently in affordable housing need in the Outer East London HMA who are unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible).

4.60 Of these households, 8,112 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 14,980 households** (23,092 less 8,112 = 14,980) **who currently need affordable housing and do not currently occupy affordable housing in the Outer East London HMA** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

4.61 This number includes 3,957 households that would not be counted by the household projections. There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households. As for the household projections, we have also added an additional allowance for vacancies and second homes (once again based on the proportion of dwellings with no usually resident household); this increases the need for overall housing provision by 4,036 dwellings.

4.62   Providing the net additional affordable housing needed will release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 11,023 households (23,092 less 8,112 less 3,957) that are currently in affordable housing need who are unable to afford their own housing.

Outer North East London

4.63   Figure 37 sets out the assessment of current affordable housing need for Outer North East London.

Figure 37: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	**Supply**	
Homeless households in priority need (see Figure 25)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	210		210
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	3,012		
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	8	8	
Households accepted as homeless but without temporary accommodation provided	0		0
Concealed households (see Figure 26)			
Growth in concealed families with family representatives aged under 55	2,745		2,745
Overcrowding based on the bedroom standard (see Figure 31)			
Households living in overcrowded private rented housing	3,859		
Households living in overcrowded social rented housing	4,828	4,828	
Other households living in unsuitable housing that cannot afford their own home (see Figure 34)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	1,047	55	
	13	1	
TOTAL	**15,722**	**4,892**	**2,955**

4.64   Our analysis has concluded that there are 15,722 households currently in affordable housing need in the Outer North East London HMA who are unable to afford their own housing.

4.65   Of these households, 4,892 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 10,830 households** (15,722 less 4,892 = 10,830) **who currently need affordable housing and do not currently occupy affordable housing in the Outer North East London HMA** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

4.66   This number includes 2,955 households that would not be counted by the household projections. There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households. As for the household projections, we have also added an additional allowance for vacancies and second homes (once again based on the proportion of

dwellings with no usually resident household); this increases the need for overall housing provision by 3,021 dwellings.

4.67   Providing the net additional affordable housing needed will release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 7,875 households (15,722 less 4,892 less 2,955) that are currently in affordable housing need who are unable to afford their own housing.

Projected Future Affordable Housing Need

4.68   In terms of establishing future projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

> ***How should the number of newly arising households likely to be in housing need be calculated?***
>
> *Projections of affordable housing need will need to take into account <u>new household formation</u>, the proportion of <u>newly forming households unable to buy or rent</u> in the market area, and an <u>estimation of the number of existing households falling into need</u>. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*
>
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4.69   The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Objectively Assessed Need. The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.

4.70   The Model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

4.71   The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

Households Unable to Afford their Housing Costs

4.72   PPG identifies that "projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need" (paragraph 25); however, the Model recognises that the proportion of households unable to buy or rent in the market

area will not be the same for all types of household, and that this will also differ between age cohorts. Therefore, the appropriate proportion is determined separately for each household type and age group.

4.73   The affordability percentages in Figure 38 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census.   There are several assumptions underpinning the Model:

» Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;

» Households occupying owner occupied housing and those renting privately who aren't eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and

» The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

Figure 38: Assessing affordability by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)

	Under 25	25 34	35 44	45 54	55 64	65+
NEWHAM: **Percentage unable to afford market housing**						
Single person household	46%	30%	51%	63%	60%	62%
Couple family with no dependent children	18%	10%	20%	29%	27%	32%
Couple family with 1 or more dependent children	36%	39%	46%	42%	42%	46%
Lone parent family with 1 or more dependent children	90%	91%	81%	77%	71%	66%
Other household type	13%	15%	20%	31%	31%	36%
WALTHAM FOREST: **Percentage unable to afford market housing**						
Single person household	47%	25%	37%	42%	45%	41%
Couple family with no dependent children	13%	6%	9%	14%	14%	20%
Couple family with 1 or more dependent children	37%	40%	31%	24%	24%	36%
Lone parent family with 1 or more dependent children	96%	88%	68%	58%	57%	74%
Other household type	16%	14%	19%	27%	25%	22%
BARKING & DAGENHAM: **Percentage unable to afford market housing**						
Single person household	66%	40%	50%	56%	54%	47%
Couple family with no dependent children	35%	15%	21%	25%	26%	29%
Couple family with 1 or more dependent children	65%	48%	34%	29%	32%	38%
Lone parent family with 1 or more dependent children	78%	92%	76%	66%	70%	70%
Other household type	35%	34%	28%	32%	32%	28%
HAVERING: **Percentage unable to afford market housing**						
Single person household	41%	20%	30%	32%	30%	21%
Couple family with no dependent children	18%	5%	8%	8%	6%	8%
Couple family with 1 or more dependent children	59%	26%	12%	8%	12%	16%
Lone parent family with 1 or more dependent children	80%	87%	55%	37%	36%	21%
Other household type	32%	32%	21%	16%	15%	9%
REDBRIDGE: **Percentage unable to afford market housing**						
Single person household	37%	14%	31%	37%	33%	25%
Couple family with no dependent children	10%	4%	9%	8%	6%	8%
Couple family with 1 or more dependent children	31%	21%	20%	16%	17%	25%
Lone parent family with 1 or more dependent children	72%	72%	59%	49%	54%	40%
Other household type	24%	13%	12%	14%	10%	8%

Components of Projected Household Growth

4.74 PPG identifies that the CLG household projections "should provide the starting point estimate for overall housing need" (paragraph 15) and that "the 2012-2037 Household Projections … are the most up-to-date estimate of future household growth" (paragraph 16). However, when considering the number of newly arising households likely to be in affordable housing need, the PPG recommends a "gross annual estimate" (paragraph 25) suggesting that "the total need for affordable housing should be converted into annual flows" (paragraph 29).

4.75 The demographic projections developed by the GLA to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.

4.76 Figure 39 shows the individual components of annual household growth.

Figure 39: Components of average annual household growth by 5-year projection period for Outer East London (Source: GLA 2014 Round Long-term Trend Household Projections Note: Figures may not sum due to rounding**)**

Outer East London	Annual average for 5 year periods during Plan					Annual average
	2011 16	2016 21	2021 26	2026 31	2031 36	2011 36
New household formation	7,442	7,909	8,095	8,279	8,441	7,989
Household dissolution following death	1,864	1,810	1,821	1,907	2,028	1,865
Net household growth within Outer East London HMA	**5,578**	**6,099**	**6,274**	**6,372**	**6,413**	**6,125**
Household migration in	14,755	15,263	15,513	15,738	16,031	15,378
Household migration out	16,303	17,412	18,308	19,006	19,643	17,934
Net household migration	**1,549**	**2,148**	**2,794**	**3,268**	**3,612**	**2,555**
Total household growth	**4,029**	**3,951**	**3,480**	**3,104**	**2,801**	**3,571**

4.77 In Outer East London over the initial 5-year period (2011-16) the model shows that:

» There are projected to be 7,442 new household formations each year; but this is offset against 1,854 household dissolutions following death – so there is an **average net household growth of 5,578 households** locally;

» There are also projected to be 14,755 households migrating to Outer East London HMA offset against 16,303 households migrating away from the area – which yields an **reduction of 1,549 households attributable to net migration;**

» The total household growth is therefore **projected to be 4,029** (5,578 less 1,549 = 4,029) **households each year** over the initial 5-year period of the projection.

Figure 40: Components of average annual household growth by 5-year projection period (Source: GLA 2014 Round Long-term Trend Household Projections Note: Figures may not sum due to rounding**)**

Outer North East London	Annual average for 5 year periods during Plan					Annual average
	2011 16	2016 21	2021 26	2026 31	2031 36	2011 36
New household formation	7,517	7,888	8,096	8,383	8,719	8,043
Household dissolution following death	3,964	3,716	3,564	3,623	3,800	3,724
Net household growth within outer North East London HMA	**3,554**	**4,172**	**4,532**	**4,760**	**4,919**	**4,318**
Household migration in	14,357	15,057	15,590	16,023	16,531	15,372
Household migration out	14,276	15,305	16,134	16,877	17,653	15,832
Net household migration	**82**	**248**	**544**	**854**	**1,122**	**460**
Total household growth	**3,635**	**3,924**	**3,988**	**3,906**	**3,797**	**3,858**

4.78   Meanwhile, in Outer North East London over the initial 5-year period (2011-16) the model shows that:

» There are projected to be 7,517 new household formations each year; but this is offset against 3,964 household dissolutions following death – so there is an **average net household growth of 3,554 households**;

» There are also projected to be 14,357 households migrating to Outer North East HMA offset against 14,276 households migrating away from the area – which yields an **growth of 82 households attributable to net migration;**

» The total household growth is therefore **projected to be 3,635** (3,554 plus 82 = 3,635) **households each year** over the initial 5-year period of the projection.

Change in Household Numbers by Age Cohort

4.79   To establish the proportion of newly forming households unable to buy or rent in the market area, it is necessary to consider the characteristics of the new households projected to form in Outer East London and Outer North East London each year over the period 2011-16 (Figure 39 and Figure 40) alongside the detailed information about household affordability (Figure 38).

4.80   Figure 41 shows the age structure of each of the components of household change. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 41:   Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)

Outer North East London
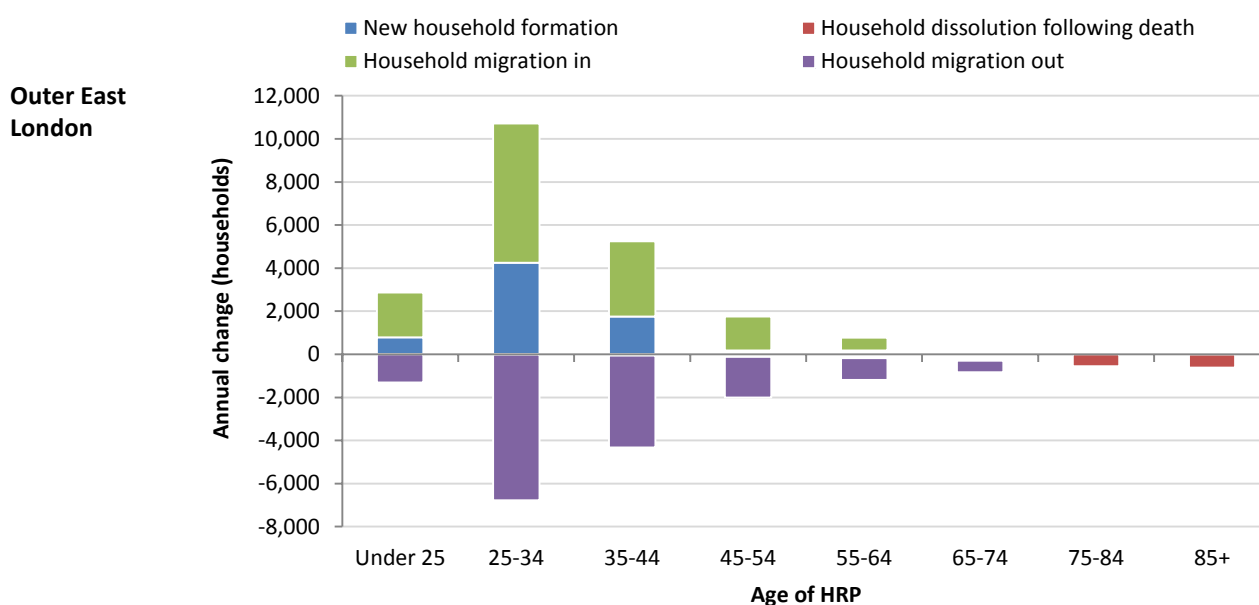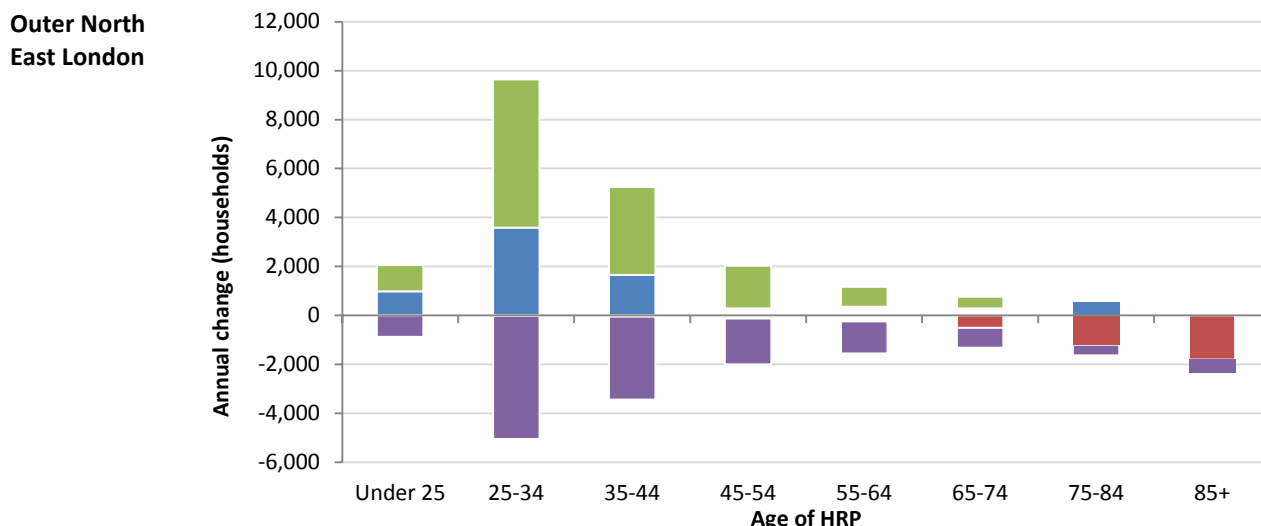
4.81 Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs.

4.82 The Model identifies that in Outer East London 37% of all newly forming households are unable to afford their housing costs, while the figure in Outer North East London is 34% (Figure 42) The Model shows that a similar proportion of households migrating to the area are unable to afford (36% in Outer East London and 33% in Outer North East London). Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support. Together, there are 8,097 new households each year who are unable to afford their housing costs in Outer East London and 7,245 in Outer North East London.

Figure 42: Affordability of new households over the initial 5-year period 2011-16 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

	OUTER EAST LONDON			OUTER NORTH EAST LONDON		
	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs
Newly forming households	7,442	4,722	2,720	7,517	4,956	2,561
In-migrant households moving to the area	14,755	9,377	5,377	14,357	9,673	4,684
All new households	22,197	14,099	8,097	21,875	14,629	7,245

4.83 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting "total available stock from total gross need" (paragraph 29), but this over-simplifies what is a very complex system.

4.84 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:

» Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;

» Similarly, not all households that are unable to afford housing are allocated affordable housing;

» Some will choose to move to another housing market area and will therefore no longer require affordable housing.

4.85   In these cases, and others, the gross need will need adjusting.

4.86   The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.

4.87   Considering those components of household change which reduce the number of households resident in the area, the Model identifies 1,864 households in Outer East London and 3,964 household in Outer North East London are likely to dissolve following the death of all household members. Many of these households will own their homes outright; however 40% in Outer East London and 23% in Outer North East London are unable to afford market housing: most living in affordable housing.

4.88   When considering households moving away from the area, the Model identifies that an average of 16,303 households will leave Outer East London each year including 6,082 who are unable to afford their housing costs, while 14,276 households will leave Outer North East London including 4,503 who are unable to afford their housing costs. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, their needs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). Given that they are now leaving the study area, they will no longer need affordable housing in the area and it is therefore important to discount their needs.

4.89   Figure 43 summarises the total household growth. In Outer East London this includes the 8,097 new households on average each year who are unable to afford their housing costs, but offsets this against the 6,826 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in Outer East London (as they have moved to live elsewhere). In Outer North East London, 7,245 new households will require affordable housing, outset against 5,395 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in Outer North East London.

Figure 43: Components of average annual household growth 2011-16 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

	OUTER EAST LONDON			OUTER NORTH EAST LONDON		
	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs
Newly forming households	7,442	4,722	2,720	7,517	4,956	2,561
In-migrant households moving to the area	14,755	9,377	5,377	14,357	9,673	4,684
All new households	**22,197**	**14,099**	**8,097**	**21,875**	**14,629**	**7,245**
Household dissolutions following death	1,864	1,120	744	3,964	3,071	892
Out-migrant households moving away from the area	16,303	10,222	6,082	14,276	9,773	4,503
All households no longer present	**18,168**	**11,342**	**6,826**	**18,239**	**12,844**	**5,395**
Average annual household growth 2011 16	**4,029**	**2,757**	**1,272**	**3,635**	**1,785**	**1,850**

4.90   Overall, the Model projects that household growth will yield a net increase of 1,272 households in Outer East London ad 1,850 households in outer North East London on average each year (over the period 2011-16) who are unable to afford their housing, which represents 32% of the household growth in outer East London and 51% in Outer North East London.

Projecting Future Needs of Existing Households

4.91   PPG also identifies that in addition to the needs of new households, it is also important to estimate "the number of existing households falling into need" (paragraph 25). Whilst established households that continue to live in the area will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is estimated that an average of 1,267 established households fall into need each year in the Outer East London HMA and 953 established households fall into need each year in the Outer North East London HMA.

4.92   Finally, whilst the PPG recognises that established households' circumstances can deteriorate such that they fall into need, it is also important to recognise that established households' circumstances can improve. For example:

> »   When two people living as single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately). Figure 38 showed that 46% of single person households aged under 25 in Newham could not afford housing, compared to 18% of couples of the same age; and for those aged 25 to 34, the proportions were 30% and 10% respectively.

> »   Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period. Figure 38 showed that 26% of couple families with dependent children

aged 25 to 34 in Havering could not afford housing, compared to 12% of such households aged 35 to 44.

4.93 Given this context, it is clear that we must also recognise these improved circumstances which can reduce the need for affordable housing over time, as households that were previously counted no longer need financial support. The Model identifies that the circumstances of 1,310 households in Outer East London and 1,579 households in Outer North East London improve each year such that they become able to afford their housing costs despite previously being unable to afford.

4.94 Therefore, considering the overall changing needs of existing households, there is an average net reduction of 43 households (1,267 less 1,310 = 43) needing affordable housing each year in Outer East London and a net reduction of 625 in Outer North East London.

Projecting Future Affordable Housing Need (average annual estimate)

4.95 Figure 44 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 44: Components of average annual household growth 2011-16 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

	OUTER EAST LONDON			OUTER NORTH EAST LONDON		
	All households (annual average)	**Households able to afford housing costs**	**Households unable to afford housing costs**	**All households (annual average)**	**Households able to afford housing costs**	**Households unable to afford housing costs**
Newly forming households	7,442	4,722	2,720	7,517	4,956	2,561
In-migrant households moving to the area	14,755	9,377	5,377	14,357	9,673	4,684
All new households	**22,197**	**14,099**	**8,097**	**21,875**	**14,629**	**7,245**
Household dissolutions following death	1,864	1,120	744	3,964	3,071	892
Out-migrant households moving away from the area	16,303	10,222	6,082	14,276	9,773	4,503
All households no longer present	**18,168**	**11,342**	**6,826**	**18,239**	**12,844**	**5,395**
Average annual household growth 2011 16	**4,029**	**2,757**	**1,272**	**3,635**	**1,785**	**1,850**
Existing households falling into need	-	-1,267	1,267	-	-953	953
Existing households climbing out of need	-	1,310	-1,310	-	1,579	-1,579
Change in existing households		**43**	**43**		**625**	**625**
Average annual need for market and affordable housing 2011 16	**4,029**	**2,800**	**1,229**	**3,635**	**2,411**	**1,225**

4.96 Based on the needs of new households and existing households, there is a projected increase in Outer East London of 1,229 households each year on average for the initial period 2011-16 who will need affordable housing. The equivalent figure in Outer North East London is 1,225 households per annum.

Assessing the Overall Need for Affordable Housing

Outer East London

4.97 Figure 45 brings together the information on assessing the unmet need for affordable housing in 2011, and the future affordable housing need arising over the 22-year period 2011-33.

Figure 45: **Assessing total need for market and affordable housing in Outer East London 2011-2033 (Source: ORS Housing Model Note: Figures may not sum due to rounding)**

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	23,092	23,092
Supply of housing vacated	11,023	8,112	19,135
Overall impact of current affordable housing need	**11,023**	**14,980**	**3,957**
Projected future housing need 2011-33			
Newly forming households	116,296	59,472	175,769
Household dissolutions following death	25,254	15,760	41,014
Net household growth within Outer East London HMA	**+91,042**	**+43,712**	**+134,755**
Impact of existing households falling into need	-37,555	+37,555	-
Impact of existing households climbing out of need	+35,505	-35,505	-
Impact of households migrating to/from the area	-32,114	-24,097	-56,211
Future need for market and affordable housing 2011 33	**+56,878**	**+21,666**	**+78,544**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-11,023	+14,980	+3,957
Future need for market and affordable housing 2011-33	+56,878	+21,666	+78,544
Total need for market and affordable housing	**+45,855**	**+36,646**	**+82,501**
Average annual need for housing	2,084	1,666	3,750
Proportion of need for market and affordable housing	**55.58%**	**44.42%**	**100.00%**

4.98 Figure 36 estimated there to be 23,092 households in need of affordable housing in 2014. However, as 8,112 of these already occupied an affordable home, our previous conclusion was therefore a net need from 14,980 households (23,902 less 8,112= 14,980) who need affordable housing and do not currently occupy affordable housing in the Outer East London HMA.

4.99 The 22-year projection period 2011-33 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that the number of households in need of affordable housing will increase by 21,666 households over the period 2011-33, alongside an increase of 56,878 households able to afford market housing.

4.100 Overall, there will be a need to provide additional affordable housing for 36,646 households over the period 2011-33. This is equivalent to an average of 1,666 households or 1,700 dwellings per year. This equates to 44% of all provision.

4.101 Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Outer North East London

4.102 Figure 46 brings together the information for Outer North East London.

Figure 46: **Assessing total need for market and affordable housing in Outer North East London 2011-2033 (Source: ORS Housing Model** Note: Figures may not sum due to rounding**)**

	Housing Need (households)		Overall Housing Need
	Market housing	**Affordable housing**	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	15,722	15,722
Supply of housing vacated	7,875	4,892	12,767
Overall impact of current affordable housing need	**7,875**	**+10,830**	**+2,955**
Projected future housing need 2011-33			
Newly forming households	113,494	63,426	176,920
Household dissolutions following death	64,218	17,707	81,925
Net household growth within Outer North East London HMA	**+49,276**	**+45,719**	**+94,995**
Impact of existing households falling into need	-24,980	+24,980	-
Impact of existing households climbing out of need	+43,845	-43,845	-
Impact of households migrating to/from the area	-10,283	+165	-10,117
Future need for market and affordable housing 2011 33	**+57,859**	**+27,020**	**+84,878**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-7,875	+10,830	+2,955
Future need for market and affordable housing 2011-33	+57,859	+27,020	+84,878
Total need for market and affordable housing	**49,984**	**37,850**	**+87,833**
Average annual need for housing	2,272	1,720	3,992
Proportion of need for market and affordable housing	**56.91%**	**43.09%**	**100.00%**

4.103 Figure 36 estimated there to be 15,722 households in need of affordable housing in 2011. However, as 4,892 of these already occupied an affordable home, our previous conclusion was therefore a net need from 10,830 households (15,722 less 4,852 = 10,830) who need affordable housing and do not currently occupy affordable housing in the Outer North East London HMA.

4.104 The Model then identifies that the number of households in need of affordable housing will increase by 27,020 households over the period 2011-33, alongside an increase of 57,859 households able to afford market housing.

4.105 Overall, there will be a need to provide additional affordable housing for 37,850 households over the period 2011-33. This is equivalent to an average of 1,720 households or 1,750 dwellings per year or 43.1% of the total household growth.

Borough Level Results

4.106 Figure 47 to Figure 51 show the components of affordable housing need for each borough.

Figure 47: Assessing total need for market and affordable housing in Newham 2011-2033 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

	Housing Need (households)		Overall Housing Need
	Market housing	**Affordable housing**	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing		14,834	14,834
Supply of housing vacated	7,354	4,982	12,336
Overall impact of current affordable housing need	**7,354**	**+9,852**	**+2,498**
Projected future housing need 2011-33			
Newly forming households	67,202	36,156	103,358
Household dissolutions following death	10,495	8,749	19,245
Net household growth within Outer North East London HMA	**+56,707**	**+27,406**	**+84,113**
Impact of existing households falling into need	-25,175	25,175	
Impact of existing households climbing out of need	21,064	-21,064	
Impact of households migrating to/from the area	-22,093	-19,746	-41,839
Future need for market and affordable housing 2011 33	**+30,503**	**+11,771**	**+42,274**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-7,354	+9,852	+2,498
Future need for market and affordable housing 2011-33	+30,503	+11,771	+42,274
Total need for market and affordable housing	**+23,149**	**+21,623**	**+44,772**
Average annual need for housing	1,052	983	2,035
Proportion of need for market and affordable housing	**51.7%**	**48.3%**	**100%**

Figure 48: Assessing total need for market and affordable housing in Waltham Forest 2011-2033 (Source: ORS Housing Model
Note: Figures may not sum due to rounding**)**

Waltham Forest	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	8,258	8,258
Supply of housing vacated	3,669	3,130	6,779
Overall impact of current affordable housing need	**3,669**	**+5,128**	**+1,459**
Projected future housing need 2011-33			
Newly forming households	49,094	23,317	72,411
Household dissolutions following death	14,759	7,011	21,770
Net household growth within Outer North East London HMA	**+34,335**	**+16,306**	**+50,641**
Impact of existing households falling into need	-12,379	12,379	-
Impact of existing households climbing out of need	14,441	-14,441	-
Impact of households migrating to/from the area	-10,021	-4,350	-14,371
Future need for market and affordable housing 2011 33	**+26,376**	**+9,894**	**+36,270**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-3,669	+5,128	+1,459
Future need for market and affordable housing 2011-33	+26,376	+9,894	+36,270
Total need for market and affordable housing	**+22,707**	**+15,022**	**+37,729**
Average annual need for housing	1,032	683	1,715
Proportion of need for market and affordable housing	**60.2%**	**39.8%**	**100%**

Figure 49: Assessing total need for market and affordable housing in Barking and Dagenham 2011-2033 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

Barking and Dagenham	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	5,722	5,722
Supply of housing vacated	2,353	2,549	4,902
Overall impact of current affordable housing need	**2,353**	**+3,173**	**+820**
Projected future housing need 2011-33			
Newly forming households	23,002	27,107	50,108
Household dissolutions following death	10,516	7,001	17,517
Net household growth within Outer North East London HMA	**+12,486**	**+20,106**	**+32,592**
Impact of existing households falling into need	-13,233	13,233	-
Impact of existing households climbing out of need	19,616	-19,616	-
Impact of households migrating to/from the area	-6,798	-2,151	-8,948
Future need for market and affordable housing 2011 33	**+12,071**	**+11,573**	**+23,643**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-2,353	3,173	820
Future need for market and affordable housing 2011-33	12,071	11,573	23,643
Total need for market and affordable housing	**9,718**	**14,746**	**24,464**
Average annual need for housing	442	670	1,112
Proportion of need for market and affordable housing	**39.70%**	**60.30%**	**100.00%**

Figure 50: **Assessing total need for market and affordable housing in Havering 2011-2033 (Source: ORS Housing Model** Note: Figures may not sum due to rounding**)**

Havering	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	2,498	2,498
Supply of housing vacated	936	980	1,916
Overall impact of current affordable housing need	**936**	**+1,518**	**+582**
Projected future housing need 2011-33			
Newly forming households	34,461	16,943	51,404
Household dissolutions following death	30,904	5,857	36,762
Net household growth within Outer North East London HMA	**+3,556**	**+11,086**	**+14,642**
Impact of existing households falling into need	-4,236	4,236	-
Impact of existing households climbing out of need	11,440	-11,440	-
Impact of households migrating to/from the area	4,013	2,801	6,814
Future need for market and affordable housing 2011 33	**+14,773**	**+6,683**	**+21,456**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-936	+1,518	+582
Future need for market and affordable housing 2011-33	+14,773	+6,683	+21,456
Total need for market and affordable housing	**+13,837**	**+8,201**	**+22,038**
Average annual need for housing	629	373	1,002
Proportion of need for market and affordable housing	**62.8%**	**37.2%**	**100.0%**

Figure 51: Assessing total need for market and affordable housing in Redbridge 2011-2033 (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

Redbridge	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 36)			
Total unmet need for affordable housing	-	7,503	7,503
Supply of housing vacated	4,587	1,362	5,949
Overall impact of current affordable housing need	**4,587**	**6,141**	**1554**
Projected future housing need 2011-33			
Newly forming households	56,032	19,376	75,408
Household dissolutions following death	22,798	4,849	27,646
Net household growth within Outer North East London HMA	**+33,234**	**+14,527**	**+47,761**
Impact of existing households falling into need	-7,510	7,510	-
Impact of existing households climbing out of need	12,789	-12,789	-
Impact of households migrating to/from the area	-7,498	-485	-7,983
Future need for market and affordable housing 2011 33	**+31,015**	**+8,764**	**+39,779**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-4,587	+6,141	+1,554
Future need for market and affordable housing 2011-33	+31,015	+8,764	+39,779
Total need for market and affordable housing	**+26,428**	**+14,905**	**+41,333**
Average annual need for housing	1,201	678	1,879
Proportion of need for market and affordable housing	**63.9%**	**36.1%**	**100.0%**

Future Policy on Housing Benefit in the Private Rented Sector

4.107   The Model also recognises the importance of housing benefit and the role of the private rented sector. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however this is a national policy decision which is not in the control of the Council. At the time of writing, the cap for welfare claims from non working households in London is facing a reduction from £26,000 to £23,000 per annum. However, many housing benefit claimants in the private rented sector are in work, while others are in small households not affected by the cap.

4.108   It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.

4.109   The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. The model does not count any dwellings in the private rented sector as affordable housing supply; however it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.

4.110 To sensitivity test this position, Figure 52 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.

Figure 52: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2011-33 and associated number of affordable dwellings
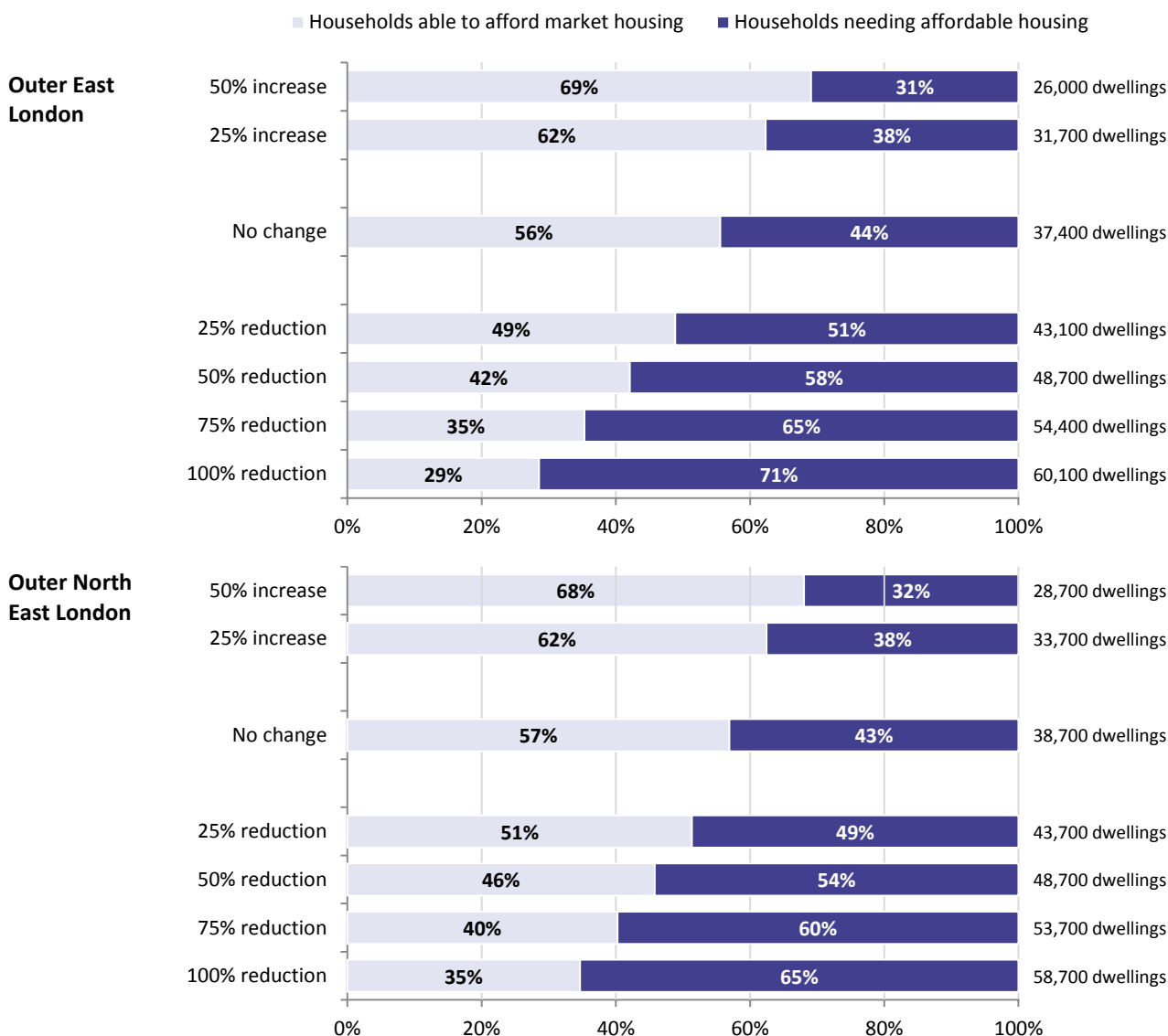
4.111 If no households were to receive housing benefit support in the private rented sector, almost three quarter (73%) of the growth in household numbers in Outer East London and two thirds (65%) in Outer North East London would need affordable housing.

Conclusions

Outer East London

4.112 Based on the household projections previously established, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 3,957 households to take account of concealed families and homeless households that would not be captured by the household projections.

4.113 The housing mix analysis identified a need to provide 37,456 additional affordable homes over the 22-year period (an average of 1,666 households or 1,700 dwellings per year). This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the level of housing benefit support provided to households living in the private rented sector remains constant.

Outer North East London

4.114 Based on the household projections previously established, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 2,955 households to take account of concealed families and homeless households that would not be captured by the household projections.

4.115 The housing mix analysis identified a need to provide 37,850 additional affordable homes over the 22-year period (an average of 1,720 households or 1,750 dwellings per year). This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the level of housing benefit support provided to households living in the private rented sector remains constant.

Size Mix

4.116 Figure 53 and Figure 49 sets out the housing mix in terms of property type and size for each of the local authority areas. Across the Outer East and Outer North East HMA's. In both HMA's around a half third of all affordable households to be provided require 3 bedrooms. The larger dwelling sizes are predominantly to address overcrowding amongst existing households.

Figure 53: Assessing Affordable Housing Mix by HMA (Source: ORS Housing Model Note: Figures may not sum due to rounding**)**

	Affordable Housing Need (households)		Affordable Housing Need (households)	
	Outer East London		Outer North East London	
	N	%	N	%
1 bedroom	800	2%	3,600	10%
2 bedrooms	9,200	25%	12,000	31%
3 bedrooms	20,600	55%	18,300	47%
4 bedrooms	5,400	14%	3,900	10%
5+ bedrooms	1,400	4%	800	2%
Total need for affordable housing 2011 33	**37,400**	**100%**	**38,600**	**38,600**

	Affordable Housing Need (households)			Affordable Housing Need (households)			
	Outer East London			Outer North East London			
	Newham	**Waltham Forest**	**TOTAL**	**Barking and Dagenham**	**Havering**	**Redbridge**	**TOTAL**
AFFORDABLE HOUSING							
1 bedroom	-500	1,300	800	1,200	900	1,600	3,600
2 bedrooms	5,300	3,900	9,200	5,600	2,400	3,900	12,000
3 bedrooms	13,100	7,500	20,600	6,700	4,100	7,500	18,300
4 bedrooms	3,300	2,100	5,400	1,400	700	1,900	3,900
5+ bedrooms	1,000	400	1,400	300	100	400	800
TOTAL	**22,200**	**15,200**	**37,400**	**15,100**	**8,200**	**15,300**	**38,600**

Affordable Rent Levels and Housing Need

4.117 A key issue for areas such Outer East London and Outer North East London is how affordable rents can help to meet the needs of those households who cannot afford to meet their own housing costs. Across much of England, affordable rents set at 80% of market rents provide rented accommodation which is very close to the cost of social rents. In these areas we do not have to consider social rent and affordable rent as two different products between the rents associated with them are similar and they serve to meet the needs of the same households.

4.118 However, in Outer East London and Outer North East London there is a significant difference between potential affordable rents and social rents. Figure 55 shows median weekly rents for 2013/14. For the GLA SHMA 2013 it was assumed that households could rent a 4 bedroom property in London at less than £250 per week, but much higher rates currently apply.

Figure 55: Median Weekly Rent Values in Outer East London and Outer North East London (Source: Valuation Office Agency)

	Outer East London		Outer North East London		
	Newham	**Waltham Forest**	**Barking and Dagenham**	**Havering**	**Redbridge**
1 bedroom	£200.08	£196.15	£160.38	£155.77	
2 bedroom	£252.92	£253.85	£196.15	£200.08	
3 bedrooms	£311.54	£311.54	£265.38	£242.31	
4 or more bedrooms	£369.23		£308.77	£357.69	

4.119 Figure 56 shows potential affordable rents in Outer East London and Outer North East London by bedroom size using 80% of market rents. This shows that at 80% of market rents, a 4 bedroom property will still cost between £247 and £323 per week. In the context of current benefit caps for non-working households of £500 per week this is still likely to be unaffordable and it should be remembered that the benefit cap is set to fall from £26,000 per annum to £23,000 per annum in

London . It should also be noted that potential affordable rents linked to market rents are subject to change over time and if market rents rise then affordable rents will also rise.

Figure 56: Potential Affordable rent Values in Outer East London and Outer North East London (Source: Valuation Office Agency)

	Outer East London		Outer North East London		
	Newham	**Waltham Forest**	**Barking and Dagenham**	**Havering**	**Redbridge**
1 bedroom	£160.06	£156.92	£128.30	£124.62	£138.46
2 bedroom	£202.34	£203.08	£156.92	£160.06	£179.08
3 bedrooms	£249.23	£249.23	£212.30	£193.85	£240.00
4 or more bedrooms	£295.38	£304.62	£247.02	£286.15	£323.08

4.120 Figure 57 shows the level of income required to be able to afford rents which are set at 80% market rents in Outer East London and Outer North East London under an assumptions that household devote 25% of their household income to housing costs. This requires an income of over £25,000 to be able to afford a 1 bedroom affordable rent property at 80% market rents. A 4 bedroom property would require an income of at least £51,000.

Figure 57: Income Required to Afford 80% Market Rents in Outer East London and Outer North East London (Source: Valuation Office Agency and ORS)

					Redbridge
1 bedroom	£33,293	£32,639	£26,687	£25,920	
2 bedroom	£42,086	£42,241	£32,639	£33,293	
3 bedrooms	£51,840	£51,840	£44,159	£40,320	
4 or more bedrooms	£61,440			£59,520	

4.121 From the above calculations it is clear that affordable rent properties in Outer East London and Outer North East London set at 80% of market rents are going to be unaffordable to anyone other than relatively high earning households. To begin to address the needs of households who are identified as requiring social rent it is the case that the cost of the rents must fall within housing benefit thresholds for an area.

4.122 Figure 58 shows the Local Housing Allowance (LHA) rates for Outer East London and Outer North East London. Comparing these figures with those in Figure 56 shows that the affordable rents set at 80% of market rents in Outer East London and Outer North East London would be covered by the LHA rate.

	Outer East London	Outer North East London
1 bedroom	£181.80	£155.57
2 bedroom	£229.58	£192.62
3 bedrooms	£286.98	£242.40
4 or more bedrooms	£331,61	£312.77

4.123 Overall, this leaves a complicated position for affordable rent in areas such as Outer East London and Outer North East London where market rents are so much higher than social rents. If affordable rents are set at 80% of market rents then their current level is so high that they will not be affordable to households who are typically seeking social rent. However, the rents do fall within the LHA caps and potentially could meet the needs of households who require social rent. However, the impact of the total benefit cap for non-working households does imply that it will be difficult to deliver affordable rent homes for larger dwellings which are consistent with the benefit cap.

Shared Ownership and Low Cost Home Ownership: Potential Market Size

4.124 It is also important to consider the role of other affordable housing products in Outer East London and Outer North East London. This section concentrates upon the potential role which could be played by shared ownership and low cost home ownership (LCHO) dwellings in meeting the overall housing needs of the areas.

4.125 We would note at the outset that as well as potentially helping households who are unable to afford market housing, both shared ownership and LCHO dwellings are often more affordable to those who can meet their own costs in the private rented sector, but who cannot afford to become owner occupiers. Therefore, they are helping to address market housing needs much more than affordable needs by allowing private renters to access owner occupation. However, it should be noted that the NPPF at paragraph 50 states that plan makers should seek;:

'To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:'

4.126 Therefore, the NPPF very specifically seeks to encourage home ownership and shared ownership and LCHO can be seen as playing a role in this alongside other government polices such as Help to Buy.

4.127 To understand the potential role of shared ownership and LCHO in helping to address housing needs, we firstly need to understand how the housing market is operating. Figure 59 shows the tenure pattern for Outer East London and Outer North East London at the time of the 2011 Census.

4.128 Clearly, private rented rates are significantly above the national average. However, a larger private rented sector alone cannot be taken as evidence of more households who could potentially benefit from shared ownership and LCHO. For example, areas with larger student populations will typically have larger private rented sectors and students will not typically qualify for intermediate housing.

Figure 59: Tenure in 2011 (Source: UK Census of Population 2011 Note: Figures may not sum due to rounding)

	Owned	Shared Ownership	Social rented	Private rented	Living rent free
Newham	33.3%	1.8%	29.6%	34.1%	1.2%
Waltham Forest	49.9%	1.1%	22.1%	25.9%	1.0%
Barking and Dagenham	46.4%	1.3%	33.7%	17.7%	1.0%
Havering	73.8%	0.6%	14.2%	10.6%	0.8%
Redbridge	63.6%	1.0%	11.4%	22.9%	1.2%
England	63.3%	0.8%	17.7%	16.8%	1.3%

4.129 Figure 60 shows that change in the owner occupation and private rented rates across Outer East London and Outer North East London in the period 2001-2011. It is clear that for all authorities the fall in owner occupation rates has been above the national average and that the growth in the private rented sector, with the exception of Havering, is at or above the national average.

Figure 60: Tenure Change from 2001 to 2011 (Source: UK Census of Population 2001 and 2011)

	Change in percentage owned occupied	**Change in percentage private rented**
Newham	-9.1%	16.3%
Waltham Forest	-8.2%	10.2%
Barking and Dagenham	-8.9%	12.0%
Havering	-5.0%	5.1%
	-9.1%	
England	-4.7%	6.9%

4.130 The composition of the private rented sector is also important in assessing the potential role of shared ownership and LCHO in helping households in to owner occupation. An area where the private rented sector is dominated by households who are claiming housing benefit in the private rented sector will have far lower capacity for helping households into owner occupation. In these cases the private rented sector is not accommodating households who would have moved on to owner occupation in the past, but is instead accommodating households whose needs are more likely to be social rent.

4.131 Similarly, student households in the private rented sector would typically not qualify for shared ownership or LCHO products and therefore shouldn't be considered as potential purchasers.

4.132 Figure 61 takes this analysis forward to show the physical size of the private rented sector in each local authority when tenants in receipt of housing benefit and students are excluded. In total it is estimated that there are over 33,500 non student households who are paying their rent without support from housing benefit in the private rented sector in Outer East London and 24,000 household in Outer

North East London. Therefore, there are 57,500 household who aren't students and who are paying their private rents without government assistance. These household represent a group who could potentially benefit from shared ownership and LCHO.

Figure 61: Size of the Private Rent Sector by Local Authority (Source: UK Census of Population 2011 and DWP Benefit Statistics May 2011 Note: Figures may not sum due to rounding**)**

	Total private rented sector	Student households in private rent	Housing benefit tenants in private rent	All other private rent households
Newham	34,570	1,635	13,270	19,665
Waltham Forest	25,102	575	10,590	13,937
Barking and Dagenham	12,328	153	6,490	5,685
Havering	10,337	35	4,560	5,742
Redbridge	22,657	367	9,740	12,550
England	**3,715,924**	112,364	1,371,390	2,232,170

4.133 Figure 62 shows the potential size of the market for shared ownership and LCHO products in Outer East London and Outer North East London. For the calculations we assumed that owner occupation rates were held constant at their 2001 levels and then compared this with the actual number of owner occupiers in 2011 in each local authority. Therefore, for example, if owner occupation rates in Havering had remained at their 2001 levels of 78.8% (including shared ownership) then there would have been 4,660 more owner occupiers in the borough in 2011, which would represent 4,660 fewer private renters. Across the whole area, if owner occupation rates had been held constant at 2001 rates then there would have been 16,400 more owner occupiers in 2011 in Outer East London and 21,000 more in Outer North East London than was the case.

Figure 62: Additional Owner Occupiers in 2011 using 2001 Owner Occupation Rate (Source: UK Census of Population 2011. Note: Shared Ownership has been included in owner occupation Note: Figures may not sum due to rounding)

	Total private rented sector	Student households in private rent	Housing benefit tenants in private rent	Other private rent households	
				Would be owners	Private rent through choice
Newham	34,570	1,635	13,270	8,648	11,017
Waltham Forest	25,102	575	10,590	7,707	6,230
Barking and Dagenham	12,328	153	6,490	5,744	-59
Havering	10,337	35	4,560	4,660	1,082
Redbridge	22,657	367	9,740	10,634	1,916
England	3,715,924	112,364	1,371,390	1,002,519	1,229,651

4.134   Therefore, these households can be seen as households who are currently renting privately, but who would previously have been owner occupiers. These households all represent households who could potentially benefit from shared ownership or LCHO and therefore there is strong potential for these products in both areas. In particular they are likely to be candidates for the Governments new Starter Homes scheme.

Households with Specific Needs

4.135   Paragraph 021 of the PPG contains issues regarding Households with Specific Needs and states:

> **Households with specific needs**
>
> *There is no one source of information about disabled people who require adaptations in the home, either now or in the future.*
>
> *The Census provides information on the number of people with long-term limiting illness and plan makers can access information from the Department of Work and Pensions on the numbers of Disability Living Allowance/Attendance Allowance benefit claimants. Whilst these data can provide a good indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home.*
>
> *Applications for Disabled Facilities Grant will provide an indication of levels of expressed need, although this could underestimate total need. If necessary, plan makers can engage with partners to better understand their housing requirements.*
>
> **Planning Practice Guidance 2014, paragraph 21**

4.136   Personal Independence Payments started to replace the Disability Living Allowance from April 2013, and these are awarded to people aged under 65 years who incur extra costs due to disability (although there is no upper age limit once awarded, providing that applicants continue to satisfy either the care or mobility conditions). Higher Mobility Component (HMC) is awarded when applicants have "other, more severe, walking difficulty" above the Lower Mobility Component (which is for supervision outdoors).

4.137   Attendance Allowance contributes to the cost of personal care for people who are physically or mentally disabled and who are aged 65 or over. It is paid at two different rates: a lower rate is paid for those who need help or constant supervision during the day, or supervision at night; a higher rate is paid where help or supervision throughout both day and night is needed, or if people are terminally ill.

4.138   Nevertheless, neither of these sources provides information about the need for adapted homes.

4.139   Disabled Facilities Grants (DFG) are normally provided to Councils and housing association tenants to adapt properties for individuals with health and/or mobility needs. Grants cover a range of works, such as:

- » Widening doors and installing ramps;
- » Improving access to rooms and facilities, for example stair lifts or a downstairs bathroom;
- » Providing a heating system suitable for needs; and
- » Adapting heating or lighting controls to make them easier to use.

4.140   Local data about DFGs was published by CLG in Live Table 314. But this data has now been discontinued.   PPG notes that whilst patterns of DFG applications "provide an indication of expressed need" it cautions that this could "underestimate need". Of course, it is also important to recognise that DFGs typically relate to adaptations to the existing housing stock rather than new housing provision.

4.141   As previously noted, the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the recent changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the 2015 edition of Approved Document M: Volume 1 (Access to and use of dwellings)[15.]   This introduces three categories of dwellings:

» Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties

» Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes

» Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.

4.142   Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for Category 2 and Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability.

4.143   The demographic projections by the GLA show that the number of people aged 65 or over is projected to increase by around 31,600 persons in Outer East London and 33,400 In Outer North East London. Most of these older people will already live in the area and many will not move from their current homes; but those that do move home are likely to need accessible housing.

4.144   The London Plan (March 2015) Policy 3.8 Paragraph 3.48 (as amended by MALP Housing Standards Consultation Draft May 2015, subject to Examination beginning 21.10.15) states that 90% of new housing meets Building Regulation requirement M4(2)[16] 'accessible and adaptable dwellings' and 10% of new housing meets Building Regulation requirement M4(3) 'wheelchair user dwellings'. This applies to all tenures.

4.145   Given this context, the evidence supports the need for 90% of dwellings to meet Category 2 requirements, providing that this does not compromise viability. This approach has been adopted in Local Plans elsewhere.

4.146   The CLG guide to available disability data[17] shows that currently around 1-in-30 households in England (3.3%) have at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). It is also important to recognise that these proportions are likely to increase over the period to 2033 in the context of the larger numbers of older people projected to be living in the area. The evidence therefore supports the need for 10% of market housing and 15% of affordable housing to meet Category 3 requirements. This recognises the changing demographics of the area and also provides an element of choice for households that need wheelchair user dwellings now as well as those households considering how their needs may change in future.

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[15] http://www.planningportal.gov.uk/buildingregulations/approveddocuments/partm/adm/admvol1
[17] https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data

5. Market Signals

Considering the balance between housing need and supply

Chapter Summary

5.1   PPG identifies a range of housing market signals that should be considered when determining the future housing number and advises that these should be applied following the household projections. A worsening in market signals such as affordability or increased house prices could indicate the need for an uplift to the projected figures. The key points and conclusions of the assessment of market signals are:

   » House prices over time as measured by lower quartile house prices adjusted for inflation show that the changes in house prices between 2001 and 2013 for Outer East London and Outer North East London are both close to the long-term average trends for England. That is, neither shows an increase of the kind which would suggest the need for an uplift to the projected figures. Similarly, the figures for affordability do not suggest the need for an uplift.

   » Figures for average private sector rents in 2013-14 in both Outer East London and Outer North East London are above the national average. However, comparator areas have higher rents and have seen a sharper rise in rents in the past 5 years. Rents in the PRS do not suggest the need for an uplift.

   » Overcrowding increased substantially between the 2001 Census and 2011 Census and is much higher than England. While comparators areas Ealing, Hillingdon and Hounslow have a higher rate of overcrowding, the proportion of overcrowded households has increased over the last 10 years at a rate much higher than the national average and that of any comparator area. Overcrowding suggests the need for an uplift to the projected figures.

   » There is no definitive guidance on what level of uplift is appropriate. Taking into account the relative market signal indicators for the two areas and the available evidence views of the Eastleigh Inspector and the Greater London SHMA, it would seem to be reasonable to consider an uplift of:

      » 20% for Outer East London as the area experiences significant housing market pressures which are in line with other highly pressurised markets in London;

      » 15% for Outer North East London which experiences lower housing market pressures when compared with Outer East London, but does have similar pressures to London as a whole.

Defining Market Signals

5.2   While demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG identifies a range of housing market

signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (Paragraph 019)*
>
> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (Paragraph 020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

5.3   The Market Signals include:

» Land and house prices;

» Rents and affordability;

» Rate of development; and

» Overcrowding.

5.4   Furthermore, there are other issues that should be considered, for example the macro-economic climate (PAS OAN technical advice note, para 5.22). Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

5.5   PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

> *Appropriate comparisons of indicators should be made. 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. (Paragraph 020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

5.6   To identify areas with similar demographic and economic characteristics, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. The outcome of this analysis was that Outer East London shares similar demographic and economic characteristics with **Lambeth, Lewisham & Southwark**, **Barnet, Enfield & Haringey** and **Hackney & Tower Hamlets** and that Outer North East London shares similar demographic and economic characteristics with **Bexley, Bromley & Greenwich, Croydon, Merton & Sutton** and **Ealing, Hillingdon & Hounslow**. Therefore, in considering market signals, we have considered these borough council areas as appropriate comparators and compared them against the study areas.

House Prices and Affordability

5.7   House prices in England and Wales have been relatively volatile in the past 15 years. House prices have increased by 6.4% in the 12 months to April 2014; the fastest rises were in London (17.0%), the East of England (6.6%) and the South East (6.1%). The average UK house price in 2014 was £172,000 compared to the high of £181,500 in 2007. Average house price trends 2008-2014 (Source: ONS) show the price divergence between London and the rest of the UK.

Figure 63:   Annual house price rates of change, UK all dwellings 2004-2014 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)
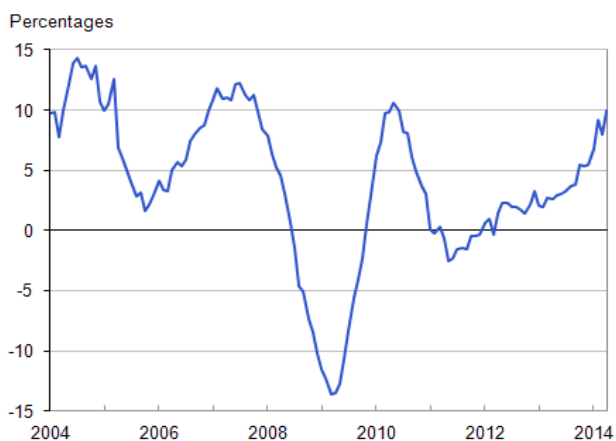
Figure 64:   UK and London House Price Index 2008-2014 (Source: ONS)
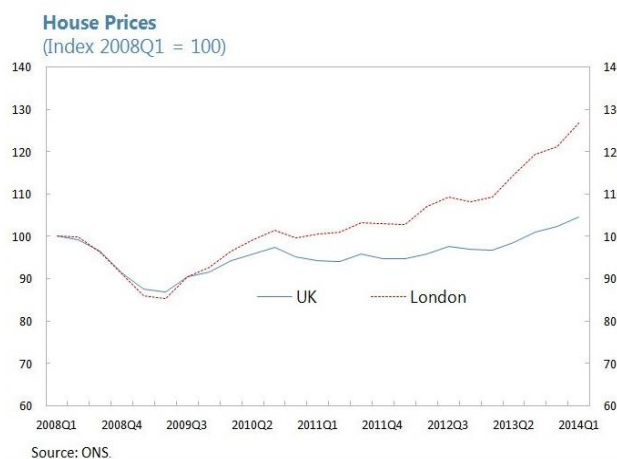
5.8   The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery. In his speech at the Mansion House in June 2014, the Governor of the Bank said:

"The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly. Since we are not able to build a single house, I welcome the Chancellor's announcement tonight of measures to increase housing supply.

To be clear, the Bank does not target asset price inflation in general or house prices in particular.

It is indebtedness that concerns us.

This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion's share of UK banks' domestic lending.

It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole."

5.9   The International Monetary Fund (IMF) has also highlighted concerns about these risks and especially the high borrowings of households relative to income, especially in London:

"The increase in the number of high loan-to-income (LTI) mortgages is more pronounced in London and among first-time buyers. As a result, an increasing number of households are vulnerable to negative income and interest rate shocks."

5.10   However, while mortgage credit availability shows signs of stabilising closer to historic levels, the surge in prices may be cooling; the Council of Mortgage Lenders (CML) commentary on the Bank of England Credit Conditions Survey (Q4, 2014) suggests:

> *"Looking ahead, there are expectations of a small pickup in both mortgage demand and credit availability <u>except at higher loan-to-value (LTV) ratios</u> in the next quarter.*

> *The reported narrowing of risk appetite – with some lenders less willing to lend at LTVs above 90% and/or restricting their lending at high loan-to-income ratios – is potentially of greater importance for market developments.*

> *But looking ahead over the coming months, lenders expect mortgage credit availability to stabilise, mortgage spreads to narrow (for what would be the 10th successive quarter) and a modest pick-up in mortgage demand."*

    (Emphasis is the author's)

5.11   The Government has strengthened the existing powers of the Bank of England to recommend to regulators a limit on the proportion of high loan to income mortgages. From May 2015, lenders are prevented from extending more than 15% of their mortgages to customers needing to borrow 4.5 times their income.

5.12   The future for the housing market is difficult to predict, although long-term trends indicate continued demand issues from household growth, albeit with issues around affordability. The current Government policy towards national economy recovery, and the role played in this by the Bank of England, indicates that action may be taken to contain any housing price 'bubble'. Interest rates seem likely to rise in the medium term, and this could expose risk of those borrowing with high loan-to-value at low interest rates.

House Prices in Outer East London

5.13   House price trends (2000-2013) are shown in Figure 65 and Figure 66 shows lower quartile house prices adjusted for the impact of inflation. Therefore, the prices reflect real changes which have occurred since 2001 when removing the impact of background inflation.

5.14   It is clear that real house prices in Outer East London rose sharply in the period 2001-2007 (from £100,300 to £223,100 at 2012 values, a real increase of 122%), but they have progressively reduced since that time with real prices at around £193,600 in mid-2013 (at 2012 values).

Figure 65:   House Price Trends: Lower Quartile Prices (Source: CLG Live Tables. Note: HMA figure derived using population weighted average of Local Authority data)
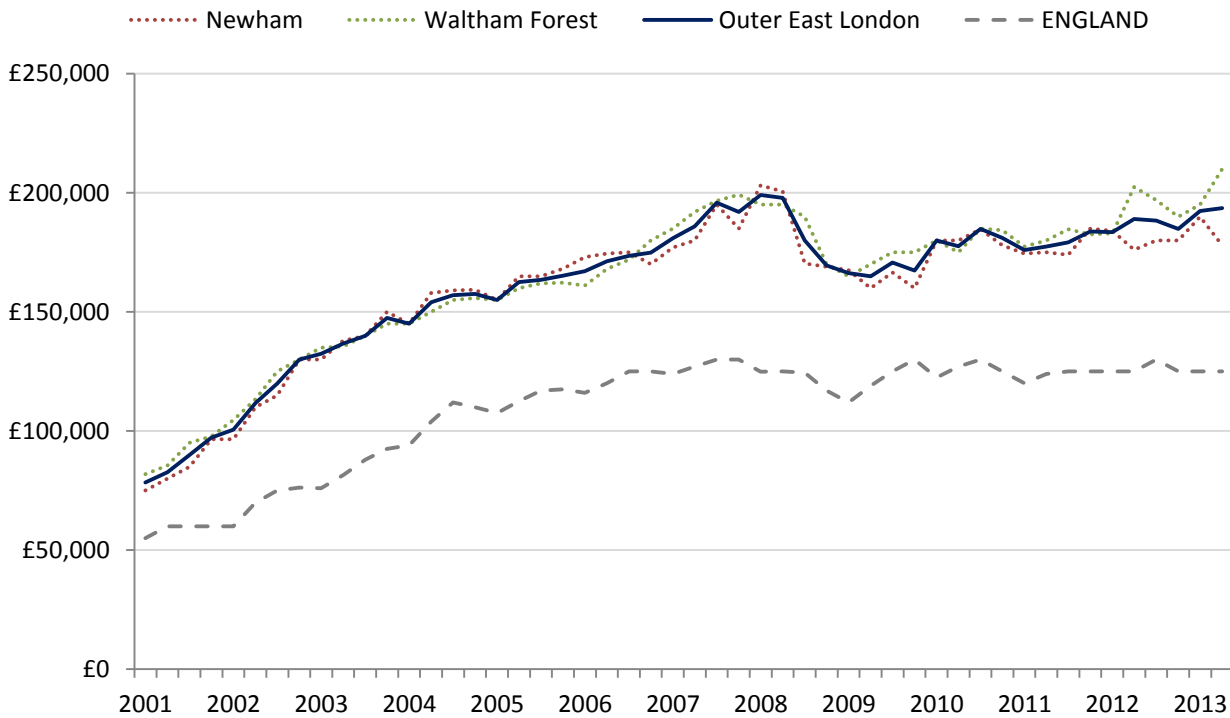
Figure 66:   Real House Price Trends: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data
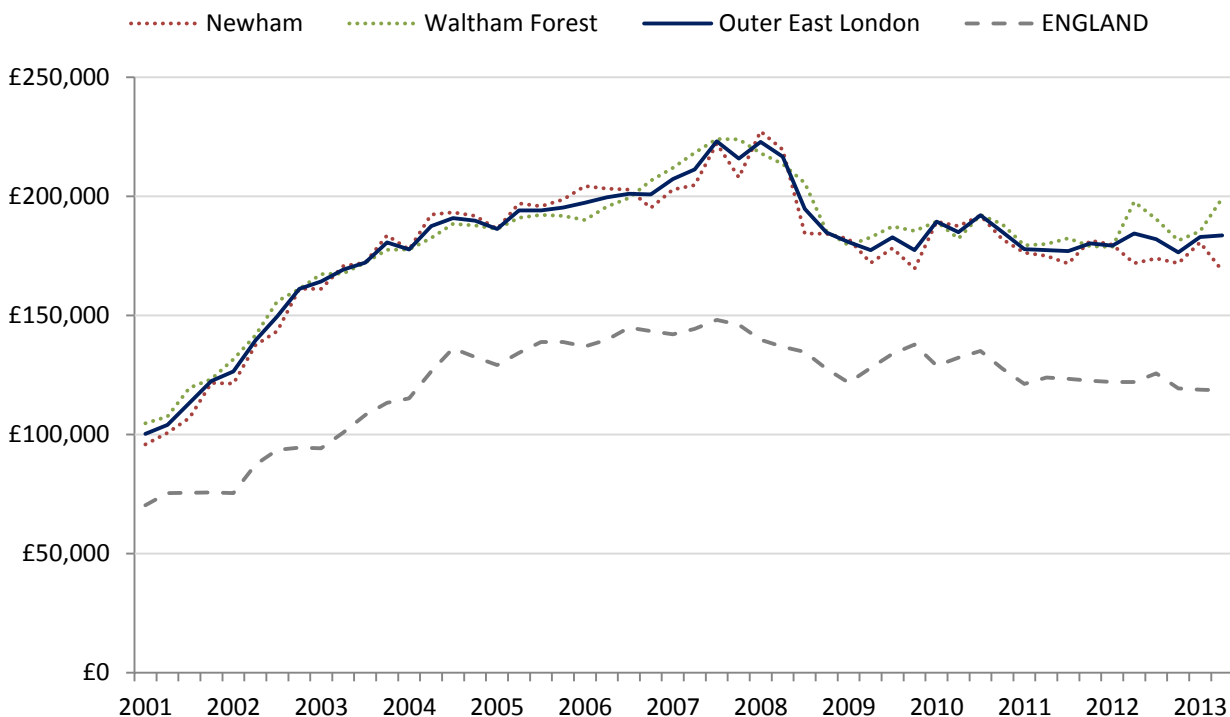
5.15   Figure 67 shows how real house prices in Outer East London have varied when compared with the English average. This shows that real house prices in the HMA are currently close to the long-term average trends.

Figure 67: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)
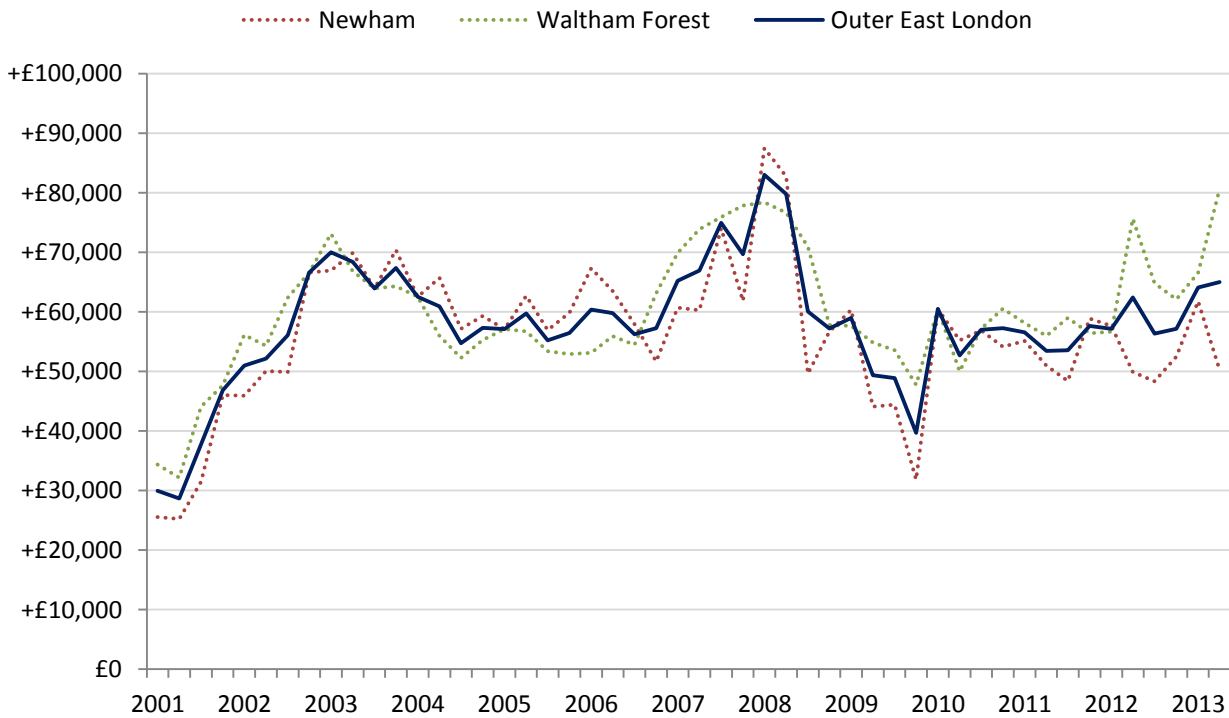
Affordability in Outer East London

5.16 Figure 68 below shows the ratio of lower quartile house price to lower quartile earnings in Outer East London between 2001 and 2013. This long term trend for the HMA shows that affordability worsened in the period 2001-08 (when there was an increase in real house prices). Of course, it is also important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

Figure 68: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG. Note: HMA figure derived using population weighted average of Local Authority data)
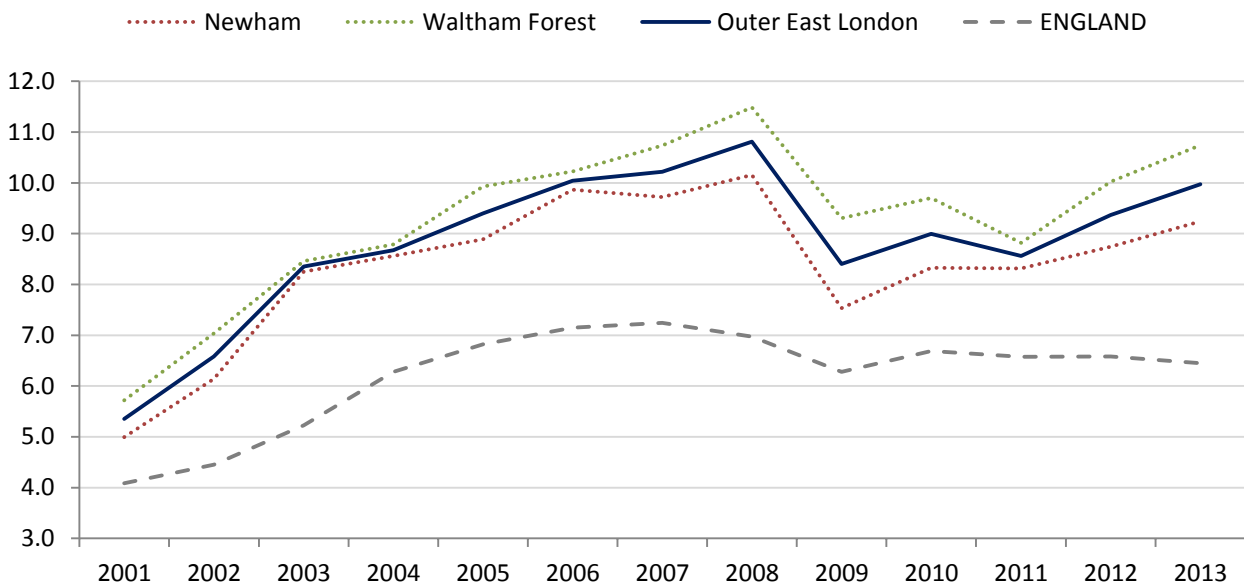
House Prices in Outer North East London

5.17 House price trends (2000-2013) are shown in Figure 69 and Figure 70 shows lower quartile house prices adjusted for the impact of inflation. Therefore, the prices reflect real changes which have occurred since 2001 when removing the impact of background inflation.

5.18 It is clear that real house prices in Outer North East London rose sharply in the period 2001-2007, but reduced in the period 2007-2009 and have remained relatively stable since 2011.

Figure 69: House Price Trends: Lower Quartile Prices (Source: CLG Live Tables. Note: HMA figure derived using population weighted average of Local Authority data)
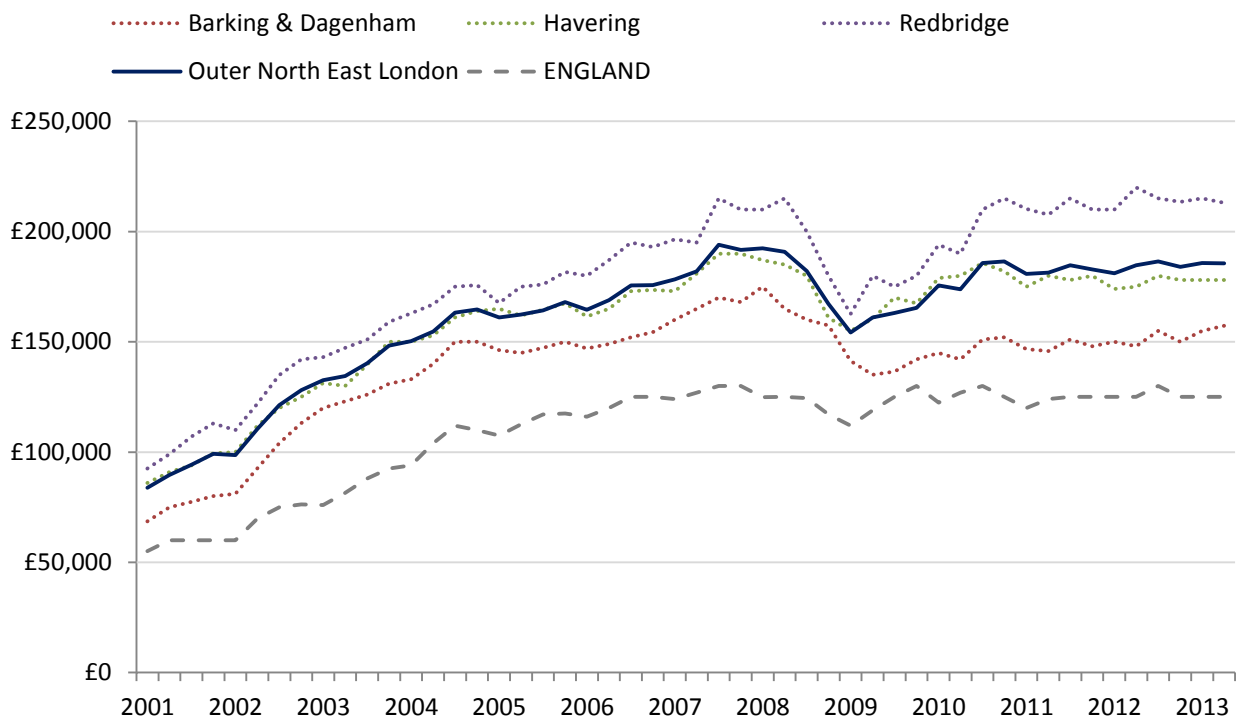
Figure 70: Real House Price Trends: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data
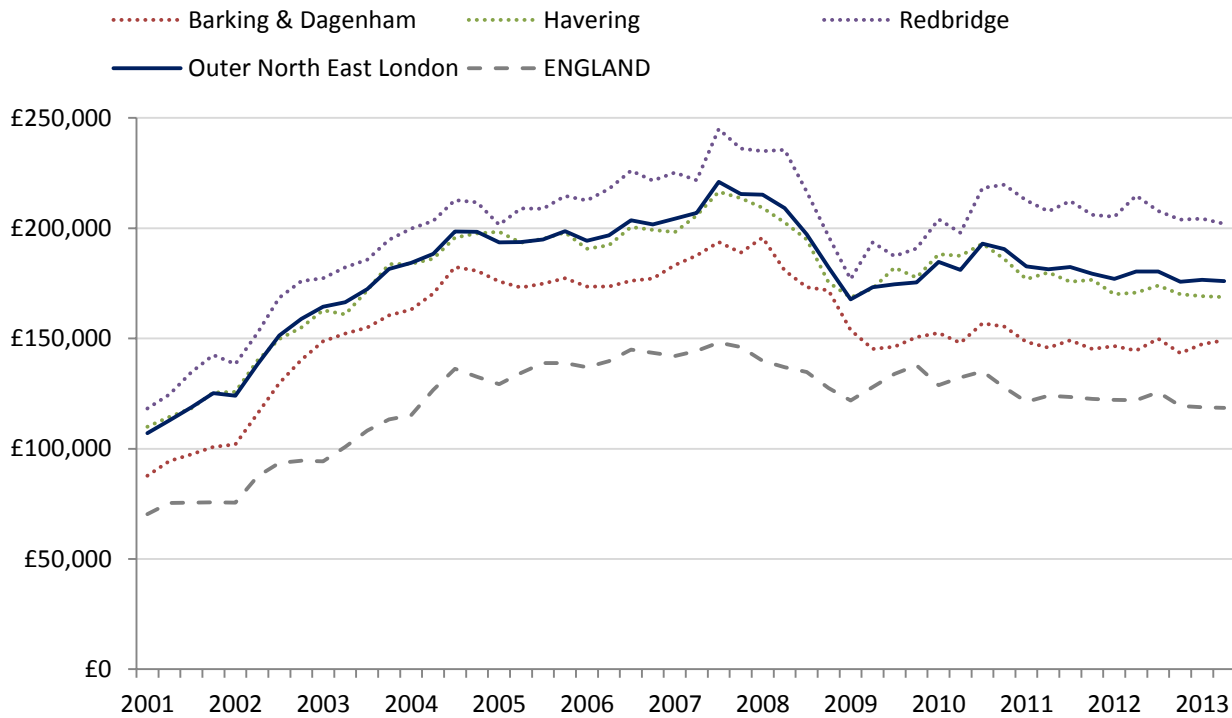
5.19   Figure 71 shows how real house prices in Outer North East London have varied when compared with the English average. This shows that real house prices in the HMA are currently close to the long-term average trends.

Figure 71: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)
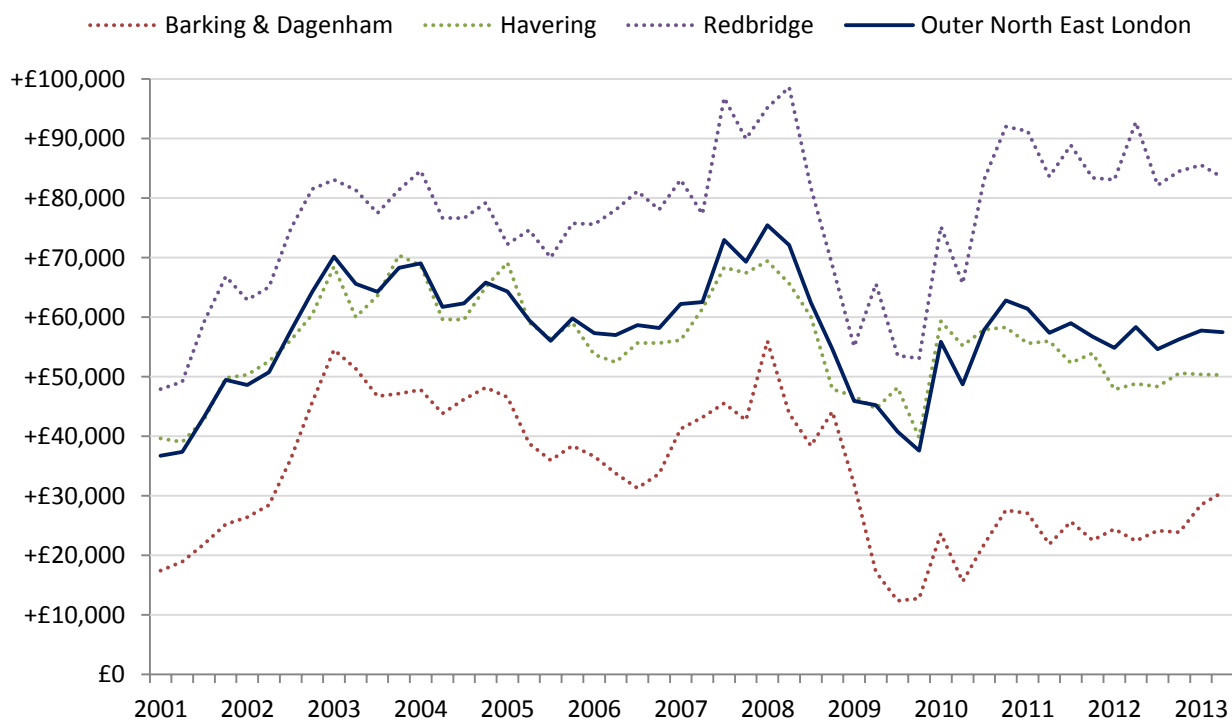
Affordability in Outer North East London

5.20 Figure 72 below shows the ratio of lower quartile house price to lower quartile earnings in Outer North East London between 2001 and 2013. While affordability deteriorated in the period 2001-2004, the situation has improved since that time.

Figure 72: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG. Note: HMA figure derived using population weighted average of Local Authority data)
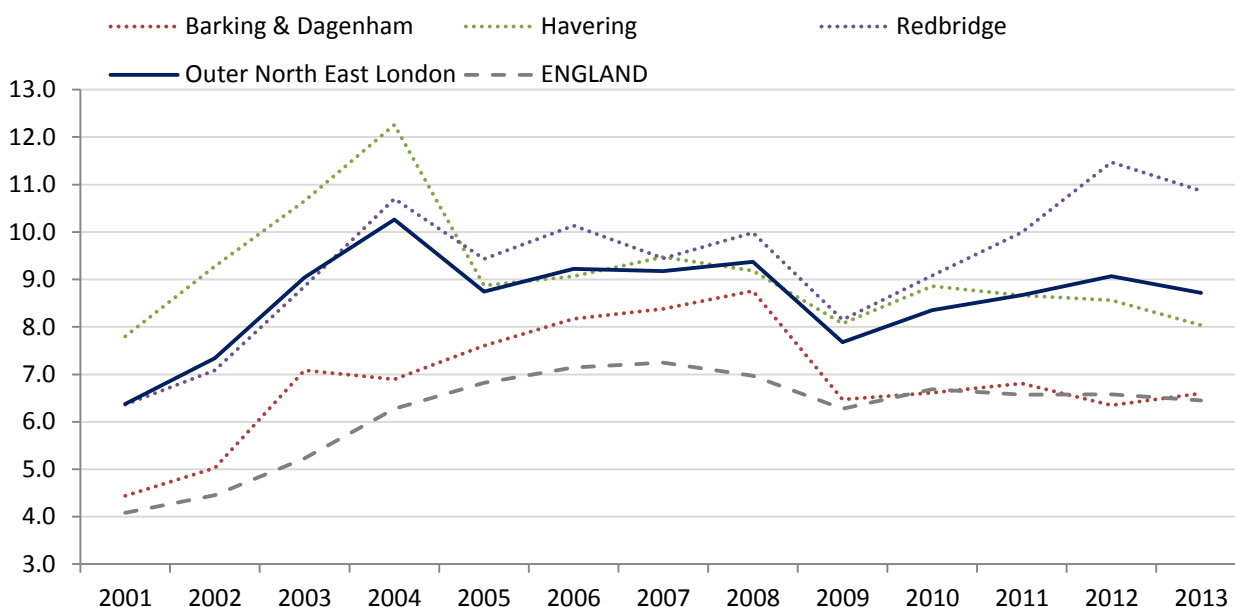
Private Rent

5.21 The English Housing Survey 2013-14[18] identified that 19% (4.4 million) of households were renting from a private landlord, up from 18% in 2012-13 and 11% in 2003. Households aged 25-34 were more likely to be renting privately (48%) than buying a home, up from 45% in 2012-13 and 21% in 2003-04. Owner occupation in this age group dropped from 59% to 36% over the same 10 year period.

5.22 The growth of the Sector has been acknowledged as both a growing and long term option for meeting the nation's housing need. The Government published *"Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities"* in March 2015[19], and the Forward by the Minister stated:

> *"The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue."*

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[18] https://www.gov.uk/government/statistics/english-housing-survey-2013-to-2014-headline-report
[19] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

5.23   Policy by both Government and Local Authorities is focussed on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply[20] (including the Build to Rent investment scheme[21]).

5.24   Importantly, the Government sees the PRS having an important and long term role in meeting the housing need of the nation; and although the NPPF and PPG do not mention the current or future role of housing benefit, the policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending.

5.25   Given this context, it is important for local authorities to recognise the role of the private rented sector at a local level. Assuming the release back into the market of many dwellings in the private rented sector currently occupied by tenants in receipt of housing benefit would have significant consequences; therefore it remains appropriate to recognise that the private rented sector will continue to make an important contribution towards providing housing options for households unable to afford their housing costs in future. Nevertheless, it is essential for local authorities to understand the full extent of the need for affordable housing in their areas and consider their policy responses accordingly.

Overcrowding

5.26   Overcrowding was considered in detail when establishing the need for affordable housing. PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing (paragraph 19):

> *Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers.*

5.27   These were also considered when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

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[20] https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment
[21] https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence

Summary of Market Signals

5.28   As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, the indicators provide a context for considering the balance between housing need and supply.

Outer East London

5.29   In terms of headline outputs, the market signals when compared to relevant comparator areas show:

Figure 73: Summary of Market Signals

		Outer East London	Lambeth, Lewisham & Southwark	Barnet, Enfield & Haringey	Hackney & Tower Hamlets	England
INDICATORS RELATIING TO PRICE						
House prices						
	2012- 13 value	£188,600	£228,700	£228,300	£250,400	£126,200
	Relative to England	+49%	+81%	+81%	+98%	-
	2007-08 value	£193,200	£207,300	£211,800	£229,900	£128,000
	5-year change	-2%	+10%	+8%	+9%	-1%
Rents						
	2013- 14 value	£1,029	£1,370	£1,294	£1,467	£720
	Relative to England	+43%	+90%	+80%	+104%	-
	2008 value	£718	£716	£793	£830	£501
	5-year change	+43%	+91%	+63%	+77%	+44%
Affordability						
	2013 ratio	10.0	9.5	10.9	9.8	6.5
	Relative to England	+55%	+47%	+68%	+51%	-
	2008 ratio	10.8	9.4	10.7	8.7	7.0
	5-year change	-8%	+1%	+2%	+13%	-7%
INDICATORS RELATIING TO QUANTITY						
Overcrowding						
	2011 proportion	29.2%	25.9%	21.1%	33.5%	8.7%
	Relative to England	+234%	+196%	+141%	+283%	-
	2001 proportion	21.2%	21.6%	15.7%	28.4%	7.1%
	10-year change	+37%	+20%	+34%	+18%	+23%
Rate of development						
	2001-11 change	8.7%	10.9%	8.4%	24.1%	8.3%
	Relative to England	+4%	+31%	+1%	+189%	-

5.30   On the basis of this data we can conclude:

» **House Prices:** lower quartile prices are higher than the national average, with a lower quartile price of £188,600, compared to England's £126,200 (based on 2012-13 values). The current price in the HMA is lower than any of the comparator areas. Over the last 5-years, prices have increased in the comparator area, while falling in Outer East London;

» **Rents:** for average private sector rents in 2013-14, the study area is above the national average. However, again the comparator areas have higher rents and have seen a sharper rise in rents in the past 5 years;

» **Affordability:** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 'worse' in the study area than across England as a whole (10.0x cf. 6.5x), but is similar to the comparator areas. Furthermore, national affordability ratios have improved since 2008 at a similar rate to Outer East London;

» **Overcrowding:** (in terms of Census occupancy rates) shows that 29.2% of households in the study area are overcrowded based on an objective measure, which is much higher than England (8.7%). However, Tower Hamlets and Hackney have an even higher rate of overcrowding. Also, the proportion of overcrowded households has increased over the last 10 years at a rate much higher than the national average (+37% cf. +23%);

» **Rate of development:** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +8.7%, which is higher than England (8.3%). This rate for the Outer East London is lower than comparator areas except for Barnet, Enfield and Haringey. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

Outer North East London

5.31 In terms of headline outputs, the market signals when compared to relevant comparator areas show:

Figure 74: Summary of Market Signals

		Outer North East London	Bexley, Bromley & Greenwich	Croydon, Merton & Sutton	Ealing, Hillingdon & Hounslow	England
INDICATORS RELATIING TO PRICE						
House prices						
	2012- 13 value	£185,200	£194,200	£194,500	£226,500	£126,200
	Relative to England	+47%	+54%	+54%	+79%	-
	2007-08 value	£190,000	£190,000	£191,600	£216,500	£128,000
	5-year change	-3%	+2%	+2%	+5%	-1%
Rents						
	2013- 14 value	£965	£1,082	£1,131	£1,325	£720
	Relative to England	+34%	+50%	+57%	+84%	-
	2008 value	£709	£667	£726	£770	£501
	5-year change	+36%	+62%	+56%	+72%	+44%
Affordability						
	2013 ratio	8.7	9.4	9.3	10.2	6.5
	Relative to England	+35%	+45%	+44%	+58%	-
	2008 ratio	9.4	9.8	10.5	10.4	7.0
	5-year change	-7%	-4%	-11%	-2%	-7%
INDICATORS RELATIING TO QUANTITY						
Overcrowding						
	2011 proportion	14.3%	11.6%	14.8%	20.6%	8.7%
	Relative to England	+63%	+32%	+70%	+136%	-
	2001 proportion	9.6%	8.6%	11.0%	15.7%	7.1%
	10-year change	+49%	+34%	+35%	+31%	+23%
Rate of development						
	2001-11 change	6.1%	5.6%	3.0%	7.5%	8.3%
	Relative to England	-27%	-33%	-64%	-11%	-

5.32 On the basis of this data we can conclude:

» **House Prices**: lower quartile prices are higher than the national average, with a lower quartile price of £185,200, compared to England's £126,200 (based on 2012-13 values). The current price in the HMA is lower than any of the comparator areas. Over the last 5-years, prices have increased in the comparator area, while falling in Outer North East London;

» **Rents**: for average private sector rents in 2013-14, the study area is above the national average. However, again the comparator areas have higher rents and have seen a sharper rise in rents in the past 5 years;

» **Affordability:** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 'worse' in the study area than across England as a whole

(8.7x cf. 6.5x), but is better than the comparator areas. Furthermore, national affordability ratios have improved since 2008 at a similar rate to Outer North East London;

» **Overcrowding:** (in terms of Census occupancy rates) shows that 14.3% of households in the study area are overcrowded based on an objective measure, which is much higher than England (8.7%). However, Ealing, Hillingdon and Hounslow have a higher rate of overcrowding. However, the proportion of overcrowded households has increased over the last 10 years at a rate much higher than the national average (+49% cf. +23%) and that of any comparator area;

» **Rate of development:** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +6.1%, which is lower than England (8.3%). This rate for the Outer North East London is lower than comparator areas except Ealing, Hillingdon and Hounslow.

Conclusions on Market Signals

5.33   As previously noted, PPG suggests that *"household projections should be adjusted to reflect appropriate market signals"* where there is a *"worsening trend in any of these indicators"* (paragraphs 19-20). Whilst rents have increased in both HMAs, house prices have decreased since 2008, and consequently, affordability as measured by lower quarter house prices to earnings has improved in both HMAs. However, there are higher levels of overcrowding in both HMAs, so it is appropriate to consider an uplift to the household projection when establishing OAN in response to market signals. However, the indicators collectively show that circumstances in the Outer East London and Outer North East London HMAs are generally no worse than across other areas of London; so any uplift must be determined in this context.

5.34   There is no definitive guidance on what level of uplift is appropriate. Nevertheless, the Inspector examining the Eastleigh Local Plan judged 10% to be reasonable given the market signals identified for that HMA:

> *"It is very difficult to judge the appropriate scale of such an uplift … Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself."*

5.35   The PAS Objectively Assessed Need and Housing Targets Technical Advice Note (July 2015) supports this approach as a method to estimate the uplift and says that "*where the evidence suggest moderate under-provision…the projected housing need might be increased by 10%".* We would also note that impact of market signals adjustments for the Greater London SHMA was an increase of 13.5%, although this was never explicitly labelled as a market signal adjustment.

5.36   Given the relative market signal indicators for the two areas and the views of the Eastleigh Inspector and the Greater London SHMA, it would seem to be reasonable to consider an uplift of 20% to be reasonable for Outer East London as the area experiences significant housing market pressures which are in line with other highly pressurised markets in London.

5.37   Meanwhile, Outer North East London experiences lower housing market pressures when compared with Outer East London, but does have similar pressures to London as a whole, so an uplift of around 15% would seem to be appropriate.

5.38 It is important to recognise that any uplifts applied when establishing housing need can have a cumulative impact. This was noted by the Inspector examining the County Durham Plan in his interim views (para 42):

…affordable housing need and market signals are amongst several factors, including future employment, which could lead to an upward adjustment in the housing need suggested by the DCLG projections. Given the significant upward adjustment already brought about by the jobs target, I consider any further upward adjustment in respect of affordable housing need and market signals would result in a calculation of OAN that is not grounded in realism in respect of associated population levels.

5.39 The compound impact of adjustments was also noted by the Inspector examining the Cornwall Local Plan in his interim views:

3.21 Any uplift on the demographic starting point such as the 7% addition for second/holiday homes that I am requiring (see below) would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified. A very substantial uplift would raise the same concerns as I set out above in relation to market signals, but some further uplift should still be carefully considered by the Council.

5.40 This is important because we have already noted that a total of 4,036 dwelling in Outer East London and 3,021 dwellings in Outer North East London are required for concealed and homeless households. These households add 5% and 3.5% respective to the GLA long-term trend household projections. We wish to stress that the proposed 20% uplift for Outer East London and 15% for Outer North East London incorporate the 5% and 3.5% adjustment and are not in addition to them.

6. Objectively Assessed Need

Analysing the evidence to establish overall housing need

Chapter Summary

6.1   In this chapter, the figures from CLG household projections with GLA adjustments, affordable housing need, employment trends, and market signals are brought together to present the final OAN:

» Based upon the GLA 2014 round long-term trend migration projections the SHMA therefore identifies the Full Objective Assessed Need for Housing in the Outer East London HMA to be 96,100 dwellings over the 22-year Plan period 2011-33, equivalent to an average of 4,370 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 37,400 dwellings over the same period, equivalent to an average of 1,700 dwellings per year.

» Based upon the GLA 2014 round long-term trend migration projections the SHMA therefore identifies the Full Objective Assessed Need for Housing in the Outer North East London HMA to be 99,800 dwellings over the 22-year Plan period 2011-33, equivalent to an average of 4,540 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 38,600 dwellings over the same period, equivalent to an average of 1,760 dwellings per year.

The Process for Assessing OAN

6.2   A key objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area (HMA) over the future plan period. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the local planning authorities before establishing the final Housing Requirement.

> *The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*
>
> **Planning Practice Guidance (PPG), paragraph 4**

6.3   Figure 75 sets out the process for establishing the housing number for the HMA. It is a duplicate of Figure 11 repeated here for clarity of presentation. It starts with a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings.

Figure 75: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)

Starting Point Estimate — **Household Projections** produced by CLG	**Demographic issues** Are there any known problems with local data? Do we need to take account of any anomalies? What period should be used for population trends? Has housing delivery suppressed formation rates?
Adjusted Estimate — **Household Projections** based on local circumstances	**Implications of the household projections** Will there be enough workers for planned jobs? Do Market Signals show worsening trends? What is the 'backlog' of unmet need for housing?
Policy Off Housing Need — **Objectively Assessed Need**	**Planning and policy considerations** What are the planning constraints? Can overall housing needs be met within the HMA? Can the affordable housing needed be delivered?
Policy On Housing Target — **Housing Requirement**	**Duty to Co-operate discussions** Will other LPAs help address any unmet needs? Are there any unmet needs from other HMAs?

National Context for England

6.4   The NPPF requires Local Planning Authorities to "ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area" and "identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change" (paragraphs 47 and 159).

6.5   PPG further identifies that "household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need … The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth" (paragraphs 15-16).

Household Growth

6.6   The 2012-based CLG household projections show that the number of households in England will increase from 22.3 million to 27.5 million over the period 2012 to 2037. This represents a growth of 5.2 million households over 25 years, equivalent to an annual average of 210,000 households each year, and this provides the starting point estimate of overall housing need for England.

6.7   It should be noted that the annual average of 210,000 households is already much higher than current housing delivery: CLG data for April 2013 to March 2014 identifies that construction started on 133,900 dwellings and 112,400 dwellings were completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by 57% – so providing for household growth in itself would require a significant step-change in the number of homes currently being built.

International Migration

6.8   The 2012-based CLG household projections are based on the ONS 2012-based sub-national population projections. These projections identify an average net gain of 151,600 persons each year due to international migration, and a net loss of 6,400 persons each year from England to other parts of the UK. Therefore, the 2012-based projections are based on net migration averaging 145,100 persons each year.

6.9   However, these estimates for future international migration may be too low. Oxford University research (March 2015) showed net international migration to be 565,000 persons over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 persons annually between the Census in 2001 and 2011. Both figures suggest that the 2012-based SNPP may underestimate international migration, which would have knock-on implications for projected population growth.

6.10   As previously noted, longer-term projections typically benefit from longer-term trends and therefore ORS routinely consider migration based on trends for the 10-year period 2001-11. On this basis, our trends are based on a period when net migration to England averaged 211,200 persons each year: 66,100 persons higher than assumed by the 2012-based SNPP, which represents an additional 29,000 households each year based on CLG average household sizes. Therefore, the approach taken for establishing migration based on longer-term trends would increase household growth for England from 210,000 households to 239,000 households each year on average.

Market Signals

6.11   The NPPF also sets out that "Plans should take account of market signals, such as land prices and housing affordability" (paragraph 17) and PPG identifies that "the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals".

6.12   The market signals identified include land prices, house prices, rents, affordability and the rate of development; but there is no formula that can be used to consolidate the implications of this data. Nevertheless, the likely consequence of housing affordability problems is an increase in overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. PPG identifies that these indicators *"demonstrate un-met need for housing"* and that *"longer term increase in the number of such households may be a signal to consider increasing planned housing numbers"* (paragraph 19).

6.13   The Census identified that the number of concealed families living in England increased from 161,000 families to 276,000 families over the decade 2001 to 2011, which represents a growth of 115,000 families over 10 years. Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections.

6.14   Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 115,000 families in England over the period 2001-11, over three quarters (87,100) have family representatives aged under 55, with substantial growth amongst those aged 25-34 in particular. This is a clear signal of

the need to increase the planned housing numbers in order to address the increase in concealed families over the last decade and also factor in their impact on current and future average household sizes.

6.15   Addressing the increase in concealed families would increase projected household growth by 87,100 over the 25-year period, an average of 3,500 households each year over the period 2012-37 (or higher if the need is addressed over a shorter period). Therefore, adjusting for longer-term migration trends and taking account of the market signals uplift for concealed families yields an average household growth for England of 242,500 each year.

Converting to Dwellings

6.16   Finally, in converting from households to dwellings we need to allow for a vacancy and second home rate as not all dwellings will be occupied. At the time of the 2011 Census this figure was 4.3% of all household spaces in England: we have applied this to future household growth, and on this basis the growth of 242,500 households would require the provision of **253,400 dwellings each year across England**. This is the average number of dwellings needed every year over the 25-year period 2012-37 and represents a 1.1% increase in the dwelling stock each year.

6.17   This takes account of household growth based on CLG 2012-based projections (the starting point); adjusts for long-term migration trends which assume a higher rate of net migration to England; responds to market signals through providing for the growth of concealed families; and takes account of vacant and second homes.

6.18   Whilst the uplift for market signals represents less than 2% of the projected household growth, the household growth itself is much higher than current rates of housing delivery. **The identified housing need of 253,400 dwellings requires current housebuilding rates to increase by 89%** (based on dwelling starts in 2013-14).

6.19   Development industry campaigners (such as Homes for Britain[22]) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)[23]. It is evident that objectively assessed need based on household projections which take account of longer-term migration trends together with a market signals adjustment for concealed families exceeds this target, so any further increase in housing numbers at a local level (such as adjustments which might be needed to deliver more affordable housing or provide extra workers) must be considered in this context.

Establishing Objectively Assessed Need for Outer East London and Outer North East London

6.20   The earlier part of this Chapter sets out the context for national change in households, and the underlying complexities and features around this. We now move on to the position for Outer East London. Our approach for this section follows the format of the earlier section, albeit with specific reference to the Outer East London HMA. Essentially, therefore, this section is concerned with:

>   » CLG 2012-based household projections (the starting point);

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[22] http://www.homesforbritain.org.uk
[23] http://webarchive.nationalarchives.gov.uk/+/http:/www.hmtreasury.gov.uk/barker_review_of_housing_supply_recommendations.htm

> » GLA 2104 round household projections

> » Market signals, incorporating an uplift for concealed families;

> » Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.

6.21 In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers, and the need for affordable housing.

CLG Household Projections

6.22 The *"starting point"* estimate for OAN is the CLG household projections, and the latest published data is the 2012-based projections for period 2012-37. These projections suggest that household numbers across Outer East London will increase by 88,100 over the 22-year period 2011-33, an average of 4,000 per year.   Meanwhile in Outer North East London the projected growth between 2011-33 in households is 106,800 or 4,850 per annum

6.23 However, the notes accompanying the CLG Household Projections explicitly state that:

> *"The 2012-based household projections are linked to the Office for National Statistics 2012-based sub-national population projections. **They are not an assessment of housing need** or do not take account of future policies, they are an indication of the likely increase in households given the **continuation of recent demographic trends**."*

6.24 The ONS 2012-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2007-2012. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households.

GLA Adjustments

6.25 The GLA have calculated household projections also include scenarios using 5 and 12-year migration trends. On the basis of 12-year migration trends, **household numbers across Outer East London are projected to increase by 78,500 households over the 22-year period 2011-33, an average of 3,570 per year. For Outer North East London the projected growth is 84,900 households from 2011-33 or 3,860 per annum**

6.26 Whilst this projection is lower than the CLG 2012-based household projection (4,000 and 4,850 p.a.), as this scenario is based on long-term migration trends it gives the most reliable and appropriate demographic projection for establishing future housing need.

Affordable Housing Need

6.27 The SHMA has undertaken a comprehensive analysis of the existing unmet need for affordable housing. This analysis identified that overall housing need should be increased by 3,957 households in Outer East London and 2,955 households in Outer North East London to take account of concealed families and homeless households that would not be captured by the household projections. When the unmet needs from existing households living in unsuitable housing were also included, the analysis

established an overall need from 14,980 households in need of affordable housing in 2011 in Outer East London and 10,830 households in need of affordable housing in Outer North East London;

6.28   Based on the household projections, the SHMA has established the balance between the future need for market housing and affordable housing. The 22-year projection period 2011-33 identifies that **the number of households in the Outer East London HMA in need of affordable housing will increase by 36,650 households over the period 2011-33**, alongside an increase of 45,860 households able to afford market housing. For the same period **the number of households in the Outer North East London HMA in need of affordable housing will increase by 37,850 households over the period 2011-33**, alongside an increase of 49,980 households able to afford market housing.

6.29   Overall, there will be a need to provide additional affordable housing for 36,650 households in the Outer East London HMA and a need to provide an additional affordable housing for 37,850 households in the Outer North East London HMA. This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the level of housing benefit support provided to households living in the private rented sector remains constant. Furthermore, any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Employment Trends

6.30   While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

> *Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.*
>
> *Where 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 (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.*
>
> **Planning Practice Guidance 2014, paragraph 18**

6.31   As noted in Chapter 2, it is not possible to define an HMA that is smaller than Greater London that is self-contained in terms of commuting – so if jobs and workers are to be in balance, the analysis must be undertaken for the whole of Greater London. These lower-tier HMAs covering Outer East London and Outer North East London will, therefore, contribute to balancing jobs and workers across the Greater London HMA, consistent with the London Plan.

Market Signals

6.32   As previously noted, PPG suggests that *"household projections should be adjusted to reflect appropriate market signals"* where there is a *"worsening trend in any of these indicators"* (paragraphs 19-20). Whilst house prices, rents and affordability have improved in both HMAs, there are higher levels of overcrowding – so it is appropriate to consider an uplift to the household projection when

establishing OAN in response to market signals. However, the indicators collectively show that circumstances in the Outer East London and Outer North East London HMAs are generally no worse than across other areas of London; so any uplift must be determined in this context.

6.33 Given the relative market signal indicators for the two areas and the views of the Eastleigh Inspector and the Greater London SHMA, it would seem to be reasonable to consider an uplift of 20% to be reasonable for Outer East London and an uplift of 15% for Outer North East London would seem to be appropriate.

Conclusions for Outer East London and Outer North East London

6.34 Note: The totals in the five tables in this section may not sum due to rounding.

6.35 Based upon the information set out above, Figure 76 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing.

Figure 76: Full Objectively Assessed Need for Housing across Outer East London and Outer North East London 2011-33 (Note: Figures may not sum due to rounding)

	GLA 2014 Round Short term trends (based on 5 years migration trends)		GLA 2014 Round Long term trends (based on 10 years migration trends)	
	Total 2011 33	Annual 2011 33	Total 2011 33	Annual 2011 33
Newham	67,832	3,083	51,749	2,352
Waltham Forest	46,583	2,117	44,377	2,017
OUTER EAST LONDON	**114,415**	**5,201**	**96,126**	**4,369**
Barking & Dagenham	39,417	1,792	27,779	1,263
Havering	29,803	1,355	25,199	1,145
Redbridge	51,561	2,344	46,856	2,129
OUTER NORTH EAST LONDON	**120,782**	**5,489**	**99,834**	**4,538**

6.36 Of course, it is important to remember that *"establishing future need for housing is not an exact science"* (PPG paragraph 14). Whilst the OAN must be underwritten by robust evidence that is based on detailed analysis and informed by reasonable assumptions, the final conclusions should reflect the overall scale of the housing needed in the housing market area without seeking to be spuriously precise.

6.37 Figure 77 to Figure 80 show the size and tenure mix for the OAN for both long-term and short-term trends. The figures in the tables overleaf are initially derived in the same manner as the overall figures shown in Chapter 4, so for each local authority we have used their backlog of need, concealed households, and net new households who require affordable housing need.

6.38 The size mix by tenure is derived by analysing the type of households projected to live in each Borough with trend rates of growth being applied in the market sector. For affordable housing need the model is more complex and takes account of both overcrowded households who require to move to a larger dwelling and also under-occupying households who require to downsize. While Government polices such as those relating to the Spare Room Subsidy or Bedroom Tax are leading to more households downsizing, not all households will do so. Instead, we have modelled a gradual decline in the amount of under-occupation in the affordable housing sector.

Figure 77: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer East London for Long-term trend Migration 2011-33 (Note: Figures may not sum due to rounding)

	Outer East London		
	Newham	**Waltham Forest**	**TOTAL**
MARKET HOUSING			
1 bedroom	2,600	2,500	5,200
2 bedrooms	6,400	4,900	11,200
3 bedrooms	20,200	19,400	39,600
4 bedrooms	700	2,400	3,100
5+ bedrooms	-300	0	-300
Total Market Housing	**29,600**	**29,200**	**58,800**
AFFORDABLE HOUSING			
1 bedroom	-500	1,300	800
2 bedrooms	5,300	3,900	9,200
3 bedrooms	13,100	7,500	20,600
4 bedrooms	3,300	2,100	5,400
5+ bedrooms	1,000	400	1,400
Total Affordable Housing	**22,200**	**15,200**	**37,400**
TOTAL	**51,800**	**44,400**	**96,200**

Figure 78: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer North East London for Long-term Trend Migration 2011-33 (Note: Figures may not sum due to rounding)

	Outer North East London			
	Barking and Dagenham	**Havering**	**Redbridge**	**TOTAL**
MARKET HOUSING				
1 bedroom	1,400	900	1,600	3,900
2 bedrooms	3,300	2,600	3,200	9,100
3 bedrooms	8,300	10,900	20,700	40,000
4 bedrooms	-200	2,400	5,500	7,700
5+ bedrooms	-200	300	500	600
Total Market Housing	**12,600**	**17,000**	**31,500**	**61,200**
AFFORDABLE HOUSING				
1 bedroom	1,200	900	1,600	3,600
2 bedrooms	5,600	2,400	3,900	12,000
3 bedrooms	6,700	4,100	7,500	18,300
4 bedrooms	1,400	700	1,900	3,900
5+ bedrooms	300	100	400	800
Total Affordable Housing	**15,100**	**8,200**	**15,300**	**38,600**
TOTAL	**27,800**	**25,200**	**46,900**	**99,800**

Figure 79: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer East London for Short-term Trend Migration 2011-33 (Note: Figures may not sum due to rounding)

	Outer East London		
	Newham	**Waltham Forest**	**TOTAL**
MARKET HOUSING			
1 bedroom	4,000	2,400	6,400
2 bedrooms	8,600	5,000	13,600
3 bedrooms	26,200	20,600	46,800
4 bedrooms	1,400	2,600	4,000
5+ bedrooms	-200	-	-200
Total Market Housing	**40,100**	**30,600**	**70,700**
AFFORDABLE HOUSING			
1 bedroom	500	1,500	2,100
2 bedrooms	7,000	4,100	11,100
3 bedrooms	15,500	7,900	23,300
4 bedrooms	3,700	2,100	5,800
5+ bedrooms	1,000	400	1,400
Total Affordable Housing	**27,700**	**16,000**	**43,700**
TOTAL	**67,800**	**46,600**	**114,400**

Figure 80: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer North East London for Short-term Migration 2011-33 (Note: Figures may not sum due to rounding)

	Outer North East London			
	Barking and Dagenham	**Havering**	**Redbridge**	**TOTAL**
MARKET HOUSING				
1 bedroom	2,000	1,100	1,800	4,900
2 bedrooms	5,400	3,100	3,700	12,200
3 bedrooms	12,600	13,500	23,300	49,400
4 bedrooms	100	3,000	6,200	9,300
5+ bedrooms	-200	300	600	800
Total Market Housing	**19,900**	**21,000**	**35,600**	**76,500**
AFFORDABLE HOUSING				
1 bedroom	2,100	1,000	1,800	4,900
2 bedrooms	7,400	2,500	4,100	14,000
3 bedrooms	8,400	4,400	7,700	20,500
4 bedrooms	1,400	700	2,000	4,100
5+ bedrooms	300	100	400	800
Total Affordable Housing	**19,500**	**8,800**	**15,900**	**44,300**
TOTAL	**39,400**	**29,800**	**51,600**	**120,800**

6.39 It is also possible to calculate the affordability of social and Affordable Rent properties to households who require affordable housing. In the following figures we have made these assumptions:

» Households can spend up to 25% or 35% of their incomes on rents;

» Affordable Rents are set at 80% of median market rents; and

» Households who can afford the 80% of market rents, but not 100% market rents effectively comprise the intermediate housing need.

6.40 The figures for each borough set out the number of households who are able to afford housing of different sizes and tenures. Two different categories of need can be identified, those who can afford affordable housing for rent with housing benefit support, and those who can afford affordable housing for rent without housing benefit support and therefore intermediate housing, such as Low Cost Home Ownership (LCHO). The overall results clearly indicate that the vast majority of households who require affordable housing can only afford social housing if they receive housing benefit, others could afford social housing without benefit, but would need housing benefit support to afford housing at Affordable Rent levels.

6.41 The second category of need that can be identified is a group of 10%-15% of households who require affordable housing and have sufficient income to afford to meet the costs of Affordable Rents. This group therefore can be considered as intermediate housing need and some of these households could meet their needs via Low Cost Home Ownership products such as shared ownership.

Figure 81: Affordable Housing Need for Barking and Dagenham for Different levels of Income Spent on Rent for Long-term Migration 2011-33 (Note: Figures may not sum due to rounding)

BARKING AND DAGENHAM Long Term Trend period 2011 33	unable to afford Target rent	Unable to afford "affordable rent" but can afford target rent	Able to afford "Affordable rents"	Total Affordable
25% of income on rent				
				1,170
2 bedroom	4,150	940	550	5,640
3 bedroom	4,900	1,150	640	6,690
4 bedroom	1,000	260	90	1,350
5+ bedroom	200	50	20	2800
TOTAL	**11250**	**2,500**	**1,380**	**15,130**
35% of income				
				1,170
2 bedroom	3,480	1,060	1,100	5,640
3 bedroom	4,100	1,300	1,290	6,690
4 bedroom	820	360	170	1,350
5+ bedroom	170	70	40	280
TOTAL	**9,460**	**2,920**	**2,740**	**15,130**

Figure 82: Affordable Housing Need for Havering for Different levels of Income Spent on Rent for Long-term Migration 2011-33
(Note: Figures may not sum due to rounding)

HAVERING Long Term Trend period 2011 33	unable to afford Target rent	Unable to afford "affordable rent" but can afford target rent	Able to afford "Affordable rents"	Total Affordable
25% of income on rent				
				870
2 bedroom	1,700	380	300	2,390
3 bedroom	3,080	530	510	4,130
4 bedroom	500	100	40	650
5+ bedroom	90	20	10	120
TOTAL	**6126**	**1,100**	**920**	**8,150**
35% of income				
				870
2 bedroom	1,410	420	560	2,390
3 bedroom	2,580	590	970	4,130
4 bedroom	400	140	100	650
5+ bedroom	80	20	20	120
TOTAL	**5,130**	**1,290**	**1,740**	**8,150**

Figure 83: Affordable Housing Need for Newham for Different levels of Income Spent on Rent for Long-term Migration 2011-33
(Note: Figures may not sum due to rounding)

NEWHAM Long Term Trend period 2011 33	unable to afford Target rent	Unable to afford "affordable rent" but can afford target rent	Able to afford "Affordable rents"	Total Affordable
25% of income on rent				
				-510
2 bedroom	3,420	1,430	700	5,560
3 bedroom	8,630	3,320	1,270	13,220
4 bedroom	2,270	640	150	9,060
5+ bedroom	640	180	40	860
TOTAL	**14,930**	**5,080**	**2,180**	**22,190**
35% of income				
				-510
2 bedroom	2,640	1,800	1,110	5,560
3 bedroom	6,780	4,240	2,190	13,220
4 bedroom	1,850	890	320	9,060
5+ bedroom	520	250	90	860
TOTAL	**11,880**	**6,700**	**3,610**	**22,190**

Figure 84: Affordable Housing Need for Redbridge for Different levels of Income Spent on Rent for Long-term Migration 2011-33
(Note: Figures may not sum due to rounding)

REDBRIDGE Long Term Trend period 2011 33	unable to afford Target rent	Unable to afford "affordable rent" but can afford target rent	Able to afford "Affordable rents"	Total Affordable
25% of income on rent				
				1,570
2 bedroom	2,470	860	620	3,950
3 bedroom	4,590	1890	1040	7,530
4 bedroom	1,220	510	190	1,930
5+ bedroom	230	100	40	360
TOTAL	**9,660**	**3,560**	**2,110**	**15,340**
35% of income				
				1,570
2 bedroom	1,980	890	1,080	3,950
3 bedroom	3660	1950	1,910	7,530
4 bedroom	980	570	380	1,930
5+ bedroom	180	100	70	360
TOTAL	**7,770**	**3,780**	**3,790**	**15,340**

Summary

6.42   Based upon the GLA 2014 round long-term trend migration projections the SHMA therefore identifies the Full Objective Assessed Need for Housing in the Outer East London HMA to be 96,100 dwellings over the 22-year Plan period 2011-33, equivalent to an average of 4,370 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 37,400 dwellings over the same period, equivalent to an average of 1,700 dwellings per year.

6.43   Meanwhile, the SHMA therefore identifies the Full Objective Assessed Need for Housing in the Outer North East London HMA to be 99,800 dwellings over the 22-year Plan period 2011-33, equivalent to an average of 4,540 dwellings per year. Again, this includes the Objectively Assessed Need for Affordable Housing of 38,600 dwellings over the same period, equivalent to an average of 1,760 dwellings per year.

6.44   The distribution of future housing numbers across each of the Housing Market Areas is a policy decision that will need to take account of the supply of land for new development, viability, infrastructure and environmental constraints. This will need to be agreed between the local planning authorities under the Duty to Co-operate. Again we would caution that the GLA population and household projections potential overstate the projected population and household growth for London boroughs.

7. Housing Requirements

Considering the policy response to identified housing need

Chapter Summary

7.1   In line with PPG, the OAN does not take into account any constraints to delivering housing. Constraints such as land supply and Green Belt need to be considered in setting a final housing requirement. Important aspects of policy response that need to be considered are:

» The substantial need identified for affordable housing; the appropriate affordable housing targets and market housing led development to deliver the affordable housing.

» New PRS housing and the contribution which it can make to affordable housing.

» Housing for older people and in particular the need for an increase in the institutional population as that is not included in the OAN.

» The needs of Gypsies and Travellers including identifying "*a supply of specific deliverable sites*", noting that any needs identified as part of a Gypsy and Traveller and Travelling Showpeople Needs Assessment are a component of, and not additional to, the OAN figure identified by the SHMA.

Housing Shortfall

7.2   The Planning Advisory Service Good Plan Making Guide[24] identifies that the SHMA should "re-set the clock" and provide a new baseline assessment of all housing need. However, the SHMA must take account of 'backlog': any unmet need for housing that exists at the start of the plan period.

"Having an up-to-date, robust Strategic Housing Market Assessment should re-set the clock, and therefore carrying forward under-provision from a previous plan period would be 'double counting'. Make sure however that the Strategic Housing Market Assessment takes account of 'backlog' which is unmet need for housing that still exists at the start of the new plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need. It is therefore vitally important to have a properly done Strategic Housing Market Assessment that has the right scope." (page 49)

7.3   This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation that will exist at the start of the new Plan period. However, it is also important to recognise that the GLA household projections that inform the SHMA have identified all housing need from a baseline date of 2013. Data from 2011-2013 is based on official household growth from household projections, which do not take account of any shortfall in the delivery of homes. It is therefore necessary to identify the extent of any under-provision during the period 2013-15 against the housing need identified by the SHMA, as this will also represent an unmet need for housing at the point of publication for this study.

7.4   Housing completions recorded to date, together with numbers currently forecast for the remainder of this period are shown in Figure 85 and show that none of the boroughs have meet their OAN for the past 2 years.

Figure 85: Housing completions recorded and forecast dwelling trajectory for the period 2013-15 (Source: LA Annual Monitoring Data and Forecast Dwelling Trajectories Note: Figures may not sum due to rounding**)**

	Barking and Dagenham	Havering	Newham	Redbridge	Waltham Forest
2013-14	868	966	2,082	204	389
2014-15	512	701	2,884	647	1,120
TOTAL 2013 15	**1,380**	**1,667**	**4,966**	**851**	**1,509**
Shortfall (surplus) against OAN 2013 15	**1,146**	**623**	**(262)**	**3,407**	**2,525**

7.5   Therefore, all boroughs except for Newham have a shortfall at the end of the 2014-15 period which will require an adjustment. This adjustment will ensure that the Plan will provide for all of the household growth projected for the period 2013-15, without it being constrained by any housing under-provision during this initial 2-year period.

7.6   The impact of this adjustment will be to phase the projected growth slightly differently to the demographic projections, but it will not change the overall number of dwellings needed by 2033 or the projected population. Nevertheless, higher rates of housing delivery will need to be achieved over the Plan period to address this shortfall.

7.7   It is also important to consider the relationship between current under-provision and market signals. Market signal indicators reflect past trends and will therefore be influenced by recent housing supply, so any under-provision is likely to have had an effect. If current housing delivery was keeping pace with household growth (with the necessary allowance for vacant and second homes) then the market signals should indicate less imbalance in the housing market, which would impact on the need for any uplift. However, for this study the market signals data relates to 2013 or earlier and therefore, there is no overlap with the shortfall from 2013-15.

7.8   In summary, the SHMA has identified that:

»   Under-provision during the period 2013-15 will represent an unmet need for housing, so higher rates of housing delivery will need to be achieved over the Plan period to address this shortfall and

»   Market signals indicate that there is some imbalance in the housing market based on current rates of housing delivery, so higher rates of housing delivery will need to be achieved over the Plan period to respond to this imbalance. However, the market signals information is based on data which predates 2013 and therefore will not overlap with more recent shortfalls.

The Plan-making Process

7.9   The SHMA has established the Full Objectively Assessed Need for Housing in Outer East London to be 96,100 dwellings and to be 99,800 dwellings in Outer North East London over the 22-year period 2011-33, however this figure will need to be tested through the statutory Plan-making process.

7.10   This is confirmed by Planning Practice Guidance for housing and economic land availability assessment, which states that "housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five year supply" (paragraph 30).   This point was further emphasised in a letter from the Housing Minister to the Planning Inspectorate in December 2014:

> "Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.

> "However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.

> "Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council's approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments."

Affordable Housing Need

7.11   The SHMA has identified a substantial need for affordable housing:

  » For Outer East London we identified a need for 37,400 affordable homes over the period 2011-33; and

  » For Outer North East London we identified a need for 38,600 affordable homes over the period 2011-33.

7.12   Given the level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.

7.13   As part of their strategic planning and housing enabling functions, the Councils will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Councils should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.

7.14   PPG identifies that Councils should also consider *"an increase in the total housing figure"* where this could *"help deliver the required number of affordable homes"*; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

> *The total affordable housing need should then be considered 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. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes. (Paragraph 029)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

7.15   It will therefore be important for the Councils to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings[25] (paragraphs 3.20-21):

> *"National guidance requires **consideration** of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose.*
>
> *Any uplift on the demographic starting point … would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified."*

7.16   Given that the identified OAN already incorporates an uplift of 20% for Outer East London and 15% for Outer North East London on the baseline household projections; this will contribute to increasing the supply of affordable homes through market housing led developments. The Councils will need to consider whether there is sufficient justification for any further increase in the total housing figures included in their Local Plans (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important for them to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.

7.17   The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:

   » **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England

   » **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward

   » **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities

   » **Community Right to Build:** (Outside London) including some provision for affordable homes

   » **Empty Homes programme**

   » **Estate Regeneration Programme:** often creating mixed tenure communities

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[25] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

» **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes

7.18   However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
Welfare reform Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agencies have also signalled concerns. **Registered Providers** Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery more challenging. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further. **Stock rationalisation by Registered Providers** The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation. **Extension of Right to Buy (RTB) to Registered Providers** The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development. **Rent Formula Reform** The Chancellor announced reductions in rents of 1% per year from 2016/17. The reduction in revenue may impact on housing association capacity for new development.	**Councils building more new homes** Many Councils are now trying to bring new rental schemes forward following reform of the HRA system. **New 'for profit' providers** Over 30 'for profit' providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers. **Co-operative Housing** Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.

7.19   Consideration also needs to be given to the amount of affordable housing to be delivered as intermediate housing, in particular low cost home ownership. No assessment of low cost home ownership has been made in the SHMA because while based on affordability there is in theory a substantial market, in practice the market is usually small, possibly because of reasons such as prospective buyers not understanding the product.

7.20   The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.

7.21   A Government task force was established in 2013 to encourage and support build-to-let investment[26]. The HCA also has several investment programmes to help bring schemes forward. These include a £1

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[26] https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector

billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:

» **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale[27], particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.

» **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.

» **Local Enterprise Partnerships** are another potential source of new build PRS homes[28]. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.

» **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.

7.22 National Government policy is also focussed on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.

7.23 It is also important to note the Starter Home initiative. The NPPF identifies that local authorities should seek to *"widen opportunities for home ownership"* (paragraph 50). Given this context, the Housing and Planning Bill 2015 contains proposals to further this policy of encouraging home ownership through promoting Starter Homes to provide properties that are more affordable to first time buyers. The Bill defines *"a new affordable home"* as including starter homes. Critics of the Bill argue that starter homes would displace affordable rented homes because the development industry will favour them, and that they may be sold on the open market after five years. Consequently, they argue, the starter homes would be unaffordable to the majority of first time buyers leaving them and other families without the opportunity for home ownership or to be able to access affordable renting. The Bill includes clauses stating that local authorities will have a general duty to promote the supply of Starter Homes through planning.

7.24 As it is too early to be able to assess the effects of the starter home initiative on the housing need figures in this SHMA, only basic figures are presented here. The Bill defines a Starter Home as a new

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[28] https://www.gov.uk/government/publications/growing-places-fund-prospectus

dwelling, only available for purchase by qualifying first-time buyers, which is to be sold at a discount of at least 20% of the market value and for less than the price cap (of £450,000 in Greater London), and is subject to restrictions on sale or letting for the initial 5-year period of occupancy. For a property costing £450,000, a 5% deposit would be £22,500 and a 10% deposit £45,000.

7.25   Given the substantial need for affordable housing identified across both Outer East London and Outer North East London, the Councils will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Councils to consider all of the options available to help deliver more affordable homes in the area.

Older People

7.26   Planning Practice Guidance for Housing and Economic Land Availability Assessment states the following in relation to housing for older people:

> *How should local planning authorities deal with housing for older people?*
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*
>
> **Planning Practice Guidance for Housing and Economic Land Availability Assessment 2014, paragraph 37**

7.27   On this basis, the Councils will need to consider the most appropriate way to count the supply of bedspaces in residential institutions (Use Class C2) as part of their overall housing monitoring, and decide whether this should form part of the overall housing supply.

7.28   It is important to recognise that the identified OAN does not include the projected increase of institutional population, which represents a growth of 406 persons over the 22-year period 2011-33 in Outer East London and 700 in Outer North East London. This increase in institutional population is a consequence of the CLG and GLA approach to establishing the household population[29], which assumes *"that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s"* on the basis that *"ageing population will lead to greater level of population aged over 75 in residential care homes"*.

7.29   On this basis, if bedspaces in residential institutions in Use Class C2 are counted within the housing supply then the increase in institutional population aged 75 or over would need to be counted as a component of the housing requirement (in addition to the assessed OAN). If these bedspaces are not counted within the housing supply, then there is no need to include the increase in institutional population as part of the housing requirement.

7.30   Nevertheless, older people are living longer, healthier lives, and the specialist housing offered today may not be appropriate in future years and the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite

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[29] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

the ageing population, current policy means that the number of care homes and nursing homes may actually decline, as people are supported to continue living in their own homes for longer.

7.31   Although the institutional population is projected to increase by 406 persons in Outer East London and 700 persons in Outer North East London period (based on the CLG and GLA assumption that there will be a *"greater level of population aged over 75 in residential care homes"*), it does not necessarily follow that all of this need should be provided as additional bedspaces in residential institutions in Use Class C2 – but any reduction in the growth of institutional population aged 75 or over would need to be offset against higher growth for these age groups in the household population; which would yield more households than assumed when establishing the OAN.

7.32   On this basis, if fewer older people are expected to live in communal establishments than is currently projected, the needs of any additional older people in the household population would need to be counted in addition to the assessed OAN.

Gypsies and Travellers

7.33   Planning Policy for Traveller Sites (PPTS) came into force in March 2012 and was updated in August 2015. This document sets out the Government's policy for Gypsies and Travellers and represents the only policy for a particular household group which is not directly covered by the NPPF. However, at paragraph 1 PPTS notes that:

> *This document sets out the Government's planning policy for traveller sites. It should be read in conjunction with the National Planning Policy Framework.*
>
> **Planning Policy for Traveller Sites, paragraph 1**

7.34   An April 2015 High Court Judgement, '*Wenman v SSCLG and Waverley Borough Council*', has clarified the relationship between Gypsy and Traveller and Travelling Showpeople Needs Assessments and OAN. At paragraphs 42 and 43, the Judgement notes:

> *"42. However, under the PPTS, there is specific provision for local planning authorities to assess the need for gypsy pitches, and to provide sites to meet that need, which includes the requirement to "identify, and update annually, a supply of specific deliverable sites sufficient to provide five years' worth of sites against their local set targets" (paragraph 9(a)). These provisions have a direct parallel in paragraph 47 NPPF which requires local planning authorities to use their evidence base to ensure that the policies in their Local Plan meet the full objectively assessed needs for housing in their area, and requires, inter alia, that they "identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing".*

> *"43. The rationale behind the specific requirement for a five year supply figure under paragraph 9 PPTS must have been to ensure that attention was given to meeting the special needs of travellers. Housing provision for this sub-group was not just to be subsumed within the general housing supply figures for the area. Therefore it seems to me most unlikely that the housing needs and supply figures for travellers assessed under the PPTS are to be included in the housing needs and supply figures under paragraph 47 NPPF, as this would amount to double counting."*

7.35   The position proposed by the judgement is correct in that Gypsy and Traveller and Travelling Showpeople households will form part of the household projections, concealed households and market signals which underwrite the OAN calculation. The needs of these households are counted as part of the overall OAN; therefore any needs identified as part of a Gypsy and Traveller and Travelling Showpeople Needs Assessment are a component of, and not additional to, the OAN figure identified by the SHMA.

7.36   This also means that any land supply for pitches and plots should be counted towards the general 5-year land supply as the needs they are addressing are included within the housing OAN.

Appendix A
Table of Figures

Appendix B
Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the National Planning Policy Framework 2012

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2001 Census.

ECO underpins the Green Deal and places obligations on energy companies to facilitate installation of energy efficiency measures in homes. ECO fits within the Green Deal framework where Green Deal finance alone is not enough.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

Green Deal is a market led framework that will allow individuals and businesses to make energy efficiency improvements to their buildings at no upfront cost. Finance needed for the improvements is repaid, in instalments, attached to an electricity bill.

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or **Registered Provider** is an independent not-for-profit body that primarily provides low-cost "social or affordable housing" for people in housing need.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

House in Multiple Occupation are currently defined by the Housing Act 2004 as:

» an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;

> » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
>
> » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and
>
> » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low cost home ownership or **Shared ownership** is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the

projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Social Landlord/Registered Provider see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low Cost Home Ownership.

Social rented housing is provided by social landlords and rented for less than would be paid if renting privately.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

ASHE   Annual Survey of Hours and Earnings

BME   Black and Minority Ethnic

CACI   Private sector company providing modelled data

CORE   The Continuous Recording System (for Housing Association and Local Authority lettings)

DEFRA   Department for Environment, Food and Rural Affairs

DWP   Department of Work and Pensions

GIS   Geographical Information Systems

HBF   House Builders Federation

HMO   House in Multiple Occupation

IMD   Indices of Multiple Deprivation

LA   Local Authority

LDF   Local Development Framework

LDP   Local Development Plan

LHA   Local Housing Allowance

NHSCR   National Health Service Central Register

NPPF   National Planning Policy Framework

ONS   Office for National Statistics

ORS   Opinion Research Services

POPPI   Projecting Older Person Population Information

REIT   Real Estate Investment Trust

RSL   Registered Social Landlord

SAR   Share Accommodation Rate

SHMA   Strategic Housing Market Assessment

UDP   Unitary Development Plan