Opinion Research Services

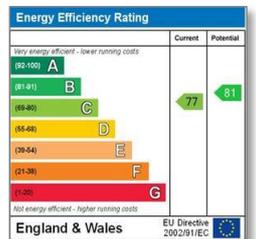*Excellent research for the public, voluntary and private sectors*

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

Report of Findings

April 2017

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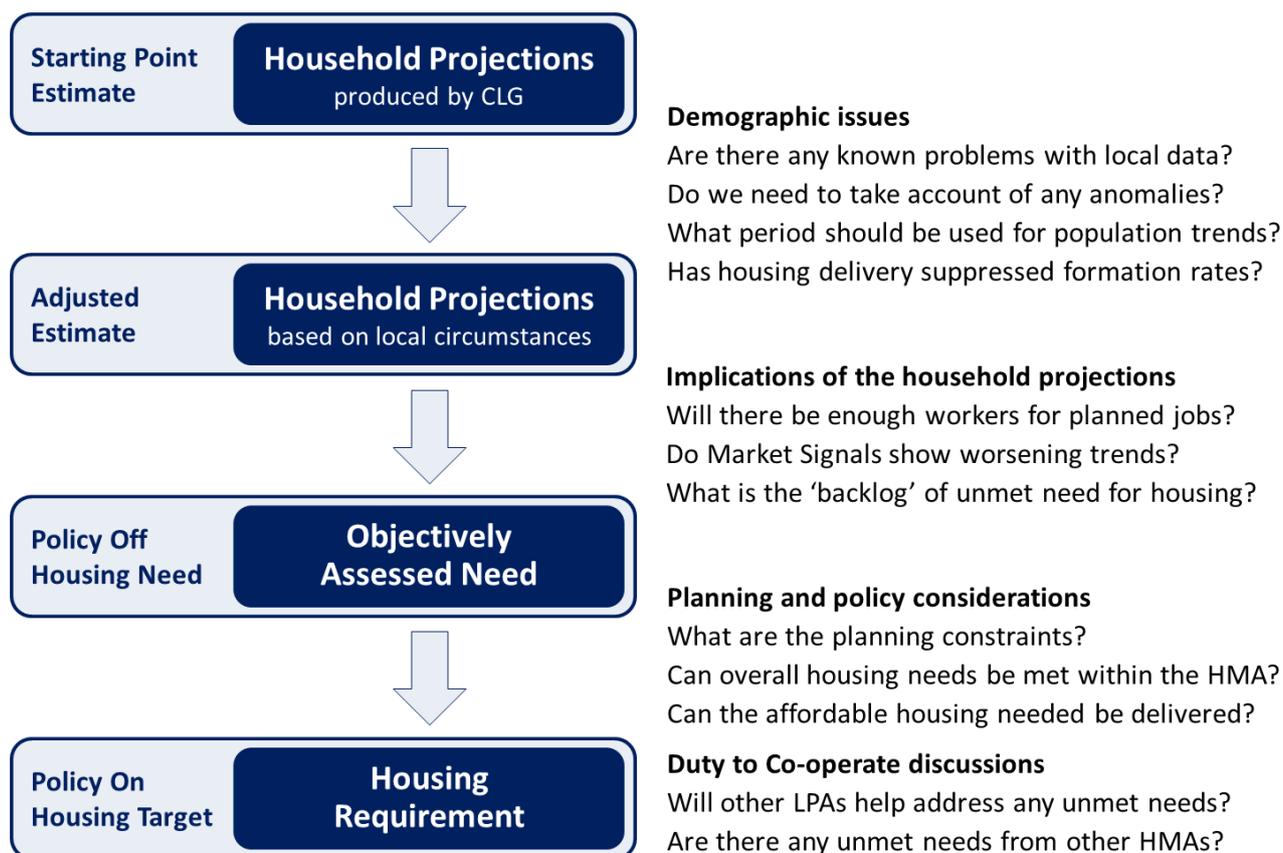enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

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1. Redbridge 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 Redbridge in light of new official data released since the time of the original study. In particular, it focuses on the effects of new population and household projections from CLG and the GLA for Redbridge.

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)

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

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.   Reference to CLG household projections were further updated in July 2016 to be the 2014 based projections, 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 2012-based 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 Redbridge: annual average growth (Source: CLG Household Projections)

	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
Redbridge	2,161	2,010	2,191	2,114	2,179	-

1.8 The CLG 2014-based household projections show an increase of 2,010 households each year over the 25-year period 2014-39, and a marginally higher rate (2,161 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 2,114 per year from 2012-37) and the interim 2011-based household projections (which projected growth of 2,179 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 Redbridge since 1981. The data shows that the local population remained fairly stable throughout the 1980s. However, since 1990 Redbridge has seen a steady growth in population, and the rate of this growth has increased markedly since 2001.

Figure 3:   Redbridge 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)
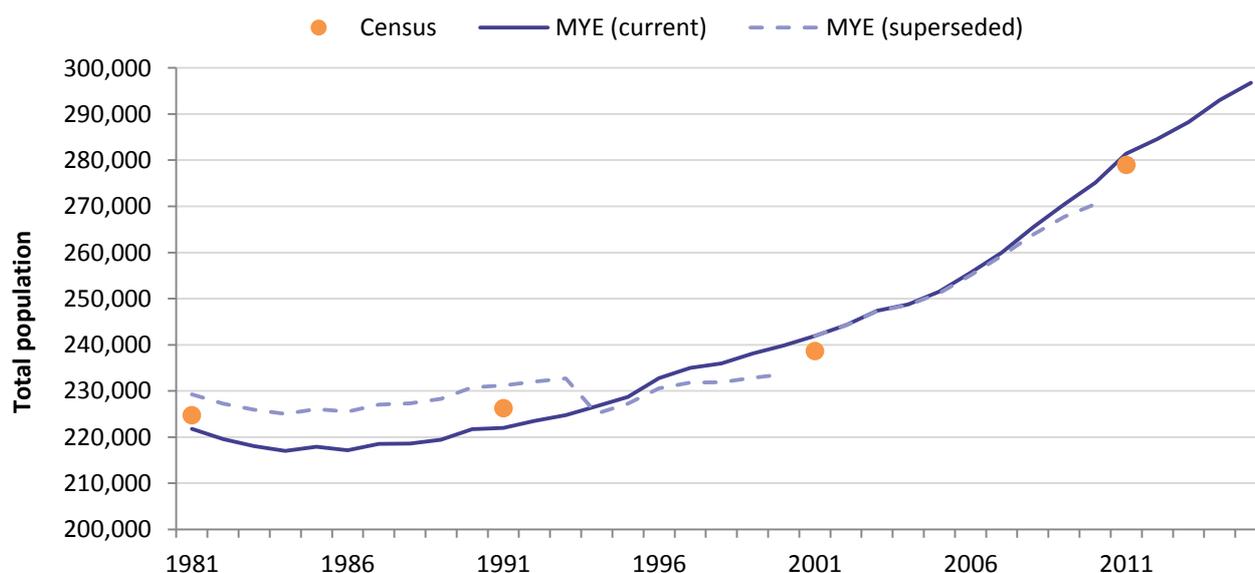
Population Projections

1.10 Whilst PPG identifies that the CLG household projections will normally provide the starting point estimate, in developing their Local Plans it is necessary for London Boroughs to ensure conformity with the Mayor's Spatial Development Strategy prepared by the Greater London Authority: The London Plan.

1.11 The London Plan is based on a region-wide SHMA produced by the GLA, and this is informed by household projections developed by the GLA. Given this context, the London Housing SPG (March 2016) advises that the GLA projections are more relevant to London boroughs when establishing housing need:

> *"Boroughs are advised to draw upon the most recent population and household projections developed by the GLA. (Paragraph 3.1.7)"*

1.12 Given this context, whilst the CLG household projections will always provide the "starting point estimate", the GLA projections have been routinely accepted as the basis for establishing overall housing need for London boroughs as they focus on the demographic issues that are particularly relevant to the London region. Figure 4 shows the three variant scenarios from the latest 2015 based-interim projections alongside the most recent SNPP data.

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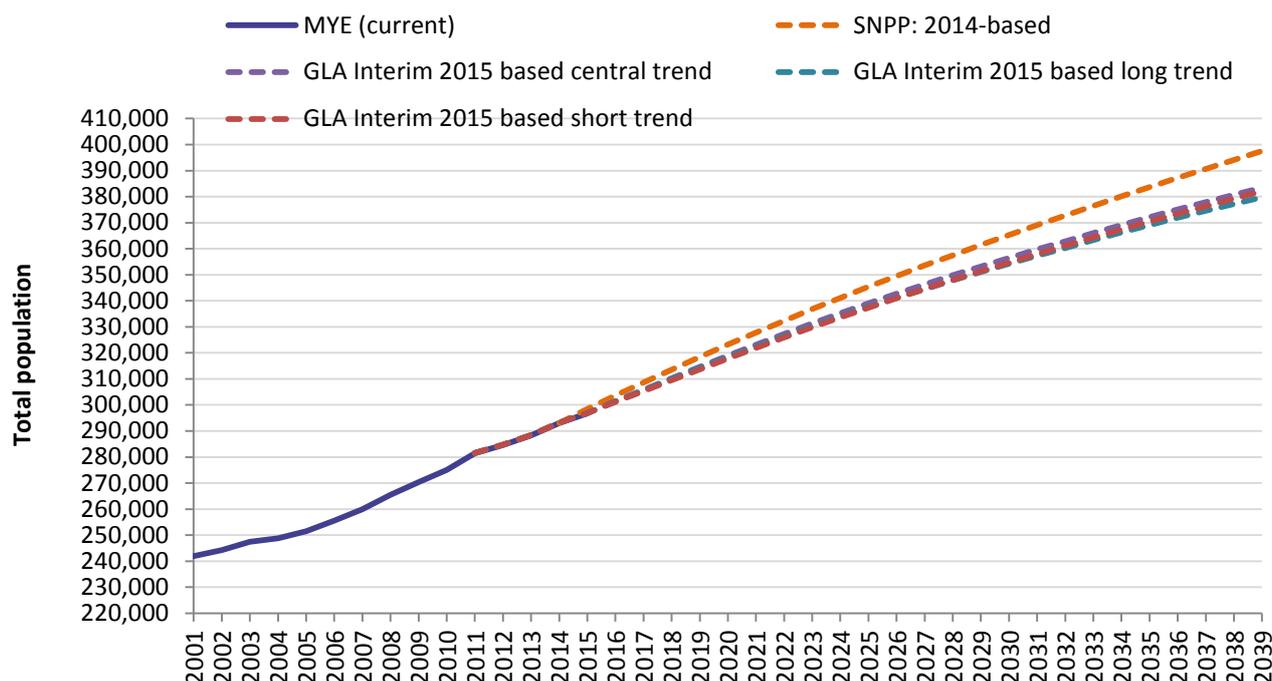
Official Household Projections

1.13 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.

> *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**

1.14 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.

1.15 The GLA London-wide SHMA which informed the Further Alterations to the London Plan (FALP) was based on the 2013-round projections, and favoured the scenario based on the "Central variant" assumptions. This assumed short-term migration trends would persist for the initial 5-year period of the projection (2012-17); however for later years of the projection, it was assumed that domestic migration outflows would increase by 5% and inflows would reduce by 3% to reflect longer-term trends.

1.16 Subsequent to this, the GLA has published 2015-interim projections based on population estimates to mid-2015 with three scenarios for future years – a short-term, long term and central variant scenario.

1.17 The GLA 2015 based-interim central variant migration scenario, which takes migration trends from 2005-15, is the nearest equivalent to the 2013-round "Central variant" and now typically provides the most appropriate demographic starting point for establishing OAN for London boroughs, and as such forms the basis for the OAN calculated in this project, the other trends being presented here for context. Figure 5 summarises the various different projections for the 10-year period 2014-24 and the 25 year period 2014-39.

Figure 5: **CLG and GLA Household Projections for Redbridge: annual average growth (Source: CLG Household Projections, GLA Household Projections)**

	CLG 2014-based		GLA Interim 2015 based central trend		GLA Interim 2015 based long trend		GLA Interim 2015 based short trend	
	10 years 2014-24	25 years 2014-39	10 years 2014-24	25 years 2014-39	10 years 2014-24	25 years 2014-39	10 years 2014-24	25 years 2014-39
Redbridge	2,161	2,010	1,986	1,856	1,939	1,798	2,017	1,884

1.18 It is clear that the GLA projections are lower than the CLG 2014 based projections, regardless of the selected migration model. 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.

1.19 It should also be noted that the GLA Interim 2015 based projections for Redbridge are somewhat different to the GLA 2014 round projections used in the 2015 Outer North East London SHMA. Specifically, the long trend 2015 is higher than the 2014 figures, whereas the short term trend has changed more slightly. The reason for the change to the long term 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 long trend 2015 interim projections, which in turn has increased the projected household growth.

1.20 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.**

1.21 The 2015 Outer North East London SHMA used the GLA long-term trend migration scenario as the basis for its 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 from the GLA.

Household Projections and Dwellings

1.22 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.

1.23 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 2.4% for Redbridge.

Figure 6: **Projected households and dwellings over the 15-year period 2015-30: annual average growth (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in 2011 Census)**

	GLA Interim 2015 based central trend		GLA Interim 2015 based long trend		GLA Interim 2015 based short trend	
	Households 15 years 2015-30	Dwellings 15 years 2015-30	Households 15 years 2015-30	Dwellings 15 years 2015-30	Households 15 years 2015-30	Dwellings 15 years 2015-30
Redbridge	1,940	1,988	1,884	1,931	1,970	2,019

1.24 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.

1.25 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.

1.26 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.

1.27 A second point to highlight is that the GLA household projections use the household representative rates from CLG 2014 based projections. While household sizes have risen in almost all London authorities 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 also be treated with caution.

Summary of Market Signals

1.28 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 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.

1.29 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 Redbridge, was appropriate.

Conclusions for OAN for Redbridge

1.30 Based upon the information set out above, Figure 7 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing for Redbridge. All the stages set out in Figure 7 were included in the Outer North East London SHMA 2015, but this table has been developed subsequently to bring the calculation in to one table.

Figure 7:   Full Objectively Assessed Need for Redbridge 2015-30

	Redbridge
GLA 2015 interim Household projections central trend 2015-30	29,098
Allowance for transactional vacancies and second homes: based on dwellings without a usually resident household	725
Dwellings	29,823
Adjustment for suppressed household formation rates: concealed families and homeless households	1,636 + 41 = 1,677
Baseline housing need based on demographic projections	31,500
Further adjustments needed In response to market signals	4,473 − 1,677 = 2,796
Full Objectively Assessed Need for Housing 2015-30	**34,296**

1.31 We would note that these OAN figures are comparable to those in the Outer North East London SHMA 2015. The short-term trend model in that study provided an OAN of 51,600 (2,344 dpa) and the long-term trend model gave an OAN figure of 46,900 (2,129 dpa) over the 22 year period for Redbridge. This can be compared to the 34,300 based on the central trend given above, which translates to 2,287 dpa.

1.32 Whilst it is unsurprising that the use of the central trend (based on 10 year migration trends) results in fewer projected households than the short term (based on 5 year migration trends) variant, the increase to 2,287 dpa from a previous long term estimate of 2,129 dpa is worthy of note.

1.33 The explanation for this difference is mainly due to the higher migration during the periods used to produce the long and central trend 2015 interim GLA projections, leading to a higher projection of household growth. This one change alone in the assumptions around migration to Redbridge yields a higher OAN of 1,890 dwellings over the 15 years using central trend 2015 interim projections, in comparison to the same calculation using 2014 long trend figures, an increase of 126 dpa.

Size and Tenure Mix

1.34 Figure 8 below shows the identified size mix for market and affordable housing in Redbridge using the latest 2015 interim figures, along with a percentage of OAN from both the up-to-date figures and the 2014 figures used in the previous SHMA represented as a percentage of OAN 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 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.

1.35   For both the 2014 and 2015 interim 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 Redbridge 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 Redbridge 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 Redbridge has seen many larger dwellings being occupied by households which don't contain a single family.

1.36   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 Redbridge for 2015-30[1]

	Redbridge		
	GLA 2015 interim	% of OAN 2015 interim	% of previous OAN using 2014 round data (long)
MARKET HOUSING			
1 bedroom	1,100	3.2%	3.4%
2 bedrooms	2,100	6.1%	6.8%
3 bedrooms	14,500	42.3%	44.1%
4 bedrooms	3,900	11.4%	11.7%
5+ bedrooms	200	0.6%	1.1%
Total Market Housing	**21,800**	**63.5%**	**67.2%**
AFFORDABLE HOUSING			
1 bedroom	1,300	3.8%	3.4%
2 bedrooms	3,200	9.3%	8.3%
3 bedrooms	6,100	17.8%	16.0%
4 bedrooms	1,500	4.4%	4.0%
5+ bedrooms	400	1.2%	0.8%
Total Affordable Housing	**12,500**	**36.4%**	**32.6%**
TOTAL	**34,300**	**100.0%**	**100.0%**

1.37   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.

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[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 Redbridge may be flats.

1.38 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 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.

1.39 The second category of need that can be identified is a group of around 25% 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 2015-2030 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Redbridge Central Trend period 2015-30	Unable to afford Target rent	Unable to afford "affordable rent" but can afford target rent	Able to afford "Affordable rents"	Total Affordable
35% of income on rent				
1 bedroom	800	200	300	1,300
2 bedroom	1,600	700	900	3,200
3 bedroom	3,000	1,600	1,500	6,100
4 bedroom	700	500	300	1,500
5+ bedroom	200	100	100	400
TOTAL	**6,300**	**3,100**	**3,100**	**12,500**

Brexit and the Housing White Paper

1.40 The economic and social effects of the UK leaving the EU will not be clear for some time, and may take longer at the local level than the national level, depending on local factors such as receipt of EU monies. We will not speculate on the possible effects of leaving the EU unless it is possible to make a meaningful comment.

1.41 Within most SHMAs the key points for consideration would be migration and jobs growth. However, in London, jobs growth is an issue to be considered at a Greater London wide level, so for an area such as Redbridge the major issue is most likely to be migration, but the effects of Brexit on migration patterns is not predictable at this stage.

1.42 We would also note that the Housing White Paper, "Fixing our broken housing market' was published in February 2017. This has confirmed that the Government intends to consult on options for introducing a standardised approach to assessing housing requirements and will encourage councils to plan on this basis.[2] However, the Housing White Paper recognises that there will be some areas where there are reasonable justifications for deviating from the standard methodology. The Outer North East London SHMA 2015 and this update have been undertaken in accordance with a standard methodology, widely applied across London. As such, it is a robust assessment that identifies objectively assessed needs for the borough over the plan period.

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[2] "Fixing our broken housing market" (CLG, February 2017), paragraphs 1.12-1.14

Appendix A
Table of Figures