



# **STRATEGIC HOUSING MARKET ASSESSMENT UPDATE**

## **LONDON BOROUGH OF SOUTHWARK**

Cobweb Consulting

Final version September 2019

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# Executive summary

## Introduction

- 1 In January 2019 Cobweb Consulting were commissioned by LB Southwark to undertake an update of the Southwark section of the 2014 Strategic Housing Market Assessment (SHMA) that had been produced for five South East London boroughs.
- 2 The context for the commission was that the authority is in the final stages of preparing the New Southwark Plan (NSP), which will replace the 2011 Core Strategy and saved policies of the 2007 Southwark Plan. An up to date SHMA is required to feed into the evidence base for the NSP.

## The policy context

- 3 National planning policy has recently undergone major revision. This requires local authorities to base their planning policies on assessed housing need, calculated using a new standardised national methodology. The standardised method should be followed unless there are strong local circumstances which suggest an alternative approach. A higher figure than that suggested by the standard methodology will be deemed sound by an Inspector, but a lower figure will need to be supported by robust evidence.
- 4 A separate and detailed approach to assessing the need for affordable housing is also set out in Planning Policy Guidance (PPG). This has not changed substantially from previous guidance.
- 5 The National Planning Policy Framework (NPPF) and PPG no longer refer to an objective assessment of need (OAN). However, we also undertook an assessment based on the previous guidance related to OAN, for comparative purposes.
- 6 In the London context, the current London Plan and the 2017 Greater London Authority (GLA) SHMA are the prime planning and evidence context for housing market analysis. However, the London Plan is under review and the evidence base and proposals in the new plan must be taken into account. The draft New Plan proposes a lower annual housing target for the borough over the next 10 years (2,554 compared to 2,736 in the current Plan).

## Housing needs assessment

- 7 The new standard methodology is described in detail in PPG. Following amendments to the PPG and NPPF the most up-to-date 2016-based household projections that would have been the starting point for the standard methodology have been set aside in favour of earlier 2014-based MHCLG/ONS projections. However, we consider that for Southwark the 2016-based central trend household projections produced by GLA provide a better basis for assessing need. Firstly the GLA has a more specialised knowledge of demographic trends in London than ONS, and secondly, the GLA projections are more up to date than the 2014-based projections produced by MHCLG, and, for example, include more recent base data on population change. They produce a higher estimate of need than the 2014-based official projections which NPPF requires authorities to take as their starting point. Applying the formula set out in PPG to this household projection, together with the applicable capping arrangements, produces minimum household need of **2,932 households per annum**.

- 8 This is a higher figure than that which would be derived from the official household projections using the 2014-base MHCLG / ONS projections, and according to para 11 of PPG can be considered sound as it exceeds the minimum starting point.
- 9 Following the approach set out in previous PPG produces an estimate of the Objective Need for Housing (OAN) of **2,600 household per annum**.
- 10 The current London Plan sets an annual target of **2,736 additional dwellings per annum** for the borough. The revised London Plan currently under Examination in Public includes a lower target of 2,554 dwellings per annum. Both targets are derived from consideration of the overall strategic need for housing in London and the capacity of the borough to deliver new housing.
- 11 The average level of housing completions in the borough over the 2011-2017 period (1,870) is well below these targets and assessments of need.
- 12 We consider that GLA's population and household projections provide a better basis for calculating need in the borough than the official projections, and as they produce a higher estimate of need, we recommend the use of this figure, **2,932 household per annum**, as the estimate of need for housing in Southwark.
- 13 This figure is an important consideration, but a range of other matters, including the requirement for affordable housing, the availability of sites for housing, and the requirements of the London Plan, will need to be taken into account by the Council in arriving at a decision about the target level of new housing provision to be included in its local plan.

## **Affordable housing needs**

- 14 The need for affordable housing differs from total housing need. Assessed need is an assessment of the amount of *additional* housing stock required to cater for future household growth. The affordable housing requirement estimates the total amount of *affordable* housing required, which could be met in a variety of ways in addition to building more homes.
- 15 To assess gross affordable need, and following Planning Practice Guidance, estimates were made of the number of households in need at 2019. This backlog need was assessed to be 12,015 households. It was assumed that backlog housing need would be met over a twenty-year period, leading to an annual quota of backlog need of 601 households. To this we added the numbers of newly forming households (3,943 per annum) and the number of existing households falling into need (205 per annum).
- 16 This indicated a potential annual need for housing of 4,748 households per annum, before taking account of the ability of these households to afford market housing.
- 17 It was agreed that no household should be expected to pay more than 33.3% of gross income on housing costs. This was an approach consistent to that taken in the previous SHMA. Household incomes were compared with the threshold entry cost for market housing, to give an estimate of the number of households in need of affordable housing, broken down by bedroom requirements. An estimated 3,513 households per annum could not afford to pay the market entry threshold cost and therefore needed affordable housing.

18 Four other affordable housing thresholds were also identified:

- 327 households could not even afford these rents (the estimates of incomes include housing benefits) suggesting that the housing benefit system is not helping all households to fully meet their housing costs, and that some low income households will need to spend a higher proportion of their income on housing than assumed.
- 1,403 households could afford a social rent, and a rent up to 49% of the lower quartile market threshold rent. We term this group the ‘Social rent target group’.
- 575 more households could afford 50-65% of the lower quartile market threshold rent
- 471 more households could afford 66-79% of the lower quartile market threshold rent. This group is most likely to be appropriate for the current range of intermediate rent products
- 736 more households could afford 80-99% of the lower quartile market threshold rent.

19 These proportions are not exact but give a rough indication of the breakdown of affordable need. The table below shows the level of need for each type of affordable provision. The table is based on a range of incomes of those in housing need (and an assumption that a household will only find a rent affordable if it is no more than 33.3% gross earnings).

20 It can be seen that 26% can afford to meet their needs in the open market. At the other end of the scale, 7% cannot even afford a social rent without spending more than 33.3% of earnings. The rest can afford social rents (which range between 21% and 33% of lower quartile market rents depending on bedsize – see table 4.5), and rents at higher levels below the full market threshold. We term the group that, at the bottom can just afford social rents, and at the top, 49% the market rent, the ‘social rent target group’.

21 Intermediate rents can vary substantially, but are often found to be in the range 66-79% of LQ market rent.

22 We believe that this analysis will be helpful to the authority in developing and expanding their range of affordable rented products.

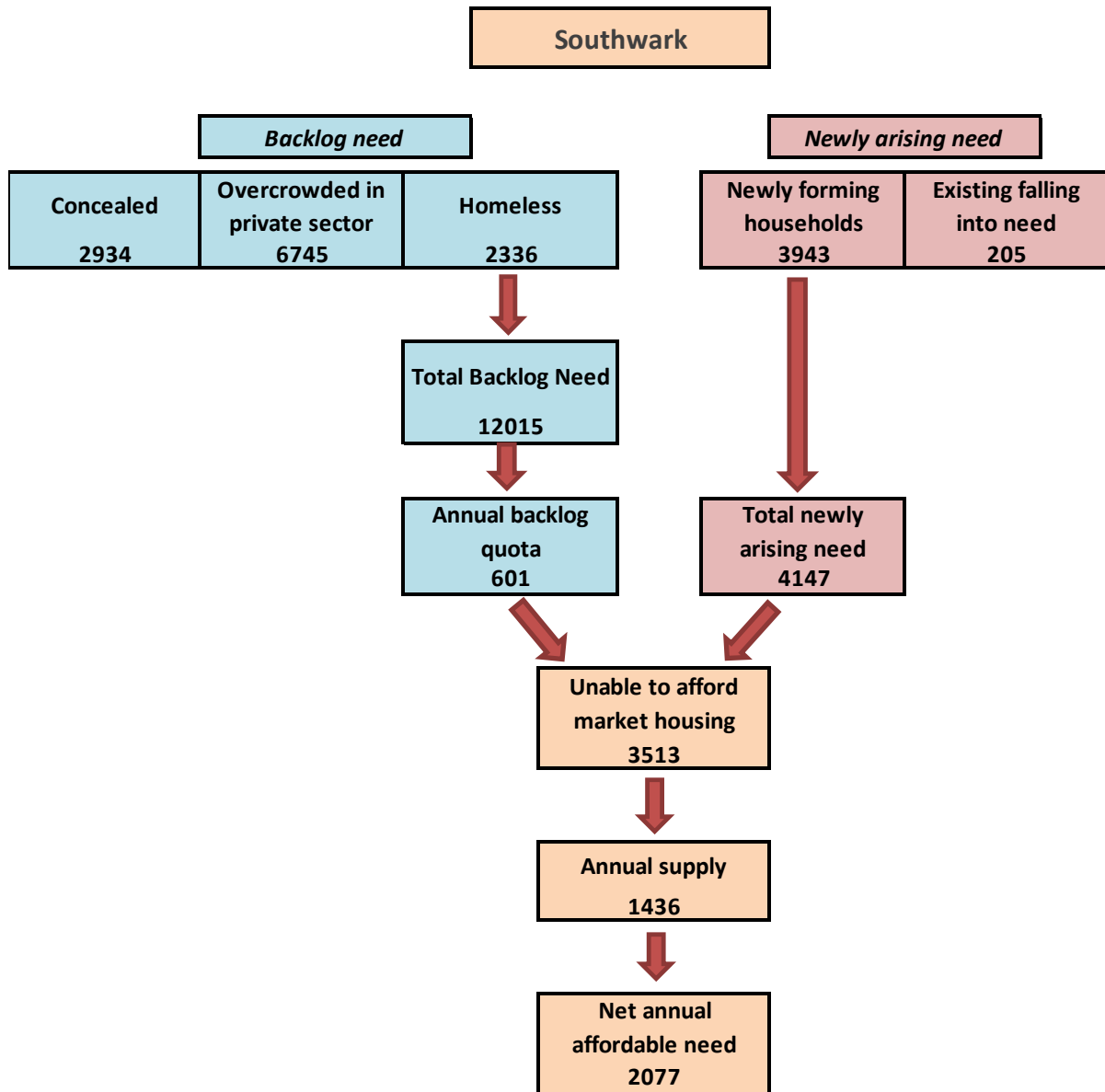
Affordability	In each category		Cumulative	
	Number	Percent	Number	Percent
Can afford lower quartile market rent	1235	26%	1235	26%
Can afford 80-99% of lower quartile market rent	736	16%	1972	42%
Can afford 66-79% of lower quartile market rent	471	10%	2442	51%
Can afford 50-65% of lower quartile market rent	576	12%	3018	64%
Social rent target group*	1403	30%	4421	93%
Can only afford rent below average social rent level	327	7%	4748	100%

\*Can afford current average social rent and up to 49% lower quartile market rent

23 The annual supply of affordable housing units is estimated at 1,436 units, and deducting this from gross need provides a net annual requirement for affordable housing of 2,077 units.

24 Official guidance makes it clear that private rented housing is not affordable housing, but the private rented sector could play a part in meeting affordable need, supported by Local Housing Allowance, mainly perhaps on a short-term basis for any individual household. However, in the longer term, it seems clear that landlords are orienting themselves to higher ends of the market, to cater for working and professional households, who can pay the higher rent the market can command.

**Process of calculating affordable housing need**



## **The housing requirements of specific groups**

### **Older households**

- 25 A 79% increase in the population of Southwark aged 65 or more is forecast by 2039; this incorporates a 92% increase in those over 75 and 87% growth in those over 85. The number of those aged over 65 is projected to reach nearly 48,000 over the period, comprising 13% of the Southwark population.
- 26 There is projected to be an 83% increase in the number of households containing over 65s, including a 91% increase in households with an over 75 and an 85% increase in households with an over 85 in residence. 28% of new households will have at least one member aged 75 or more.
- 27 There are currently around 1,927 units of specialist elderly accommodation in Southwark.
- 28 An additional 780 units will be required to meet need by 2029; of these some 559 (72%) should be sheltered and 116 (14%) extra care.
- 29 As regard care homes and dementia provision, the number of people over 65 with dementia is forecast to reach 2,369 by 2030. Southwark has seen an overall reduction of 46% of care home and dementia places since 2011 - an additional or improved 867 care beds are required by 2029.

### **Households with disabilities and wheelchair requirements**

- 30 A gradual increase in the number of older households with disabled members and in particular those with wheelchair needs is forecast between now and 2035, with the proportion of those aged 85 plus projected to rise the faster.
- 31 The fastest growing cohort of working age people with severe mobility impairments are those aged 45 to 55.
- 32 613 households have unmet wheelchair accessible accommodation requirements and require it across all tenures. It should be noted that a proportion of those will be owner-occupiers, able to make their own arrangements.
- 33 There is some mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock when it becomes available.
- 34 There are a number of reasons for this including inaccuracies in data recording, the need to minimise void periods and mismatches between locational preferences and the available stock.

### **Students**

- 35 There are over 21,000 students aged 20 or over resident in the borough during term time and there are 23,500 places at the major Higher Education (HE) institutions in Southwark. At least 57% live in private rented accommodation; 15% live with their parents. According to our estimates there are likely to be around 7,800 units of purpose-built student accommodation (PBSA) in the borough.

- 36 Work by the Mayor's Academic Forum indicates that student numbers in London are not increasing as fast as originally projected, and where there is growth it is mainly from international and non-London domiciled students.
- 37 The authority has policies to ensure that a proportion of new PBSA is let at conventional or student affordable levels, and that new PBSA provision does not detract from affordable housing provision for other groups.
- 38 In view of these policies, the already high proportion of PBSA and the forecast slowing down in demand, changes in policy are not required.

## **The private rented sector (PRS) and Houses in Multiple occupation (HMOs)**

### **Rents**

- 39 Rents have increased since the last SHMA. However, there is no standardised and robust way of measuring changes as different sources of data are not consistent. The authority's in-house analysis of 'asking rents' on commercial web sites indicate rent increases of between 7% and 24% since 2014, depending on bedsize. The Valuation Office Agency shows a lower rate of increase (between 4% and 15% by bedsize) and a general slowing down and flattening of rent increases.
- 40 Both datasets agree that the steepest increases have been for studios, perhaps reflecting increasing demand for (and supply of) smaller units in the face of static wages and increasing rents.

### **Housing benefit claimants**

- 41 A 2014 study forecast the continuing attrition of the number of homes let to those claiming housing benefit. This forecast has proved accurate, with numbers more than halving over the period, containing the downwards trend seen since the original welfare reforms in 2011.
- 42 This trend was confirmed by lettings agents who noted that landlords were very reluctant to let to those in receipt of benefits because of concerns about arrears and property damage.
- 43 They also noted that there was a plentiful market among professionals and higher earners.

### **The size of the sector**

- 44 Apart from the decennial Census, there is no interim local measure for changes, beyond the survey-based English Housing Survey (EHS).
- 45 We can extrapolate onwards the rate of increase from the 2001 to 2011 Census, which would indicate that there are now around 32,300 households in the PRS.
- 46 Alternatively, based on the EHS, the size of the sector could be as much as 37,400.

### **Houses in Multiple Occupation (HMOs)**

- 47 The 2014 study concluded that the HMO sub-sector was dividing into two: one market being filled by young professionals who could not afford to buy but nonetheless were able to pay more for better conditions; and another market with a concentration of poorer conditions, lower rents, and featuring extensive sub-division of larger units.
- 48 This led to a policy conclusion that authorities should focus on dual approach to enforcement, with a 'light touch' for the majority of players, and stricter enforcement



methods against the worst offenders. Since then Southwark has stepped up its enforcement actions.

- 49 Since then Southwark has also introduced additional and selective licensing schemes, but these have not yet penetrated greatly into their respective areas; and there are estimated still to be 500 mandatory licensable HMOs that are not yet covered. The selective scheme appears to be particularly complex.
- 50 Given that the two extra schemes are due to run until 2020 it would make sense to take stock and review them then, assess how many of the 500 unlicensed HMOs have been regulated, and then consider whether current policies represent the best use of limited resources.

### **People wishing to build their own homes**

- 51 As of 2018 there were 112 entries on the register set up under the Self-Build and Custom Housing Building Act 2015 to monitor those interested in acquiring land for self / custom-build projects.
- 52 The Act expects an authority to make provision in certain circumstances for suitable serviced plots to meet demand as evidenced by the register.
- 53 Given that 29% of registrants can demonstrate no connection with Southwark, and 35% are existing owner-occupiers, we suggest the authority considers setting up a two-part register (as it is entitled to do), to ensure that access to plots goes to those with the most connection, needs and ability to resource the initiative.

# Chapter 1

## Introduction

### Background

1.1 In January 2019 Cobweb Consulting were commissioned by LB Southwark to undertake an update of the Southwark section of the 2014 Strategic Housing Market Assessment that had been produced for five South East London boroughs.

1.2 The context for the commission was that the authority is in the final stages of preparing the New Southwark Plan (NSP), which will replace the 2011 Core Strategy and saved policies of the 2007 Southwark Plan. An up to date SHMA is required to feed into the evidence base for the NSP.

1.3 Since the last SHMA, there have been significant changes to the National Planning Policy Framework (NPPF) and Planning Practice Guidance. The key element is a new standard method for assessing future housing requirements, to replace the previous methodology for assessing the Overall Assessment of Housing Needs.

1.4 It was agreed that this commission was an update rather than a new, full SHMA, as a lot of the material in the 2014 study (and a subsequent study of the private rented sector) was still relevant. This meant that the update focussed on the assessment of housing needs, affordable housing requirements, and housing requirements for specific groups

### Methodology

1.5 The methodology adopted was primarily desk-based analysis of secondary data from standard sources, as well as analysis of administrative data held by LB Southwark. To give this data context, and to make sure it was current and relevant, a series of interviews were also conducted with a range of LB Southwark officers and stakeholders, including developers, housing associations, representatives of neighbouring authorities, estate agents, lettings agents and voluntary sector agencies.

1.6 Our methodology is described in more detail in the individual chapters

### Report structure

1.7 The rest of this report is structured as follows:

- Chapter 2 The policy context
- Chapter 3 Housing needs assessment
- Chapter 4 Affordable housing needs
- Chapter 5 The housing requirements of specific groups.

## **Acknowledgements**

1.8 First and foremost we would like to thank our able client project manager, Emma-Lisa Shiells, Planning Policy Officer at LB Southwark. A number of her colleagues – Ricky Bellot, Katherine Gittings, Andy Loxton, Gillian O’Neill, Isabelle Pearce, Glenn Ruane, Alex Skerten, Emma Trott and Rob Weallans – were very helpful in providing data, information, comment and agreeing to be interviewed. We would also like to thank the stakeholder interviewees for their time and expertise. This report was produced by Cobweb Consulting. Authors are Danny Friedman and Philip Leather, also using material from interviews conducted by Sarah Barnett and Ros Grimes.

## Chapter 2

### The policy context

#### Key messages

- National planning policy has recently undergone major revision with a revised National Planning Policy Framework (NPPF). This requires local authorities to base their planning policies on assessed housing need, calculated using a new standardised national methodology, together with an assessment of affordable housing need.
- NPPF and Planning Practice Guidance (PPG) no longer refer to an objective assessment of need (OAN)
- The NPPF and PPG have been revised to include a requirement to use the now out-of-date 2014-based household projections as the starting point for the standardised national methodology.
- In the London context, the current London Plan and the 2017 GLA SHMA are the prime planning and evidence context for housing market analysis. However, the London Plan is under review and the evidence base and proposals in the new plan must be taken into account. The new plan proposes a lower annual housing target for the borough over the next 10 years.
- PPG sets out a standardised national methodology for identifying housing need which should be followed unless there are strong local circumstances which suggest an alternative approach. A higher figure than that suggested by the standard methodology will be deemed sound by an Inspector, but a lower figure will need to be supported by robust evidence.
- Constraints on provision such as land availability or infrastructure should not be taken into account when estimating need, although they are of course relevant in developing policies.
- Total housing need should be broken down by age group, type of household, size of household, tenure, and any special requirements (such as those of disabled people).
- A separate and detailed approach to assessing the need for affordable housing is also set out in PPG. This has not changed substantially from previous guidance.

#### Introduction

2.1 This chapter highlights the key aspects of planning policy and guidance which this Strategic Housing Market Assessment (SHMA) for Southwark must take into account. During the course of the work there have been revisions to government requirements and advice relating to housing need which have been incorporated in our methodology.

2.2 The National Planning Policy Framework (NPPF), originally published in 2012, sets out the government's principles and policies relating to planning. After remaining unchanged since its initial publication, the NPPF was revised after consultation in July 2018 and revised again in February 2019.

#### The previous National Planning Policy Framework

2.3 The first NPPF published in 2012, introduced a presumption in favour of sustainable development as the underlying feature of planning policy, and set out an intention on the part of the government to secure a significant increase in the supply of housing through the use of the planning system.

2.4 To determine the amount of additional housing required in each area, local planning authorities were required to prepare a Strategic Housing Market Assessment (SHMA). The purpose of an SHMA was to develop a clear understanding of housing needs in an area, with neighbouring planning authorities working together where Housing Market Areas (HMAs) crossed their boundaries. The SHMA was required to provide a full assessment of the need for both market housing and affordable housing, which would provide the basis for local plan policies relating to future housing supply and to the proportion of affordable housing in new developments. Where it was not practicable to meet need, local authorities were required to work in partnership with neighbouring authorities to ensure that their need was met elsewhere. This requirement was an attempt to fill the gap in strategic planning for housing left by the abolition in 2010 of the system of Regional Spatial Strategies, except in London where the London Plan fulfilled this function.

2.5 Online official Planning Practice Guidance (PPG) followed in 2014, replacing previous published guidance. The new guidance was intended to be lighter touch. It specified that an SHMA should cover the relevant Housing Market Area (HMA), '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'. HMA boundaries were not set by the government or in PPG, so their identification formed an important part of any SHMA.

2.6 The SHMA was required to include an objective assessment of housing need (OAN) based on robust evidence. The OAN was not to take account of constraints such as land availability, as these would be addressed when developing policies to meet need, at a subsequent stage. SHMAs were required to be thorough but proportionate, and to build where possible on secondary information sources rather than primary surveys. Local planning authorities were recommended to use the method set out in PPG to calculate OAN, with any departures fully explained and justified.

2.7 PPG was updated at intervals online but few changes were made to the guidance on housing need. However, a considerable volume of additional practice developed as a result of the Examination in Public (EIP) of Local Plans, appeals against the refusal of individual planning applications, and the development of Neighbourhood Plans. In addition, a body of case law emerged where applicants, local authorities or the Secretary of State sought clarification of the interpretation of NPPF and PPG in the Courts.

2.8 As a result, by 2017, the assessment of the OAN within a SHMA had become a complex and time-consuming process. The starting point was projected future household growth, but PPG, EIP Inspectors' reports, and legal judgments created a series of adjustments to OAN to take account of factors such as suppressed household formation, the contribution of housing to economic growth, the need to provide affordable housing, and the need to take account of market signals. Taking 'market signals' as one example, there was no precise guidance in PPG over the calculation of an appropriate adjustment to OAN. Reports were prepared by practitioner groups suggesting percentage adjustments to demographic growth, but these were not necessarily supported by clear evidence, and were interpreted in different ways by local authorities, developers and planning inspectors.

2.9 Planning Practice Guidance also included details of the required approach to the assessment of affordable housing need, but this had changed only slightly from the well-established approach used in pre-2014 circulars and guidance. The requirement for local authorities to consider the viability of their policies for affordable housing provision by private developers reduced the importance of the assessment of affordable housing.

### **The revised NPPF**

2.10 Concern at the cost of preparation and the extended timetable for public examination of

planning policies setting out future housing requirements was one of the factors which led the government to make revisions to the NPPF, published in 2018. The government considered, rightly or wrongly, that delays in the preparation and revision of development plans caused by the complexity of the process of deriving OAN had a significant negative impact on the level of new supply. In addition, the government considered that some local authorities were arriving at policies for future housing provision which did not meet their needs fully, and that, in aggregate, local authority assessments did not provide for the level of housing which the government considered was necessary.

2.11 To address this concern, in 2017 the government published a standard methodology for the assessment of housing need. The existing term, OAN, was not employed to describe the assessment. After consultation, a new NPPF, published in July 2018, included the requirement for local authorities to use this approach to calculate housing need in all cases, other than in exceptional circumstances. The detail of the standard methodology was set out in a subsequent amended version of PPG in September 2018.

2.12 NPPF was then revised again in February 2019, accompanied by a revised version of PPG. The main purpose of this revision was to specify that the standard methodology should be based on the MHCLG 2014-based household projections for each local authority, rather than on the most up to date official 2016-based household projections.

2.13 NPPF no longer refers to Housing Market Areas, or even to the need to carry out a strategic housing market assessment (SHMA), although it still expects that local authorities will develop a good understanding of their local housing market or markets as the basis for developing policy. In response to government concerns about the lack of collaboration between local authorities in cases where needs could not be fully met within the areas in which they arose, the NPPF also stressed that local authorities were expected to take into account any needs from neighbouring areas which could not be met in those areas. The new guidance also re-emphasised that the size, type and tenure of housing needed for a variety of specific groups should be assessed and reflected in planning policies.

### **Planning Practice Guidance**

2.14 Planning Practice Guidance therefore requires planning authorities to prepare two separate assessments of housing need:

- 1 An assessment of housing need, based on the standard methodology set out in the PPG, unless there are clear reasons for adopting an alternative (guidance para 001); and
- 2 An assessment of the current number of households and projected number of households who lack their own housing and who cannot afford to meet their housing needs in the market (guidance para 022).

2.15 Step 1 of the new standard assessment methodology is to derive the annual average number of net additional households expected to form over a ten-year period starting at the current year from the relevant official projections.

2.16 In Step 2, this figure is adjusted using a formula based on the level of affordability of housing in each area. This is the ratio of median house price to median workplace-based earnings, derived from the latest tables published by the Office of National Statistics. The data sources to be used in the calculation are thus specified in detail. The data on affordability is used to derive a factor for each local authority which must be applied to the annual average level of household growth. The formula to calculate the factor to be used in each area was determined in such a way as to ensure that in aggregate, the assessed need for all local authorities will be in the region of 275,000 dwellings per annum.

2.17 In Step 3, the resulting figure is considered, to assess whether it may be subject to capping arrangements to mitigate the impact of any increase over the level of need set out in existing housing planning policies.

2.18 Guidance indicates that the standard assessment should be made at the start of the plan-making process, but that it should be revised when appropriate. ONS publishes revised affordability data annually, and updates of household projections every two years, although NPPF indicates that the most recent update is not to be used.

2.19 The guidance stresses that the standard assessment estimates a minimum level of need in an area, and it refers to circumstances when there may be a higher level of need, such as when economic growth strategies are in place requiring additional housing to support them; where strategic infrastructure improvements, especially to transport infrastructure, are planned which provide the opportunity for higher growth or require higher growth to make them viable; or where one authority has agreed to take on unmet need from other areas.

### **The needs of specific groups of households**

2.20 Guidance on the needs of specific groups of households has been expanded beyond that in the previous version. The new guidance notes that the need for housing for particular groups of people may exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method, because the needs of particular groups may be calculated having consideration to the whole population of an area as a baseline, as distinct from projected new households which form the baseline for the standard method. Hence, when producing policies to address the need of specific groups, authorities will need to consider how the needs of individual groups can be addressed within the constraint of the overall need established. The need for particular sizes, types and tenures of homes as well as the housing needs of particular groups should also be considered separately from overall need.

### **Affordable housing**

2.21 Guidance on the need for affordable housing has remained largely unchanged. This need should be calculated by estimating the backlog of need from people who currently occupy unsuitable housing (or who cannot form separate households) and are unable to afford market housing, together with an estimate of the future numbers in affordable need, both new households and existing households falling into need. From this should be deducted the current and future supply of affordable housing. Affordable housing need may be disaggregated into categories based on the ability to afford different types of housing such as social rented housing or intermediate housing, but not, at least at present, housing provided by the private rented sector.

### **Further changes to NPPF and PPG**

2.22 The standard method for assessing housing need as set out in the 2010 versions of NPPF and PPG required the use of the most up to date official household projections for each area. Until September 2018, these were the 2014-based household projections prepared by MHCLG, and so described because they were based on population projections produced by the Office of National Statistics using 2014 as the base year. In September 2018, the Office of National Statistics published a new set of official household projections, known as the 2016-based projections because they were based on population projections using 2016, as distinct from 2014, as the base. The updated projections showed a significant reduction in the projected annual average level of household growth nationally, and in many but not all local areas. The use of the standard method of housing need assessment set out in PPG would therefore have led to a reduction in the national aggregate level of housing need.

2.23 In October 2018 the government issued a consultation paper under which it proposed that NPPF and PPG should be amended to require local authorities to ignore the latest projections and continue to make use of the outdated 2014 projections. The government also announced its intention to review the methodology used in the production of official household projections. Consultation on this proposal ended in December 2018 and re-revised versions of NPPF and PPG were issued in February 2019 implementing the government's October 2018 proposals.

2.24 Neither NPPF nor PPG make mention of the fact that the Greater London Authority produces population and household projections for London and for each London borough. Many commentators, as well as the Inspector who examined the Further Alterations to the London Plan, consider the GLA projections to be more robust as they apply to London, since they are able to take specific account of demographic factors affecting London, and perhaps most importantly, that they do not have to be constrained to national population projections in the way that ONS projections are constrained. Conformity with the standard methodology for housing need assessment would therefore seem to require local authorities within London, and the GLA, to use the official projections as their starting point. However they could then choose to make use of the GLA projections if they feel that exceptional circumstances support this.

### **Implications**

2.25 The objective of this study is to produce estimates of future housing need. NPPF clearly requires that these should be based on the standard methodology, unless exceptional circumstances apply. This study does, of course, produce such an estimate with a full explanation of the components of the estimate and the sources used. But to ensure that the study provides a full understanding of the demographic and other factors influencing housing need, and the factors influencing affordability, we have undertaken a detailed review of these factors and considered the impact of alternative scenarios. This is in order to:

- a. set the assessment produced by the standard methodology in context
- b. to anticipate how the results of that methodology might change in the future as the data sources are revised
- c. to ensure that decisions made on housing provision within the local plan are as fully informed and future-proofed as possible.

### **Strategic and cross-boundary planning in the London context**

2.26 The government has abolished regional spatial planning, but in Greater London responsibility for strategic planning lies with the Mayor of London. The 2011 Localism Act imposed a 'duty to cooperate' on local authorities, requiring them to engage constructively, actively and on an on-going basis with neighbouring local authorities and a range of other relevant bodies, including the GLA. Compliance with the 'duty to co-operate' has become prominent amongst the factors against which the soundness and legal basis of development plans are assessed, and housing supply has emerged as an area where co-operation is of importance. The 2018 NPPF reiterates the importance of co-operation (paras 24-27), and reminds authorities of the duty to cooperate.

2.27 In Greater London, the Mayor has responsibility for developing the spatial development strategy for planning across the capital, through the London Plan, within which housing supply is a prominent issue. Each borough's statutory Development Plan includes both the London Plan and its own Local Plan, and the Local Plan must be in general conformity with the London Plan.

2.28 In 2013 the GLA prepared a SHMA for Greater London. This excluded areas outside London, although the SHMA acknowledged that many areas outside London but adjacent to it had strong



linkages with London which needed to be taken into account at a more local level. The SHMA identified an overall OAN for London, and the subsequent London Plan established a minimum target for additional housing provision in all other London authorities over the London Plan period. Subsequent Supplementary Planning Guidance (SPG) emphasised the need for local assessments to complement the strategic assessment made by GLA. SPG referred to sub-regional and local assessments, without specifying a framework of appropriate geographical areas. This degree of flexibility is sensible, given the complexity of markets within London, the pattern of existing assessments, the different working relationships between boroughs and groups of boroughs (in some cases including authorities outside the GLA area), and the different stages of plan preparation within authorities.

2.29 In 2017, GLA prepared a new Strategic Housing Market Assessment for London<sup>1</sup>. This included an updated assessment of housing need of 65,900 homes a year between 2016 and 2041, compared to the current plan figure of 49,000 homes per year. The most recent draft of the New London Plan itself was published on 13 Aug 2018. Chapter 4 sets out a target of 2,554 dwelling completions per annum in Southwark over the period 2019-2029, together with proposals for achieving targets across London. The Plan is undergoing Examination in Public at the time of writing. An issue which already seems to have arisen is whether the London Plan should make direct use of the new standard assessment for housing need, in addition to, or in replacement for, the approach taken by GLA. It will be important to monitor this issue, the GLA's response, and the Inspector's comments on this in due course.

### **The housing policy context**

2.30 Government housing policy in the period since 2013 has been set in the wider context of continuing restrictions on public expenditure driven by 'austerity'. Interventions have focused on methods of influencing demand and supply in the private market, rather than on direct social sector provision. Wider reforms, seeking to reduce or contain public expenditure on the welfare benefits system have also had, or in future will have, major impacts on housing.

2.31 The recovery in house prices and market transactions in the housing market after the global financial crisis in 2008 was encouraged by a gradual easing of mortgage lending terms such as deposit requirements and loan to income ratios. Government interventions also sought to support the market, notably through the Help to Buy scheme, which has to date received over £10 billion of government equity loan funding. Many commentators argue that the Help to Buy scheme has simply stimulated price increases in the new build sector rather than increased supply. The recent independent evaluation of Help to Buy for MCHLG reported limited levels of additionality in both demand and supply. Comments in the press and from some professional bodies have been far more critical<sup>2</sup>.

2.32 At the local level, the developers and estate agents we interviewed were keen on Help to Buy, with one describing it as a 'godsend' in a market that had cooled down considerably, and where interest from investors was waning. The context for this was complex, and included the changes to Stamp Duty on Buy to Let, continuing uncertainty related to Brexit, and a view that prices could not

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<sup>1</sup> *The 2017 London Strategic Housing Market Assessment, Part of the London Plan evidence base*, Mayor of London (2017)

<sup>2</sup> Ministry of Housing, Communities and Local Government (2018) *Evaluation of the Help to Buy Equity Loan Scheme 2017*, Christine Whitehead, Peter Williams, Ipsos MORI and the London School of Economics. A report by Morgan Stanley, *The help to buy premium – and its unintended consequences*, is also widely cited in press and other commentary.

and Wilcox S and Williams P (2018) *Dreams and Reality: Government finance, taxation and the private housing market*, London, Chartered Institute of Housing.

continue to grow at the rate they have over the last several years, reducing the prospects for capital growth. One estate agent noted that before 2016 investors would typically acquire 30% of a development, but the figure was now down to around 10%. Another quoted a figure of 75% sales going to 'long distance' investors – mostly from China – on an initial phase of a project, but their expectations were that later phases would go to mainly direct owner-occupiers or local investors.

2.33 Housing associations noted that increasing land value and build costs were impacting on their sales figures (as well as affordable housing development). It was becoming particularly difficult to sell larger units. As one put it 'the uncertainty in the economy as a whole is translating into people not wanting to spend masses of money on a new property'. There was some concern among developers and Register Providers about the overlap between Help to Buy and Shared Ownership, though generally it was felt that the Shared Ownership market was solid and that there was a lot of 'pent up demand' for it.

2.34 However, there was concern that the Shared Ownership product is no longer accessible for those for whom it was originally intended – those on lower incomes and key workers - because of land values and build costs, and the continuing requirement for a large deposit. Even the minimum 25% share was out of reach for many, and the likelihood of staircasing out was seen as low. One Registered Provider noted 'potential Shared Ownership buyers are almost facing the same difficulties as first time buyers. Shared Ownership is going upmarket and leaving behind those for whom it was originally intended'. It was felt that though the main income groups benefitting were those earning between £45,000 and £50,000, an income of £90,000 per annum was quoted by one developer as what people now need to earn to access some Shared Ownership developments.

2.35 The resale market was also perceived to have slowed, with prices now, at best 'pretty flat' and more likely dropping at the moment. Reductions of 10% were not uncommon. On new developments, developers were having to add incentives such as furniture packages.

2.36 On the supply side, the emphasis of government policy has been on changes to the planning system which the government believes will boost supply. These include measures to secure the allocation of more land for housing, and the granting of more planning permissions in areas of higher demand such as London. The policies began with the publication of the National Planning Policy Framework (NPPF) in 2012, and the changes to the requirements for assessing the need for new housing building in local plans which were described above. They have subsequently been extended to develop new material considerations in decisions on planning applications for housing, such as the requirement to have a five year land supply, and the Housing Delivery Test, and the replacement of light touch guidance on the assessment of future housing requirements by a uniform national assessment methodology which seeks to align local plan housing allocations with an overall national target. The 2012 NPPF also indicated that development should only be prevented or refused on transport grounds where the residual cumulative impacts of development were severe. In 2015, the Town and Country Planning (General Permitted Development) Order gave permitted development rights to certain use classes and subsequently allowed certain offices to be converted into residential units without planning consent but via 'prior approval notification', which also increased housing supply.

2.37 The White Paper, *Fixing Our Broken Housing Market* published in February 2017 made the issue of increasing the overall supply of new housing a key objective of government policy, and its proposals to secure higher allocations of land, higher levels of planning permissions for housing, and higher levels of build out from these permissions represented a significant step up in the scale and range of interventions.

2.38 Policies towards the private rented sector reflect conflicting government objectives. The government has welcomed the continuing growth of private rented provision, in part as a substitute

for social rented housing, but the impact of this growth on home ownership rates amongst younger households conflicts with the aim of encouraging home ownership. The increasing cost of housing benefit payments to private tenants, which played a major part in boosting the growth of private renting, led the government to take measures to limit them. These measures, combined with changes to the taxation benefits enjoyed by private landlords, are argued by some to be likely to reduce future growth in the private rented sector, and to change the structure of the sector.

2.39 Like many of its predecessors the government has also sought to encourage institutional investment in new private rented provision in a variety of ways but with only limited success to date, although there are significant levels of new provision in some areas, including London.

2.40 At the Southwark level, lettings agents described the rental market as 'steady'. There were fewer new landlords coming on to the market, and some existing ones were exiting, but demand remained strong. There was strong interest in Build to Rent (BTR) both among private developers and Registered Providers, with a number changing their development modelling to incorporate a greater proportion of BTR. It was considered that this offered a safer investment than sales, quicker and steady returns, and protection from the market cycles that effect house prices. There was considerable interest from institutional investors, such as Legal and General, in the product.

2.41 Finally, some policies have sought to improve the standards of provision and management in the sector, especially at the lower cost end of the market. But the effectiveness of these policies may have been constrained by the costs of implementation.

### **The social rented sector**

2.42 The social rented sector has experienced increasing challenges over the period since 2013. Welfare reforms have sought to reduce or contain the costs to government of housing benefit payments to social rented tenants, and to reduce levels of under-occupation in the sector. Support for the Right to Buy has also continued to reduce the social rented stock. At the same time grant or loan finance for new development has remained generally restricted, and increasingly targeted on areas where affordability ratios suggest that need is highest. At the same time, the three-year social sector rent reduction policy provided a further way to contain housing benefit costs. They have posed potential future challenges to the viability of some organisations in the sector, or to their ability to develop new housing, leading to mergers and restructuring. The net result has been a more or less static number of social rented dwellings nationally, which in the context of overall housing growth has led to a declining overall share. Proposals for changes to the funding of supported housing also led to uncertainties which affected development, and some of these remain a concern for the longer term.

2.43 Following the tragedy at Grenfell Tower, the government issued A New Deal for Social Housing, in August 2018. As a Green rather than White Paper the report set out a series of objectives and sought comments and proposals on reforms to social rented housing to achieve these objectives, including the creation of safe and decent homes, a sense of security, improved and speedier measures to deal with complaints, measures to empower residents and to ensure that their voices are heard, the tackling of stigma associated with the sector, and measures to ensure that social rented homes can act as a springboard to home ownership. The main elements of the paper are:

- 'League tables' of housing providers based on key performance indicators
- Tougher consumer regulation, Ofsted-style, and relaxation of the 'serious detriment' threshold for intervention
- Potential introduction of a stock transfer programme, from councils to community-led housing associations

- New home ownership options, including incremental Shared Ownership
- Reforms to the use of Right to Buy receipts to enable local authorities to use them alongside enhanced borrowing ability to build more social rent and affordable homes
- Return of guaranteed debt funding to encourage affordable homes supply, and longer term strategic partnerships for housing association
- Scrapping plans to force social landlords to offer fixed term tenancies, and plans to force local authorities to sell off their most valuable housing

2.44 Responses to this are currently under consideration.

### **Homelessness and rough sleeping**

2.45 Concerns over homelessness have continued to feature in the media and in government policy over the 2012-2018 period, with a recent increased emphasis arising from the rapid growth of rough sleeping in many areas, argued by some commentators to be a result of longer term welfare reforms. In August 2018 the government published a Rough Sleeping Strategy seeking to halve this phenomenon by 2022 and end it by 2027, followed in December 2018 by a delivery plan.

2.46 Also in 2018 the Homelessness Reduction Act 2017 placed new duties on local authorities (and referral agencies) to help prevent homelessness and 'relieve' homelessness if it does occur. These duties apply to all those in need – that is they are blind to priority need status, intentionality and local connection. They cover, for example, rough sleepers and younger single people. The measures do not go as far as placing a full rehousing duty for these applicants on the authority – that remains within the criteria set by the 1996 Housing Act. However, it does require authorities to thoroughly assess all applicants and provide a personalised response.

2.47 LB Southwark pioneered implementation of the Act, trialling its elements from 2016, using a combination of advice, mediation and financial support to deliver them. While the authority did see an increase in the numbers applying as homeless and in temporary accommodation, this was lower than expected (an 8.6% increase). The authority estimates there has been a 50% increase in the number helped to remain in their homes.<sup>3</sup>

2.48 However, there is concern that when the £73M allocated by the government to fund the legislation until 2020 runs out it will not be renewed. The expectation is that the savings accrued from homelessness prevention and therefore reduction in temporary accommodation costs will be enough for the Act to be self-funding. This is widely considered to be unrealistic. Research carried out by the Local Government Association<sup>4</sup> indicates that two-thirds of councils have experienced an increase in numbers in temporary accommodation since the Act came into force in April 2018. In spite of Southwark's efforts, the authority saw numbers in temporary accommodation increase by 200 over the last year. Short-term 'fixes' such as the Act do not solve the underlying issues of a shortage of affordable housing and the impact of welfare reform.

### **Leaving the European Union**

2.49 We cannot end this discussion of policy context without some further mention of leaving the European Union and its impact on housing markets. This was frequently spontaneously referenced by the developers, estate agents and Registered Providers we interviewed. The House of Commons Library briefing paper<sup>5</sup> suggests caution when looking at market changes since the vote to leave the European Union, citing global political uncertainty and the broader UK economy as other significant

<sup>3</sup> <https://www.theguardian.com/society/2019/apr/10/homeless-reduction-act-one-year-on>

<sup>4</sup> <https://www.local.gov.uk/homelessness-reduction-act-survey-2018-survey-report>

<sup>5</sup> *Brexit: implications for the housing market and construction*, Briefing Paper 07666, House of Commons Library October 2016

factors. Nonetheless, it notes that though initial fears of a major drop in consumer confidence and house prices were not realised, there are concerns about the longer term, as the day for leaving the European Union approaches, and beyond.

2.50 This is particularly the case for London, which is one of very few UK cities to have seen an actual drop in average house prices, 2017 to 2018, by 0.4%<sup>6</sup>. However, according to Hometrack, price reductions in London are concentrated in inner and central London authorities, with outer London showing a small increase.

2.51 The value of shares in major construction companies fell in the run up to and sharply on the day of the referendum (between 21% and 28%)<sup>7</sup> and although some ground has been recovered, none have returned to pre-referendum levels. There is no firm indication that house prices have fallen sharply, though the rate of increase seems to have slowed considerably, particularly in London. Nationwide and Halifax reported increases of under 0.4% in the months following the referendum.<sup>8</sup>

2.52 Data on the labour market traditionally lags behind share and price indicators, but ahead of the referendum commentators had noted concerns about the number of skilled construction workers falling, as they moved back to their home countries. Some 12% of construction workers in the UK are of non-British origin. It was felt that the rate of this departure would be exacerbated by falls in the value of the pound, making wages paid in the UK less attractive.

2.53 There are also concerns about the social care labour force: some 80,000 of the 1.3M staff employed in the sector come from the EU, and a reduction in their freedom of movement would have a knock-on effect on enabling older people in particular to maintain an independent lifestyle in their own homes, as well as issues about hospital admissions and ‘bed-blocking’<sup>9</sup>.

2.54 The immediate impact on social housing providers was for some 42 housing associations to have their credit ratings or outlooks reduced by credit rating providers Standard and Poors, and Moody’s.<sup>10</sup> The National Housing Federation had pre-referendum identified risks around programmes built solely around home ownership, and advised associations to stress test their business plans. Nonetheless they saw an expanding role for associations during a period of uncertainty and also identified that this represented an opportunity to expand the sub-market rent development programme, citing need for flexibility, especially when the future expansion of the owner-occupier sector is in doubt<sup>10</sup>. As noted above, in the section on the Housing White Paper, opportunities for sub-market renting development are being enhanced.

2.55 At a local level, developers we interviewed expressed uncertainty and nervousness about Brexit which has slowed down sales, in an already difficult environment. While it was considered likely that that development will continue and that properties will be taken up and occupied, the form and tenure that this will take is very uncertain. It was noted that this was a London problem, not specifically a Southwark one. Developers commented that they need to work very closely with the Council and all other agencies to shape the way things develop in the future. One described the overall climate as ‘hostile’.

2.56 More broadly, looking ahead, the housing market impact of leaving the European Union will

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<sup>6</sup> <https://www.hometrack.com/uk/insight/uk-cities-house-price-index/>

<sup>7</sup> <https://www.theguardian.com/business/2016/jul/04/uk-construction-industry-slumps-dramatically-ahead-of-eu-vote-pmi>

<sup>8</sup> [www.bbc.co.uk/news/business-36912126](http://www.bbc.co.uk/news/business-36912126)

<sup>9</sup> *Five big issues for health and social care after the referendum*, Kings Fund, 2016

<https://www.kingsfund.org.uk/publications/articles/brexit-and-nhs>

<sup>10</sup> [www.publiclawtoday.co.uk/housing/property/380.../30759-social-housing-and-brexit](http://www.publiclawtoday.co.uk/housing/property/380.../30759-social-housing-and-brexit)

be intrinsically tied into the economic impact. The variables here are substantial: the relationship between the pound and the Euro and the cost of building material; the ability of London to retain its international financial role; the results of single or bilateral market trade negotiations; and the wider impact of migration policy including access to construction workers are among other factors are as yet unknowns.

## Chapter 3

### Housing needs assessment

#### Key messages

- This chapter provides an assessment of the level of housing need in the London Borough of Southwark. It firstly presents the results of using the standard national methodology for assessing housing need set out in the 2018 revisions to NPPF and PPG. It then compares the results of this assessment with the objective assessment of need (OAN) which would have been produced under previous guidance.
- The new standard methodology is described in detail in PPG. The official starting point is the 2014-based set of MHCLG / ONS household projections, but we consider that for Southwark the 2016-based central trend household projections produced by GLA provide a better basis for assessing need. They produce a higher estimate of need than the official projections. Applying the formula set out in PPG to this household projection, together with the applicable capping arrangements, produces minimum household need of **2,932 households per annum**.
- This is a higher figure than that which would be derived from official household projections, and according to para 11 of PPG can be considered sound as it exceeds the minimum starting point.
- Following the approach set out in previous PPG produces an estimate of the Objective Need for Housing (OAN) of **2,600 household per annum**. This includes an estimate of the annual backlog of housing need, the average annual level of new household formation over the 2019-2039 period, allowances for vacancies and second homes in the additional housing stock, and an addition of 20% to need to take account of market signals. This is over 300 dwellings lower than the estimate of need produced using current guidance.
- The current London Plan sets an annual target of **2,736 additional dwellings per annum** for the borough. The revised London Plan currently under Examination in Public includes a lower target of **2,554 dwellings per annum**. Both targets are derived from consideration of the overall strategic need for housing in London and the capacity of the borough to deliver new housing.
- The average level of housing completions in the borough over the 2011-2017 period (1,870) is well below these targets and assessments of need. Completion levels are well below the number of permissions granted. The causes of this were varied and complex but the Council considers that many of the reasons lie outside its control.
- NPPF and revised PPG specify that local authorities should use the new Standardised Need Assessment Methodology to calculate the level of housing need in their areas in order to inform the setting of a level of provision for new housing in their local plans, unless there are exceptional circumstances. We consider that GLA's population and household projections provide a better best basis for calculating need in the borough than the official projections, and as they produce a higher estimate of need, we recommend the use of this figure, **2,932 household per annum**, as the estimate of need for housing in Southwark.
- This figure is an important consideration, but a range of other matters, including the requirement for affordable housing, the availability of sites for housing, and the requirements of the London Plan, will need to be taken into account by the Council in arriving at a decision about the target level of new housing provision to be included in its local plan.

## Introduction

3.1 Chapter 2 described the significant recent changes to NPPF and to official Planning Practice Guidance relating to the assessment of the need for additional housing. Local authorities were required by the new NPPF issued in July 2018 to assess need using a standard national methodology which is set out in detail in official guidance, unless there were exceptional circumstances for using an alternative. In February 2019, only a short time after the new approach was published, the government published further changes to NPPF and PPG.

3.2 The frequency of these changes after a long period of stability introduces an element of uncertainty into estimates of housing need. To address this, this chapter firstly sets out the results of using the standard national methodology for assessing housing need. As well as using the most up to date official projections, the chapter also shows the assessed need using the previous official projections, and a range of projections produced for Southwark by the Greater London Authority. It then goes on to compare the results of these assessments with the objective assessment of need (OAN) which would have been produced under the previous guidance, and with the targets set for housing supply in the borough in the London Plan. The latter are of course not estimates of need but of supply based on capacity and on a strategic approach to meeting housing need across London, rather than on an unconstrained assessment of need. We consider that having this range of estimates available will provide the Council with the best advice on how to proceed in setting future targets for housing provision in the borough.

### The Standard Assessment of Need: Step 1

3.3 The approach to be followed is set out in the revised PPG published in February 2019. Step 1 is to 'set the baseline using national household growth projections, for the area of the local authority. Taking the most recent projections, we calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being the first year)' (PPG Housing Need Assessment, para 004).

3.4 The most recent national household growth projections were published by the Office of National Statistics in September 2018. These were termed the 2016-based projections because they were based on population projections prepared by ONS with a base year of 2016, covering the 2016-2041 period<sup>11</sup>. After these projections were published, the government amended NPPF and PPG to require that local authorities set aside these up to date projections and use the previous set of projections, the 2014-based household projections, prepared by MHCLG but based on ONS 2014-based population projections. Table 3.1 below shows the calculation in step 1 for both of these sets of projections, with the baseline in the final column.

**Table 3.1 Household projections and annual average growth**

	2019	2029	Annual Average Growth
ONS 2016-based	132,441	145,062	1,262
MHCLG 2014-based	140,743	161,460	2,072
GLA 2016-based central	140,432	161,372	2,094
GLA 2016-based long term	138,859	156,118	1,726
GLA 2016-based short term	140,621	161,741	2,112

Sources: ONS, 2016-based household projections; MHCLG 2014-based household projections; GLA 2016-based central, long term and short term household projections

<sup>11</sup> ONS, 2016-based household projections: detailed data for modelling and analytical purposes, Table S1



3.5 The 2014-based projections show a baseline need of 2,072 households per annum whilst the new 2016-based projections show a much lower level of need, 1,262 per annum, a reduction of 810 households per annum. This represents a very large reduction. This difference is accounted for by both differences in the underlying population between the two sets of projections and by differences in the assumptions made about the propensity of the population to form separate households, which is determined through a series of estimated household formation rates. The differences in methodology between the two sets of household projections are summarised in a paper by ONS<sup>12</sup>. The 2014-based household projections produced by MHCLG take as their starting point ONS mid-year estimates up to 2013 and the ONS 2014-based population projections. Household formation rates were projected using data from the 1971, 1981, 1991, 2001 and 2011 Censuses, supplemented by Labour Force Survey (LFS) data. The 2016 household projections produced by ONS took as their starting point mid-year estimates up to 2016 and the ONS 2016-based population projections. However the household representative rates were derived from the 2001 and 2011 Censuses only. As a result, the rising rates of household formation apparent in the 1971-1991 Censuses were not taken into account because they were no longer apparent, especially by 2011.

3.6 Taking population first, the most recent ONS population projections (the 2016-based projections) suggest lower population growth in Southwark in the period up to 2041 than the previous (2014-based) projections. By 2039, the last year for which data is available from both sets of projections, the population of Southwark is projected to be 23,000 less in the 2016-based projections than it was in the previous 2014-based projections. Official population projections are based on assumptions about births, deaths and migration and revisions in the assumptions made about these lead to differences between projections over time. More recent projections are more accurate than older ones as they use more recent data on trends.

3.7 Differences between projections in the short and medium term are more important than the long term picture which in any set of projections is likely to be less accurate. The standard national methodology, for example, only requires consideration of projected household growth for the next ten years to 2028, but this is used to estimate growth over the whole of a local plan period, more typically 20 years. The divergence in population between the 2014-based and 2016-based projections began in 2015, and by 2016 had reached 3000, rising to 14,000 by 2028. As well as publishing projections of recent and future population, ONS produces estimates (referred to as mid-year estimates or MYEs) of the population in recent years. These are more accurate than the projections, as they are based on recorded trends rather than projected trends. Taking the ONS 2014-based projections, in the base year the population of Southwark is similar for both the projection and the mid-year estimate (about 302,500) but only two years later in 2016, the 2014-based projection for Southwark is 314,600, well above the MYE, produced subsequently, of only 311,700. This error is built in to the subsequent projections. In contrast, the ONS 2016-based projection for Southwark starts in 2016 with the 2016 MYE as its base. In terms of population, therefore, the 2016-based projection is much more likely to be accurate over the 2019-2028 period than the 2014 projection.

3.8 The second set of differences between the projections relates to household formation rates. Household projections apply a range of estimated household formation rates to the population to calculate the number of households which will be formed from that population. The 2016-based projections for example have formation rates for 16 age groups, broken down by gender, and by

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<sup>12</sup> See Methodology used to produce household projections for England: 2016-based, User guidance about uses, methodology, assumptions and input data for household projections for England, Table 8, at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/methodologyusedtoproducehouseholdprojectionsforengland2016based#toc>

year – a total of 800 rates, which may also be further broken down by marital status and household type. The rates are commonly published as proportions, such that a rate of 1.0 would indicate that every person in a particular age/gender group would form a separate household, but they can perhaps be more readily understood as percentages, such that a rate of 1.0 is equivalent to 100%. Table 3.2 below compares some of the rates used in the 2014 and 2016 based official projections expressed as percentages, and the differences between the rates in percentage point terms. The published rates are not entirely comparable so the table shows only those age groups which are the same in both sets of projections. The differences are very substantial, especially for males, but in both groups for people in the 35-64 age groups.

**Table 3.2 Comparison of household formation rates**

		2016-based		2014-based		Percentage Point Difference	
		2019	2039	2019	2039	2019	2039
Male	20-24	18%	17%	26%	26%	8	9
	25-29	34%	33%	49%	48%	15	15
	30-34	49%	48%	58%	56%	9	9
	35-39	61%	60%	79%	79%	18	19
	40-44	69%	68%	87%	88%	19	21
	45-49	71%	71%	89%	90%	18	19
	50-54	74%	74%	91%	91%	16	17
	55-59	76%	76%	94%	94%	18	19
	60-64	76%	76%	93%	93%	17	17
	65-69	74%	73%	96%	97%	23	24
	70-74	79%	79%	96%	96%	18	17
Female	20-24	21%	20%	20%	20%	0	0
	25-29	33%	32%	24%	23%	9	9
	30-34	41%	40%	31%	32%	10	8
	35-39	50%	49%	39%	41%	11	9
	40-44	58%	58%	45%	46%	13	12
	45-49	64%	64%	45%	47%	18	18
	50-54	66%	67%	49%	50%	17	18
	55-59	65%	66%	53%	53%	12	13
	60-64	63%	63%	55%	58%	8	5
	65-69	58%	57%	57%	60%	1	4
	70-74	62%	61%	56%	59%	5	1
75-79	68%	67%	63%	63%	4	4	
80-84	79%	79%	72%	70%	7	8	

Source: MHCLG, 2014-based household projections and ONS, 2016-based household projections. Some percentage point differences may not reflect the result obtained by subtracting the 2014-based data in the table from the 2016-based data. This arises as a result of rounding.

3.9 These complex differences between the two sets of projections can be more simply summarised by a comparison of the average size of household which emerges from them when we divide the population by the number of projected households (Table 3.3). The 2016-based projections, using lower household formation rates, result in a much higher average household size than the 2014-based projections. Applying the projected average household size in 2039 from the

2014-based household projections (2.13 persons per household), to the 2039 private household population for Southwark, for example, would create an additional 11,000 households in the borough, or about half the difference between the two sets of projections (the remainder of the difference is accounted for by the smaller estimated population in the 2016-based projection).

**Table 3.3 Comparison of average household sizes**

	Projection	2014	2016	2019	2029	2039
Population	2014-based	296,784	308,815	322,466	354,998	383,434
	2016-based	297,058	305,876	317,253	340,056	360,374
	Difference	-274	2,939	5,213	14,942	23,060
Households	2014-based	127,764	133,464	140,743	161,460	179,711
	2016-based	124,589	128,384	132,441	145,062	157,438
	Difference	3,175	5,080	8,302	16,398	22,273
Average persons per household	2014-based	2.32	2.31	2.29	2.20	2.13
	2016-based	2.38	2.38	2.40	2.34	2.29
	Difference	-0.06	-0.07	-0.10	-0.15	-0.16

Source: MHCLG, 2014-based household projections and ONS, 2016-based household projections

3.10 A key issue in assessing housing need relates to the cause of the decline in formation rates, or putting it another way, the higher projected average household size. Is this a result of changing household preferences, such as sharing by groups of unrelated individuals, or the result of increasing affordability problems, or simply a lack of supply, making it harder for individuals wishing to live on their own to afford to do so? The latter might be termed suppressed household formation.

3.11 Defining, measuring and tackling suppressed household formation raises many difficulties. Affordability is inevitably a constraint on household formation in any housing market – the question is at what stage do affordability problems become problematic, and lead to overcrowding, or levels of dwelling occupancy which cause other problems.

3.12 These are complex issues. In its 2017 *White Paper Fixing our broken housing market*, the government decided that it wished to increase supply with the aim of improving affordability, and through this to permit more households to form. It did so through a national supply target above that which would be derived from household projections alone. This is a pragmatic policy response which recognised the difficulty of precise calculations of suppressed household formation but which determined and set a target.

3.13 In that sense the government’s requirement that local planning authorities should set aside the most up to date projections and use outdated projections is mistaken, as it relies on both inaccurate population projections and household formation trends which are out of date. To meet the objective of compensating for household formation which has been suppressed by affordability problems (if this has occurred) it would have been more appropriate to have simply increased the size of the factor to be applied to the base projections in Step 2, covered below.

### **Projections for London prepared by the Greater London Authority**

3.14 Table 3.1 also shows the outputs from the most up to date 2016-based household projections produced by the Greater London Authority. These are described in two notes prepared by GLA Intelligence<sup>13</sup>. There are three variant population projections, which differ mainly in their

<sup>13</sup> See GLA Intelligence (2017) *Update 2017-09, 2016-based Trend Projection Results*, July 2017 and *Update 2017-07 GLA 2016-based population projection, explanatory note and results for the Wider South East*, July 2017

assumptions about migration patterns, with three related household projections derived from these. The three population projection variants are:

- A central scenario based on migration trends over 10 years.
- A short term scenario based on migration trends over 5 years.
- A long term scenario based on trends over 15 years.

3.15 The GLA projections are more similar in methodology to the official 2014-based projections than to the official 2016-based projections. GLA's short-term scenario produces results closest to those produced by ONS, which also uses a five year period to derive trends in the components of population change. However the 2016-based GLA projections include two additional years of data, and take as their starting point the ONS 2016 mid-year estimate. A further difference is that the sum of ONS's population projections for all local authorities in England and Wales is constrained to be consistent with national population projections whereas the GLA projections are not constrained.

3.16 The GLA'S household projections use the 2014 DCLG household model, so the main difference between the 2014-based MHCLG household projections and the 2016-based GLA household projections is the input population. This means that the GLA 2016-based household projections likewise differ from the 2016-based ONS projections in their approach to deriving household formation rates.

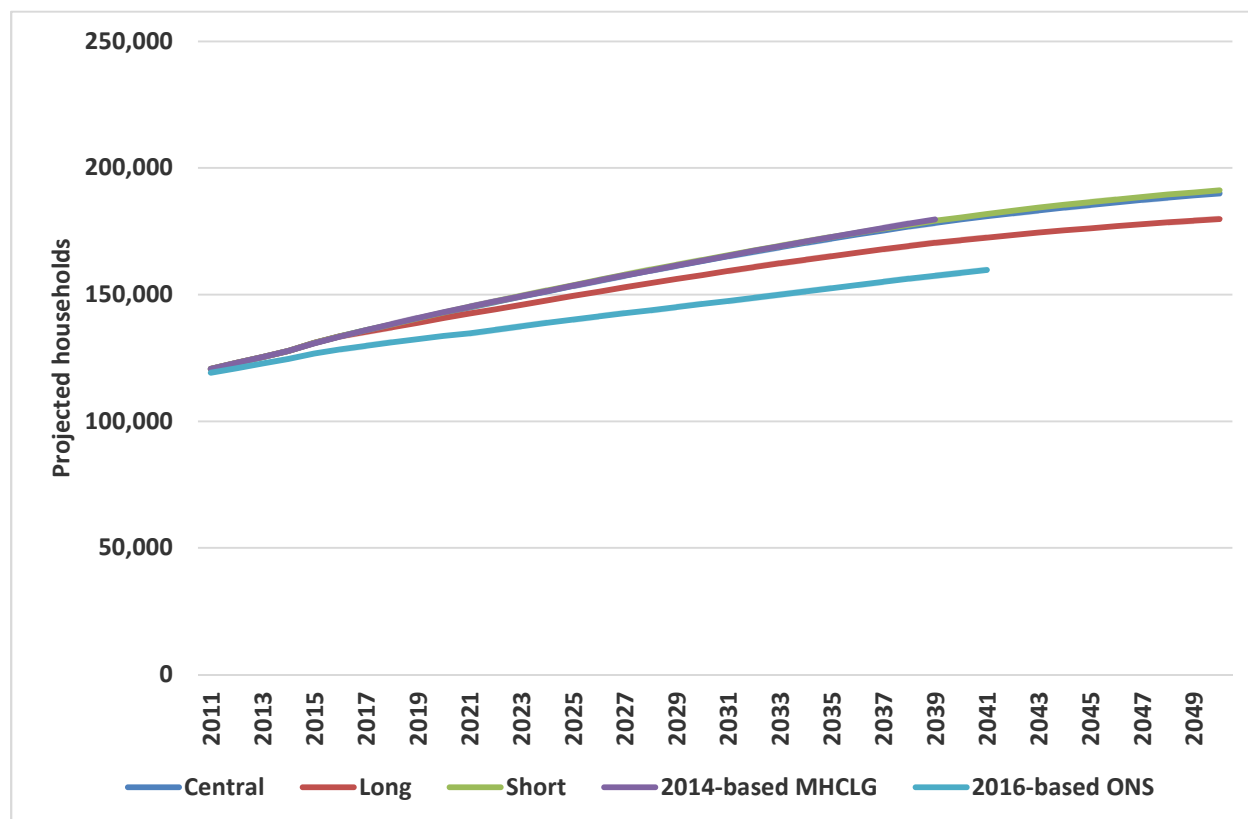
3.17 These methodological differences have been described in detail as they account for the differences in results shown in Table 3.3 above. The three GLA household projections produce results, and therefore estimates of the baseline need for housing using the standard methodology, which are more similar to one another and to the 2014-based MCHLG projection, than to the more recent 2016-based ONS projection (Figure 3.1 below). The GLA central and short term migration trend projections produce estimates of 2,094 and 2,112 households per annum respectively compared to 2,072 per annum produced by the MHCLG 2014-based projection. The GLA long term migration projection produces a lower estimate (1,726 per annum), because it uses data from a period when migration levels were lower than recently. Whether the results of future GLA projections move closer to the new ONS projections will depend on whether GLA decides to make changes to its household projection model to bring this more into line with the latest official projections.

3.18 Local authorities in London are fortunate to have parallel projections prepared by the Greater London Authority in order to more fully inform their decisions. GLA have argued, and a London Plan Inspector has accepted, that the GLA methodology for projecting population is based on a better understanding of London trends which is not constrained by national forecasts and trends, and that this has produced a closer match to mid-year population estimates and other outturn figures. On balance, therefore, the GLA 2016-based projections are likely to be more realistic. Of the three options, the central migration projection offers the best option as it takes into account past trends over a relatively long period but does not produce the significantly lower level of projected household formation which the long term migration projection provides. The use of GLA projections has the additional advantage of being consistent with the London Plan.

3.19 The baseline figure for housing growth derived from the central GLA projection differs from that derived from the 2014-based MHCLG projections, but as it is higher, it is not in contravention of PPG, which indicates that a higher figure will be considered sound. Para 11 of PPG on Housing Need indicates that 'where a strategic policy-making authority can demonstrate [that] an alternative approach identifies a need higher than that identified using the standard method for assessing local housing need, the approach should be considered sound as it will have exceeded the minimum starting point'.

3.20 It therefore seems reasonable to adopt the GLA central trend forecast as the basis for the baseline estimate for the present, as it provides the most accurate set of projections and is compliant with NPPF and PPG. This means that baseline need from Step 1 is estimated at 2,094 per annum.

**Figure 3.1 Comparison of household projections for Southwark**



Sources: MHCLG, 2014-based household projections; ONS, 2016-based household projections; and GLA, central trend, long term trend and short term trend household projections.

### The Standard Assessment of Need: Step 2

3.21 Step 2 of the standard assessment of need requires the calculation of a median workplace based affordability ratio for Southwark, which is then used to calculate an **adjustment factor**. This is applied to the average annual projected household growth figure calculated in step 1 to produce a **minimum annual housing need estimate**.

3.22 PPG specifies that the most recent median workplace-based affordability ratio, published by the Office for National Statistics a local authority level, should be used. Data for 2018, published in March 2019, is the most recent available<sup>14</sup>. For Southwark, the 2018 ratio is 13.92. This compares to the London-wide ratio of 12.25, and the England and Wales ratio of 7.83.

3.23 The first stage in calculating the adjustment factor is to subtract 4.0 from the workplace-based affordability ratio, leading to a figure of 9.92. In stage 2 this is divided by 4, giving a result of 2.48. The third stage is to multiply this by 0.25, giving a result of 0.62. The fourth and final stage is to add 1.0 to this result to give a final adjustment factor of 1.62 for Southwark, based on 2018 data.

<sup>14</sup> The data may be found at <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>, Table 5c.

3.24 If applied to baseline household growth, the adjustment factor gives minimum annual household need of 3,392 (based on the GLA central trend household projection). Using the 2016-based ONS household projections would produce a much lower minimum annual household need figure of 2,044.

### **The Standard Assessment of Need: Step 3**

3.25 Step 3 is to apply capping to the minimum annual household need figures calculated in Step 2. This limits any increase in the minimum annual housing need figure an individual local authority faces. How this is calculated depends on the current status of relevant strategic policies for housing. Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies. This also applies where the relevant strategic policies have been reviewed by the authority within the 5 year period and found to not require updating. Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of (a) the projected household growth for the area over the 10 year period identified in step 1; or (b) the average annual housing requirement figure set out in the most recently adopted strategic policies.

3.26 In data accompanying its consultation on its proposed methodology for the Standard Assessment of Need published in 2017, the government considered that Southwark's strategic housing policies dated from 2011 and were thus more than five years out of date. This means that the cap should be the higher of (a) 140% of the figure calculated in Step 1, and (b) the figure set out in the most recent adopted local plan, 1,630 per annum<sup>15</sup>.

3.27 For Southwark, the cap introduces a limit to the adjustment factor of 1.4, considerably below the factor calculated in Step 2 of 1.62. Taking the GLA 2016-based central trend household forecast, a factor from (a) of 1.4 reduces minimum annual household need to 2,932. This is higher than the figure of 1,630 in the adopted local plan. On the basis of the ONS 2016-based household projections, the factor from (a) of 1.4 reduces minimum annual household need to 1,767, which is also above the figure of 1,630 in current policies, so (a) again applies.

3.28 Using the methodology for the standard assessment of need set out in NPPF and PPG, we advise that minimum annual new household need is 2,932 per annum. This assessment does not follow the approach set out in PPG in its entirety, as it uses GLA rather than official 2014-based projections. However these produce a higher figure than the official projections, and according to para 11 of PPG should be considered sound as the projection has exceeded the minimum starting point.

### **Objective Assessment of Need**

3.29 The previous version of PPG, replaced in September 2018, set out an approach to housing need which required the calculation of an Objective Assessment of Need (OAN). For illustrative purposes, Table 3.4 below sets out a calculation using this methodology.

3.30 Step 1 is to calculate backlog need at the baseline point of the assessment, the end of 2018. Homeless households accommodated in temporary accommodation represent a need for additional housing, whereas those in permanent accommodation, including the private rented sector, do not, because if they were housed in a new dwelling, the dwelling which they currently occupy would become available for occupation. At the end of March 2018, the latest point for which data has been

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<sup>15</sup> Southwark Council (2011) *Core Strategy*, at <https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/local-plan>

published, Southwark had 537 households in temporary accommodation (bed and breakfast, other nightly paid accommodation, or hostels)<sup>16</sup>. In addition, there were an estimated 2,934 concealed households in the borough. There is no up to date estimate of concealed households at local authority level. Our estimate is derived from the 2011 Census<sup>17</sup>, updated using regional data from the English Housing Survey (EHS). It includes only concealed couple households (with or without children) and concealed lone parent households and should be regarded as a minimum estimate. The total backlog of housing in the borough in 2019 is estimated to be 3,471. It would be impractical to address this shortage immediately, so it is assumed that the backlog will be eliminated over a period of 20 years, leading to an annual backlog quota of 174 households.

**Table 3.4 Objective Assessment of Need**

		Per annum
Step 1: Backlog need	Homeless	537
	Concealed	2,934
	Total backlog	3,471
	Annual backlog	174
Step 2: New household formation 2019-2039	Net new households per annum	1,894
Backlog plus new household formation		2,068
Step 3: Allowances	Allowance for vacancies (4.4%)	92
	Allowance for second homes (0.4%)	7
Basic demographic OAN	Households per annum	2,167
Step 4: OAN after adjustment to take account of market signals at 20% (1)	Households per annum	2,600

(1) The adjustment to take account of market signals includes provision to take account of suppressed household growth, and the need for housing to support economic growth.

3.31 Step 2 is to estimate new household formation over the 2019-2039 period. The source for this is the GLA 2016 central trend household projection, for the reasons explained in the previous section on the standard assessment of need. The average annual level of household growth is calculated for the period 2019-2039. The requirement to focus on the first ten years of this period was not part of the guidance on OAN. The use of a 20 year period leads to a lower annual average growth rate, as there is lower projected growth in the later part of the period after 2029.

3.32 Step 3 is to add in allowances for vacancies and second homes in the new housing stock, on the assumption that a proportion of new dwellings will be used in these ways. The overall vacancy rate in the dwelling stock in the borough in 2018 was 4.4% and this was used as the vacancy rate to be applied in the calculation of OAN. Only 0.4% of dwellings in the borough could be identified from Council Tax data as second homes. This proportion was also included in the OAN calculation to allow for some new dwellings becoming second homes.

3.33 Step 4 is to consider a series of adjustments to the basic level of demographic OAN. Previous PPG, and good practice derived from other SHMAs, indicated that local authorities should consider the following adjustments to the basic OAN:

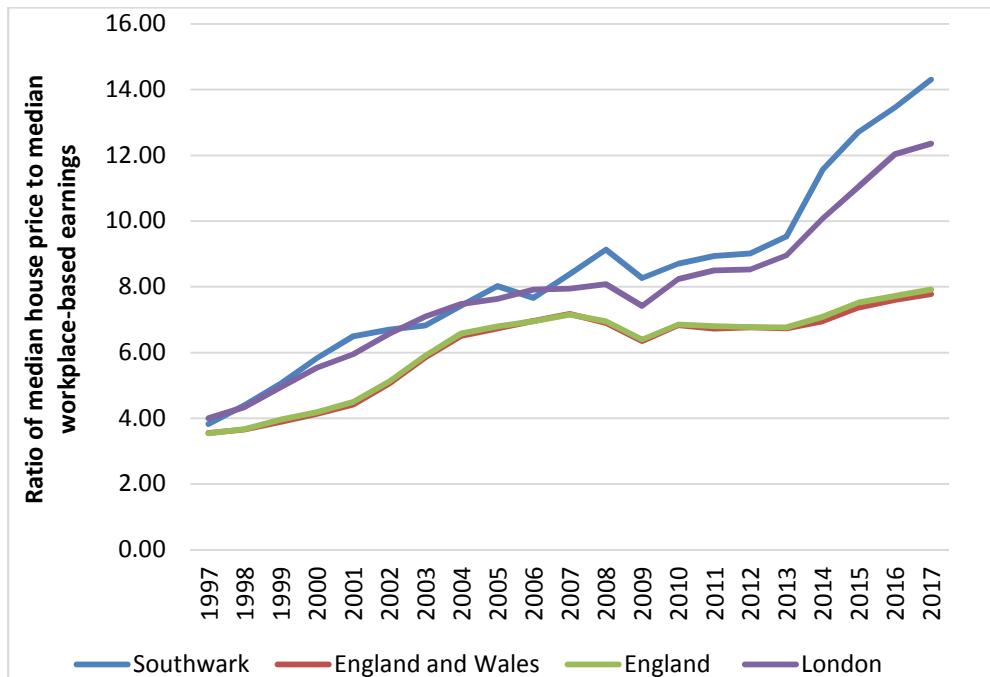
<sup>16</sup> See MHCLG (2018) Detailed local authority level homelessness figures: January to March 2018 (revised), available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>17</sup> See ONS 2011 Census Table LC1110EW Concealed family status by family type by dependent children by age of Family Reference Person (FRP) available at [https://www.nomisweb.co.uk/census/2011/local\\_characteristics](https://www.nomisweb.co.uk/census/2011/local_characteristics)

- An adjustment to take account of suppressed household formation: this was discussed above. A precise adjustment is very difficult to estimate, and it is assumed that this will be taken into account when making an adjustment to OAN to take account of market signals.
- An adjustment to take account of the needs of adjoining areas which cannot meet their needs. In London, this is a complex issue but the London Plan takes account of London's strategic housing needs and includes measures to address them through adjustments to the targets for individual local authorities set out in the Plan. For this reason it is unnecessary to make a specific adjustment to the Southwark OAN at this stage. We should note that in our interviews with representatives of neighbouring authorities, as part of the 'Duty to Consult' that because of the relatively higher prices and land values in Southwark compared to its neighbours (Lambeth, Lewisham, Greenwich and Bexley) there was relatively little inward migration into Southwark. Lambeth and Lewisham staff think there is about 10% migration in both directions, between them and Southwark, though most Lambeth residents tended to move south, into Croydon, and Bexley residents to move south and east, out of London. Greenwich residents tended to move into Lewisham, or out to Kent.
- An adjustment to support projected economic growth in the borough. As with the previous adjustment, this is a complex issue in the London context, as flows of labour between boroughs are high and self-containment rates low, especially in Inner London boroughs such as Southwark which have well developed public transport networks. Employment growth and the provision of housing to support this is more appropriately addressed at a strategic level through the London Plan and for this reason, a specific adjustment to OAN has not been made here.
- An adjustment in response to market signals. Previous PPG contained a range of indicators to be examined to assess whether the market was suggesting a need for additional housing supply. The most important of these was affordability, which was chosen by the government as the main factor determining the need for an adjustment to demographic growth in the new Standard Need Assessment. We saw above that the most recent median house price to median workplace-based earnings ratio for Southwark was 13.9. Although ranked only 20<sup>th</sup> in London, Southwark is ranked 30<sup>th</sup> in England and Wales and so clearly has severe problems of affordability. Furthermore, as Figure 3.2 below shows, affordability in the borough has worsened much more rapidly than in London as whole or England and Wales since 2013. This suggests that an adjustment for market signals is required. PPG does not give detailed guidance on the scale of such adjustments. Adjustments made in local plans and discussed at EIPs varied substantially, but in areas with severe affordability problems, adjustments in the range 15-20% are frequent. For this reason an adjustment of 20% has been made to the basic demographic OAN in Southwark.



**Figure 3.2 Ratio of median house price to median work-place based earnings**



Source: ONS online dataset: Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2017

3.34 This indicates that the overall OAN for Southwark is 2,600 dwellings per annum over the 2019-2039 period, some 332 households below the assessment of need derived from the Standard Assessment. The reduction, equivalent to just over 11% of the Standard Assessment figure, is relatively minor taking into account factors such as the level of uncertainty involved in household projections, the difficulties in defining and measuring affordability, and the government’s desire to see a higher level of housing output nationally.

**Other considerations affecting the assessment of need and the establishment of a housing target**

3.35 The London Plan has set out a series of targets for housing supply (as distinct from need) in Southwark which have changed over successive versions of the Plan. The most recent Plan, currently under Examination in Public in January 2019, includes an annual target for the borough over the 2019-2029 period of 2,554 dwellings per annum, derived from consideration of the overall strategic need for housing in London and the capacity of the borough to deliver new housing. This represents a reduction over the previous target. The current target of 2,736 is relatively close to the level of annual need assessed using the Standard Assessment of Need (2,932), but the new target is 372 dwellings below the Assessment. An update of housing land supply will be undertaken in due course.

3.36 The average level of housing completions in the borough over the 2011-2017 period (1,870) is well below these targets and assessments of need. Southwark Council examined the differences between needs, targets and supply in a recent Letter to the Mayor of London commenting on the London Plan<sup>18</sup>. This highlights the Council’s strong track record in granting

<sup>18</sup> Letter from Simon Bevan, Director of Planning, Southwark Council to Mayor of London, 2 March 2018, online <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=2ahUKewjlt9iLy5rgAhWeXRUIH>

planning permissions for housing development, with consent granted for 20,022 new dwellings between 2012 and 2017. Over the same period 8,961 dwellings were completed, demonstrating the scale of the ‘permissions gap’. The causes of this were varied and complex but many of the reasons lay outside the Council’s control.

**Table 3.5 Housing supply and housing targets**

Financial year	No of dwellings	Mayor of London's annual average target	Affordable housing within total			
			Social rented	Inter-mediate	Affordable rent	Total
2011/12	1,421	2,005	459	134		593
2012/13	2,004	2,005	326	162		488
2013/14	1,843	2,005	299	160	24	483
2014/15	2,042	2,005	-121	169	61	109
2015/16	1,503	2,736	-165	154	132	121
2016/17	2,409	2,736	371	159	22	552
Total	11,222	13,492	1,169	938	239	2,346
Average per year	1,870	2,249	195	156	40	391

Source: Southwark Council, AMR website at <https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/authority-monitoring-report/housing?chapter=2> and our additions.

3.37 Chapter 4 below considers the need for affordable housing within Southwark. Not surprisingly given the high prices and rents in Southwark there is a significant need for affordable housing. The Council has a good track record of securing affordable housing, with 2,346 affordable completions over the 2011-2017 period. In addition to setting targets for the proportion of new homes which take the form of affordable housing, the Council may wish to consider boosting overall housing supply targets specifically in order to increase the supply of affordable housing.

## Conclusion

3.38 NPPF and revised PPG specify that local authorities should use the new Standardised Need Assessment Methodology to calculate the level of housing need in their areas in order to inform the setting of a level of provision for new housing in their local plans, unless there are exceptional circumstances. Councils are required to use the now outdated 2014-based household projections prepared by MHCLG rather than the up to date 2016-based projections prepared by the Office of National Statistics.

3.39 In a London context, projections are also available from the Greater London Authority. We consider these to be more robust in a London context than either of the official sets of projections referred to in the previous paragraph. **The use of these household projections in Step 1 of the Standardised Assessment leads to a higher estimate of housing need (2,932) than those produced using either the 2014-based or the 2016-based official projections.** Para 11 of PPG on Assessing Housing Need states that the use of this figure as the assessed level of need in the borough will be considered sound as it exceeds the minimum starting point.

3.40 An assessment of the Objective Need for Housing (OAN) has also been made using the methodology previously set out in PPG in order to make a comparison with, and inform consideration of, the results obtained from the Standard Assessment. This produces an

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[London%2520Plan%25202017\\_%2520LB%2520Southwark%2520response%2520FINAL\\_%2520redacted.pdf&u sg=AOvVaw3m4LI8ilFjjqXmHHA8qqRen](https://www.southwark.gov.uk/assets/attach/6499/FNew%2520Plan%25202017_%2520LB%2520Southwark%2520response%2520FINAL_%2520redacted.pdf&u sg=AOvVaw3m4LI8ilFjjqXmHHA8qqRen)

estimate of OAN of 2,600 dwellings per annum, 11% below the figure produced in the national assessment. This difference is minor given the uncertainties involved in producing the data to underlie each assessment, and does not suggest that the Council should depart from the level of need identified using the Standard Assessment.

3.41 The level of need identified is higher than the current or proposed housing targets for Southwark in the London Plan and recent average levels of housing completions.

## Chapter 4

### Affordable housing need

#### Key Messages

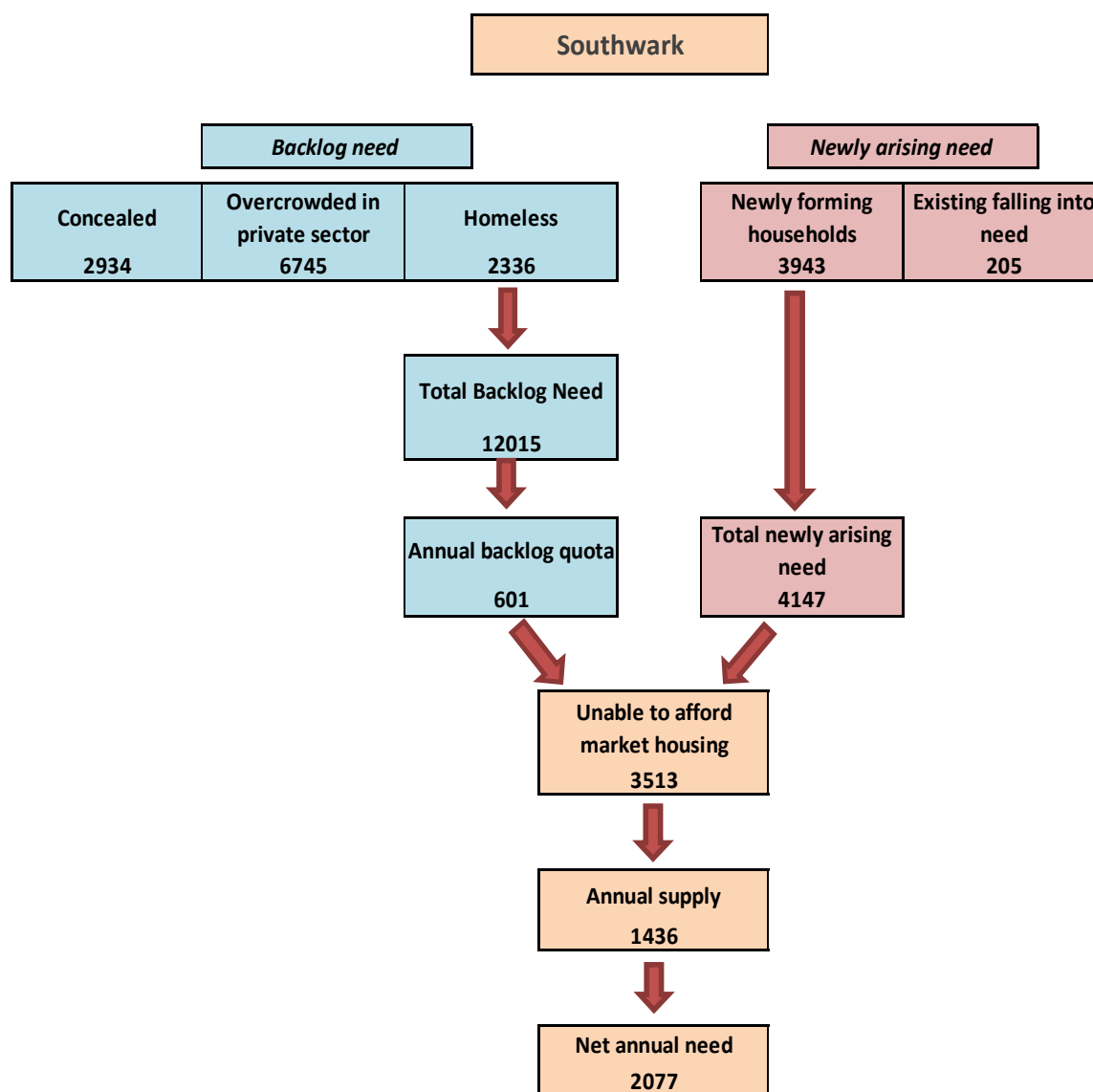
- This chapter estimates the requirement for affordable dwellings in Southwark, using a spreadsheet model based on official Planning Practice Guidance.
- The need for affordable housing differs from total housing need. Assessed need, whether calculated through the new standardised methodology, or the former OAN process, is an assessment of the amount of *additional* housing stock required to cater for future household growth. The affordable housing requirement estimates the total amount of *affordable* housing required, which could be met in a variety of ways in addition to building more homes (for example, by acquiring private stock for use as affordable housing).
- To assess gross affordable need, and following Planning Practice Guidance, estimates were made of the number of households in need at 2019. This backlog need was assessed to be 12,015 households. It was assumed that backlog housing need would be met over a twenty-year period, leading to an annual quota of backlog need of 601 households.
- To this we added the numbers of newly forming households (3,943 per annum) and the number of existing households falling into need (205 per annum).
- This indicated a potential annual need for housing of 4,748 households, before taking account of the ability of these households to afford market housing.
- To assess the number of these households unable to afford market housing, estimates were obtained of the distribution of household incomes in the borough, and of the incomes of the specific groups defined in Guidance as potentially in need.
- We assumed that affordability criteria would be met if a household spent no more than 33.3% of household income on housing costs. The same assumption was made in the 2014 SHMA.
- Household incomes were compared with the threshold entry cost for market housing, namely the lower quartile market rent, to give an estimate of the number of households in need of affordable housing, broken down by bedroom requirements. An estimated 3,513 households per annum could not afford to pay the market entry threshold cost and therefore needed affordable housing.
- Four other affordable housing thresholds were also identified. The lowest cost threshold was based on current actual average rent levels in the social rented sector in Southwark. 327 households could not even afford these rents (the estimates of incomes include housing benefits) suggesting that the housing benefit system is not helping all households to fully meet their housing costs, and that some low income households will need to spend a higher proportion of their income on housing than assumed.
- 1,403 households could afford a social rent, and a rent up to 49% of the lower quartile private rent. They would therefore require social rented housing at around current average rent levels. We term this group the 'social rent target group'.
- The next threshold was set at 66% of the lower quartile market rent. 575 more households could afford rents at 50-65% of this level.

- The next threshold was set at 80% of the lower quartile market rent. 471 more households could afford rents of 66-79% of the lower quartile threshold market rent. This is the range at which many intermediate rent products are set.
- This leaves another 736 households who could afford 80-99% of the market threshold rent.
- These proportions are not exact but give a rough indication of the breakdown of affordable need. The table below shows the level of need for each type of affordable provision. The table is based on a range of incomes of those in housing need (and an assumption that a household will only find a rent affordable if it is no more than 33% gross earnings).
- It can be seen that 26% can afford to meet their needs in the open market. At the other end of the scale, 7% cannot even afford a social rent without spending more than 33.3% of earnings. The rest can afford social rents (which range between 21% and 33% of lower quartile market rents depending on bedsize – see table 4.5), and rents at higher levels below the full market threshold. As noted, we term the group that, at the bottom can just afford social rents, and at the top, 49% the market rent, the ‘social rent target group’
- Intermediate rents can vary substantially, but are often found to be in the range 66-79% of LQ market rent.
- We believe that this analysis will be helpful to the authority in developing and expanding their range of affordable rented products.

Affordability	In each category		Cumulative	
	Number	Percent	Number	Percent
Can afford lower quartile market rent	1235	26%	1235	26%
Can afford 80-99% of lower quartile market rent	736	16%	1972	42%
Can afford 66-79% of lower quartile market rent	471	10%	2442	51%
Can afford 50-65% of lower quartile market rent	576	12%	3018	64%
Social rent target group: can afford current average social rent and up to 49% lower quartile market rent	1403	30%	4421	93%
Can only afford rent below average social rent level	327	7%	4748	100%

- **The annual supply of affordable housing units is estimated at 1,436 units, and deducting this from gross need provides a net annual requirement for affordable housing of 2,077 units.**
- Official guidance makes it clear that private rented housing is not affordable housing, but the private rented sector could play a part in meeting affordable need, supported by Local Housing Allowance, mainly perhaps on a short-term basis for any individual household. However, in the longer term, it seems clear that landlords are orienting themselves to higher ends of the market, to cater for working and professional households, who can pay the higher rent the market can command.
- The following chart summarises the process of calculating affordable need.

## Process of calculating affordable housing need



## Introduction

4.1 This chapter concerns the requirement for affordable dwellings as distinct from the overall need for housing set out in Chapter 3. Official Planning Practice Guidance sets out a well-established framework for calculating the need for affordable housing. This has not changed significantly in recent (2018) revisions to Planning Practice Guidance. The process of calculating affordable housing need involves adding together the current backlog of unmet need for affordable housing and the projected future need for affordable housing; and subtracting the current supply of affordable housing stock. Cobweb Consulting has developed a spreadsheet-based model which follows the steps set out in official guidance to produce an assessment of affordable housing need. The spreadsheet is transparent and set up to facilitate changes in a range of basic input assumptions and the updating of input sources. Unless otherwise stated, this model is the source for all the figures and tables in this chapter.

4.2 The need for affordable housing differs from the overall need for housing. Overall housing need is an assessment of the amount of additional housing stock required to cater for future household growth. It is a net addition to the dwelling stock of all tenures. The affordable housing

requirement estimates the total amount of affordable housing required to meet the needs of households which cannot afford to access market housing. It assesses the ability to afford housing across all newly-forming households, not simply the net addition to household numbers, adds in any current backlog, and offsets this against the supply of affordable housing in the current stock to produce an estimate of how much additional affordable housing is needed. The two estimates are not directly related, and the need for affordable housing could in theory be met by the transfer of existing dwellings from the market (for example, through purchase by the local authority or an RP) to the affordable sector. However, building is an important source of affordable housing supply.

4.3 The model assumes that all households who cannot afford market housing require some form of affordable housing. The types of affordable housing provision available and the costs associated with these have evolved rapidly in recent years, so the model is set up to be independent of the exact type of provision. It requires as an input the monthly or annual cost of each type of affordable provision in order to estimate the number of households in need who cannot afford higher costs.

4.4 The supply of private rented dwellings is not included within the model as there is no guarantee that this supply will be allocated to those in affordable need or indeed that it will continue within the supply, as this is subject to the decisions of individual private landlords. However, the potential contribution of this sector is important as a source of provision for those in affordable housing need, especially with the assistance of Local Housing Allowance and support through the benefit system, although this assistance is of course subject to reform at the present time. This is discussed further at a later stage in this chapter.

### **Household incomes and the ability to afford housing**

4.5 The main requirement for estimates of affordable housing need is data on household incomes. Local data on household incomes is not readily available in the form required to produce estimates of the ability of households to afford different types of housing. Several commercial companies produce local estimates of the distribution of household incomes, and incomes produced by one company, CACI Paycheck, have been used in this SHMA to produce estimates of the distribution of incomes for various groups. The methodology for the CACI estimates is not published in detail by the company which supplies them, but the estimates are modelled using a variety of information sources and indirect indicators rather than being fully based on a survey of incomes.

4.6 The CACI estimates cover all households, whereas we require income data for different groups in need (concealed households, overcrowded households, homeless households, newly forming households and existing households falling into need). These have therefore been estimated using data from the English Housing Survey (EHS). The English Housing Survey also includes banded data on household savings and data on housing equity. For each group, the ratio of their income to that of all households was calculated from the English Housing Survey. This exercise was carried out for each decile point on the income spectrum. These ratios were then applied to the CACI Paycheck data for all households in Southwark to produce estimates of the incomes of each need group.

4.7 The percentage of households in each income band is shown in Table 4.1 below.

**Table 4.1 Maximum price or monthly rent for a range of household incomes up to £50,000 pa**

Point in distribution (percentile) <sup>19</sup>	£ Income level at that point	£ Maximum housing costs per annum	£ Maximum affordable house price	£ Maximum monthly rent including service charges
10	10167	3385	75233	282
20	14982	4989	110864	416
25 (lower quartile)	17288	5757	127933	480
30	19594	6525	144996	544
40	24742	8239	183089	687
50 (median)	30583	10184	226313	849
60	37445	12469	277096	1039
70	46053	15336	340791	1278
75 (upper quartile)	51664	17204	382317	1434
80	58127	19356	430136	1613
90	79410	26443	587631	2204

4.8 Household incomes are translated in the model into an estimate of the housing costs which they could pay for – an income of £X per annum will enable a household to afford a mortgage of £Y, or monthly rental of £Z. Several assumptions, all changeable within the model to test alternatives, are required to produce these estimates, as follows:

- The maximum percentage of income to be spent on housing costs, whether mortgage payments, monthly rent, or a combination of these. In practice the model assumes this to be the actual percentage spent, in order to minimise the demand for affordable housing. The Council took the view that the maximum percentage of income to be spent on housing costs should be set at 33.3%. This is consistent with the previous SHMA.
- The maximum percentage of house value represented by a mortgage loan. This was assumed to be 90%.
- The mortgage interest rate. This was assumed to be 5%.
- The mortgage repayment period. This was assumed to be 25 years.

4.9 The results of these assumptions for the ten decile points of the income distribution, and the median, the lower and upper quartiles are shown for reference in Table 4.1, together with the maximum annual housing cost which they are deemed to be able to afford, the house purchasing power which this translates into and the monthly rent which each income level could sustain.

### **Backlog need**

4.10 The next stage in the calculation of affordable housing need calculates the currently unmet need for affordable housing, or backlog need, as distinct from need which will arise in the future. Official guidance (in Planning Practice Guidance) does not prescribe in detail which types of need should be included, but the following are generally included:

- Concealed households – people living within other households who wish to form an

<sup>19</sup> The 10<sup>th</sup> percentile is the income level below which 10% of households will be found, with 90% at or above this level; the 20<sup>th</sup> percentile is the income level below which 20% of households will be found, etc. The median is the point in the middle of the distribution with 50% of households above and 50% below this level.



independent household, or who are deemed to need independent accommodation, but who cannot afford to do so.

- Households who occupy a dwelling, but where there is a size mismatch between the housing needed and the actual dwelling. Affordable need assessments focus on households who are deemed to be overcrowded if their need for space is assessed against a measure such as the Bedroom Standard.
- Homeless households – these are generally considered to be in affordable need as by definition they cannot meet their need in the market.

4.11 Assessments may take into account other groups such as households containing people with social or physical impairment or other specific needs living in unsuitable dwellings which cannot be made suitable in-situ; households which lack basic facilities (e.g. a bathroom or kitchen) and those in dwellings subject to major disrepair; and households containing people with particular social needs (e.g. those escaping harassment) that cannot be resolved except through a move. Sources providing data at local authority level are not available for some of the above categories, and there may be overlap between them - for example households that are both overcrowded and in housing that is too expensive for them. Housing waiting lists or registers are not recommended in guidance for use in assessing backlog need, because some households in need choose not to register, and because the criteria for registration vary.

4.12 Some households in affordable need may already be occupying affordable housing which is not suitable for their needs. In this case, meeting their need in a different dwelling will at the same time release an affordable unit which will then be available to meet other needs, and it is important to take this into account by netting off these households from total backlog need. In order to provide an assessment of the size breakdown of affordable housing need, the assessment of backlog need must also be broken down by bedroom requirements.

### **Concealed households**

4.13 Concealed households can include several different categories, including single people, couples, couples with children, and lone parents. The groups included can vary between data sources, as discussed in Chapter 3. The 2011 Census provides local-level data on concealed households, but does not break this group down by bedroom requirements, and in addition, will need updating, as suggested in official guidance. To do this, and to provide an estimate of bedroom requirements, concealed households were identified from regional data from the English Housing Survey<sup>20</sup> and used to update the 2011 Census estimates. Some concealment by couples and by households with children is voluntary, but as 2011 Census data on concealed households excludes single people, some involuntary sharing by single people may be excluded. It has been assumed that these two elements will cancel one another out. Overall the backlog of concealed households was estimated to be 2,934 compared to a total from the 2011 Census of 1,863. Some concealed households are in social rented housing but meeting their needs will not release social housing units, as they are part of other households which will continue to exist after the needs of the concealed households within them are met, so they are not in this case deducted from backlog need.

4.14 The bedroom requirement breakdown of concealed households was estimated from 2011 Census data on concealed households by type. 84% were assumed to require a one or two bedroomed unit and only 16% a larger unit. This breakdown is required for each type of backlog need because the model estimates ability to pay separately by bedroom requirements.

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<sup>20</sup> In this and in other cases where EHS data has been used, data from the survey for the years, 2012-13, 2013-14 and 2014-15 was aggregated to create a sufficiently robust sample. In some cases, data is not available for all these years, as the questions in the survey vary from year to year.

4.15 Data on the incomes of concealed households was derived from the English Housing Survey for London as a whole. Concealed households had lower incomes than average. The median income of a concealed household was about two thirds of that for all households, and the lower quartile income was about 60% of that for all households.

### **Overcrowding**

4.16 In 2011 there were 18,475 overcrowded households in Southwark. Of these, 10,111 were living in the social rented sector and have been deducted from gross backlog need, leaving 8,364 overcrowded households in the private sector<sup>21</sup>. Evidence from the English Housing Survey demonstrates an overlap between overcrowded and concealed households – if concealed households were to be provided with their own home then many of the remaining households would no longer be overcrowded. EHS suggests a reduction of 19% is appropriate across the whole of London and this proportion has been applied, leading to a revised number of overcrowded households of 6,745.

4.17 The bedroom requirement of these households was estimated from EHS regional data for London. 23% required a two-bedroomed unit, 38% a three bedroomed unit and 39% a unit with four or more bedrooms.

4.18 The income distribution of overcrowded households was estimated at the London level from EHS data, and as with concealed households, the ratio of their incomes to the incomes of all households was estimated for each decile point in the income distribution. The proportions of overcrowded households able to afford market housing and each type of affordable housing were determined on the basis of regional EHS estimates of the incomes of this group. For those requiring a two bedroomed unit, median income was only just over half the average for all households, but for those requiring four or more bedroomed the median was almost the same as the average. As these households are typically larger than average this would tend to erode any advantage in the market that this might give them.

### **Homeless households**

4.19 Local authority administrative data on homelessness shows a backlog of 2,336 households in some form of temporary accommodation in March 2017. This is a larger figure than that used in the assessment of overall need in Chapter 3, which shows the number of homeless households in non-permanent housing who would require an addition to the dwelling stock to meet their needs.

4.20 The bedroom requirement of homeless households was estimated from the analysis of data on homeless people from local authority housing registers in a sample of five London boroughs. 9% were assumed to require one bedroom and 52% two bedrooms. 29% required three bedrooms and 10% four bedrooms or more.

4.21 The incomes of homeless households were obtained from CORE data on households rehoused as a result of homelessness. Not surprisingly the median income of homeless households was only 28% of the median for all households.

### **Other backlog needs**

4.22 There are no secondary data sources providing a clear picture of other categories of potential backlog need at the local or sub-regional level. English Housing Survey data can be used to identify households in various categories including sharers, people accommodated in homes lacking basic facilities, non-homeless households in non-self-contained accommodation, and households suffering from harassment. As there is no way of apportioning these households within regions, these

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<sup>21</sup> Data from 2014 SE London SHMA

households have been excluded from the estimate of current unmet gross need for affordable housing. The figures shown in the table below should therefore be considered to be the minimum estimate of backlog need in the borough.

### **Total backlog need**

4.23 Adding the backlog of concealed, overcrowded and homeless households together produces a gross backlog need for affordable housing of 12,015, after the deduction of all those in need currently living in social rented housing, and a reduction of 19% in the number of overcrowded households to allow for some overlap with concealed households.

4.24 Ideally, backlog need would be met as quickly as possible, but official guidance recognises that it must be dealt with over a period of several years. The appropriate period is not specified, but in a context of high demand such as that in Southwark, an extended period is likely to be necessary. The Draft London Plan published in 2017 assumes that backlog need will be met gradually over the whole plan period of 25 years, but a shorter period of twenty years is more commonly used so this has been assumed in the model. On this assumption the backlog of affordable need is 601 dwellings per annum.

4.25 Table 4.2 shows the breakdown of backlog need by bedroom requirement, assuming that the need in each size category is met at the same rate.

**Table 4.2 Minimum estimate of backlog need in households per annum by bedroom requirement**

No. of beds	Number	Percent
1 bed	63	11%
2 bed	211	35%
3 bed	185	31%
4+ bed	142	24%
Total	601	100%

### **Newly arising need**

4.26 The second component of affordable housing need identified in Planning Practice Guidance is newly arising need. This will be generated in the future by newly forming households unable to afford access to market housing, and by some existing households whose needs change. The first element of need arising from newly forming households is estimated from the household projections examined in Chapter 3. However, unlike the estimate of overall need, which is based on net new household formation, the estimate of affordable housing need must be derived from gross new household formation (that is all new household formation, without the deduction of households which dissolve). Affordable housing released by households which dissolve is taken into account later in the calculation as part of affordable supply. Household projections do not provide the required data directly, but the model uses an approach to estimating gross new household formation from published data on future household numbers set out in previous official guidance. The estimated gross number of newly forming households in Southwark over the period 2014-2039 is 3,949 per annum.

4.27 This projection is broken down by household type, which provides a basis for the estimation of the dwelling size requirement breakdown. Table 4.3 shows newly arising need per annum broken down by bedroom requirement. The majority of need from newly arising households is for smaller units as such households are typically formed of one or two persons. 67% require one or two bedroomed units compared to 33% for those in backlog need.

4.28 The income distribution of newly forming households was estimated from English Housing

Survey data for London averaged over the period 2012-15. The incomes of this group were generally close to or slightly above the average for households as a whole, with those requiring three bedrooms having the highest incomes.

**Table 4.3 Newly arising need per annum in households by bedroom requirement**

Newly arising need per annum	No. of beds	Number	Percent
	1 bed	1635	41%
	2 bed	1016	26%
	3 bed	703	18%
	4+ bed	589	15%
	Total	3943	100%

### Existing households falling into need

4.29 In the future, as well as newly forming households, some households currently in existence may fall into need as a result of a change in circumstances. This is the most difficult category of need to estimate and official guidance does not specify an approach to use. The approach adopted in the model is based on CORE data on lettings in the social rented sector. It identifies new lettings to existing households falling into need as a result of a change in circumstances such as eviction, inability to afford mortgage payments or rent. To smooth out annual fluctuations in need, the number of households affected has been derived from an average of three years CORE data. To allow for the possibility that local authorities and their partners cannot house all those experiencing such problems in any one year, numbers in need have been increased by 25%. The model estimates that 205 existing households will fall into need annually.

4.30 This excludes all households falling into need who were previously living in the social rented sector, as meeting their needs would release the dwelling which they were previously occupying. Existing households falling into need are more likely to resemble those in backlog need than newly forming households, so their bedroom requirement split has been assumed to be similar to that for all households in backlog need (Table 4.4).

**Table 4.4 Existing households falling into need per annum by bedroom requirement**

Existing households falling into need per annum	No. of beds	Number	Percent
	1 bed	24	12%
	2 bed	74	36%
	3 bed	61	30%
	4+ bed	46	22%
	Total	205	100%

4.31 The model assumes that the income profile of existing households falling into need matches that of overcrowded households who make up the majority of backlog, except in the case of households requiring one bedroom, where incomes are assumed to be the same as those of concealed households.

4.32 The total annual level of need arising from backlog need, newly arising need and existing households falling into need, is 4,748. This is subdivided by bedroom requirement as follows:

- One bedroom required: 1,722
- Two bedrooms required: 1,301

- Three bedrooms required: 950
- Four or more bedrooms required: 776

### Estimating the proportion of households unable to afford market housing

4.33 The next step in the calculation of affordable need is to estimate the proportion of these households who will be unable to afford to buy or rent a market dwelling. Following official guidance, market entry price/rent levels were determined from an analysis of sale prices and rents for housing of different sizes. The thresholds used for access to the market were the lower quartile cost of buying on the open market or of renting, whichever was the cheaper, with mortgage costs converted to monthly costs on the basis of the assumptions relating to deposit and interest rates set out above. The lower quartile thresholds derived for market prices and rents in Southwark are shown in Table 7.5, broken down by bedroom requirement. At each bedroom size the lower quartile rent threshold is cheaper than the cost of buying at the lower quartile price and it is this threshold which determines affordability. As a result, households at the margin of those deemed able to afford market housing will only be able to rent rather than to buy. The table also shows four other cost levels for affordable housing. These are:

- Current average rents in the social rented sector, derived from published national data on local authority lettings;
- A threshold based on 50% of lower quartile market rents;
- A threshold based on 66% of lower quartile market rents;
- A threshold based on 80% of lower quartile market rents.

These four thresholds, taken together, provide a wide range of potential housing costs for comparison with incomes.

**Table 4.5 Southwark: market and affordable threshold prices/rents**

Beds	Market solutions		Affordable housing solutions			
	Buying: lower quartile threshold price (£)	Renting in the market: lower quartile threshold rent (£ per month)	Renting at current average social rents (£ per month)	Renting at 50% lower quartile market rent level (£ per month)	Renting at 66% lower quartile market rent level (£ per month)	Renting at 80% lower quartile market rent level (£ per month)
1	346,500	1,200	394	600	792	960
2	385,000	1,473	433	737	972	1,178
3	785,000	1,798	477	899	1,187	1,438
4+	1,303,100	2,380	511	1,190	1,571	1,904

Source: HM Land Registry, VOA, and model estimates of price/rent differentials by dwelling size.

4.34 It can be noted that social rents cost between 21% and 33% of entry-level market rents, depending on bedsize

4.35 Table 4.6 shows the number and percentage of households in need who are able/unable to afford market housing at the thresholds shown in Table 4.5. Seventy-four percent of households in need cannot afford to access market housing at the thresholds shown in the table. This means that 3,513 units of affordable housing are required annually to meet need, before taking account of the annual supply through relets.

**Table 4.6 Ability to afford market threshold housing cost**

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	1,200	1,473	1,798	2,380	
	Threshold (£)	14,400	17,676	21,576	28,560	
Number	Total need	1,722	1,301	950	776	4,748
	Can afford	507	291	381	56	1,235
	Can't afford	1,215	1,010	568	720	3,513
Percentage	Can afford	29%	22%	40%	7%	26%
	Can't afford	71%	78%	60%	93%	74%

4.36 Tables 4.7-4.10 show the results of applying the four affordable housing thresholds set out in Table 4.5. The lowest threshold is based on published average rents for social rented sector lettings in Southwark in the year 2017-18. Table 4.7 shows the annual cost of these rents, and the number and percentage of households unable to afford a rent at or above these threshold costs for each bedroom category. As the CACI household income estimates include housing benefit income, almost all households should be able to afford this cost threshold, but even if benefits are taken into account, 327 households can only afford housing costs below the social housing rent thresholds. In these cases, benefit entitlement does not cover all their rental costs.

**Table 4.7 Ability to afford estimated actual social rented housing costs**

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	394	433	477	511	
	Cost per annum (£)	4,732	5,200	5,720	6,136	
Number	Total need	1,722	1,301	950	776	4748
	Can afford	16,28	1,144	879	769	4421
	Can't afford	94	156	71	7	327
Percentage	Can afford	95%	88%	93%	99%	93%
	Can't afford	5%	12%	7%	1%	7%

4.37 Table 4.8 shows that 1,730 households can only afford a rent below 50% of the lower quartile market rent level. 1,403 of these households (1,730-327) can afford a rent above the social rent threshold and up to, but not above, 49% of the lower quartile market rent. The breakdown by number of bedrooms is also shown in the table. A higher proportion (53%) of households needing 4 or more bedrooms cannot afford this threshold level than of those needing smaller dwellings.

**Table 4.8 Ability to afford 50% of lower quartile market rents**

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	600	737	899	1,190	
	Cost per annum (£)	7,200	8,838	10,788	14,280	
Number	Total need	1,722	1,301	950	776	4,748
	Can afford	1,195	711	743	368	3,018
	Can't afford	527	589	206	408	1,730
Percentage	Can afford	69%	55%	78%	47%	64%
	Can't afford	31%	45%	22%	53%	36%

4.38 Table 4.9 shows the thresholds derived from 66% of the lower quartile market rent, and the numbers and proportions of households able to afford them. Some 2,306 households can only afford a rent below 66% of the lower quartile market rent. 576 of these households (2,306-1,730) can afford a rent at or above the 50% of lower quartile rent threshold and up to 65% of the lower quartile threshold. The breakdown by number of bedrooms is also shown in the table and again it is those requiring 4+ bedrooms who are more likely to be unable to afford the threshold, together with those needing 2 bedrooms.

**Table 4.9 Ability to afford 66% of lower quartile market rents**

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	792	972	1187	1571	
	Cost per annum (£)	9,504	11,666	14,240	18,850	
Number	Total need	1,722	1,01	950	776	4,748
	Can afford	1,184	456	534	269	2,442
	Can't afford	538	845	416	507	2,306
Percentage	Can afford	69%	35%	56%	35%	51%
	Can't afford	31%	65%	44%	65%	49%

4.39 Table 4.10 shows that 2,777 households, 58% of all households in need, are only able to afford a rent below a threshold set at 80% of the lower quartile rent. This means that 471 households (2,777-2,306) can afford the 66% threshold but not the 80% threshold. Again those requiring either 2 or 4+ bedrooms are least likely to be able to afford these rent levels.

**Table 4.10 Ability to afford 80% of lower quartile market rents**

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	960	1,178	1,438	1,904	
	Cost per	11,520	14,141	17,261	22,848	
Number	Total need	1,722	1,301	950	776	4,748
	Can afford	1,011	349	460	151	1,972
	Can't afford	711	951	489	625	2,777
Percentage	Can afford	59%	27%	48%	19%	42%
	Can't afford	41%	73%	52%	81%	58%

4.40 Table 4.11 summarises these results.

**Table 4.11 Summary of affordable housing need and ability to afford market and affordable housing cost thresholds**

	Households per annum			
Annual backlog in housing need	601			
Newly arising need	3,943			
Existing households falling into need	205			
Total in need before affordability criteria applied	4,749			
Affordability	In each category		Cumulative	
	Number	Percent	Number	Percent
Can afford market rent*	1235	26%	1235	26%
Can afford 80-99% of market rent	736	16%	1972	42%
Can afford 66-79% of market rent	471	10%	2442	51%
Can afford 50-65% of market rent	576	12%	3018	64%
Social rent target group**	1403	30%	4421	93%
Can only afford rent below average social rent level	327	7%	4748	100%

\*Lower quartile private rent. Note that the number of households in each category includes some whose capacity to pay for housing falls close to the thresholds (as well as others whose capacity falls closer to the centre of the range for that band). There is likely to be some flexibility over the appropriate solution for households falling close to the thresholds. The thresholds used are set out in Table 4.5

\*\*Can afford current average social rent and up to 49% market rent

4.41 These proportions are not exact but give a rough indication of the breakdown of affordable need. The table below shows the level of need for each type of affordable provision. Table 4.11 is based on a range of incomes of those in housing need (and an assumption that a household will only find a rent affordable if it is no more than 33.3% gross earnings).

4.42 It can be seen that 26% can afford to meet their needs in the open market. At the other end of the scale, 7% cannot even afford a social rent without spending more than 33.3% of earnings. The rest can afford social rents (which range between 21% and 33% of lower quartile market rents depending on bedsize – see table 4.5), and rents at higher levels below the full market threshold – 68%.

4.43 However, it is probably unhelpful to term all the 68%, many of who would be able to afford intermediate rent products, as part of the social rent market. We term the group that, at the bottom can just afford social rents, and at the top, 49% the market rent, the ‘social rent target group’. This comprises 30% of those in need.

4.44 Intermediate rents can vary substantially, but are often found to be in the range 66-79% of LQ market rent.

4.45 We believe that this analysis will be helpful to the authority in developing and expanding their range of affordable rented products.

### **Affordable supply**

4.46 The next stage in the calculation of affordable housing need requires an estimate of the total affordable stock available.



4.47 The main component of supply is annual relets from the existing stock. This has been calculated in line with official guidance on the basis of past trends - an average of the past three years supply. In order to ensure that the estimate reflects the longer-term supply of stock, first time lettings of new dwellings are excluded. The estimate is also limited to re-lets to new tenants and excludes transfer lettings.

4.48 For the most part this supply consists of general needs lettings. However, the model assumes that 100% of longer term supported housing lettings should also be included as these units are generally let to households in affordable need. CORE returns and local authority lettings data are the sources used for these estimates. New affordable housing in the pipeline is normally excluded from this element of supply, as it is a one-off element of supply rather than part of the continuing flow provided by relets. If a major quantum of new affordable supply were to be anticipated, the impact of this on future relets would need to be factored into annual supply in the year of completion.

4.49 A further component of future housing supply is intermediate affordable housing. The model includes an estimate of the number of homes that come up for re-let or re-sale based on an average of data for the last three years available from CORE returns (2014-17).

4.50 Any of these elements of affordable housing could experience an increase or reduction as a result of new additions to the stock or through demolition, disposal or sale of social rented homes, or the disposal of intermediate tenure homes currently occupied by households in need of affordable housing. If they were of significant scale, such changes would impact on long term relet rates and should be taken into account in future updates of the model. For example, a substantial increase in the sale of social rented housing through Right to Buy would have a longer term (though complex) downwards impact on relet supply. In addition, such changes need to be taken into account in looking at the future supply of affordable accommodation to meet backlog and newly arising need, by assessing their profile over time of any changes and adding them to, or subtracting them from, outstanding need at the appropriate point when they impact on supply.

4.51 Table 4.12 summarises the estimated future annual supply of affordable homes by type. Social rented sector relets form the largest source of supply.

**Table 4.12 Future annual supply of affordable homes**

	Annual supply	
Social sector re-lets	1 Bed	444
	2 Beds	350
	3 Beds	155
	4+ Beds	36
	Total	986
Affordable rent relets	1 Bed	70
	2 Beds	40
	3 Beds	7
	4+ Beds	2
	Total	120
Supported housing	1 Bed	283
	2 Beds	4
	3 Beds	0
	4+ Beds	0
	Total	286
Shared ownership	1 Bed	20
	2 Beds	22
	3 Beds	2
	4+ Beds	0
	Total	44
Total	1 Bed	817
	2 Beds	416
	3 Beds	164
	4+ Beds	38
	Total	1,436

Sources: CORE average of annual figures for 2014-15, 2015-16 and 2016-17.

### Finalising the calculation

4.52 The final stage is to subtract affordable housing supply from affordable need. This results in an estimate of net annual need for affordable housing in Southwark of 2,077 units. Table 4.13 shows this total and provides a breakdown of net need by type and size of housing. This assumes that shared ownership resales meet the needs of households assessed as being able to afford 80-99% of lower quartile market rent levels, that Affordable Rent relets meet the needs of those assessed as being able to afford rents at 50-65% of lower quartile market rents; and that all supported housing and general needs relets at a social rent will meet the needs of those unable to afford 50% of the lower quartile market rent. It will be noted that there is zero 'supply' for the category 'can afford 66% to 79% of lower quartile market rent'. That is because there is no standard affordable / intermediate housing product that currently is being supplied to meet this affordability band. It is an indication that this data and our methodology can be used by Southwark as a policy development tool, to stimulate the development of new sub-market products that can meet the needs of the 471 households in this band.

4.53 The split of need between categories of supply should be treated with some caution as some households will be close to the various thresholds, and could change category if they were to spend slightly more on housing than the model assumes. Likewise the breakdown of need by bedroom requirement is based on the bedroom standard and some households might desire more or fewer bedrooms than the standard allows. The supply of supported housing lettings includes a large proportion of one bedroomed units. These will largely be let to those in affordable need but may not

necessarily be the case.

**Table 4.13 Future annual need for affordable homes**

		Annual need	Annual supply	Surplus (+) or shortfall (-)
Social rent and sub-social rent target group*	1 Bed	527	727	200
	2 Beds	589	354	-235
	3 Beds	206	155	-51
	4+ Beds	408	36	-373
	Total	1730	1272	-458
Can afford 50%-65% of the lower quartile market rent	1 Bed	11	70	59
	2 Beds	255	40	-215
	3 Beds	209	7	-202
	4+ Beds	99	2	-97
	Total	575	120	-456
Can afford 66%-79% of the lower quartile market rent	1 Bed	173	0	-173
	2 Beds	107	0	-107
	3 Beds	73	0	-73
	4+ Beds	118	0	-118
	Total	471	0	-471
Can afford 80%-99% of the lower quartile market rent	1 Bed	504	20	-484
	2 Beds	58	22	-36
	3 Beds	79	2	-77
	4+ Beds	95	0	-95
	Total	736	44	-692
All who cannot afford the full lower quartile market rent	1 Bed	1215	817	-398
	2 Beds	1010	416	-594
	3 Beds	568	164	-404
	4+ Beds	720	38	-682
	Total	3513	1436	-2077

\*Includes those who can afford a social rent but not 50% of the lower quartile market rent (20% of those in need) and those who cannot afford a social rent (7% of those in need), who will be required to spend more of their income on housing than the assumed maximum. The thresholds used for social rent and other rents are set out in Table 4.5.

### Required type and size of affordable housing

4.54 Some 22% of the net future annual affordable housing need (after deduction of supply) is for housing at rents below 50% of the lower quartile market rent threshold, with a similar proportion of need being for housing at 50-65% of lower quartile threshold levels. 23% is for housing at 66-79% of lower quartile market rent levels, and 33% is for housing at rents (or with total annualised costs) in the 80-99% of lower quartile market rents range. The last of these proportions is partly determined by household incomes, but also by the low level of supply in this sector of affordable provision. Supply is dominated by housing at social rent levels and affordable rents, which helps to reduce the additional demand for these types of housing, and creates an apparent surplus of one-bed

accommodation of this type. These proportions provide guidance for decisions on the target mix of new affordable housing supply going forward. They should not be applied rigidly however, as some households have incomes close to the cost thresholds for each type of affordable provision, others may wish to spend more or less of their income on housing costs than we have assumed, and some may need to occupy more, or fewer, bedrooms than assumed.

4.55 In terms of the requirement for units of different sizes, the largest annual shortfalls are for two-bedroomed and 4+ bedroomed dwellings, with the smallest net demand being for one-bedroomed units. This latter figure may be influenced by the supply of one-bedroomed supported housing units, and should therefore be treated with caution. These proportions vary by type of affordable provision.

### **Assumptions in model**

4.56 The outputs of the model are sensitive to a number of assumptions over inputs and parameters. For these factors, it is not a case of a right or wrong approach but rather of a choice following the weighing up of the pros and cons of alternatives. These include the following factors:

- Percentage of gross household income devoted to housing costs: the proportions used is 33.3% as set out earlier in this chapter, but a different factor or factors may be appropriate. The higher the percentage, the lower the level of affordable need, although the reduction is not pro rata.
- Whether or not an adjustment should be made to annual supply, in anticipation of a change in the overall number and composition of lettings due to impending national policy changes.
- The period over which backlog need should be eliminated (currently set at twenty years)
- Whether or not to include all longer-term supported housing as well as general needs housing in the annual supply, and if so, what proportion to include (this is currently set at 100%).
- The price thresholds utilised, both the market entry price threshold, which determines the overall level of affordable need, and the thresholds for different types of affordable housing.

### **Required size of market housing**

4.57 The National Planning Policy Framework (NPPF), supported by official guidance, requires a breakdown of the requirement for market housing. If actual occupancy levels within the existing market sector stock are compared to a measure such as the bedroom standard<sup>22</sup>, it is clear that the existing stock is significantly under-occupied. This would suggest a concentration on smaller dwellings in future market provision to provide a better overall match with the bedroom standard.

4.58 In practice, of course, the bedroom standard plays no part in determining actual occupancy patterns in the private sector. These are determined by the operation of the market, with households consuming the amount of space which they can obtain and afford. Existing patterns of occupancy in the private sector could therefore be used to determine future size requirements. However, affordability pressures have, over time, exerted an influence on household space consumption decisions in London. The market has adjusted the housing stock in London to create smaller units in response to cost pressures, for example through the conversion of single-family houses into smaller flats. Further pressures of this kind must be expected in the future, unless affordability pressures in London reduce.

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<sup>22</sup> The minimum standards set under Part 10, Housing Act 1985 to determine the numbers of bedrooms required by different types of households, below which they are categorised as overcrowded.

4.59 To produce an estimate of future dwelling size requirements, the starting point is therefore existing patterns of occupancy in the private market. Changes in the projected composition of household types have then been identified to assess the extent to which they will impact on future market demand. An increase in the proportion of smaller households would for example, tend to increase the demand for smaller units, irrespective of preferences or affordability. Data on current patterns of occupancy is not available at local authority level for the household type categories used in household projections, so London level occupancy data was obtained from the English Housing Survey, combining the four years 2010-14 to provide a robust sample. This gives the current pattern of market demand within the existing stock (Table 4.14). 34% of households occupy 3-bed units and 30% two-bed units.

**Table 4.14 Existing dwelling occupancy by household type**

Bed-rooms	One person Male	One person Female	Couple only, no dependent children	Couple and other adult/s no dependent children	Households with one dependent child	Households with two dependent children	Households with three dependent children	Other households	All households
Actual occupancy 2014 (percent by household type)									
1	53%	37%	21%	1%	12%	3%	1%	4%	20%
2	27%	31%	33%	16%	42%	32%	18%	34%	30%
3	17%	27%	31%	51%	32%	41%	50%	41%	34%
4	3%	5%	15%	32%	14%	24%	31%	21%	16%

Source: Cobweb Consulting estimates, derived from English Housing Survey 2010-11/2013-14

4.60 One factor which might influence future demand is a change in household composition. An increase in the proportion of larger households would lead, other things being equal, to an increase in the demand for larger homes. Table 4.15 shows the projected change in household composition in Southwark between 2018 and 2038. This shows a complex picture, with some decline in the proportion of one person households, and in the proportions of households with two or more dependent children, offset by growth in the proportion of other (multi-adult) households. Overall, this leads to no overall change in the future requirement for dwellings by size from the pattern shown in Table 4.15 for all households combined, namely 20% 1-bed units, 30% 2-bed units, 34% 3-bed units, and 16% 4-bed units.

**Table 4.15 Projected change in household type composition**

Bed-rooms	One person male	One person female	Couple only, no dep children	Couple and other adult/s no dep children	Households with one dep child	Households with two dep children	Households with three dep children	Other households	All households
Household type breakdown (number)									
2018	23846	21204	22765	8616	19031	11567	6654	24466	138149
2038	30342	24834	29029	11358	23599	12951	7238	37498	176850
Household type breakdown (percent)									
2018	17%	15%	16%	6%	14%	8%	5%	18%	100%
2038	17%	14%	16%	6%	13%	7%	4%	21%	100%
Change (percent pts)	0	-1	0	0	0	-1	-1	3%	0%

Source: Cobweb Consulting estimates, derived from GLA 2016-based central trend household projection (household type breakdown); and English Housing Survey 2010-11/2013-14 (2014 occupancy rates).

4.61 It is important to bear in mind that this is based on current preferences and affordability levels, and on a trend projection of household composition. Worsening affordability might increase the demand for smaller units, but might require larger units more suitable for sharing, if fewer single adult households could afford smaller units. An increase in private renting would increase the demand for smaller units as occupancy levels in the sector tend to match household size more closely than in the owner occupied sector. In the owner occupied sector, households generally might wish to occupy dwellings with more bedrooms, more bathrooms and other facilities, and spaces for home working or other leisure activities, if they can afford to. Conversely, more old people might seek to downsize to smaller units if purpose built housing for older people were to become more popular. Lastly, the need in London to make the best use of land to meet housing need could require the provision of a higher proportion of small units than current demand suggests, as a deliberate policy decision. These conflicting trends lead to a very complex picture, which is further constrained by the fact that the overall size profile of the dwelling stock can change only slowly over time as a result of new additions and conversions.

4.62 The breakdown of housing requirement by size set out in para 4.52 applies to that element of annual housing need in the borough which is not met through the provision of affordable housing, rather than to the whole annual housing requirement of 2,932 dwellings per annum. So, the quantity of market housing to which the proportions noted in table 4.14 is in effect a policy decision for the authority: the greater the number of affordable homes planned for, the lower the quantity of market homes; and vice versa.

### **Dwelling type of market housing**

4.63 The current mix of dwellings by *size* provides some guidance on the required mix in the future, because there is an obvious link between household size/type and dwelling size, albeit one which is overlain and blurred by incomes, aspirations and allocation policies. There is no similar determinant of the demand for dwellings of different *types*. Pressures on land are reflected in the high proportion of purpose built flats and apartments in the new-build sector, and this pressure is likely to continue. The projected reduction in the proportion of households with dependent children up to 2038, and the growth in multi-adult households, might also contribute to the demand for flats and apartments.

4.64 In terms of the type and size of market housing developers are building, there was an

overwhelming emphasis on flats, among the interviewees. Larger units could be embedded in the fabric of blocks, including ground floor maisonettes with street access and gardens. There was some view that there was a reasonable supply of existing three bed houses with gardens in the market place, and there was therefore limited appeal for expensive new-build three bed flats in blocks. There was also a view that some three beds tend to go to sharers rather than families, as this is a good option financially.

4.65 Developers also referenced a need for market accommodation for older people, to enable them to downsize without having to leave their areas. This was also emphasised by representatives in neighbouring authorities, both to improve the quality of life of older residents and to free up larger homes for families.

### **The role of the private rented sector in meeting affordable need**

4.66 Official guidance stresses that the assessment of net affordable housing need should be derived by comparing affordable need with affordable housing supply. The private rented sector is not currently formally counted a part of the affordable housing supply for SHMA purposes. However, it may play a part in meeting affordable housing need in some circumstances, supported by the availability of benefits based on Local Housing Allowance assistance with rents.

4.67 Table 4.16 assesses the potential impact of the private rented sector on housing need in Southwark. In November 2018 there were 1,966 benefit claimants in the private rented sector in the borough (which had reduced to 1,827 by February 2019). This represents only 6% of private rented tenants, assuming growth of 25% over the period between 2011, the latest date for which data on the number of households living in the sector is available, and 2018. This suggests the benefit-dependent private rented sector is very small.

4.68 To assess the possible scale of the contribution which the PRS might be making to meeting affordable need, an estimate is required of the annual inflow of new claimants. EHS regional data indicates that 9% of PRS tenants in London (averaged over the three-year period from 2010-13) were new entrants to the sector in the previous twelve months. Applied to the estimated numbers within the sector in Southwark in 2018, this suggests that just over 3,000 households per annum enter the private rented sector from other tenures or as newly-forming households. Assuming that these have the same profile as tenants in the sector as a whole suggests that 181 new claimants per year enter the private rented sector. This represents only 9% of net annual affordable housing need.

**Table 4.16 Estimated impact of the private rented sector on housing need**

	PRS HB claimants Nov 2018	Renting from private landlord or lettings agency 2011	Private renting 2018 (assuming growth of 25%)	Claimant rate (claimant s/units 2018)	Turnover (estimated % of PRS tenants entering sector in last year)	Number of new entrants	Estimated number of new HB claimants per annum
Southwark	1,966	26,752	33,440	6%	9%	3010	181

Sources: DWP statexplore, Census 2011, English Housing Survey 2010-13

4.69 Official guidance makes it clear that private rented housing is not affordable housing, and it is important to note that the private rented sector provides less security of tenure than the affordable sector (and indeed bears responsibility for a measure of homelessness applications, when assured shorthold tenancies are not renewed). Local authority staff in Southwark working on housing need also stressed strongly that the actual rather than potential role of the sector is very limited, because

lower priced private rented accommodation tends to be of poor quality. Standards of housing and of management are often lower than for affordable housing, Local Housing Allowance may not meet the full costs of rent, and many households with particular needs (for example for adaptations) may not find privately rented accommodation suitable. There are significant problems with illegal lettings, unlawfully subdivided properties, and the use of outbuildings and sheds as accommodation. Furthermore even at the bottom of the market, dwellings tend to be more expensive than social rented homes. Moreover, changes to the benefit regime, barring younger people from claiming Housing Benefit (or the housing element of Universal Credit), will further reduce the capacity of the PRS to meet affordable housing needs.

4.70 The views of landlords and lettings agents on the role and future of the sector is discussed in more detail in Chapter 5. What was apparent is that while there is still a limited role the sector can play in housing people on lower incomes (including helping the authority to meet its homelessness responsibilities) the trajectory is clearly for landlords to pull out of the lower income and benefit sector, and reorient towards working and professional tenants able to meet the higher rents that the market can command.

### **Impact of affordable need on overall housing need**

4.71 Southwark will need to formulate a policy for affordable housing in response to this assessment of the level of affordable housing need in the borough, and other sources of evidence. Planning Practice Guidance contains the following instruction, which was changed only slightly in the two recent updates of PPG (our emphasis):

4.72 'The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing-led developments. *An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.*<sup>23</sup>

4.73 Table 4.17 shows the delivery of affordable homes in Southwark over the six years 2011-17. The level of provision varies substantially from year to year but has averaged just 532 dwellings per annum. Provision has been relatively constant over the period.

4.74 This shows that achieved provision in the past falls well below the estimated future annual level of affordable need. In the last four years of the period shown in the table, affordable provision made about 25% of all housing completions. This suggests that it is desirable to boost completions to the maximum extent, in order to boost affordable supply. It also suggests that the Council should seek the maximum level of affordable provision on all private sector housing schemes, so long as this is compatible with viability.

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<sup>23</sup> *Housing and economic needs assessment*, CLG February 2019, Paragraph 024 Reference ID 024-20190220



**Table 4.17 Past supply of affordable housing**

	Social rent	Intermediate	Affordable rent	Total
2011/12	498 (79)	134 (21)	N/A	632
2012/13	401 (71)	164 (29)	N/A	565
2013/14	320 (63)	160 (32)	24 (5)	504
2014/15	165 (42)	170 (43)	61 (15)	396
2015/16	216 (43)	156 (31)	132 (26)	504
2016/17	412 (69)	159 (27)	22 (4)	593
Total	2,012	943	239	3,194
Average 2007-17	335	157	40	

Source: Southwark Council Authority Monitoring Report, accessed online at <https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/authority-monitoring-report/housing?chapter=5> on 22-02-19

## Conclusion

4.75 This chapter has presented the results of a model which assesses the requirement for affordable housing in the borough, independently calculated using a methodology based on updated official Planning Practice Guidance. The overall net annual need for affordable housing is estimated to be 2,077 units per annum. The estimate reflects the distribution of incomes and price/rents at the base year 2019, which is assumed to remain broadly unchanged in the future. The estimates could therefore be affected by changes in the relationship between incomes and prices/rents in the future. One example would be changes to housing benefits for lower income households. Income from housing benefit is included in the income estimates used in the model, but if benefits are reduced, this would affect the incomes of (mainly) lower income households and reduce their ability to afford housing costs. Similarly, if house prices rise or fall relative to incomes generally this would also affect affordability. It will be important to monitor the impact of such factors carefully, as they unfold.

## Chapter 5

### The housing requirements of specific groups

#### Key points

##### Older households

- A 79% increase in the population of Southwark aged 65 or more is forecast by 2039; this incorporates a 92% increase in those over 75 and 87% growth in those over 85.
- The number of those aged over 65 is projected to reach nearly 48,000 over the period, comprising 13% of the Southwark population.
- There is projected to be an 83% increase in the number of households containing over 65s, including a 91% increase in households with an over 75 and an 85% increase in households with an over 85 in residence.
- 28% of new households will have at least one member aged 75 or more.
- There are currently around 1,927 units of specialist elderly accommodation in Southwark.
- An additional 780 units will be required to meet need by 2029; of these some 559 (72%) should be sheltered and 116 (14%) extra care.
- There is a relatively low level of market provision required.
- As regard care homes and dementia provision, the number of people over 65 with dementia is forecast to reach 2,369 by 2030.
- Southwark has seen an overall reduction of 46% of care home and dementia places since 2011; An additional or improved 867 care beds are required by 2029.

##### Households with disabilities and wheelchair requirements

- A gradual increase in the number of older households with disabled members and in particular those with wheelchair needs is forecast between now and 2035, with the proportion of those aged 85 plus projected to rise the faster.
- The fastest growing cohort of working age people with severe mobility impairments are those aged 45 to 55.
- 613 households have unmet wheelchair accessible accommodation requirements and require it across all tenures. It should be noted that a proportion of those will be owner-occupiers, able to make their own arrangements.
- There are currently 108 households on the Disability Housing Waiting List. Others will have accessible housing needs that may not require full-wheelchair accessible standards.
- There is some mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock when it becomes available.
- There are a number of reasons for this including inaccuracies in data recording, the need to minimise void periods and mismatches between locational preferences and the available stock.

##### Students

- There are over 21,000 students aged 20 or over resident in the borough during term time.
- There are 23,500 places at the major HE institutions in Southwark.
- According to our estimates there are likely to be around 7,800 units of purpose built student accommodation (PBSA) in the borough.
- At least 57% live in private rented accommodation; 15% live with their parents.
- Work by the Mayor's Academic Forum indicates that student numbers in London are not

increasing as fast as originally projected, and where there is growth it is mainly from international and non-London domiciled students.

- The authority has policies to ensure that a proportion of new PBSA is let at conventional or student affordable levels, and that new PBSA provision does not detract from affordable housing provision for other groups.
- In view of these policies, the already high proportion of PBSA and the forecast slowing down in demand, changes in policy are not required.

## **The private rented sector (PRS) and Houses in Multiple occupation (HMOs)**

### **Rents**

- A major separate study on the PRS was carried out in 2014, much of which is still relevant, so this section of the SHMA update restricts itself to updating data and factors that have changed.
- Rents have increased since the last SHMA. However, there is no standardised and robust way of measuring changes as different sources of data are not consistent.
- The authority's in-house analysis of 'asking rents' on commercial web sites indicate rent increases of between 7% and 24% since 2014, depending on bedsize.
- The Valuation Office Agency shows a lower rate of increase (between 4% and 15% by bedsize) and a general slowing down and flattening of rent increases.
- Both datasets agree that the steepest increases have been for studios, perhaps reflecting increasing demand for (and supply of) smaller units in the face of static wages and increasing rents for larger units.

### **Housing benefit claimants**

- The 2014 study forecast the continuing attrition of the number of homes let to those claiming housing benefit. This forecast has proved accurate, continuing the downwards trend seen since the original welfare reforms in 2011.
- Numbers of HB claimants are now 1,827, representing a 66% reduction since 2011.
- This trend was confirmed by lettings agents who noted that landlords were very reluctant to let to those in receipt of benefits because of concerns about arrears and property damage.
- They also noted that there was a plentiful market among professionals and higher earners.

### **The size of the sector**

- As regards to the changing size of the sector, apart from the decennial Census, there is no interim local measure for changes, beyond the survey-based English Housing Survey (EHS).
- We can extrapolate onwards the rate of increase from the 2001 to 2011 Census, which would indicate that there are now around 32,300 households in the PRS.
- Alternatively, based on the EHS, the size of the sector could be as much as 37,400.

### **Houses in Multiple Occupation (HMOs)**

- The 2014 study concluded that the HMO sub-sector was dividing into two: one market being filled by young professionals who could not afford to buy but nonetheless were able to pay more for better conditions; and another market with a concentration of poorer conditions, lower rents, and featuring extensive sub-division of larger units.
- This led to a policy conclusion that authorities should focus on a dual approach to enforcement, with a 'light touch' for the majority of players, and stricter enforcement methods against the worst offenders.
- Since then Southwark has introduced additional and selective licensing schemes, but these have not yet penetrated greatly into their respective areas; and there are estimated still to be 500

mandatory licensable HMOs that are not yet covered. The selective scheme appears to be particularly complex.

- Southwark has stepped up its enforcement actions.
- Given that the two extra schemes are due to run until 2020 it would make sense to take stock and review them then, assess how many of the 500 unlicensed HMOs have been regulated, and then consider whether current policies represent the best use of limited resources.

### **People wishing to build their own homes**

- As of 2018 there were 112 entries on the register set up under the Self-Build and Custom Housing Building Act 2015 to monitor those interested in acquiring land for self / custom-build projects.
- The Act expects an authority to make provision in certain circumstances for suitable serviced plots to meet demand as evidenced by the register.
- Regulations in force from 2016 give authorities the option to divide the register, based on eligibility tests, including local connection and financial viability. Only those that can pass the eligibility tests would be entitled to borough support.
- Given that 29% of registrants can demonstrate no local connection to Southwark, and 35% are existing owner-occupiers, we suggest the authority considers setting up a two-part register, so that access to plots goes to those with the most connection, needs and ability to resource the initiative.

## **Introduction**

5.1 This chapter discusses and updates where appropriate the housing requirements of some specific groups: older households, households with disabilities, students, those in HMOs and the PRS, and those wishing to build their own homes.

### **Older households**

#### **Population of older persons**

5.2 For the sake of accuracy and consistency with the earlier analysis of housing requirements we use 2016-base GLA Central trend population and household projections in this section. As noted in Chapter 3 Southwark is forecast to experience a 16% increase in population overall over the period 2019 to 2039, with population growth of 52,852. The largest numerical increase will be in the working age population (16 to 64) which is projected to see growth of 30,880. This translates as a 13% increase. However, although older groups will not experience such numerical growth, proportionately they are the fastest expanding. A 79% increase in those aged 65 or more (21,091) is expected, within which is a 92% growth in over 75s (10,639) and an 87% growth in over 85s (3,001).

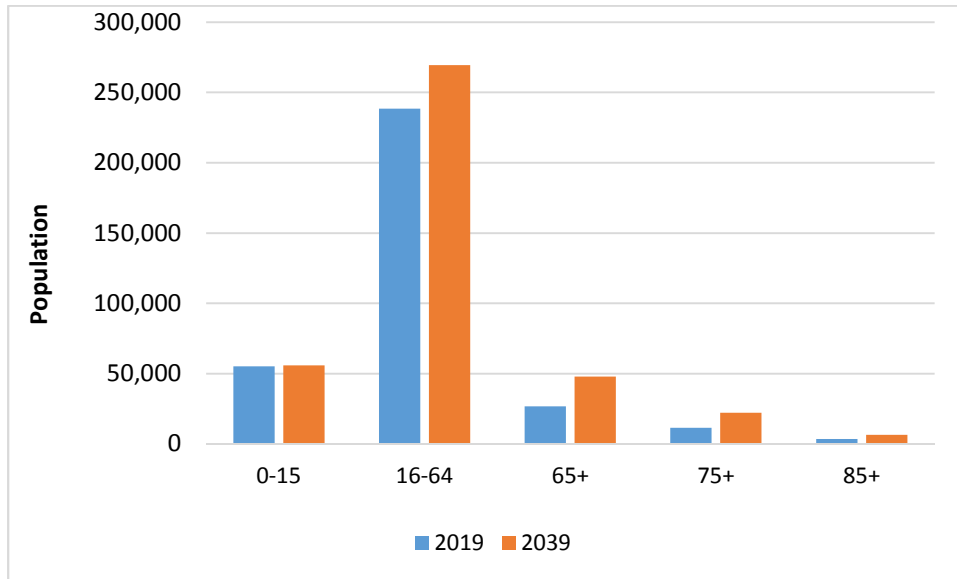
5.3 Conversely, the population of younger people – aged up to 15 – is forecast to remain nearly static, with only 1% growth (650 people) in the period.

5.4 In terms of the overall proportion and number of older people in the population, over 65s are expected to increase from 26,722 to 47,813, marking an increase from 8.2% to 12.7% of the population. Over 75s are expected to make up 5.9% and over 85s to make up 1.7% of the Southwark population by 2039.

5.5 While the working age population is expected to rise from 238,498 to 269,376, this actually represents a proportionate reduction in population from 73.4% to 71.3%. The proportion of the younger age group (15 or under) is also expected to reduce from 17% to 14.8%. As originally noted in

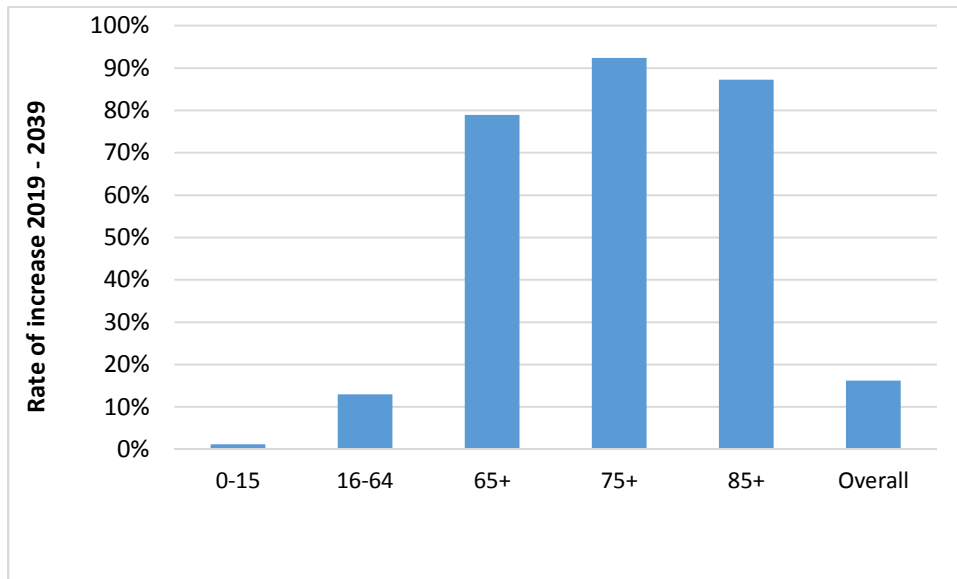
the previous SHMA, the reduction in the relative proportion of working age, younger people in the population will have implications for the care, housing and support services required for older people.

**Figure 5.1 Population group numbers, 2019 - 2039**



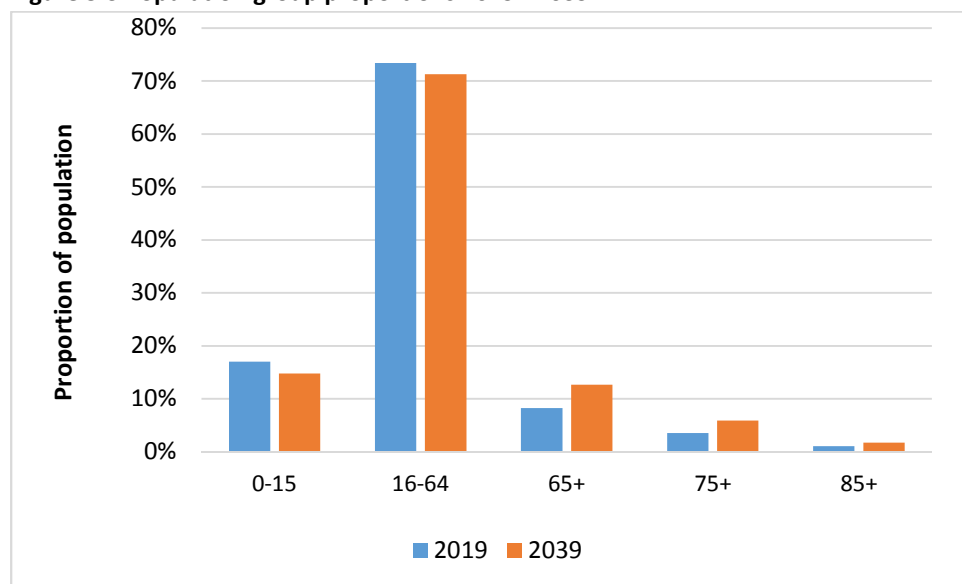
Source: GLA Population projections, 2016 base, Central trend

**Figure 5.2 Population groups: rate of increase**



Source: GLA Population projections, 2016 base, Central trends

**Figure 5.3 Population group proportions 2019 - 2039**



Source: GLA Population projections, 2016 base, Central trend

**Households containing older persons**

5.6 In terms of the increase in the number of households that will hold this population<sup>24</sup>, the figures are summarised in the table below. The figures for over 75s and 85s are sub-sets of the over 65s figure.

**Table 5.1 Projections of households by age group**

	2019	2039	Increase	% increase
Working age	120,064	141,099	21,036	17.5%
65+	20,368	37,220	16,852	82.7%
75+	9,009	17,227	8,218	91.2%
85+	2,719	5,025	2,306	84.8%
<b>Total</b>	<b>140,432</b>	<b>178,320</b>	<b>37,888</b>	<b>27.0%</b>

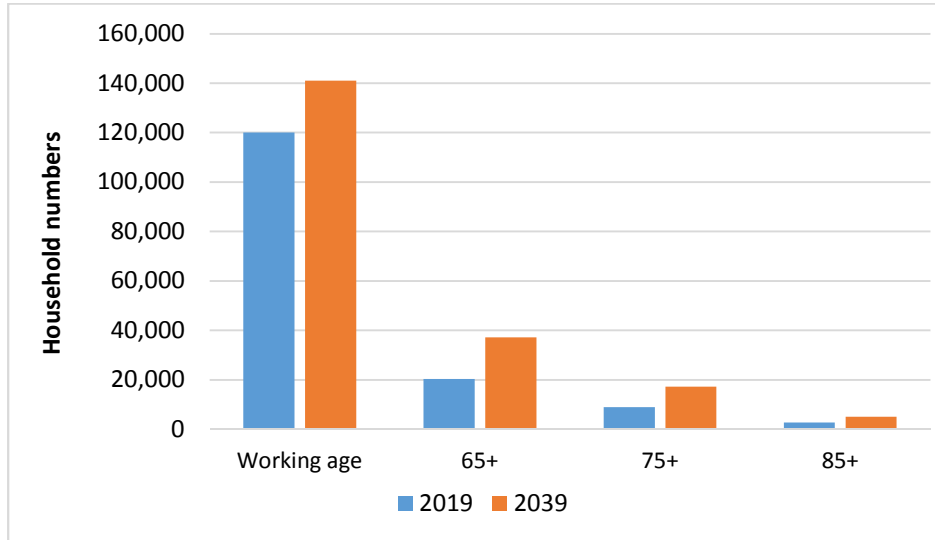
Source: GLA household projections 2016 base, Central trend

5.7 Reflecting the population projections, it can be seen that while numerically the greatest increase is in working age households, proportionately older households are forming at far higher rates. Forty-four percent of households that newly form in Southwark between 2019 and 2039 will have at least one member aged over 65. And within this 28% of new households will have at least one member aged 75 or more.

5.8 The impact of these changes on the overall make-up of households is that by 2039 over one in five households will have at least one older member, compared to one in seven in 2019. And one in eight households will have an over 75 member, compared to one in twelve in 2019.

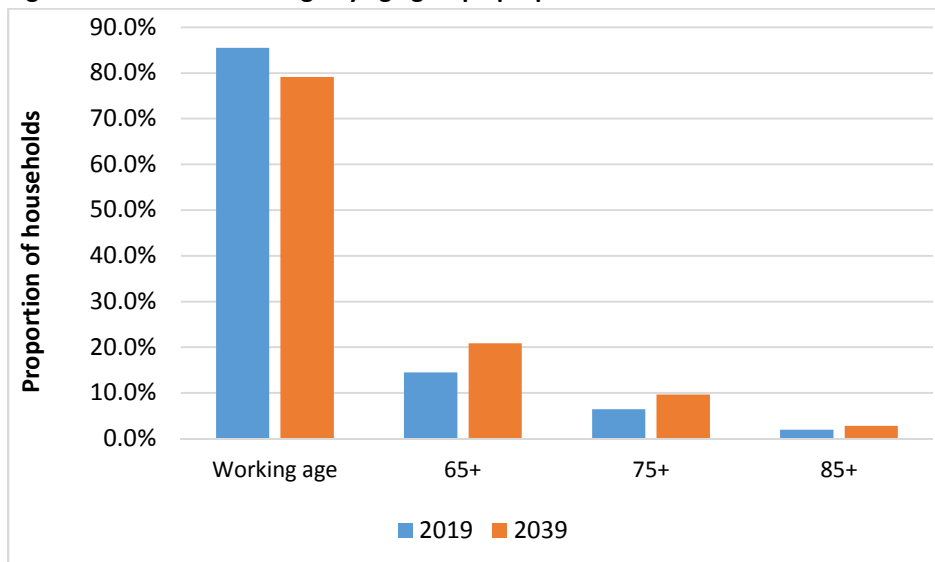
<sup>24</sup> 'Household' in this sense is any household with at least one member aged 65 or more (table 7.1), or 85 or more

**Figure 5.4 Household change by age group - numbers**



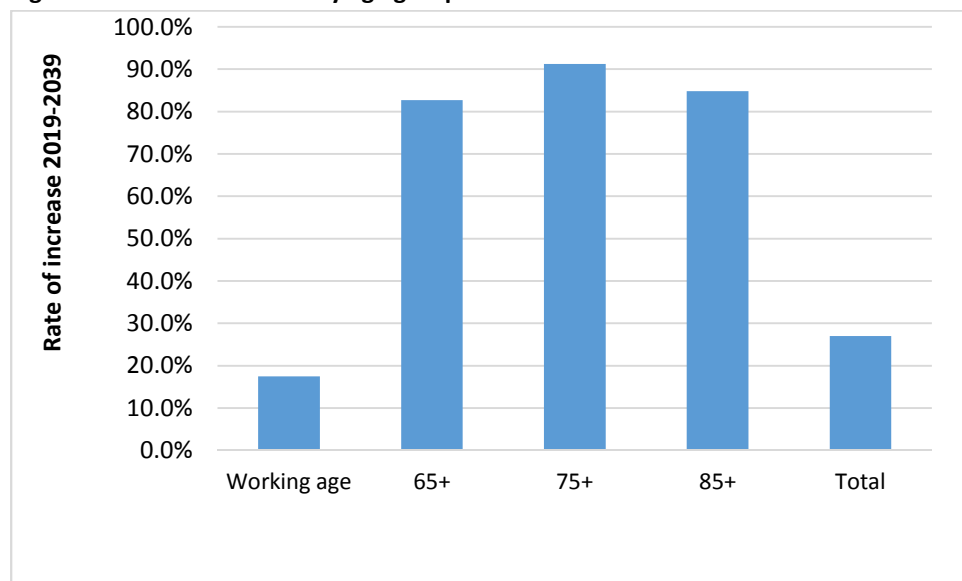
Source: GLA household projections 2016 base, Central trend

**Figure 5.5 Household change by age group - proportions**



Source: GLA household projections 2016 base, Central trend

**Figure 5. 6 Rate of increase by age group**



Source: GLA household projections 2016 base, Central trend

### Supply of older persons' housing

5.9 When looking at supply of (and demand for) specialist accommodation for older people, this SHMA primarily focusses on the forms of accommodation that would be normally termed 'housing', including sheltered, enhanced sheltered, and extra care. It therefore excludes accommodation that primarily caters for those with care, nursing and medical needs – residential and nursing care.

5.10 Having said this, it should be noted that the authority is concerned about the reduction in the numbers of nursing care beds, which have fallen by 252 units since 2011 (a 46% reduction). This represents the sharpest decline in South London. This is particularly significant as proportionately Southwark has a lower level of self-funders than neighbouring authorities (because of relatively low levels of owner-occupation), which (among other factors) disincentivises private sector investment in facilities.

5.11 It is noted however that the need for residential care may be reduced if there is provision of appropriate extra care sheltered housing. We also note that both residential and nursing care very frequently involve accommodating people from one area in another. The reasons for this vary – probably a mixture of choice and the market for the provision of such accommodation, but this is why some of the assumptions about accommodation involving care being provided primarily for the residents of the borough in which it is situated are not applicable.

5.12 Estimating supply is not a very precise science, particularly because of the move away from standard 'sheltered' schemes to more flexible and integrated housing and support options, as well as the development of Extra Care schemes that blur the boundaries between housing and care-based accommodation. There is no official data that summarises either social or private sector supply. The best source of data is the Elderly Accommodation Counsel (EAC) statistical base. This has been used in GLA commissioned studies<sup>25</sup> to estimate housing demand and supply for older persons at a local authority level. This modelling is based on the assumption that 15% to 20% of over 65 year olds

<sup>25</sup> *Assessing potential demand for older persons housing in London*, Three Dragons and Celandine Research, March 2014 and update (including assessment of need for care homes and dementia housing), November 2017



would move if suitable accommodation existed. It also modelled the propensity of older owner occupiers to afford their own future housing solutions, through buying outright into specialist retirement accommodation, and also through equity share.

5.13 Table 5.2 below shows the current state of supply of older persons' housing, based primarily on data from the Elderly Accommodation Counsel (EAC) database<sup>26</sup> and the housing association / registered provider database, the Statistical Data Return (SDR).

**Table 5.2 Current supply of specialist elderly accommodation in Southwark**

Social / affordable rented	1,237
Leasehold / owner occupied	34
Extra Care Ownership	191
Residential care	297
Nursing care	168
<b>Total</b>	<b>1,927</b>

Source: SELHP/EAC

5.14 In terms of providers of sheltered housing, the Council owns and manages 589 units and registered providers a further 648. One Extra Care scheme, Lew Evans House, is managed by the Council, and the rest by registered providers. Another 50 unit scheme is due to open in 2020.

5.15 These figures are the basis for the calculations of requirements and supply. Based on the GLA population projection of 26,722 over 65s in 2019, it is calculated that existing total specialist accommodation can cater for 7.2% of households aged over 65 in Southwark.

5.16 The GLA studies also noted that, across London, there were significant amounts of existing affordable rented stock earmarked for frail elderly households that were not fit for purpose. This resulted in 50% of such stock being discounted for modelling purposes. It can be noted that the total specialist stock available across London fell by 600 units between 2015 and 2017.

5.17 Looking ahead to 2029, the studies' conclusions across London are:

- Extra Care housing is needed across various tenures – social rent, sale, intermediate rent and shared ownership
- There is potential demand for sheltered housing for sale, shared ownership and market rent
- There is no need for additional provision of sheltered housing for affordable / social rent (though many schemes need remodelling and refurbishment)
- Total older persons specialist demand adds up to just over 4,000 units per annum across London, compared to an average delivery of 471 homes over the last two years

### **Net future demand for older persons' specialist housing**

5.18 As regards demand at a local level, reflecting its relatively low levels of older residents compared to other authorities, the GLA study calculates that an additional 65 units per annum are required between 2017 and 2029 in Southwark. It should be noted that the figure of 65 per annum

<sup>26</sup> <http://www.eac.org.uk/>

in the 2017 update is substantially lower than that in the 2014 study, which was 115 per annum. Breaking these down by the proportions calculated for different tenures, the GLA estimates are as follows:

**Table 5.3 Demand per annum for older persons specialist housing 2017-2029**

Market sale	26
Intermediate renting / SO	8
Affordable / social rent	31
Total	65

Source: Assessing potential demand for older persons housing in London, GLA / 3 Dragons / Celandine, 2014 (proportions) and 2017 update (base figures)

5.19 This adds up to an additional requirement of 780 (65 units times 12 years) by 2029 (from a 2017 base).

### Tenure and type of accommodation required

5.20 The GLA studies do not breakdown their requirement into different types of accommodation for older people. However, we can use the proportions calculated using the Housing Learning and Information Network’s SHOP model:

**Table 5.4 Types of accommodation required**

		Proportion
Sheltered (rent)	559	72%
Sheltered (owned)	18	2%
Enhanced sheltered (rent)	49	6%
Enhanced sheltered (owned)	38	5%
Extra care (rent)	116	14%
Total	780	100%

Source: Cobweb modelling of GLA study by Housing LIN SHOP tool

5.21 The comparatively low level of market provision required echoes the relatively low level of owner-occupation in the borough – only 29%, compared to the South East London average of 51%, and the relatively high proportion of social renting – 44% - compared to 28% in South East London. However, it should be noted that in our interviews with developers several spontaneously referred to the need for extra smaller market units for older people, to enable them to remain in familiar areas, whilst freeing up larger market homes for families.

### Care homes and dementia provision

5.22 The number of people aged 65 or above with dementia in Southwark is expected to reach 1,772 by 2020 and 2,369 by 2030<sup>27</sup>.

5.23 The GLA report assesses demand for and provision of care home places and resources for those needing dementia care. Across London there was a relatively small shortfall of care home places (1,293 above the 24,298 ‘good’ or ‘outstanding’ Care Quality Commission assessment). The issue was more about quality: there were an additional 9,180 care home beds that were inadequate or required improvement. If this was addressed there would be a surplus of places.

<sup>27</sup> POPPI database

5.24 Looking ahead to 2029 however, an average of an additional 867 care homes beds would be required (which could include those requiring improved standards). Both new build and remodelling have a role to play in improvements and additional supply.

5.25 As regards Southwark, there are around 360 care home care places in the borough, representing as noted a 46% reduction since 2011. Of these 238 had dementia support capability.

5.26 The authority has provided figures for the minimum number of bedspaces for different degrees of need, to meet its minimum adult social care requirements. These are in Table 5.5 below. It should be emphasised that they do not represent overall needs figures:

**Table 5.5 Predicted growth - Older Adults Specialist Care bed supply by 2030.**

Client group	Nursing Home	Residential Care	Extra Care
MH and dementia Over 65 + yrs	6 units (38% growth)	17 units (37% growth)	4 units (26% growth)
Personal Care and Frailty - 65+ yrs	16 Units (41% growth)	35 units (45% growth)	25 units (41%)
<b>TOTAL</b>	<b>22 Units</b>	<b>52 units</b>	<b>29 units</b>

Source: Southwark Public Health Oct 2018-For Southwark Council Capital Board (Dr Rebecca Giddings) based on SALT (Short and Long Term Support) and MOSAIC data

## Households with disabilities and wheelchair requirements

### Context

5.27 LB Southwark subscribes to the criteria for new accessible housing development laid out in the London Plan which in summary states that 90% of new housing should meet Building Regulation requirement M4 (2) 'accessible and adaptable dwellings' and that 10% should meet Building Regulation requirement M4 (3) 'wheelchair user dwellings', i.e. is designed to be wheelchair accessible, or easily adaptable for residents who are wheelchair users. It also states that account is taken of the changing age structure of London's population and, in particular, the varied needs of older Londoners, where incidence of physical and other impairments may be greater. These criteria apply across tenure, and apply as much to private sector development as they do social sector (including shared ownership housing). As noted this was acknowledged in our interviews with developers (and Registered Providers).

5.28 In terms of factors that impact on the need for accessible dwellings in Southwark the Census 2011 indicates that around 13% of the population is estimated to have some form of limiting long-term health problem or disability (LLHPD), and 22% of households have one member with a LLHPD (4% have two or more). Five percent of residents' health is described as 'bad' or 'very bad'<sup>28</sup>. These figures are similar to neighbouring authorities, and marginally worse than London averages.

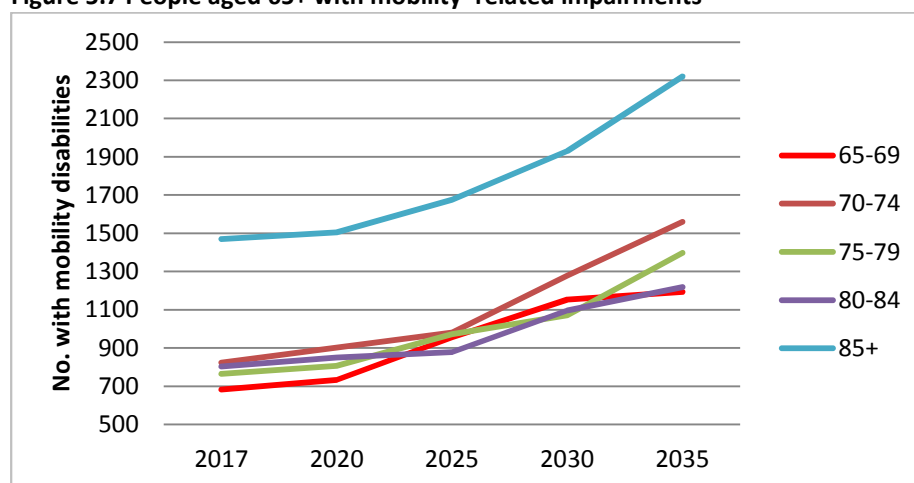
5.29 The context for understanding the housing requirements of those with disabled members and in particular those with wheelchair users is intrinsically linked to the age of the population. 75% of current wheelchair users are aged 60 or over in England, including 20% who are 85 or over.<sup>29</sup> As noted above and in Chapter 3, as with the rest of the country, numbers and proportions of older

<sup>28</sup> Census 2011 Table QS303EW and QS302EW

<sup>29</sup> English Housing Survey 2011 Table A6.11

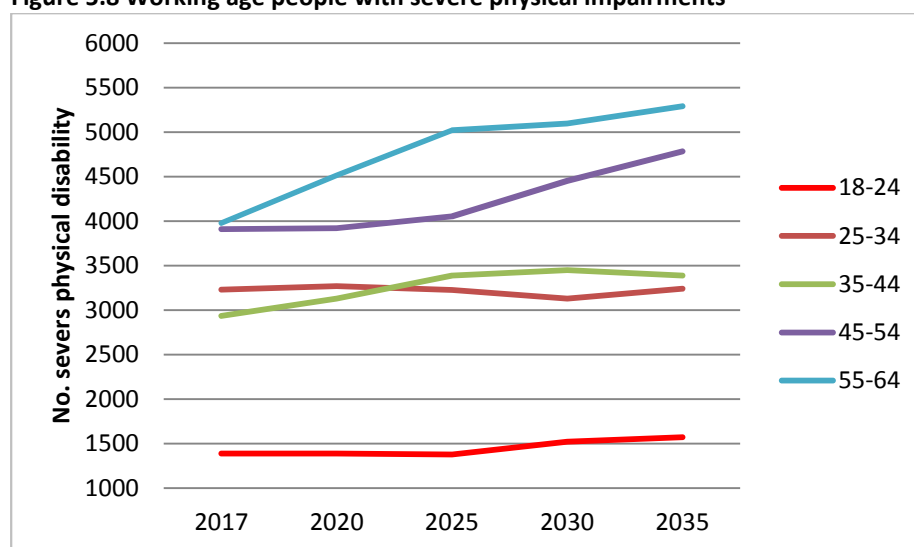
people are forecast to rise over the coming years. As Figure 5.7 indicates, a gradual increase in the number of older people in Southwark with mobility-related impairments is projected, with the numbers of those aged 85 or over projected to increase by greater numbers and at a greater rate than other cohorts aged over 65. In total, numbers of older people with mobility disabilities are forecast to increase from 4,544 in 2017 to 7,690 in 2035. As regards working age people with severe physical disabilities again the oldest cohort will increase by the greatest numbers, though the 45-55 age group cohort is increasing at the fastest rate (Figure 5.8). In total numbers of working age people with severe mobility impairments is forecast to increase from 15,441 in 2017 to 18,276 in 2035.

**Figure 5.7 People aged 65+ with mobility-related impairments**



Source: Poppi data, 2019

**Figure 5.8 Working age people with severe physical impairments**



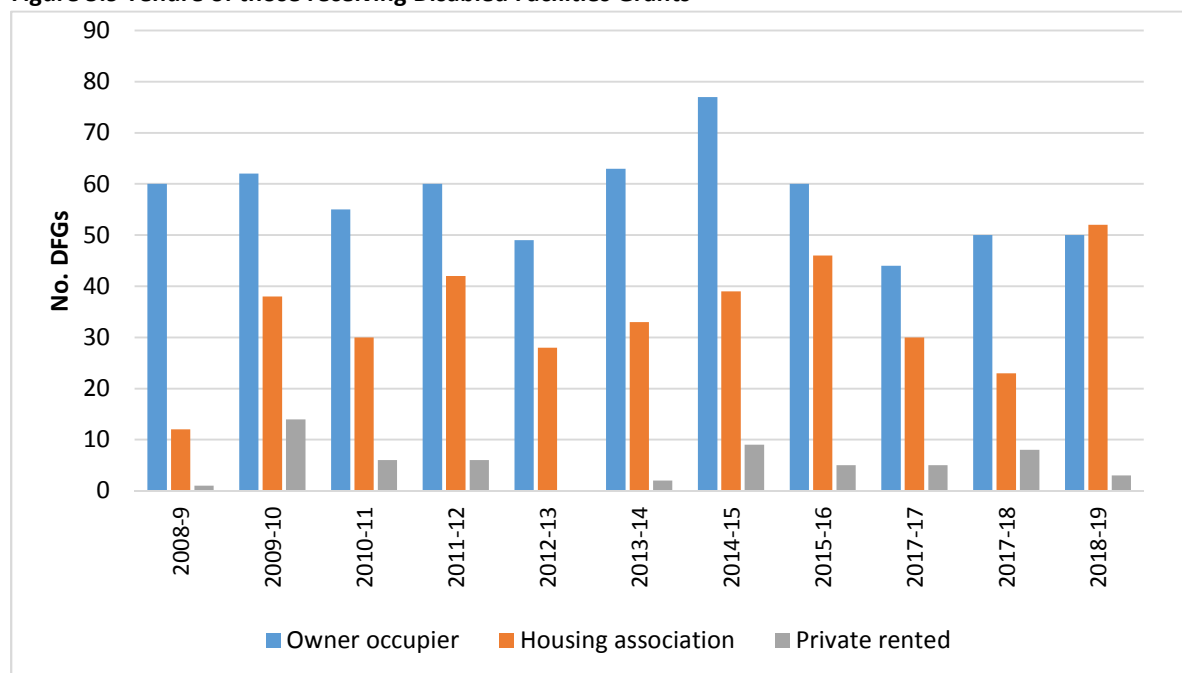
Source: Pansi data, 2019

### Aids and Adaptations and Disabled Facilities Grants (DFGs)

5.30 Clearly, not all households with members with mobility-impairments will require wheelchair accessible accommodation. Aids and adaptations can be provided using Disabled Facilities Grant (where resources permit), and they are an important tool in preventing people having to take up residential care places. DFGs can be applied for and used across tenures and can be particularly significant for less well-off owner occupiers. In most years owner-occupiers received between 54% and 82% of all grants. In 2018-2019 for the first time they received less than half (47%) with the

greatest proportion going to housing association tenants. Only three grants went to private rented accommodation (Figure 5.9).

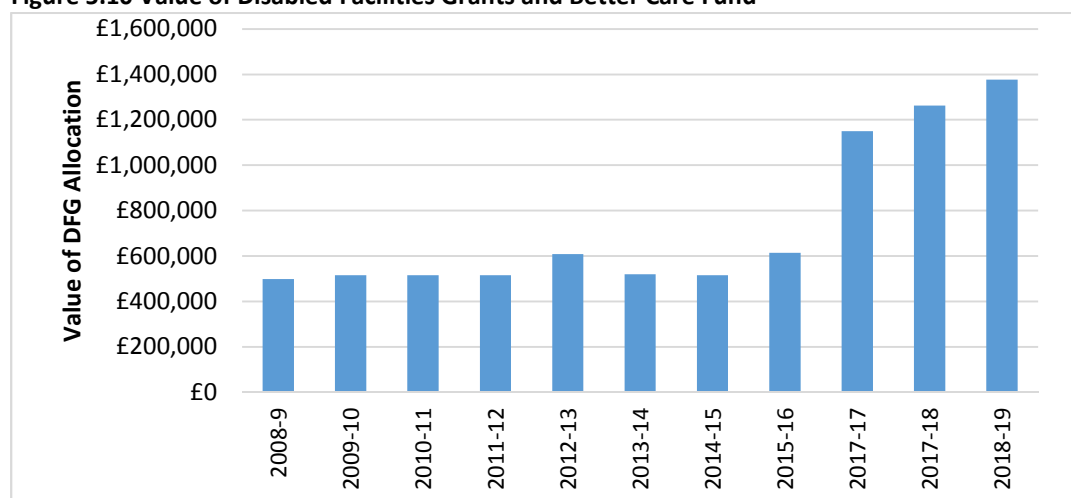
**Figure 5.9 Tenure of those receiving Disabled Facilities Grants**



Source: PLA analysis of DCLG data; LB Southwark

5.31 The annual grant allocation (which excludes a local authority contribution) rose steadily from 2008 to 2012. It hit a peak of £608,000 in 2012-13 but fell to £515,000 in the following year (Figure 5.10). In 2015 the government announced significant extra resources for DFGs over the following five years and established the Better Care Fund (BCF), which also incorporated Social Care Capital Grant until 2016-17. The aim of the fund was to help the integration of social care and health services. Southwark’s allocation under these arrangements was £1.377M in 2018-19. The BCF is due to end in 2019-20. While the government has made it clear that DFG funding will continue after that, it is unclear whether there will be a further five year commitment to increased resources.

**Figure 5.10 Value of Disabled Facilities Grants and Better Care Fund**

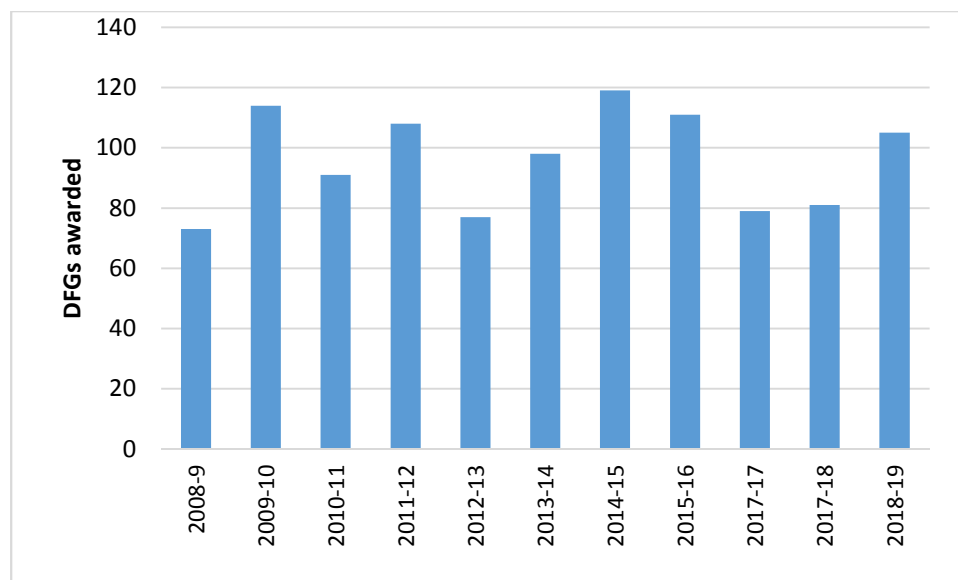


Source: PLA analysis of DCLG data and CLG / DCLG Grant Determination; LB Southwark

5.32 However, commentators note that increasing grant allocations from central government do

not automatically translate into more DFGs. There are a number of factors influencing this: as government grant increased, local authorities have cut back their contributions, in a climate of pressure on spending; the average costs of works has increased; and more money is used to pay revenue costs. This is highlighted in figure 5.11 where it can be seen that the increased resources since 2015 have not always been reflected in increases in the number of awards.

**Figure 5.11 Number of Disabled Facilities Grants awarded in Southwark**



Source: PLA analysis of DCLG data; LB Southwark

5.33 There are several other indicators that highlight the housing-related elements of disability.

### Council Tax exemptions and disregards

5.34 Households can be exempted from or have a reduced rate of Council Tax for various degrees and aspects of disability (including having to move into residential care). In total there are 327 homes that are in these categories in Southwark.

**Table 5.6 Disability-related Council Tax exemptions, disregards and discounts**

Category	No. properties
Disabled reduction	283
Moved into residential	35
Moved to get care	7
Moved to give care	2
<b>Total</b>	<b>327</b>

Source: DCLG Council Tax Base 2018

### Disability Living Allowance (DLA) and Personal Independence Payment (PIP)

5.35 Though DLA is being phased out and replaced with Personal Independence Payments (PIP) for some, the historic data and trends are useful in tracking changes in numbers and needs and as a contextual indicator of actual and future potential wheelchair and adaptation needs across the authorities. Higher award DLA is paid to people with a physical disability that affects their ability to

walk outdoors and is paid if a person's disability is severe enough for them to have any of the following walking difficulties:

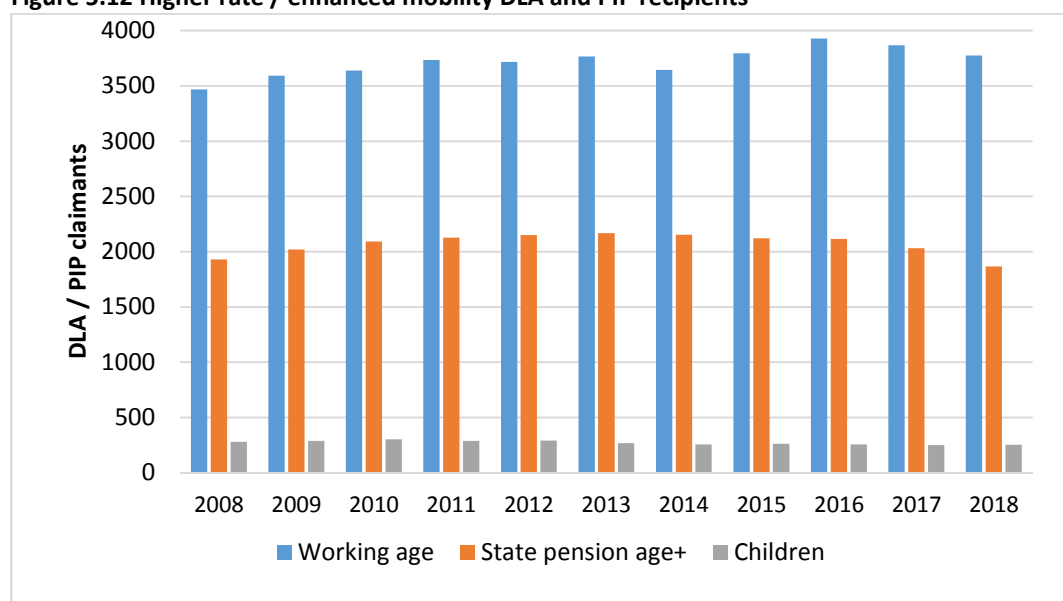
- they are unable or virtually unable to walk
- they have no feet or legs
- the effort of walking could threaten their life or be likely to lead to a serious deterioration in their health.

5.36 Higher mobility DLA may also be paid to those with a severe learning impairment that has a physical basis, and those with severe sight impediments, so the figures cannot automatically be assumed to relate to potential wheelchair or adaptation use. PIP payed at the Enhanced rate has similar criteria.

5.37 Children with mobility difficulties are also eligible for DLA. They would need to claim PIP when they turn 16.

5.38 Figure 5.12 tracks the caseload for Southwark over the last 10 years, for those of working age, those of pensionable age and for children. We have data for PIP from 2014 onwards, and this has been incorporated. Figures have remained fairly constant, but the numbers of over 65s have been gradually reducing since 2013, while the working age group has seen a decline since 2016. The number of children claiming DLA has remained fairly constant.

**Figure 5.12 Higher rate / enhanced mobility DLA and PIP recipients**



Source: DWP Stat-Explore and Nomis

## Demand

### Calculating unmet wheelchair-accessible housing need

5.39 The English Housing Survey 2014 estimated that 3.6% of all households in England contained one or more wheelchair users. Work by South Bank University<sup>30</sup> re-analysing EHS data has estimated

<sup>30</sup> Mind the Step – an estimation of housing need among wheelchair users in England, Habinteg / South Bank University 2010

that nationally around 13% of wheelchair-using households have unmet housing requirements; this figure rises to 18% in London (the data cannot be disaggregated to a local authority level).

5.40 Using the more conservative 13% figure, we would estimate that current unmet need for wheelchair accessible accommodation in Southwark is 613.

**Table 5.7 Current unmet wheelchair housing requirements in Southwark**

Southwark	A All households*	B Wheelchair needs households (3.6 % of A)	C Wheelchair needs households: unmet housing needs (13% of B)
	131,146	4,721	613

Source: Source: Cobweb Consulting modelling of South Bank University and GLA household projections, 2016-base Central Trend (point 2018)

### Disability Housing Register

5.41 Southwark keeps a disability housing waiting list, which can act as a measure of expressed demand (as opposed to the demographically-derived demand figures noted above). Key figures are shown in Table 5.8. Clearly these figures are a lot lower than the modelled ones. Remembering that a proportion of those needing wheelchair and similar accommodation will be in the private sector (particularly older people) and able to meet their needs themselves, through selling and re-purchasing more suitable homes, the lower figures are probably the most sensible to build on strategically.

**Table 5.8 LB Southwark Disability housing waiting list**

Type of property required	Bed requirement	Numbers on list
Full wheelchair requirement	1	7
	2	13
	3	1
	4 Plus	1
	Total	22
Wheelchair accessible without kitchen adaptations	1	10
	2	22
	3	9
	4 Plus	29
	Total	74
General needs property that had been adapted for previous tenant with either or both level access shower and stair-lift	1	47
	2	25
	3	22
	4 Plus	14
	Total	108

Source: LB Southwark

### Meeting accessible housing need

#### Supply

5.42 For those without the means to move to appropriate private sector accommodation or adapt their existing homes to meet wheelchair standards, the principal route into accessible accommodation will be through accessing social housing stock. There is a paucity of data on the



amount of fully-wheelchair accessible (or accessible at a lower standard) stock available. There are 623 general needs and supported / sheltered housing units (297 and 326 respectively) described as wheelchair accessible in the last version of the Regulatory and Statutory Return (2011) managed by Registered Providers in Southwark. Such data is no longer collected centrally, but assuming that the amount of wheelchair accommodation will have changed proportionately over time, there are now likely to be around 362 general needs units. However, as supported housing / older persons provision by registered providers has shrunk over the seven years, this stock is likely to be around 258 now.

**Table 5.9 Wheelchair accessible stock managed by Registered Providers 2011 and 2018**

Wheelchair accessible stock	General needs	Sheltered / supported
2011	297	326
2018	362	258

Source: Regulatory and Statistical Return, 2011 and estimate based on Statistical Data Return 2018

5.43 There is limited data available on the amount of local authority stock that is wheelchair accessible. We know that there are another 79 units planned as part of the New Development programme phases, but not how many existing council homes are wheelchair accessible.

5.44 However, the fullest indicator of the number of disabled-accessible dwellings coming into use in the social rented sector is the CORE log, which records both the housing needs of new tenants, and the type of property that was let. This covers both general needs housing and supported housing. We have looked at general and supported housing allocation over the last three years available (2014-17) and a total of 109 wheelchair accessible lettings were made (69 general need, 40 sheltered / supported), making an average flow of 36 units supply per annum. We need to treat CORE data with some caution as it is not always very reliable. With this caveat we will consider who these units were let to below.

5.45 Relating these to the disability housing register figures above, we can see that annual flow would deal with all those with a full wheelchair requirement in one year, and make inroads into the group with partial wheelchair accessible requirements over three years. This assumes that no other factors change, and we have already noted that 79 additional units are in the pipeline.

5.46 As regards private sector supply, as noted the authority follows the London Plan guidance on the proportion of accessible and adaptable, and wheelchair standard dwellings it expects from development proposals. However, local authority officers' view is that there is currently an over-supply of private sector accessible development, where there are difficulties in selling stock. Some of this may be down to lack of flexibility on the part of developers, who tend to deliver standard two bed units, neither personalised nor with a more diverse range of products.

### **Matching supply and demand**

5.47 The CORE log not only records the numbers of wheelchair and other accessible units being let, but also the needs of the household to which they were let. Across 2014 to 2017, 114 wheelchair accessible dwellings (69 general needs, 45 supported) were let. We found that:

- Of the 69 lettings to wheelchair adapted general needs accommodation, 43 went to those who had did not require wheelchair accessible stock (Table 5.10).
- In the same period, 11 applicants requiring general needs wheelchair access were let properties that were not wheelchair adapted.

- As regards supported / sheltered housing lettings, of the 40 lettings into wheelchair accommodation (there is no information about the other five), only three went to those requiring wheelchair access. 22 went to those with no mobility-related requirements at all. Seven went to those requiring level access housing and another eight went to those with other disability-related requirements (Table 5.11).
- In the same period, of the 20 supported / sheltered applicants with wheelchair access needs, as noted three went into wheelchair accessible accommodation, 13 were let homes that had been fitted with aids and adaptations, and four went into unadapted accommodation rather than one of a wheelchair-accessible standard.

**Table 5.10 Match between those requiring wheelchair accessible accommodation and letting of wheelchair standard homes – general needs**

General needs lettings 2014 - 17		Allocatee required wheelchair		
		Yes	No	Total
Property let was of wheelchair standard?	Yes	26	43	69
	No	11		
		Allocatee required level access		
		Yes	No	Total
Property let was of wheelchair standard?	Yes	6	54	60
	No	45		
		Other disability-related		
		Yes	No	Total
Property let was of wheelchair standard?	Yes	11	76	87
	No	56		

Source: CORE logs. 2014-2017 (GN SR and AR)

**Table 5.11 Match between those requiring wheelchair accessible accommodation and letting of wheelchair standard homes – supported and sheltered housing needs**

		Property type			
		Fitted with aids or adaptations	Designed to accessible general standard	None	Designed to wheelchair user standard
Requirements	Supported and sheltered housing 2014-17				
	Requires wheelchair	13	0	4	3
	Requires level access	19	1	3	7
	Other disability related requirements	31	0	19	8
No disability related housing design or adaptation requirements		271	13	302	22

Source: CORE logs 2014-2017 (Supported)

5.48 There can be a number of reasons for this apparent mismatch and the fact that a number of wheelchair accessible units went to those that did not need them:

- The need to minimise void periods conflicting with the sometimes long periods that households with wheelchair needs (who may be elderly or with learning difficulties as well) need to prepare for a move.
- The general inflexibility of the nominations / allocations procedures between local authorities and housing associations, with the need to fill the void quickly trumping the need to fill it appropriately.
- Issues around choice and preference – it may be that wheelchair units are not located where individuals with wheelchair housing needs have their networks of support.
- Unrealistic expectations – it may be that applicants still envisage a ‘bungalow’ type unit as what they would be offered, whereas it will be more likely that it would be a flat or maisonette, sometimes lifted and on higher floors.
- ‘Pre-emptive’ allocations – allocating a wheelchair accessible home to a household that does not immediately need it, but is likely to in the foreseeable future, such as an elderly household with members in poor health.
- Concerns about inaccuracies in the CORE log. For example, sometimes where a household’s disability status is not known it can be coded as ‘no disability adaptation requirement’ whereas in fact there might be one.
- However, we should note that the same concerns were registered in the 2014 SHMA.

## Conclusion

5.49 In summary there is a ‘flow’ of around 38 social rented wheelchair units coming into availability per annum. Another 79 are in the pipeline. Against this, there is the backlog unmet need for at least 96 wheelchair accessible homes, more if the demographic forecasts are to be believed. Further work would be required to look more deeply into the economic circumstances of those

requiring such accommodation, to determine how many or what proportion could access market products, but it is clear that more effective use of the social housing wheelchair assets that come into availability should be a priority.

## Students

### Context

5.50 Southwark currently houses three major universities and colleges (London South Bank University, London College of Communication (LCC) and Camberwell College of Art (CCA) – the latter two part of London University of the Arts), and is home to many smaller colleges, professional education institutions, and training centres. There are also major universities in neighbouring Lambeth (King’s College) and Lewisham (Goldsmith’s College). Transport links from Southwark offer relatively easy access to the higher education heartland of London, in Westminster and Camden.

### Students attending higher education establishments in Southwark

5.51 Student numbers attending just the three institutions – and therefore either living in or commuting into the area – are difficult to estimate because of multiple campuses. According to HESA<sup>31</sup> and individual college sources there are 17,923 students attending Southwark institutions, with a further 55,470 studying in Lambeth and Lewisham, and 177,000 students attending institutions in Westminster and Camden across the river. Solely looking at those attending Southwark institutions, 80% students are UK domiciled and 20% are from the EU or other nations. 76% are undergraduates, and 24% are postgraduates.

**Table 5.11 Major Higher Education institutions in South East London**

Southwark based HE institutions	Undergraduates	Postgraduates	Total	Overseas	Overseas %	Postgrad %
South Bank	12,320	4,810	17,130	1,600	9%	28%
LCC	4,606	558	5,164	516	10%	11%
CCA	997	253	1250	250	20%	20%
<b>Total</b>	<b>17,923</b>	<b>5,621</b>	<b>23,544</b>	<b>2,366</b>	<b>10%</b>	<b>24%</b>

Source: HESA and college websites; Camberwell College of Art and London College of Communication are part of the University of Arts, London.

5.52 The housing implications of this demographic and geographic focus have several aspects: although a substantial proportion of UK-domiciled students may live at home, London universities attract students from throughout the UK and – when added to the 20% of international students – this represents a significant additional housing requirement. Secondly, the relatively high proportion of postgraduates – nearly a quarter of the total – might imply an older and possibly family profile for at least a proportion of this group, leading to a larger size accommodation requirement, with the option of house-sharing being less appropriate.

<sup>31</sup> Higher Education Statistics Agency: statistics by institution <http://www.hesa.ac.uk/content/view/1897/239/>

## Student numbers living in Southwark

5.53 When we look at Census data on the number of full-time students that actually live in Southwark, we can see there are at least 21,508 resident students<sup>32</sup> – marginally below the actual student places in Southwark-based universities and colleges. Of these 15% are living with their parents. Only 11% are living in halls or residence or similar accommodation. 57% are living in either an ‘all student household’ or in ‘other household type’, which we are assuming will be predominantly in the private rented sector (the Census does not provide detailed tenure breakdowns for students).

**Table 5.13 Student accommodation**

Living with parents	3,227	15%
Hall of residence / University provided	2,328	11%
Other communal establishment	93	0%
Living in all student household	5,878	27%
Student living alone	1,291	6%
Family household with spouse, partner or	2,308	11%
Living in other household type	6,383	30%
All	21,508	100%

Source Census 2011 Table DC6108DW

5.54 There has been a certain amount of work done on the housing requirements of students in London. The London Academic Forum, set up by the Mayor in 2013 to advise on student housing requirements, predicted an increase in student numbers in Greater London of between 6,000 and 10,000 per annum until 2025. How this need was to be met is the subject of debate on the proportion of purpose built versus existing private rented sector HMOs that are required. The Forum undertook further work in 2017 to feed into the new draft London Plan. The most important conclusions reached<sup>33</sup> were that

- Growth in student numbers in London previously forecast had not materialised, and was likely to be lower and slower than previously forecast.
- That a greater proportion of students domiciled outside London would be coming to London universities.
- That growth in the number of international students coming to London would continue, particularly from non-EU countries, and that they faced more difficulty in private renting than other groups.
- That the current stock of purpose built student accommodation (PBSA) is 83,000 bedrooms
- Priority groups for new development should be UK non-Londoners and international students (i.e, not London domiciled students).
- That an additional 3,500 bedspaces should be provided annually over the new London Plan’s period.

<sup>32</sup> This figure is based on Census data of ‘students in full-time education aged 20 or over’. Other Census student data conflates 16+ students, which would include schoolchildren and FE students doing A levels or similar. So our figures probably underestimate college and university attendees.

<sup>33</sup> Mayor’s Academic Forum Meeting Notes, May 2017

5.55 These findings are reflected in the draft London Plan, which incorporated the 3,500 target, and additionally calls for 35% of new student accommodation to be ‘affordable’, which is defined as a rent below 55% of the maximum income a new full time student living away from home could expect from the Government’s maintenance loan for living costs for that academic year.

### **Meeting student housing need in Southwark**

5.56 The Council currently has policy that 35% of the floorspace of direct lettings in PBSA should be at conventional affordable rents, and an additional 27% of rooms should be let at ‘rents affordable to students’ which presumably would reflect the London Plan definition. Additionally, 10% should be wheelchair accessible. When developments are commissioned by Higher Education providers, policy is that as much as possible conventional affordable rented accommodation should be provided. A demand for PBSA was noted by one of the developers we interviewed, who may include an element of it in a current development.

5.57 We do not have a precise figure for the amount of PBSA in Southwark, but given that across London there has been a 40% increase since 2012, the figure is likely to be 7,840 homes, one of the largest provisions in the capital, and potentially one unit for every three HE places in the borough. This means it is likely that a higher percentage than that recorded in the Census (11%) are likely to be living in PBSA.

5.58 The authority is clear that while it recognises that there is a shortage of PBSA, allowing too much would undermine the ability to provide family and affordable accommodation. By triggering an affordable housing element within student developments, both priorities are being met.

5.59 In view of these policies, the already high proportion of PBSA, and the forecast slowing down in future demand, we do not consider changes in policy are required.

### **The private rented sector and Houses in Multiple Occupation (HMOs)**

5.60 The study of the private rented sector carried out in 2014<sup>34</sup> described the demographic make-up and characteristics of the sector in some detail, much of which is still relevant. Here we will restrict ourselves to updating factors that have changed, mainly focussing on rents, the number of Housing Benefit claimants, the size of the sector, and HMO licensing. The role of the PRS in helping meet affordable housing need is considered further in Chapter 4.

#### **Rents**

5.61 Private sector rents are difficult to monitor and estimate because, unlike housing prices or social rents, there is no central and formal data gathering methodology. The most official source there is the Valuation Office Agency, who use rents from a regular rolling survey of landlords and lettings agents, and is the basis for setting Local Housing Allowances. The disadvantage with this source is that it takes an average across a year, ending 31 March. Thus, the figures available are a year out of date. Traditionally, VOA rents have always come out lower than ‘asking’ rents – one reason that it has been criticised as the determinant for LHAs in Broad Rental Market Areas. However they do have the benefit of a long time series and a consistent methodology for data capture.

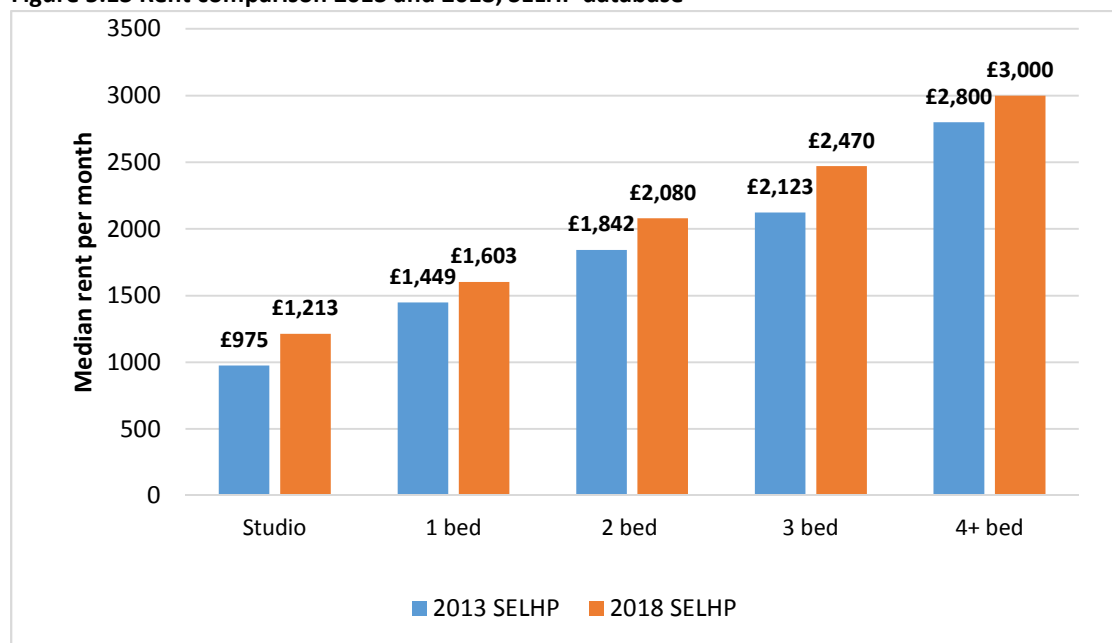
5.62 Another source is the series of Housing Market Monitoring Bulletins the authority has produced for a number of years, covering South East London authorities and LB Lambeth. This is

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<sup>34</sup> The private rented sector in South East London and Lambeth, SELHP / Cobweb Consulting 2014

based on downloads from Zoopla, and thus represents ‘asking’ rents, rather than actual rents payable. Its advantage is that it can be seen to be more up to date. But the disadvantage is that it relies on landlords and agents adverts, some of which may be for property that is already let or has conditions attached; and as noted the asking rent may not be the one actually achieved. Figure 5.13 summarises changes by bedsize between 2013 and 2018

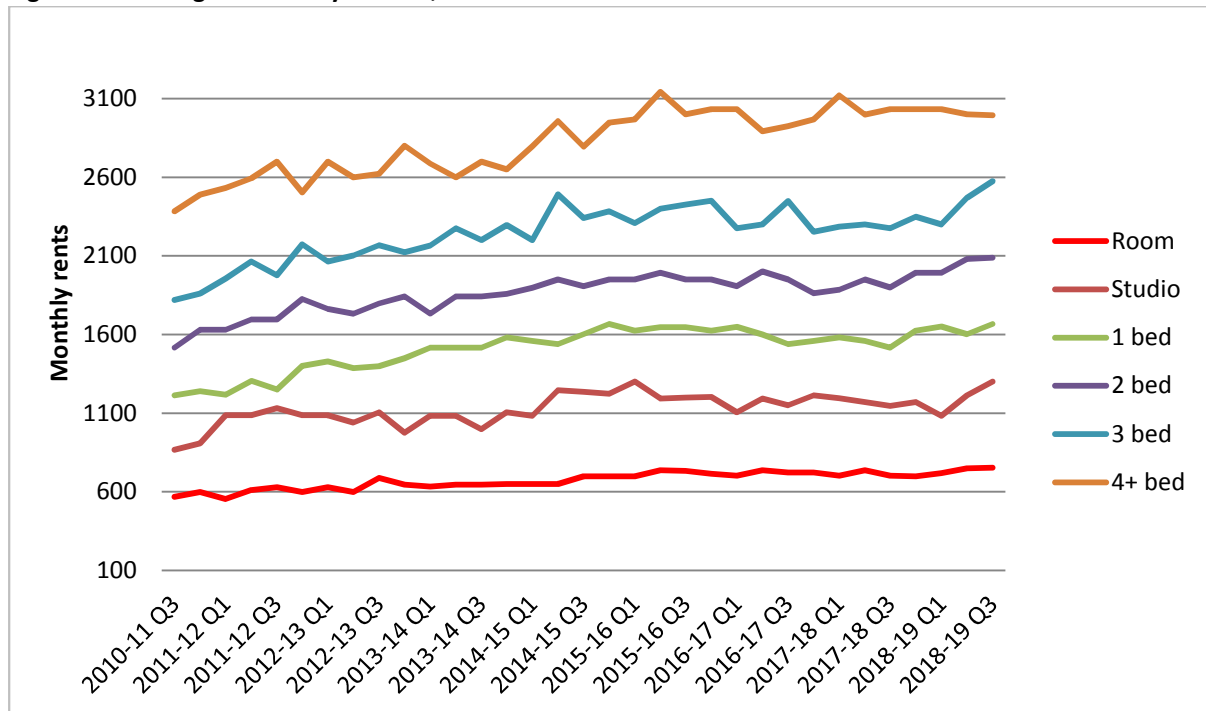
**Figure 5.13 Rent comparison 2013 and 2018, SELHP database**



Source: SELHP Housing Market Monitoring Bulletin

5.63 Whichever database one looks at, rents have increased since the last SHMA. Looking at the SELHP database the largest proportionate increase has been for studios, which have seen their rents rise by 24% over the period. One, two and three beds have seen rent rises of, respectively, 11%, 13% and 16%. The lowest rate of increase has been for four plus beds, which have risen by 7%. Figure 5.14 below covers a longer time period, and looks at more detail in changes by bedsize. Here one can see that that the greatest rate of increase has been for studios, where asking prices have increased by 50% since 2010-2011, and three beds, which have increased by 48% over the longer period.

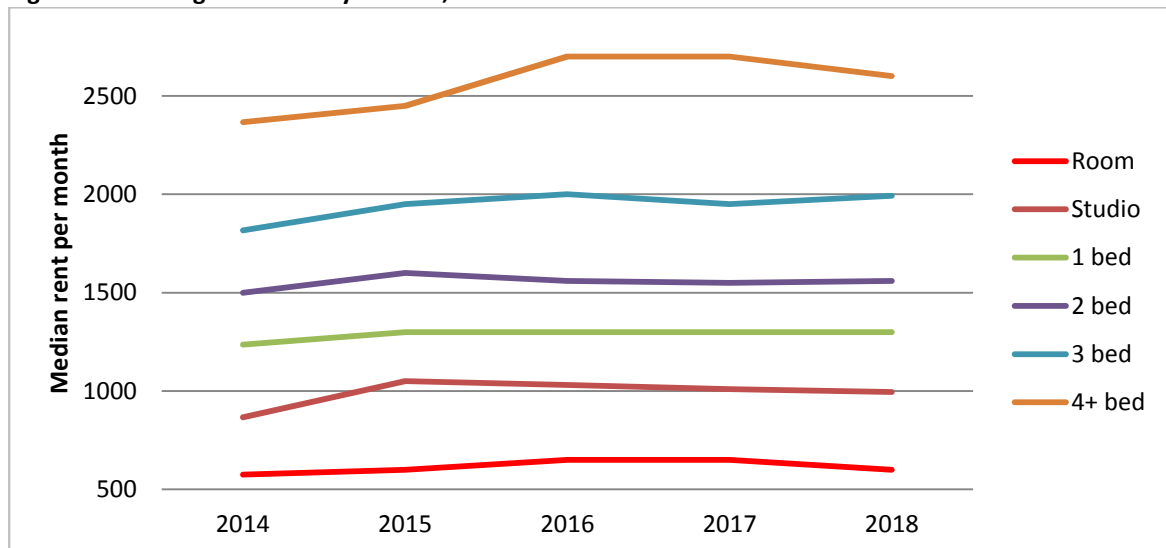
**Figure 5.14 Changes in rent by bedsize, SELHP Bulletin**



Source: SELHP Housing Market Monitoring Bulletin

5.64 Looking at the VOA data, a rather different picture emerges. Although rents of all sizes are higher now than in 2014, in some instances, year on year, a reduction has been noted. And all told, the overall increases are lower than the SELHP data – between 4% and 5% for rooms, one and two beds, to 10% for three and four beds, to 15% for studios. At the best a flattening pattern can be discerned, if not the beginning of a downwards trend.

**Figure 5.15 Changes in rents by bedsize, VOA database**



Source: Valuation Office Agency statistics

5.65 The main consistent thread between the two databases is the substantial increase in studio rents. This may be a reflection of increasing demand for smaller units in the face of general rent inflation. Studios are still nearly a third cheaper than one beds on both the SELHP and VOA scales.



5.66 Lettings agents we interviewed considered that rents are ‘stable’ at the moment, and that landlords might even consider reducing them to keep ‘good’ tenants. This is perhaps a further indication that rents are at least flattening, as noted above.

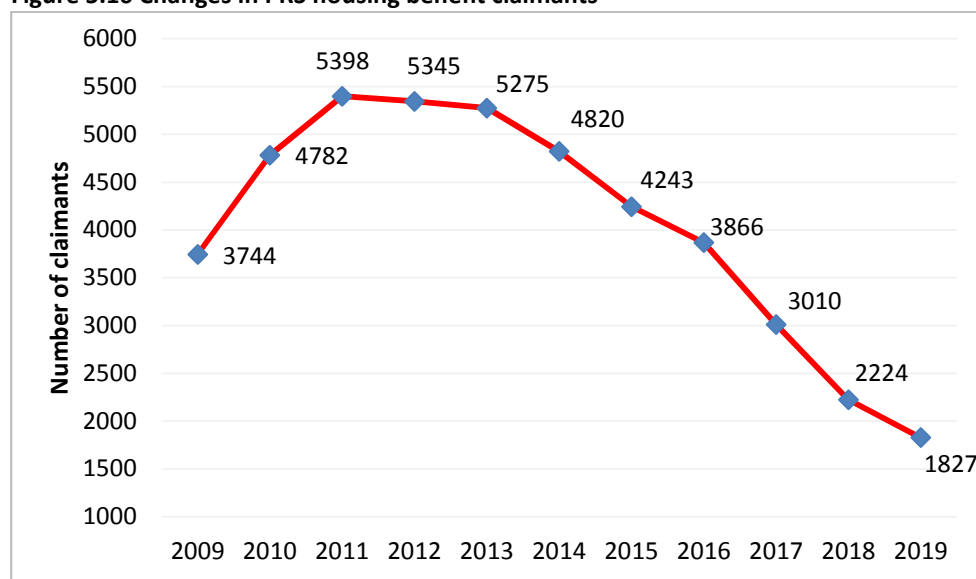
### Number of Housing Benefit claimants

5.67 When we conducted the 2014 study of the PRS one of the research questions the clients set was ‘what is the capacity of the sector to accommodate households who would otherwise have to be housed in the social rented sector’. One of the prime characteristics of this group of households was affordability problems, characterised by relatively low incomes and relatively high rents. Housing benefit had been the failsafe mechanism to enable such households to access the private rented sector. One of the conclusions of the 2014 study was that though there were indications that some landlords would continue to let to benefit claimants, this market was seeing gradual attrition, because of the combination of the impact of benefit reforms making letting to claimants more risky, and increasing demand from those on higher incomes but who could not afford to buy. This is considered further in Chapter 4.

5.68 When one examines the number of HB claimants in the sector since that study, it is apparent that this attrition is well underway. After peaking in 2011, with 5,398 claimants the impact of benefit reform can clearly be seen over the succeeding years (the 2011 LHA cap and removal of bedroom rate, the 2012 shared accommodation extension to 35 year olds, the 2013 benefit cap, and withdrawal of the ‘spare room subsidy’ and the roll out of Universal Credit, which arrived in Southwark in 2017). Numbers had fallen to 1,996 in November 2018, and hit 1,827 in February 2019 – a two thirds reduction over seven years.

5.69 This view was confirmed in the interviews with lettings agents, who noted that landlords were very reluctant to let to people in receipt of benefits or financial support. This was partly due to concerns about the rent being paid but also anxieties about the condition of a property at the end of a tenancy. There was no shortage of higher-earning professionals ready to pay for and take up lettings.

Figure 5.16 Changes in PRS housing benefit claimants



Source: DWP StatExplor

## Size of the sector

5.70 As with rents, the absence of formal or statutory monitoring of the sector means that estimates of the changing size of the PRS is difficult to gauge. The baseline is the 2011 Census, which showed that there were 28,493 private tenants, comprising 24.9% of households. The equivalent figures in 2001 were 15,932 tenants making up 15.1% households. This means that the sector experienced a 79% increase across the decade, equivalent to an extra 1,256 households per annum. If we assume that the sector has continued to grow at the same rate since 2011, this means that in 2018 there would be 32,286 households in the sector.

5.71 An alternative measure is to use the figure in the English Housing Survey (EHS). This is a sample survey, and therefore not as rigorous a measure as the Census. According to the EHS, the sector grew by 17% nationally between 2011 and 2017, or on average 3% per annum, but growth in London was probably greater. If growth in London was at 3.5% per annum, and Southwark were to have followed this pattern, this would have led to an increase in the size of the PRS in Southwark from 28,493 to 36,182 by 2018. Assuming that Southwark had a higher growth rate of 4%, this would result in 37,424 units in the sector in 2018. This gives an indication of the range of estimates of the size of the sector – somewhere between 32,300 and 37,400.

## Houses in Multiple Occupation (HMOs)

5.72 The 2014 study concluded that the HMO market was dividing into two:

- Firstly, more young professionals who are earning relatively well but are not able to access owner-occupation are prepared to live in HMOs, and their higher rental ability can command better conditions. There was certainly a correlation between increased earnings and increased satisfaction with HMOs.
- Conversely, we identified a concentration of poorer conditions and management standards in HMOs with the lowest rents, often in smaller properties that had been subdivided.

5.73 Perhaps counter-intuitively, overall, HMO residents were slightly more favourably inclined about the condition, quality and local environments of their homes than those in self-contained accommodation. We can speculate that these tenants may have lower expectations, and that the resident profile is more tolerant of worse conditions.

5.74 An additional sign that landlords are maximising their income from properties is the intensity of use of space: approaching 40% of HMOs had no shared living room (i.e. all residential rooms are used as bedrooms). As part of the current study, Council officers commented on the trend for subdivision, especially in ex RtB units, and the increasing proportions of families with children they are finding living there.

5.75 We concluded a revised image of the HMO sector was required, of an expanding sub-sector re-orienting itself to cater increasingly for better-off, younger singles, and providing a reasonable standard of accommodation if tenants can pay for it – rather than the more-popularly accepted image of a sub-sector bordering on the slum definition.

5.76 This is not to dispute that some HMOs are of poorer quality, and require intervention by authorities. We suggested that the authorities in the study including Southwark took a dual approach to enforcement in the HMO sector and the wider PRS:

- A light touch for majority of reasonable players, including encouragement to join

accreditation schemes, and engagement around procurement and supply. Southwark is developing a 'Gold Standard' for landlord accreditation, and there was a view among officers that the incentive and rewards for landlords must be enough to outweigh costs of compliance if the scheme is to take off.

- Continuation of existing enforcement measures, against worst offenders, perhaps focussing on the HB market and properties managed by agents, and on known troubled 'hotspots'. It seems clear that the authority has stepped up its enforcement activities over the last two years

5.77 In updating this SHMA we found the main changes in the HMO sector were in the policy and enforcement activities that the Council has undertaken, rather than the conditions in the sector (though to explore this in more depth would have required a repeat survey). There was concern among officers that the statutory framework had become unwieldy, that the Housing Health and Safety Ratings Standards were no longer fit for purpose, and that the overall regulatory system was patchwork-based rather than consistent. Reform and rationalisation would make local authorities' ability to improve conditions and enforce management standards more effective.

5.78 Southwark introduced pilot additional and a selective licencing schemes in 2016 (running until 2020), as well as of course continuing to issue mandatory licences where appropriate. To date some 1,701 additional licences have been issued, to properties occupied by three or four people in two or more households. It is estimated that there are probably around 10,000<sup>35</sup> properties that potentially should have such licences. A complex selective licencing scheme for all PRS properties has been introduced into 17 areas comprising approximately 134 streets, mainly concentrated around main roads and shopping areas. Six hundred and ninety-six of potentially 5,000 properties have so far been given selective licences. To date, 294 mandatory licences (of properties occupied by five or more people in more one household), out of an estimated 800 pool of such properties have been issued.

5.79 In terms of enforcement action the Council took 15 prosecutions in the three years 2011 to 2014; and a further eight in each of 2014 to 15 and 2015 to 2016. There was a pause in activity in 2016 to 2017 while the two new schemes were put in place, followed by a resurgence in 2017 to 2018 when 15 prosecutions were made.

5.80 It seems the authority has taken on board the suggestion of greater enforcement action against particularly bad landlords made in the 2014 report. However, given that the additional and selective licencing schemes are due to run until 2020, and the relatively low level of mandatory licences achieved as against likely requirements, there must be some concern that highlighting the additional and selective schemes is diluting the focus on rigorous enforcement against the worst landlords, who are most likely to be in the HMO sector. It would make sense to review priorities and resource use in 2020, with particular emphasis on how many of the extant 500 unlicensed HMOs are licensed at that point.

## **People wishing to build their own homes**

5.81 National Planning Policy Guidance notes the government's desire to enable more people to build their own homes and to make this form of housing a mainstream housing option.

5.82 The Self-Build and Custom Housing Building Act 2015 came into force in April 2016. Among other measures, it places a duty on local authorities to keep a register of individuals and community

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<sup>35</sup> <https://www.londonpropertylicensing.co.uk/southwark>

groups who have expressed an interest in acquiring land to bring forward self-build and custom-build projects. It instructs local authorities to have regard to and make provision for the interests of those on such registers in developing their housing initiatives and their local plans (including such data in SHMAs). It is expected that the authority will grant permission for as many serviced plots as needed to meet demand. It also allows volume house builders to include self-build and custom-build projects as contributing towards their affordable housing obligations, when in partnership with a Registered Provider.

5.83 Revised regulations came into force in October 2016<sup>36</sup>. In effect, these give authorities the option to set up a two-part register that is more sophisticated than the initial model. Authorities are able to set up local eligibility tests against two criteria: having a local connection, and being able to demonstrate they have the resources to purchase land for their own self-build project. Only those who meet these criteria and enter Part 1 of the register would be entitled to access to development permissions. The regulations also make provision for authorities to appeal to the Secretary of State for exemptions from the duty to provide serviced plots where demand on housing land supply is constrained.

5.84 The current version of the Southwark register has 112 entries (though not all of these have full information). 107 of these are described as individuals, 44 as groups, and 24 as developer-led custom build schemes – the overlap being caused by many entries appearing under multiple headings

5.85 Other key characteristics include:

- 68 households live in Southwark, 27 work there, and 20 have families there; 24 have no local connection
- Only 10 are on the Housing Register
- Over 35% are owner-occupiers
- Nearly 30% are not British
- 41% are also on Self-Build registers in other authorities

5.86 In view of the fact that over 20% of registrants can demonstrate no local connection, and over a third are already home owners, we suggest (if not already done) that the authority consider setting up a two part register. This could help ensure that any access to plots that are available goes to those with the most connection, needs and of course ability to resource the project. We suggest incorporating this decision into planning and site allocation policy.

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<sup>36</sup> [http://www.legislation.gov.uk/uksi/2016/1027/pdfs/uksi\\_20161027\\_en.pdf](http://www.legislation.gov.uk/uksi/2016/1027/pdfs/uksi_20161027_en.pdf)  
[http://www.legislation.gov.uk/uksi/2016/1027/pdfs/uksiem\\_20161027\\_en.pdf](http://www.legislation.gov.uk/uksi/2016/1027/pdfs/uksiem_20161027_en.pdf)