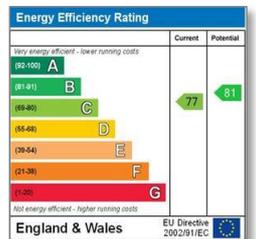




Outer North East London Strategic Housing Market Assessment: Update for Havering

Report of Findings

November 2016





Opinion Research Services | The Strand, Swansea SA1 1AF
Jonathan Lee | David Harrison | Nigel Moore
enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

© Copyright November 2016

Contents

1. Havering SHMA Update	4
Process for Establishing Objectively Assessed Need	4
Official Household Projections	5
Population Trends	6
Population Projections	6
Official Household Projections	7
Household Projections and Dwellings	9
Summary of Market Signals	9
Conclusions for OAN for Havering	10
Size and Tenure Mix	10
Appendix A.....	13
Table of Figures	

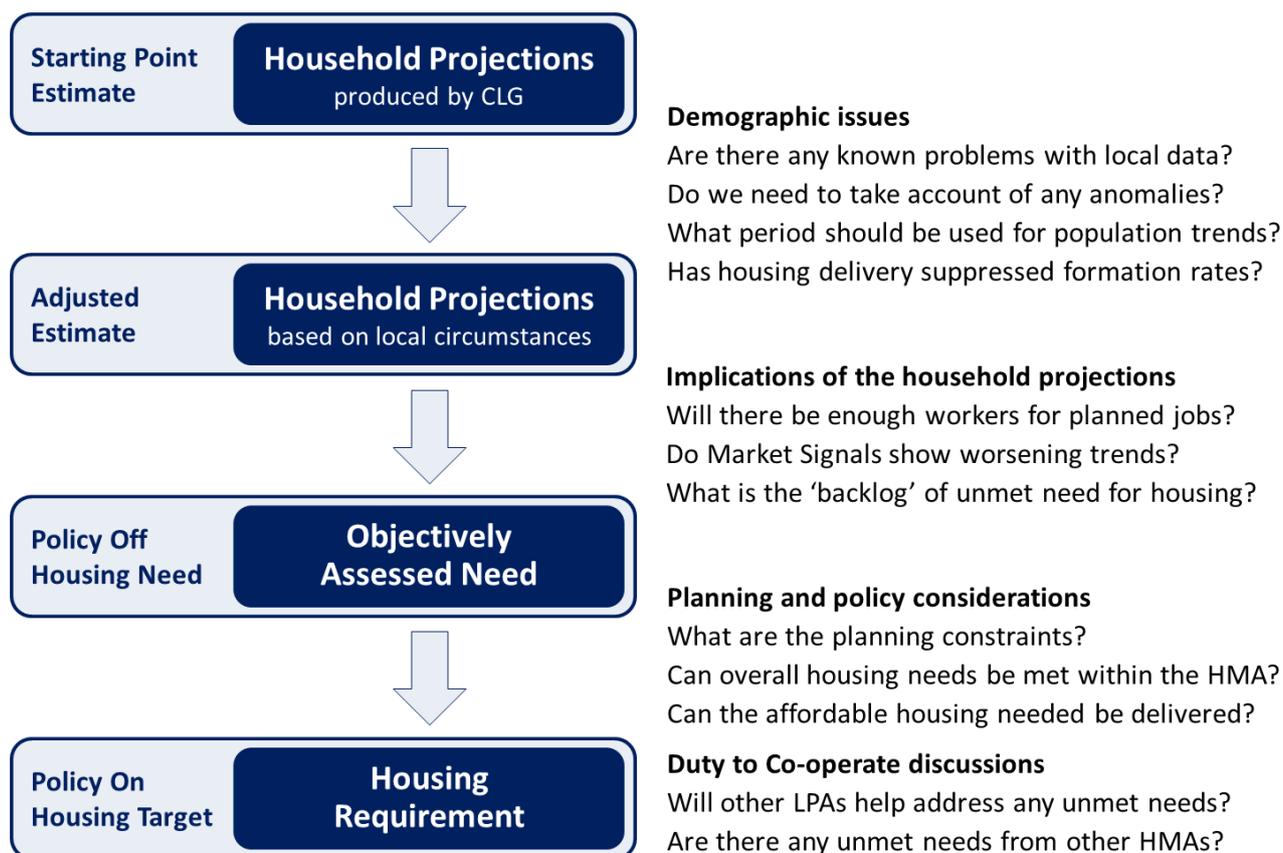
1. Havering SHMA Update

- 1.1 Opinion Research Services (ORS) was jointly commissioned in 2015 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.
- 1.2 The purpose of the study is to update the Objectively Assessed Needs for the London Borough of Havering in light of new official data released since the time of the original study. In particular, it focuses on role of new population and household projections from CLG and the GLA for Havering.

Process for Establishing Objectively Assessed Need

- 1.3 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).
- 1.4 Figure 1 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.
- 1.5 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 1: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)



Official Household Projections

- ^{1.6} 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. CLG household projections were further updated in July 2016 to be the 2014 based, but no subsequent update to PPG has yet occurred.

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

- ^{1.7} Given this context, Figure 2 sets out the 2014-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 2: CLG Household Projections for Havering: annual average growth (Source: CLG Household Projections Note: Figures may not sum due to rounding)

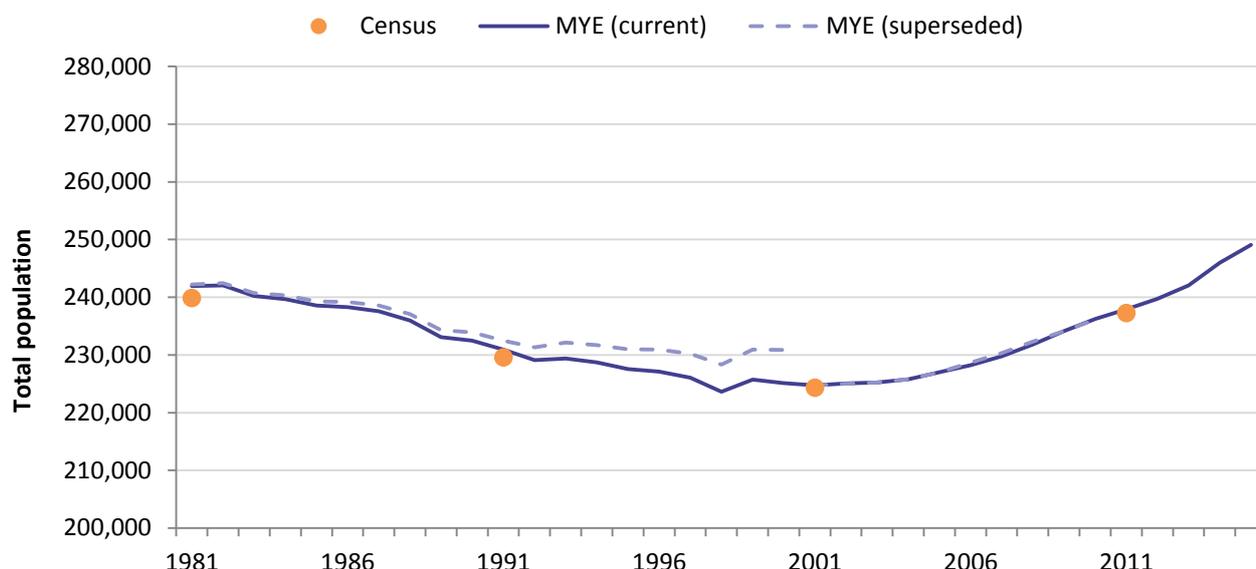
	2014-based		2012-based		2011-based interim	
	10 years 2014-24	25 years 2014-39	10 years 2012-22	25 years 2012-37	10 years 2011-21	25 years Not published
Havering	1,255	1,318	1,162	1,306	1,163	-

- 1.8 The CLG 2014-based household projections show an increase of 1,318 households each year over the 25-year period 2014-39, and a marginally lower rate (1,255 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede both the 2012-based household projections (which projected a household growth of 1,306 per year from 2012-37) and the interim 2011-based household projections (which projected growth of 1,163 per year from 2011-21). The differences are largely due to changes in the ONS population projections on which the CLG household projections are based; although there have also been changes to household representative rates.

Population Trends

- 1.9 Figure 3 shows the current and historic mid-year population estimates and Census estimates for Havering since 1981. The data shows that the local authority's populations fell throughout the 1980s and 1990s. However, since 2001 Havering has seen a sharp growth in their populations which has continued since the 2011 Census.

Figure 3: Havering official population estimates for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)

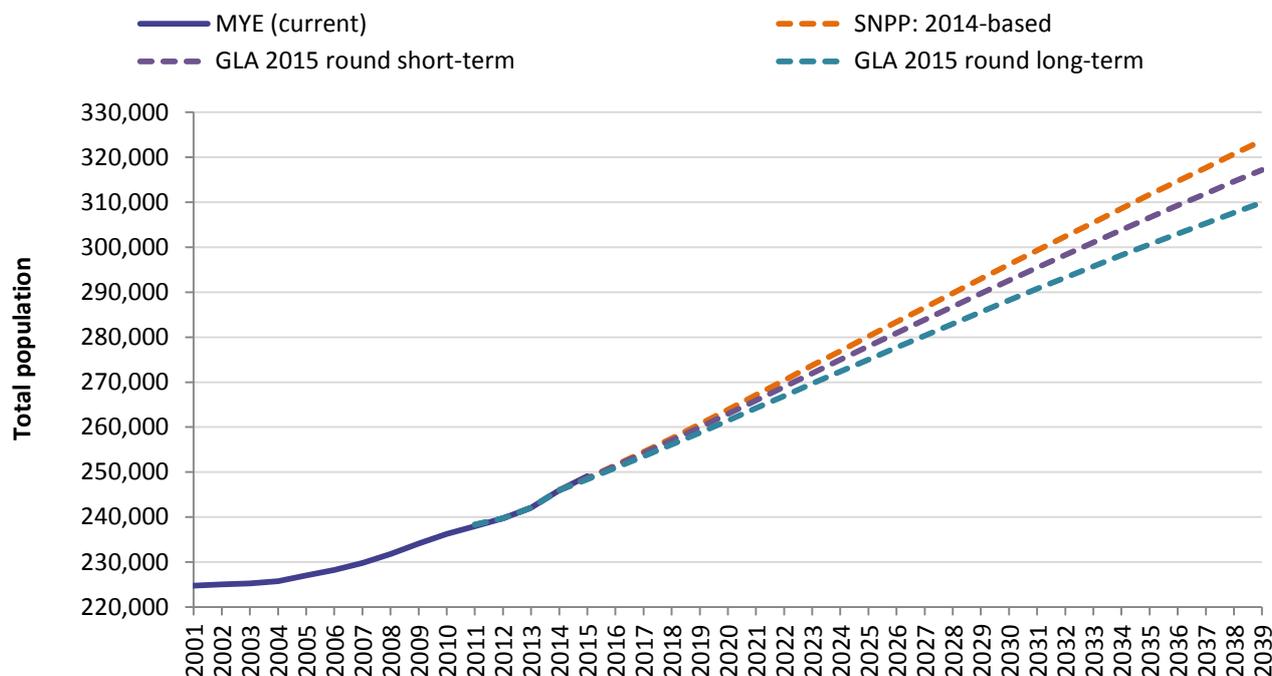


Population Projections

- 1.10 Having considered past population growth and its components, both the ONS and the GLA have produced population projections for Havering. Figure 4 shows all of the official estimates and projections for population in one chart for Havering. The GLA short-term 2015 round data is underwritten by migration to

and from Havering from 2009-2014, the long-term trend uses migration data from 2002-14. SNPP 2014 also uses migration data from 2009-14 for migration trends, but has different assumptions for how past errors in population estimates are treated. It is clear that the GLA 2015 round long-term round shows a lower rate of growth with an assumption of slightly lower in-migration to Havering and higher out-migration from Havering.

Figure 4: Official population estimates and projections for Havering for the period 2001-2039 (Source: ONS and GLA)



Official Household Projections

- ^{1.11} 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.
- ^{1.12} In the case of London we consider it appropriate to acknowledge the role of the GLA’s own household projections. The GLA projections 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.

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, section 3

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. Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates

Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.

Planning Practice Guidance 2014, section 3

- 1.13 Given this context, Figure 5 sets out the range of household projections that CLG and GLA has produced for the boroughs for both 10 and 25 year periods.

Figure 5: 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 2014-based		GLA 2015 Round Short-term trends		GLA 2015 Round Long-term trends	
	10 years 2014-24	25 years 2014-39	10 years 2011-21	25 years 2011-36	10 years 2011-21	25 years 2011-36
Havering	1,255	1,318	1,065	1,238	1,026	1,183

- 1.14 It is clear that the GLA projections using long-term trends for migration are 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.
- 1.15 We would also note that the GLA 2015 round projections for Havering are higher than the GLA 2014 round projections. In the 2014 round projections the 25 year short-term trend model showed an annual growth of 1,181 households and the long-term growth showed a growth of 1,000 households per annum. The reason for the change in the household projections is that the 2015 rounded added migration from 2013-14 to the projections, while removing the migration from 2001-02. The period 2001-02 was a relatively low figure for migration and the period 2013-14 was a relatively high figure for migration. This therefore led to the projected future migration being higher in the 0215 round, which in turn has increased the projected household growth.
- 1.16 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.**
- 1.17 The 2015 Outer North East London SHMA used 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 sensitivity tested the figures using the short-term trend analysis from the GLA.

Household Projections and Dwellings

- 1.18 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 6.
- 1.19 Figure 6 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 Havering.

Figure 6: 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 2015 Round Short-term trends		GLA 2015 Round Long-term trends	
	Households 22 years 2011-33	Dwellings 22 years 2011-33	Households 22 years 2011-33	Dwellings 22 years 2011-33
Havering	1,212	1,238	1,162	1,187

- 1.20 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.
- 1.21 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 their population projections, the GLA allocate the UPC to international migration.
- 1.22 As a general rule, ORS would agree with this approach. However, the UPC 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.
- 1.23 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 almost all London 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. However, the importance of this issue for Havering is less than for almost any other London borough.

Summary of Market Signals

- 1.24 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 Outer North East London Strategic Housing Market Assessment identified the following key points for market signals:
- » 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 E Outer North East London are both close to the long-term average trends for England.

- » Figures for average private sector rents in 2013-14 in both Outer North East London were 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.

^{1.25} The SHMA 2015 noted that there is no definitive guidance on what level of uplift is appropriate. It concluded that a 15% uplift for Outer North East London, including Havering, was appropriate. Since this report was written ORS have been involved in the Examination on Public of the Luton and Camden Local Plans. At the Luton Local Plan the Home Builders Federation accepted a 10% uplift for the combined Central Bedfordshire and Luton HMA was appropriate for the area, while at the Camden Local Plan EIP the Home Builders Federation agreed that a 20% uplift was appropriate. On this basis, this would indicate that a 15% for Havering is appropriate because its market signals are worse than those for Central Bedfordshire and Luton combined, but better than those for Camden.

Conclusions for OAN for Havering

^{1.26} Based upon the information set out above, Figure 7 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing for Havering.

Figure 7: Full Objectively Assessed Need for Havering 2011-33 (Note: Figures may not sum due to rounding)

	GLA 2015 Round Short-term trends (based on 5 years migration trends)		GLA 2015 Round Long-term trends (based on 10 years migration trends)	
	Total 2011-33	Annual 2011-33	Total 2011-33	Annual 2011-33
Havering	31,328	1,424	30,052	1,366

^{1.27} We would note that these OAN figures are higher than those in the Outer North East London SHMA 2015. The short-term trend model in that study provided an OAN of 29,800 and the long-term trend model gave an OAN figure of 25,200 over the 22 year period for Havering. The explanation for this difference is solely due to the higher migration in the 2015 round GLA projections which lead to a higher projection of household growth. This one change alone in the assumptions around migration to Havering sees the long-term trend model projected an additional OAN of 4,850 dwellings over the 22 years.

Size and Tenure Mix

^{1.28} Figure 8 below shows the identified size mix for market and affordable housing in Havering using both the 2014 and 2015 round GLA long-term trend migration figures for comparison purposes. This takes account of both overcrowded households who require a move to a larger dwelling and also under-occupying households who require downsizing. While Government policies 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.

^{1.29} For both the 2014 and 2015 round data, the evidence points to a high need for 3 bedroom properties in both the market and affordable sectors. The main driver of this need in the affordable sector is the need to address overcrowded households in Havering who require larger affordable housing. Meanwhile, in the

market sector the need for 3 bedroom properties is by past trends for the type of dwellings occupied in Havering and changing household types. In particular a growing number of households are projected to fall in to the Couples with Children or Other Household Type categories. These households typically occupy larger dwellings and the past growth in HMOs in Havering has seen many larger dwellings being occupied by households which don't contain a single family.

- 1.30 We would note that these figures do not include the potential impact of increased right to buy sales due to Registered Providers now being subject to this scheme or any consideration of the impact of Starter Homes being considered as affordable housing, as set out in the Housing and Planning Act.

Figure 8: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Havering for 2011-33¹

	Havering	
	GLA 2014	GLA 2015
MARKET HOUSING		
1 bedroom	900	1,590
2 bedrooms	2,600	3,030
3 bedrooms	10,900	12,490
4 bedrooms	2,400	2,260
5+ bedrooms	300	160
Total Market Housing	17,000	19,530
AFFORDABLE HOUSING		
1 bedroom	900	640
2 bedrooms	2,400	2,850
3 bedrooms	4,100	5,400
4 bedrooms	700	1,610
5+ bedrooms	100	20
Total Affordable Housing	8,200	10,520
TOTAL	25,200	30,050

- 1.31 It is possible to calculate the affordability of properties to households who require affordable housing. In Figure 9 we have made the following assumptions:

- » Households can spend up to 35% of their gross incomes on rents;
- » Affordable Rents are set at a range of 80% of median market rents up to the maximum LHA rate; and
- » Households who can afford the 80% of market rents, but not 100% market rents effectively comprise the intermediate housing need, e.g. Low Cost Home Ownership.

- 1.32 Figure 9 sets 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

¹ The size and tenure mix is split between flats and houses to provide a guide, but in reality it is recognised that most future housing developments in Havering may be flats.

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. This should be possible provided that Affordable Rent levels are contained within the level covered by housing benefit and the benefit cap is not breached.

- ^{1.33} The second category of need that can be identified is a group of around 20% 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 9: Affordable housing mix by household affordability to 2011-2033 (Source: ORS Housing Model. 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				
1 bedroom	550	50	40	640
2 bedroom	1,910	570	370	2,850
3 bedroom	4,040	690	670	5,400
4 bedroom	1,260	250	100	1,610
5+ bedroom	20	0	0	20
TOTAL	7,780	1,560	1,180	10,520
35% of income				
1 bedroom	480	90	70	640
2 bedroom	1,560	620	670	2,850
3 bedroom	3,380	760	1,260	5,400
4 bedroom	1,060	330	220	1,610
5+ bedroom	10	0	10	20
TOTAL	6,490	1,800	2,230	10,520

Appendix A

Table of Figures

Figure 1: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)	5
Figure 2: CLG Household Projections for Havering: annual average growth (Source: CLG Household Projections Note: Figures may not sum due to rounding)	6
Figure 3: Havering official population estimates for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)	6
Figure 4: Official population estimates and projections for Havering for the period 2001-2039 (Source: ONS and GLA)	7
Figure 5: CLG and GLA Household Projections for North East London: annual average growth (Source: CLG Household Projections Note: Figures may not sum due to rounding)	8
Figure 6: 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)	9
Figure 7: Full Objectively Assessed Need for Havering 2011-33 (Note: Figures may not sum due to rounding).....	10
Figure 8: Full Objectively Assessed Need for Housing; Size and Tenure Mix across Havering for 2011-33	11
Figure 9: Affordable housing mix by household affordability to 2011-2033 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)	12

