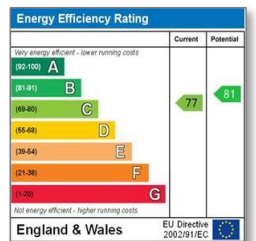




London Borough of Hackney Strategic Housing Market Assessment Update 2014

Addendum Report

November 2018





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1. Addendum Report

Background to the project and wider policy context

- 1.1 Opinion Research Services (ORS) was commissioned by the London Borough of Hackney to prepare a Strategic Housing Market Assessment (SHMA) in 2014.
- 1.2 The purpose of this Addendum Report is to support the evidence from the Hackney SHMA 2014, which was published in 2015, in light of policy and data updates since the time that it was produced and in advance of the publication of the New Draft Hackney Local Plan in November 2018. This Addendum Report does addresses changes in national and regional policy since 2014 including the amendments to the National Planning Policy Framework and provides a narrative on the merits of the existing method of calculating housing requirements compared to the Government’s proposed new methodology.

Hackney SHMA 2014

- 1.3 The Strategic Planning Authority for London is the Greater London Authority. The GLA produced a Greater London SHMA (2013) which in turn underwrites the Further Alterations to the London Plan (FALP) which was adopted in 2015. The GLA have subsequently produced their Housing Supplementary Planning Guidance 2016, a Greater London SHMA 2017 and a draft London Plan 2018 which is due to be examined in January 2019. Therefore, the FALP 2015 remains the most up to planning policy in London.
- 1.4 The Hackney SHMA 2014 was produced in line with the Greater London SHMA 2013 and produced the OAN for housing set out in Figure 1. Therefore, in summary, the Objectively Assessed Need for Hackney following the methodology adopted in the GLA SHMA 2013 was **1,758 dwellings per annum**.

Figure 1: Annualised Summary of Household Projections and Backlog of Need for Hackney 2011-2035 (Source: GLA, CLG and ORS)

Source of Housing Need	Annual Figure
Household projection – GLA Central trend	1,528
Concealed households	89
Sharing Households	70
Homeless Households	36
Non-homeless household and those needing to move due to harassment	10
Total without Vacant Dwellings and Second homes	1,733
Additional allowance for vacant and second homes	25
Objectively Assessed Housing Need	1,758

- 1.5 Since the time of the production of the Hackney SHMA 2014 there have been numerous national policy changes which could impact upon the calculation of housing needs for an area, and also significant changes to the underlying data. We will firstly review government policy before analysing an updated data.

Government Policy

- 1.6 The National Planning Policy Framework (NPPF) was updated in July 2018. Prior to July 2018, the NPPF 2012 contained a presumption in favour of sustainable development, and stated that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area.

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

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

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

National Planning Policy Framework (NPPF), paragraph 14

To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework.

National Planning Policy Framework 2012 (NPPF), paragraph 47

- 1.7 Given this context, Strategic Housing Market Assessments (SHMAs) primarily informed the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective was to provide the robust and strategic evidence base required to establish the full Objectively Assessed Need (OAN) for housing and provide information on the appropriate mix of housing and range of tenures needed. They did not set a 'housing target' for the planning authority.
- 1.8 Planning Practice Guidance (PPG) on the assessment of housing and economic development needs was published in March 2014, updated in March 2015, and further updated in September 2018.

Government Policy: Post July 2018

- 1.9 The NPPF was updated in July 2018 and contains a number of changes. The underlying theme of sustainable development remains, but in relation to identifying and meeting housing needs several significant changes have been implemented. These include the NPPF 2018 containing:
- » No references to housing market areas;
 - » No mention of Strategic Housing Market Assessments;
 - » A new standard methodology to underwrite a local housing market assessment, but with the ability to deviate from this figure if it is locally justified;
 - » A new definition of affordable housing; and
 - » A housing delivery test to assess if a planning authority is meeting its housing needs.

60. To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.

61. Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).

62. Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless: a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and b) the agreed approach contributes to the objective of creating mixed and balanced communities.

National Planning Policy Framework 2018 (NPPF), paragraph 60-62

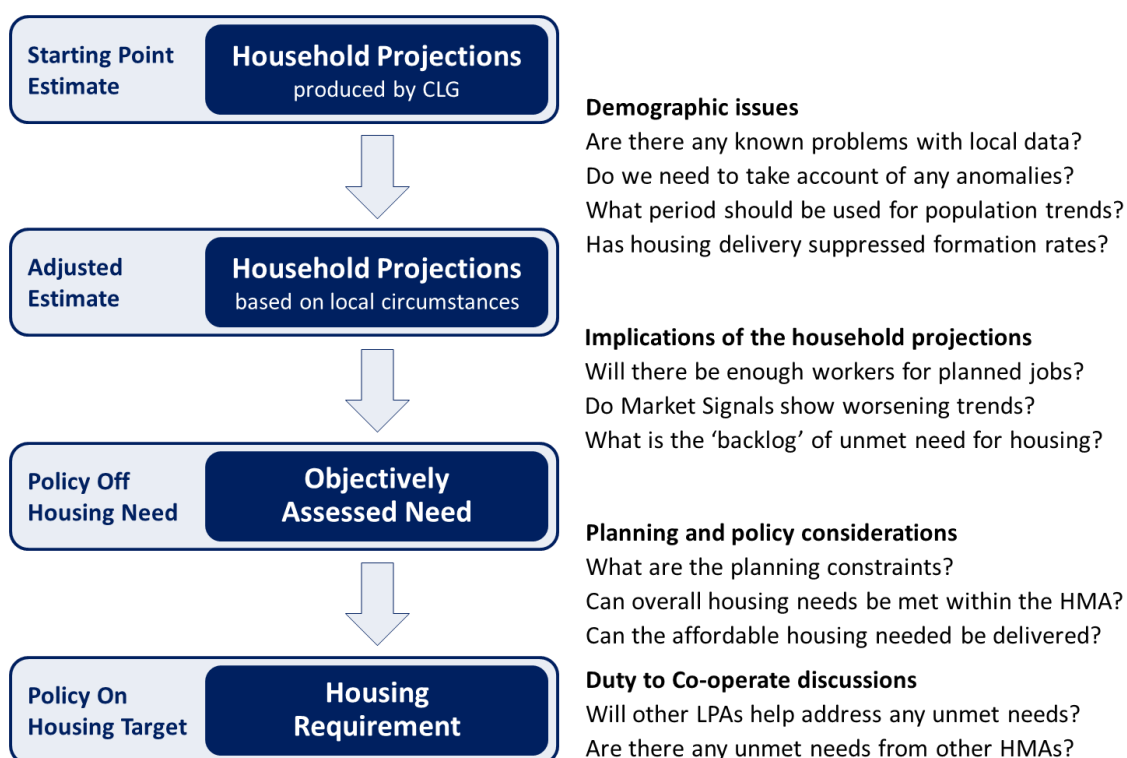
- 1.10 The NPPF 2018 also contains a transition period which implies that any Local Plan submitted before January 24th, 2019 will be assessed against the NPPF 2012 and existing planning practice guidance and this is clearly very important in the case of Hackney given their proposed Submission Local Plan will be submitted within this transition period.
- 1.11 On this basis, it is not necessary for the Hackney to directly consider the impact of the new standard method for the calculation of Local Housing Needs. However, for completeness, we would note that based upon the NPPF July 2018 and existing planning practice guidance the Local Housing Need figure for Hackney is 2,343 dwellings per annum.
- 1.12 However, on October 26th 2018, MHCLG clarified their intention to change the standard method for Local Housing Need. At paragraphs 19 of the document, “Technical consultation on updates to national planning policy and guidance October 2018”, MHCLG set out their planned changes to the standard method. If this new method was to be implemented, the Local Housing Need for Hackney would rise to 3,134 dwellings per annum.
- 1.13 However, the NPPF at paragraph 60 does state that
- To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals.*
- 1.14 Meanwhile at paragraph 65 the NPPF states that:
- Strategic policy-making authorities should establish a housing requirement figure for their whole area, which shows the extent to which their identified housing need (and any needs that cannot be met within neighbouring areas) can be met over the plan period.*
- 1.15 For Hackney, the issue of conformity with the current and future London Plans and the available land supply is likely to be a key factor driving their housing requirement. Therefore, we would stress that the MHCLG consultation figure has only been included for completeness, would only apply to plans submitted after

January 24th 2019 and that it is the NPPF 2012 and Planning Practice Guidance first published in March 2014 which are relevant to Hackney.

Process for Establishing Objectively Assessed Need

- 1.16 Based upon the NPPF 2012 and Planning Practice Guidance published in March 2014, The Objective Assessment of Need identifies the quantity of housing needed (both market and affordable) over future plan periods. This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).
- 1.17 Figure 2 sets out the process for establishing the housing number for Hackney. It starts with a demographic process to derive housing need from a consideration of population and household projections.
- 1.18 To establish the Objectively Assessed Need (OAN), external market and macro-economic constraints are applied to the demographic projections ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings. Nevertheless, it is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors should subsequently be considered by the local planning authorities as part of the plan-making process in order to establish the appropriate Housing Requirement and planned housing number.

Figure 2: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)



- 1.19 The first step in the Objective Assessment of Need is a demographic process to derive housing need from a consideration of population and household projections.
- 1.20 Whilst Planning Practice Guidance published in March 2014 and updated in September 2018 identifies that the CLG (now ONS) household projections will normally provide the starting point estimate, in developing their Local Plans it is necessary for London Boroughs to ensure conformity with the Mayor's Spatial Development Strategy prepared by the Greater London Authority: The London Plan.

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

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

- 1.22 Given this context, whilst the CLG household projections will always provide the “starting point estimate”, the GLA projections have been routinely accepted as the basis for establishing overall housing need for London boroughs.

CLG and GLA Projections

- 1.23 The GLA London-wide SHMA which informed the Further Alterations to the London Plan (FALP) was based on the 2013-round projections, and favoured the scenario based on the ‘Central variant’ assumptions. This assumed short-term migration trends would persist for the initial 5-year period of the projection (2012-17); however, for later years of the projection, it was assumed that domestic migration outflows would increase by 5% and inflows would reduce by 3% to reflect longer-term trends.
- 1.24 The GLA has since published 2014-round projections (based on population estimates to mid-2013), 2015-round projections (based on population estimates to mid-2014), 2015-based interim projections and 2016-based projections. These projections now include three trend-based scenarios for future years – one based on short-term migration (taking trends for a 5-year period), a central scenario (taking trends for a 10-year period), and one based on long-term migration (taking trends for a 15-year period).
- 1.25 Figure 3 show the projected number of households based on the three scenarios from the 2013-round projections and the three scenarios from the 2016-based projections. The GLA 2016-round central migration scenario (based on migration trends for the 10-year period 2006-2016) forms the basis of the GLA SHMA 2017. This projects a much higher rate of household growth for both Hackney and London as a whole than the 2013 round scenario used to underwrite the FALP 2014.
- 1.26 Figure 3 also outlines the CLG and ONS official sub-national household projection for Hackney. While both the CLG 2012 based and 2014 based projections show much higher rates of household growth, the ONS’s 2016 based projection published in September 2018 reverse this trend. The level of growth shown in these projections is only slightly higher for Hackney than the GLA’s 2013 central variant which was used to underwrite the Hackney SHMA 2014.

Figure 3: Household projections 2018-33 (Source: GLA; CLG. Note: All figures presented unrounded for transparency)

		Projection base date	Migration trends	Total households		
				2018	2033	Change 2018-33
CLG/ONS Household Projections	2016-based ONS	2016	2011-16	117,295	141,275	+23,980
	2014-based (PPG “starting point”)	2014	2009-14	120,502	152,355	+31,853
	2012-based	2012	2007-12	116,187	143,291	+27,104
GLA 2016-based Projections	Short-term trend	2016	2011-16	121,336	155,247	+33,911
	Central trend (basis for GLA 2017 SHMA)	2016	2006-16	120,210	148,264	+28,054
	Long-term trend	2016	2001-16	119,584	143,201	+23,617
Previous GLA Projections	2015-based: Central trend	2015	2005-15	119,168	145,105	+25,937
	2015-round: Long-term trend	2014	2002-14	118,660	141,971	+23,311
	2014-round: Long-term trend	2013	2001-13	114,178	133,705	+19,527
	2013-round: Central variant (basis for GLA 2013 SHMA)	2012	2007-12 adjusted	116,747	138,069	+21,322

1.27 On this basis, while the GLA produced household projection has shown much higher rates of growth for Hackney since the 2013 round central variant used to underwrite both the FALP 2014 and the Hackney SHMA 2014, the most recent ONS 2016 based household projections show much lower rates of projected household growth. This is important because these figures are likely to feed in to lower projected growth in the GLA’s projections in the future as ONS projections are a key component of the inputs. Lower projected population and household growth shown in the ONS 2016 based household projections is likely to imply that the GLA’s 2016 round projection represent a peak for projections in London. Future projections are likely to show lower rates of household growth, as GLA 2016 based projections take no account of key changes in the wider policy context especially related to Brexit which have resulted in an immediate decline in EU net migration which will feed through into lower expectations for international net migration in the future.

Defining Market Signals

1.28 While the demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG March 2014 identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (Paragraph 019)

A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (Paragraph 020)

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)

1.29 The Market Signals include:

- » Land and house prices;
- » Rents and affordability;
- » Rate of development; and
- » Overcrowding.

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

1.31 In terms of headline outputs, the market signals for Hackney when compared to other London boroughs are shown below in Figure 4, where indicators marked green are 'better' than for Greater London and indicators marked red are 'worse' than for Greater London:

Figure 4: Summary of Market Signals

	Indicators Relating to Price						Indicators Relating to Quantity			
	Lower quartile house price		Average monthly rent		Workplace affordability ratio		Overcrowded households		Housing delivery relative to stock	
	2016/17 £	5-yr change to 2016/17	2016/17 £	5-yr change to 2016/17	2016 ratio	5-yr change to 2016	2011 %	10-yr change to 2011	% 2006-11	% 2011-16
England	148,100	+19%	852	+21%	7.2	+7%	8.7%	+23%	4.1%	3.3%
Greater London	333,100	+54%	1,748	+33%	12.8	+42%	21.7%	+25%	4.5%	3.8%
Barking & Dagenham	250,000	+69%	1,171	+40%	10.3	+48%	20.1%	+63%	2.2%	4.0%
Barnet	370,000	+57%	1,588	+17%	15.3	+36%	18.0%	+37%	3.3%	5.3%
Bexley	260,000	+54%	1,086	+29%	11.8	+40%	8.1%	+29%	1.7%	1.9%
Brent	335,000	+46%	1,592	+22%	15.3	+26%	29.6%	+24%	5.0%	4.1%
Bromley	327,000	+58%	1,243	+20%	14.4	+28%	8.0%	+26%	2.8%	1.9%
Camden	510,300	+53%	2,138	+15%	19.2	+50%	32.5%	+9%	3.6%	2.8%
City of London	610,000	+77%	2,163	+18%	16.1	+64%	-	-	2.6%	14.5%
Croydon	270,000	+56%	1,104	+27%	12.2	+46%	16.4%	+43%	3.6%	4.4%
Ealing	355,000	+51%	1,519	+31%	17.4	+57%	23.6%	+23%	3.6%	3.2%
Enfield	305,000	+62%	1,389	+33%	13.8	+45%	18.3%	+38%	3.8%	2.0%
Greenwich	315,000	+67%	1,384	+38%	13.3	+54%	19.3%	+38%	2.0%	5.2%
Hackney	405,000	+71%	1,804	+44%	16.8	+79%	32.2%	+16%	9.0%	5.0%
Hammersmith & Fulham	525,000	+57%	2,161	+29%	20.1	+66%	27.6%	+9%	3.9%	3.9%
Haringey	375,000	+63%	1,518	+36%	17.0	+52%	28.5%	+28%	5.9%	2.6%
Harrow	350,000	+52%	1,417	+29%	15.6	+22%	16.3%	+37%	3.8%	3.2%
Havering	270,000	+53%	1,061	+23%	12.4	+38%	7.4%	+32%	3.1%	2.1%
Hillingdon	310,000	+55%	1,198	+26%	12.6	+45%	15.9%	+43%	2.6%	4.1%
Hounslow	290,000	+41%	1,496	+25%	11.8	+30%	21.8%	+34%	7.2%	2.5%
Islington	460,000	+56%	1,886	+22%	15.4	+40%	29.1%	+17%	9.1%	5.1%
Kensington & Chelsea	750,000	+51%	3,544	+31%	32.1	+46%	27.1%	-8%	0.2%	2.5%
Kingston upon Thames	367,500	+54%	1,417	+48%	16.5	+36%	12.9%	+21%	1.5%	2.2%
Lambeth	390,000	+67%	1,670	+29%	14.9	+64%	26.4%	+20%	5.6%	4.1%
Lewisham	319,000	+73%	1,307	+39%	13.1	+45%	22.2%	+26%	4.5%	5.7%
Merton	345,000	+57%	1,608	+28%	16.4	+48%	16.1%	+30%	0.5%	2.8%
Newham	295,000	+64%	1,391	+52%	12.1	+36%	34.9%	+33%	5.0%	6.8%
Redbridge	302,500	+44%	1,253	+35%	12.8	+22%	16.9%	+47%	3.8%	1.3%
Richmond upon Thames	450,000	+53%	1,830	+39%	17.1	+23%	10.0%	+20%	2.1%	2.2%
Southwark	393,300	+65%	1,653	+28%	13.6	+50%	28.8%	+14%	8.4%	5.2%
Sutton	276,000	+53%	1,159	+32%	13.3	+33%	10.6%	+25%	1.5%	2.4%
Tower Hamlets	373,500	+59%	1,801	+32%	12.0	+55%	34.8%	+19%	15.3%	7.4%
Waltham Forest	340,000	+87%	1,312	+42%	16.5	+79%	23.2%	+44%	4.1%	3.1%
Wandsworth	483,000	+74%	1,853	+30%	19.4	+69%	20.1%	+22%	5.8%	5.2%
Westminster	667,000	+67%	2,784	+16%	22.3	+47%	30.8%	+4%	7.4%	3.1%

1.32 The trends for Hackney show:

- » The increase in lower quartile house prices over the previous 5 years has been greater than for Greater London as a whole;
- » Average monthly rents have increased at a rate higher than for Greater London as a whole;

- » The affordability ratio¹ has increased over 5 years by more than the percentage increase for Greater London, and affordability is worse than for Greater London;
- » The percentage of overcrowded households has increased by less than for Greater London;
- » Housing delivery relative to stock has increased by more than for Greater London.

1.33 Based on house prices, rents, affordability and overcrowding, it is appropriate to consider an uplift to the household projection when establishing OAN in response to market signals, but this uplift was already included in the Hackney SHMA 2014 in line with the Greater London SHMA 2013. Therefore, no further uplift is required.

Summary

1.34 In the summary the OAN identified in the Hackney SHMA 2014 still remains relevant for the new draft Hackney Local Plan because:

- » The Hackney Local Plan will be assessed against the NPPF 2012 and Planning Practice Guidance March 2014 having been published before January 24th 2019;
- » The Hackney Local Plan must be in conformity with the FALP 2015 and any future London Plan. This is likely to require a bespoke approach to housing needs for any London borough, rather following the standard method set out in paragraph 60 on the NPPF July 2018; and
- » While more recent GLA population projections have forecast higher rates of growth for Hackney, the more recent 2017 ONS Mid Year estimates have shown lower rates of growth consistent with a slowing of population growth in London. Changes in net migration, much of it linked to changes in trends arising following the 2016 EU referendum have been the key factor. They will have the likely effect that future GLA projections will be lower for Hackney than the latest 2016 based projections.

¹ Note that this is measured by the lower quartile (as opposed to median) version of the “Workplace affordability ratio”, which considers the relationship between earnings and house prices in the area (house prices divided by earnings) where people are employed, rather than where they live. The PPG suggests the use of lower quartile figures, and the ONS prefer the use of the workplace based, rather than residence based affordability ratio.

From the ONS: “When looking at the workplace-based affordability ratios, we are looking at whether people can afford to live where they work, which effectively reflects the house-buying power of employees. If we look at residence-based affordability ratios, then we are looking at what the people who live in a given area earn in relation to that area’s house prices, even if they work elsewhere. This measure does not consider that people may be getting higher earnings from working in other areas.” –

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016#effect-of-workplace-based-and-residence-based-earnings-on-housing-affordability>

Appendix A

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