GL Hearn
Part of Capita Real Estate

Strategic Housing Market Assessment

London Borough of Richmond upon Thames

Final Draft Report

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DATE	ORIGINATORS	APPROVED
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This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

EXECUTIVE SUMMARY

1. This summary brings together the key findings of the SHMA Report. It is structured to set out the policy context and then GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; and then findings relating to the need for different types of homes and the housing needs of specific segments of the population.

Relevant Planning Policies

2. The 2015 London Plan (as updated) sets a minimum 10 year target for 3,150 homes between 2015-25 (315 per annum) for Richmond Borough.

3. The 2009 Core Strategy for LB Richmond sets a minimum housing target for 2,700 dwellings in the Borough between 2007-17 (270 per annum). Policy CP14 requires the maximum intensity of use of a site to be made compatible with the local context whilst respecting the quality, character and amenity of existing neighbourhoods. Development is expected to take place on brownfield land, with no greenfield development expected.

4. CP15 provides policies regarding affordable housing provision. 50% on-site affordable housing provision is expected on sites of over 10 dwellings (with a financial contribution expected from smaller sites). 40% is expected to be delivered for social rent, and 10% intermediate housing. The policy in particular promotes delivery of larger social rented units.

5. Further to that, most recent Housing and Planning Act introduced Starter Homes- a governmental initiative to help young (below 40), first-time buyers to purchase a home. This shall have implications on the delivery of more traditional forms of affordable housing, such as social/ affordable rent.

Housing Market Area

6. The Borough's housing market is closely integrated with those in other West and South West London Boroughs, and also forms part of a wider London housing market that extends across the Capital and has strong links and inter-relationships into the Home Counties.

7. LB Richmond's strongest links are with Hounslow, Wandsworth and Kingston Boroughs. The evidence points to a net inflow of those in their late 20s and their 30s into the Borough, these groups are particularly seeking family-sized accommodation.

8. Demographic trends have seen an increase in all age groups over 40, together with children, in the recent past. There is a modest net out-migration of those in all age groups over 40 – this is to a range of areas outside London, including to Surrey.

9. Due to the complex interactions between Boroughs and across the Capital, London is defined by GLA as a housing market area in its own right. This report deals solely with the need in the London Borough of Richmond.

Overall Housing Need

10. The latest official demographic projections are the starting point for this and other assessments of housing need. The analysis in this report has reviewed a range of demographic projections. It concludes that the GLA Long-Term Migration Projections provide a reasonable assessment of demographic trends, if land supply constraints are 'left aside.' For Richmond projections expect 16.3% population growth between 2014-33 in the Borough, and result in a housing need for 913 dwellings per annum.

	Population 2014	Population 2033	Change in population	% change
GLA – short-term	193,849	229,457	35,609	18.4%
GLA – long-term	193,777	225,337	31,560	16.3%
GLA (SHLAA) – short-term	193,849	208,310	14,461	7.5%
GLA (SHLAA) – long-term	193,777	197,256	3,479	1.8%
2012-based SNPP	194,039	233,549	39,510	20.4%
2012-based SNPP (as updated)	193,585	231,971	38,386	19.8%

11. The analysis concludes that these are the most appropriate unconstrained projections although consideration should also be given to the GLA SHLAA Long-Term Projection which reflect a supply constrained position.

12. GL Hearn have also considered 2012- based household projections as reasonable projections for LB of Richmond. However, there are concerns about the projected direction of the rates for some age groups. In particular, younger age groups (aged up to 44) show reducing household formation rates (which may indicate a degree of suppression) whilst older age groups (65+) show increases in formation rates – a scenario considered unlikely given improvements to life expectancy.

13. Alternative scenarios developed to hold formation rates constant (from 2014) do however show similar levels of household growth; confirming the CLG Projections (when taken across all age groups) as providing reasonable outputs.

Projected housing need – range of demographic based scenarios and 2012-based headship rates – Richmond

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
GLA – short-term	82,592	101,863	19,271	1,014	1,052
GLA – long-term	**82,327**	**99,055**	**16,728**	**880**	**913**
GLA (SHLAA) – short-term	82,592	93,311	10,719	564	585
GLA (SHLAA) – long-term	**82,327**	**87,787**	**5,460**	**287**	**298**
2012-based SNPP	82,563	103,803	21,240	1,118	1,160
2012-based SNPP (as updated)	82,681	103,621	20,940	1,102	1,143

Source: Demographic Projections

14. The headship rates used in the 2012-based Household Projections are considered to be more reliable than the previously published (2011-based) Interim Household Projections. The 2012-based Household Projections generate a higher level of anticipated household growth for a given population than the previous (2011-based interim) Household Projections. If headship rates remained static then the housing need would be around 815 dwellings per annum.

15. Once applying the formation rates from the 2012-based household projections to the long-term population estimates (and including a vacancy allowance) it is concluded that the (unconstrained) demographic-based need for housing in the Borough is for around 895 - 915 dwellings per annum in the 2014-33 period – linked to the GLA 10-year migration projection. This is at the bottom end of the range identified by the demographic projections but is consistent with past trends in population growth. Evidently taking account of land supply, expected growth will be lower, which could result in a stronger relative ageing of the population in the Borough.

16. In drawing conclusions on the potential OAN, these figures should be regarded as a minimum level of provision. Economic factors do not provide an upside to this assessment of need: they show a need for 741 – 893 homes per annum based on forecasts which potentially overstate the likely performance of the Borough's economy given in particular a diminishing stock of office floorspace available to accommodate jobs growth.

17. In respect of affordability issues, in terms of market signals and affordable housing need, whilst in an unconstrained situation these might be considered as justifying higher housing provision relative to the demographic need, this is unrealistic set against a constrained land supply. A notional 'unmet housing need' should be measured against the demographic-based need set out (895 – 915 dwellings per annum).

Affordable Housing Need & Market signals

18. Market signals section indicates that house prices increased by a third between 2010-15 and are higher than in many Outer London Boroughs. Rental costs have increased 39% between 2011-15, alongside a substantial increase of PRS between 2001 and 2011 but particularly in the post recessionary period. In both cases this represents a significant growth in housing costs in real terms.

The evidence suggests entry level house prices in the Borough in 2014 were 14.5 times the incomes of younger households – significantly above the Outer London average of 9.8.

19. Affordable housing need has been assessed using the Basic Needs Assessment Model, as set out in Planning Practice Guidance. Set against a limited supply of affordable housing and high costs for market housing for sale and rent, a high need for affordable housing is shown – 906 households per annum. This level of need is assessed on an unconstrained basis.

20. The high level of affordable housing need clearly justifies policies seeking to maximise the delivery of affordable housing in the Borough, so far as this does not render development unviable. The Council's current policies seek 50% on-site affordable housing on development schemes of over 10 dwellings, and contributions to affordable housing on smaller sites. The needs evidence will need to be brought together with a Plan-wide Viability Assessment in drawing conclusions on future policies for affordable housing provision, but would justify a continuation of the current policy approach.

Need for Different Types of Homes

21. In the context of Richmond, GL Hearn concluded that the availability of the land is likely to influence future development trends and therefore shall be considered when setting policy targets. Taking this into account, the London Plan sets a minimum housing target for 315 homes per annum. This is a minimum and development sites are expected to optimise housing output taking account of location and context, public transport accessibility and design standards.

22. A constrained land supply is likely to influence the migration and household formation trends moving forwards. The GLA SHLAA-constrained demographic modelling expects lower population growth and a stronger relative ageing of the population, and in-migration of younger persons is more restricted. The population in most age groups under 45 is expected to fall. In absolute numbers, it expects population growth of 4,200 to 2033; however in line with past trends population growth could feasibly be stronger – but this would likely be supported by greater intensity of use of housing including by younger households.

23. In the affordable sector there is a greater relationship between the sizes of households and the sizes of homes they occupy, and thus a greater need is shown for smaller properties than in the market sector. A number of policy considerations such as making best use of Registered Provider stock and overcrowding may however lessen this requirement. Market demand in the borough is particularly for family housing; although it will be important to also provide attractive housing for older households looking to downsize.

24. The modelling indicates that the current policy seeking 80% social/ affordable rented housing and 20% intermediate housing remains appropriate.

25. The SHMA has though also assessed the need for Starter Homes. A potential need for between 111 – 132 Starter Homes per year is shown. This represents 12-15% of the (unconstrained) demographic need and/or the affordable housing need. If Starter Homes are included within the definition of affordable housing, an 80/ 20 split between social/ affordable rent and intermediate/ starter homes would still remain relevant.

26. A growing older population is expected to exert a key influence on future demand. Approximately 27% growth in the population over 65 is expected in the SHLAA-constrained demographic scenario.

Linked to a growing older population, the number of households with dementia is expected to increase by 44% (+ 889 households) and those with mobility problems by 39% (+7,239 households). It will be important to provide a range of housing options and support – including specialist housing, adaptions to properties and floating support.

27. In regard to specialist accommodation for older persons, a need for between 50-65 units per annum is identified (drawing on the SHLAA constrained scenario). This forms part of the C3 need for housing. This would include provision of extra-care and sheltered accommodation. However, decisions about types of specialist housing that are required will need to be taken at a local level taking account of specific needs and existing supply.

28. In addition, the modelling indicates a need for 22-28 residential care bedspaces. The provision of additional extra care housing could reduce this requirement. This would fall within a C2 use, and is separate from the overall need for housing assessed herein.

29. With a growing older population, the numbers of people with disabilities is expected to increase. The London Plan requirement for 10% wheelchair accessible dwellings (to the optional higher Building Regulation M4(3) is entirely supported by the SHMA evidence.

30. More widely, the Borough is an attractive location for families. The evidence however indicates that 8% of households (6,100 households) contain non-dependent children. Provision of affordable options will be important in enabling young people to move out of the family home.

31. There is a growing BME population in the Borough, particularly of White Other and Asian/ Asian British origin. This is relatively younger than the wider population, with a higher proportion living in the Private Rented Sector.

32. The Private Rented Sector has been growing, but is not as large as in other parts of London. The Borough has a small student population. The evidence does not suggest that this has a particular impact on the local housing market, but this should continue to be monitored. It should also be noted that there is a strategic need for additional student accommodation which has been identified across London.

33. The Council might wish to consider policies regarding development of private rented accommodation. This is a growing sector across London, and the SHMA points to the likelihood of its continuing growth and importance in accommodating younger people in the Borough. In doing so, it should recognise that scheme viability is different from mixed tenure housing developments. A bespoke policy regarding affordable housing might be considered.

34. Self- and custom build housing is a further potential growth sector. A modest level of existing demand is shown through existing evidence. Evidently land supply is a potential constraint on growth. The Council has recently set up a register of those interested in self- and custom-build development.

1 INTRODUCTION

Context to the SHMA

1.1 The London Borough of Richmond upon Thames (LB Richmond) is embarking on a review of its planning policies to address local needs, particularly strengthen the economic focus, and provide an up to date set of planning policies to guide development. .

1.2 National planning policies set out that local authorities should have a clear understanding of housing needs in the area; and should objectively assess the need for market and affordable housing.

1.3 The Council has commissioned GL Hearn to prepare this Strategic Housing Market Assessment (SHMA) dealing with housing need in the Borough, to inform and support housing policies within its Local Plan. The SHMA provides an evidence base regarding housing need, taking account of the planning and housing context within the Borough, together with changes at a national level to legislation and policies concerning housing.

1.4 The preparation of the SHMA has followed relevant national policy and guidance, specifically the National Planning Policy Framework[1] and Planning Practice Guidance (PPG) on Housing and Economic Development Needs Assessments[2]. It takes account of the 2015 London Plan.

1.5 The SHMA does not set policies for housing provision. It is intended to provide an understanding of housing need and market dynamics to assist the Council in reviewing its policies through the preparation of the Local Plan. The Council's local evidence and strategies will also inform their approach.

Structure of this Report

1.6 This report provides an assessment of housing needs, which is published alongside the public consultation on the Local Plan review pre-publication version.

1.7 The report has been informed through engagement with a number of stakeholders, including various internal departments within the Council, and with a range of estate and letting agents across the Borough in order to understand housing dynamics. There will be further engagement on the final draft report, including with neighbouring authorities and registered providers alongside the Council's consultation on the Local Plan review before the report is finalised.

[1] CLG (March 2012) *National Planning Policy Framework*
[2] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/

1.8 Following this introduction, Section 2 includes a review of existing policies for housing in the Borough, as well as across London; and national policies which will affect housing delivery in LB Richmond. It considers the interactions between the Borough and surrounding areas, recognising that there are relationships with surrounding areas but that GLA has defined London as single "housing market area" in its own right.

1.9 The report then, taking account of the Planning Advisory Service's Technical Advice Note on Objectively Assessed Housing Need and Housing Targets, provides a baseline analysis of the population and socio-economic characteristics of the Borough. This is set out in Section 4. Section 5 then considers demographic dynamics.

1.10 Sections 5 – 8 then provide an analysis of the influences on overall housing need within the Borough, and an understanding of housing market dynamics.

1.11 Section 5 and 6 considers trend-based population projections and economic forecasts, albeit that it should be recognised in a local context that land supply may be a key influence on future housing delivery (and the subsequent setting of policy targets), and thus population/ demographic change.

1.12 The need for affordable housing is considered in Section 7, using an approach which accords with the Planning Practice Guidance.

1.13 Section 8 then reviews "market signals" as defined in Planning Practice Guidance; and presents the findings from engagement with estate and letting agents within the Borough. This aims to provide an up-to-date understanding of housing market dynamics.

1.14 Section 9 moves on to consider the needs for different types of homes – including different sizes and types of homes, both market and affordable; and for different types of affordable homes. It includes an analysis of the need for Starter Homes.

1.15 The penultimate section, Section 10, then reviews the housing needs of different groups within the local community - including older people; those in Black and Minority Ethnic Groups; those with disabilities; families and young people.

1.16 Section 11 draws the preceding analysis together to set out conclusions.

2 POLICY CONTEXT

2.1 In this section we review policies for housing provision, at a national, London and local level.

National Policies

2.2 National policies for plan-making are set out within the National Planning Policy Framework.[3] This sets out key policies against which development plans will be assessed at examination. It is also a material consideration in planning decisions.

National Planning Policy Framework (NPPF)

2.3 The National Planning Policy Framework (NPPF) was published by Government in March 2012. The Framework sets a presumption in favour of sustainable development (Paragraph 14) whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

2.4 In Paragraph 47, the Framework outlines that:

> *"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."*

2.5 The London Plan established that London is the relevant Housing Market Area, with the Inspector at the FALP Examination setting out that evidence at a local level should focus on considering the appropriate mix of housing to provide. However case law sets out that a local planning authority should understand its own housing need; and should prepare an SHMA collaboratively with other areas as appropriate to do so.[4]

2.6 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;
- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

[3] CLG (March 2012) *National Planning Policy Framework*
[4] Satnam Millennium vs. Warrington MBC, Para 25

2.7 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their local plans are submitted for examining. This is underpinned by the legal 'duty to cooperate.'

2.8 In regard to housing mix, the NPPF sets out in Paragraph 50 that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site. National thresholds for affordable housing provision are removed as are national brownfield development targets.

2.9 In setting affordable housing targets, the NPPF states that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a 'whole plan' approach to viability.

Planning Practice Guidance

2.10 The Planning Practice Guidance (PPG) was issued by Government in March 2014 on '*Assessment of Housing and Economic Development Needs*' and is maintained as an online resource, which is updated periodically. The PPG is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving the Objectively Assessed Need (OAN) for housing. The approach in this report reflects and is consistent with this Guidance.

2.11 The Guidance defines "need" as referring to:

> *"the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need."*

2.12 It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically the Guidance sets out that:

> *"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*

2.13 This report does thus not deal with development constraints including environmental constraints and infrastructure. These will be taken into account by the Council in considering how development needs can and should be accommodated in setting policy targets.

2.14 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, 'the starting point' for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG).

2.15 The Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area.

2.16 The PPG also sets out how affordable housing need should be assessed, in essence retaining the approach to doing so which had been used in previous Government Guidance (often termed the 'Basic Needs Assessment Model.').

2.17 In regard to the mix of housing needed, the PPG outlines that once an overall housing figure has been identified, plan makers will need to break this down by tenure, household type (singles, couples and families) and household size. Plan makers should therefore examine current and future trends of:

- the proportion of the population of different age profile;
- the types of household (e.g. singles, couples, families by age group, numbers of children and dependents);
- the current housing stock size of dwellings (e.g. one, two+ bedrooms);
- the tenure composition of housing.

2.18 This information should be drawn together to understand how age profile and household mix relate to each other, and how this may change in the future. Plan makers should look at the household types, tenure and size in the current stock and in recent supply, and (the PPG sets out) assess whether continuation of these trends would meet future needs. The needs of specific groups within the population are expected to be considered including (where relevant):

- The private rented sector;
- People wishing to build their own homes;
- Family housing;
- Housing for older people;
- Housing for people with specific needs.

Consultation on Proposed Changes to National Planning Policy

2.19 The Government issued a consultation in December 2015 on proposed changes to national planning policies. These deal with the definition of affordable housing; supporting delivery of new settlements, development of brownfield land and small sites, and land allocated in plans; as well as Starter Homes.

2.20 The consultation proposes the revision of the definition of affordable housing to place a greater emphasis on supporting households to access home ownership, where that is their aspiration; and including a fuller range of products as affordable housing – including low cost market housing or intermediate rent products. Starter Homes would be included, in effect removing the requirement for low cost market housing to be 'in perpetuity.' Starter Homes are intended to be sold at a discount of at least 20% to first-time buyers aged under 40.

2.21 On brownfield sites identified by Councils on registers of brownfield sites suitable for housing, it is proposed that a stronger "permission in principle" for development will exist, unless overriding conflicts exist with a local plan or with the NPPF that cannot be mitigated.

2.22 On under-used or unviable commercial and employment land, it is proposed to strengthen Paragraph 22 of the Framework to make clear that employment land should be released unless there is significant and compelling evidence to justify why it should be retained – this include as a minimum an up-to-date needs assessment and significant additional evidence of market demand. It is also proposed that a length of time (such as 3 years) should be introduced beyond which commercial or employment land should not be protected.

2.23 The exception site policy for Starter Home developments on under-used/ unviable commercial land (announced by Government in March 2015) is also proposed to be extended to include other brownfield land, such as for retail, leisure and non-residential institutional uses.

2.24 It is proposed that plans will also be expected to put in place specific positive local policies for assessing development on small 'windfall' sites. To drive forward delivery rates, a new test is mooted which would require active steps to be taken where there is evidence of significant under-delivery – including through initiating a plan review or identifying additional allocations.

2.25 Wider reforms proposed include changes seeking to promote higher density development around existing/ planned transport hubs, and policies supporting the development of new settlements In a Borough context, the definition of commuter hubs would potentially apply to a number of rail and tube stations within the Borough. It also proposes to support the development of Green Belt land where it is proposed through a neighbourhood plan; or of development of Starter Homes on brownfield land.

Local Plans Expert Group

2.26 In September 2015 ministers launched a panel of experts - the Local Plans Expert Group - to examine what measures or reforms might be helpful in ensuring the efficient and effective production of Local Plans. Ministers received the detailed report (March 2016) from the Local Plans Expert Group and it was open to the public for representations until 27 April 2016. The report made recommendations covering the approach and guidance for assessing housing needs, through the adoption of a simplified and standard methodology providing suggested changes to PPG.

Implications

- Government is proposing to widen the definition of affordable housing and provide a greater focus on supporting households into home ownership. With limited additional funding being made available, this may well negatively impact on delivery of social/ affordable rented housing for those on lower incomes – but could well help a segment of more affluent younger households move from renting into home ownership.
- The Council will need to set up a register of brownfield sites suitable for housing – where the principal of residential development is accepted. There are some risks that the 'permission in principle' could influence the rate of schemes permitted at appeal.
- The protection for employment sites –there is a need for up- to- date evidence, Article 4 Directions and robust employment policies to protect employment land.
- Other commercial sites – such as those in A and D class uses – are also potentially susceptible to residential pressures for delivery of Starter Homes. Although land supply is limited in the borough, in many parts it is likely that residential land values even with a 20% discount will be above those for other uses.

Housing and Planning Bill

2.27 The Housing and Planning Bill[5] is, at the time of writing, working its way through Parliament.

2.28 The Bill will place a duty on English planning authorities to promote the supply of Starter Homes; having regard to any guidance given by the Secretary of State in doing so. It sets out that the Secretary of State may, through regulations, prescribe that residential development provides a specified level of Starter Homes. In London a Starter Home would be priced at a discount of at least 20% of the market value, and below a cap price of £450,000 in London; to a first-time buyer aged under 40. Where there is a conflict with policies in existing plans, the Secretary of State may make a compliance direction setting out that now regard should be had to a specified policy in determining planning applications.

[5] The Bill received Royal Assent on 12 May 2016 to become the Housing and Planning Act 2016

2.29 Building on the Self-Build and Custom Housebuilding Act 2015, which requires authorities to maintain a register of those interested in self and custom housebuilding, the Bill proposes that demand for such development would reflect the number of entries added to the register over a specified period. The Bill proposes that Councils would be required to give consent for enough serviced plots of land to meet the demand identified. Authorities can however apply for exemption from this requirement, and this is something which the Council is considering in view of the nature of its area and land values.

2.30 The Bill includes a number of provisions seeking to deter rogue landlords and property agents, including through use of banning orders; rent repayment orders; and establishment of a database of rogue landlords and agents.

2.31 It also includes proposals for the voluntary extension of right-to-buy legislation to registered providers, allowing the Secretary of State and Greater London Authority to make grants to providers. The Bill will require two units of affordable housing to be delivered for each voluntary right to buy sale in London, although there are no tenure requirements for the replacement units. The Bill also seeks to in effect require stock holding local housing authorities to sell off "higher value housing" when it becomes vacant, with the receipts from this (or equivalent cost of high value properties which have become vacant, even if these are not sold) going to the Treasury. A definition of high value housing will no doubt be defined by Government through regulations.

2.32 In regard to rents within the affordable housing sector, the Bill sets mandatory rents for "high income social tenants" – which Government's Consultation of October 2015 indicated would be those households earning over £40,000 gross per annum in London. The Bill sets out a taper for those earning over this amount who will pay an additional 15p in every one pound earned. . The increase in rent income achieved would be payable to Government (post deductions for administrative costs). Implementation will be voluntary for Registered Providers who will be able to invest additional funds raised for affordable housing.

2.33 The Bill also proposes a duty to consider the needs of people residing in caravans and houseboats.

2.34 In respect of planning, sections of the Bill deal with neighbourhood planning; powers for the Secretary of State to intervene in local plan examinations and in circumstances where local plans are not progressing sufficiently – including the potential for the Secretary of State to direct an authority to submit a plan for examination. It also includes provision for development orders which grant "permission in principle" for development.

2.35 A number of wider matters are dealt with in the Bill, including in regard to Compulsory Purchase of land.

Implications

- The Government will require a proportion of new development to be provided as Starter Homes, in order to deliver its target nationally for delivery of 200,000 starter homes by 2020. Whilst this may influence viability – and its impact should be considered through Whole Plan Viability Evidence – it is likely to impact on delivery of more traditional forms of affordable housing, such as social/ affordable rent.

- The sell-off of high value social housing is not expected to influence the Borough as the Council is not a stock-owning authority. The impact of the voluntary Right-to-Buy could impact on the supply of rented homes, depending on scheme exemptions and whether replacement affordable homes are built locally and are of the same tenure.

Wider Government Reforms

2.36 In addition to the above there are a number of wider current housing policy issues. Amongst these are:

Table 1: Key Government Housing Reforms

Policy	Details
Extension of Right-to-Buy to Housing Association Tenants	As set out above, the Housing & Planning Bill includes proposals for the voluntary extension of Right-to-Buy by Housing Associations to their tenants. Although not enforceable this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation[6] predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years.
Caps on Social Rents	Social rents to be reduced by 1% per annum from April 2016 for four years. This is expected to impact on business plans for developing Registered Providers. Rents are also to be capped at the Local Housing Allowance level. For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term likely to influence the type of homes they build with more smaller family homes being likely. The inclusion of the shared accommodation rate for those aged under 35 may also impact the development of one bed affordable rent units with tenants reliant on housing benefit having a

[6] Understanding the likely poverty impacts of the extension of Right to Buy on housing association tenants. JRF 21st November 2015.

	shortfall of at least £30 per week.. The reduction in social rents is also likely to influence the type of stock brought forward through development programmes of Registered Providers – which is likely to be more private sale and shared ownership. To subsidise rented units Registered Providers may also increase service charges or change the service offer to tenants including support. The LHA cap will also impact on supported housing – there is a one year exemption but it is expected that Registered Provider developers will put off schemes without surety on income.
Increasing Rents to Market Rates for Social Housing Tenants earning over £40,000	This "pay to stay" initiative will ensure those who can afford to pay market rates will do so. However, it may mean that people are more likely to exercise their right to buy thus reducing the stock level.
Stamp Duty on Second Homes	Government announced a 3 percentage point surcharge on Stamp Duty rates for Buy-to-Let and Second Home Purchases from April 2016. The evidence from estate and letting agents indicates that this had a short-term impact on increasing demand from investors seeking to buy homes before the changes came into play. In the longer-term the impact is less certain.
Tax Relief Changes for Landlords	Investors can currently claim tax relief on mortgage interest at the rate at which they pay tax (20%/ 40%/ 45%). Between 2017-20 the system will change – with landlords liable for tax on all of their rental income, and able to claim tax relief only at the basic rate (20%). This will reduce or eradicate rental returns for higher rate tax payers, and may push some into higher tax bands. While the introduction of the new rules may not result in a flood of sales, it may well reduce the supply of PRS properties.

London Policies

The London Plan 2015

2.37 The 2015 London Plan (as updated) sets a minimum 10 year target for 3,150 homes between 2015-25 (315 per annum) for Richmond Borough.

2.38 The Plan recognises Greater London as a single Housing Market Area (HMA); and this has been accepted through the examination of Further Alterations to the London Plan.

2.39 Across London, 42,000 homes per annum (net) are planned for (2015-25); which falls below the need projections in the London SHMA 2013 which indicated a need for between 49,000 (2015-36) and 62,000 (2015-26) homes a year across the Capital. This reflects demographic change, the time taken to reduce the current (backlog) housing need and the anticipated under-delivery between 2011-15. These conclusions are based on the GLA's 2013 Central Projection for growth in population; and household formation rates from the 2011-based CLG Household Projections. The Mayor has committed to reviewing targets by 2019/20. A review of the London Plan will be brought forward by the new Mayor, following elections in May 2016.

2.40 The London Plan provides quite detailed guidance regarding the types of homes expected to be built – setting out density and space standards, and policies regarding housing mix and affordable housing provision. Developments are expected to optimise housing output, taking account of location; local context and character; design principles; and public transport capacity. Table 3.2 provides a density matrix linked to the setting and Public Transport Accessibility Rating (PTAL) of the site. Minimum space standards for development are set out in Table 3.3.

2.41 Policy 3.11 deals with affordable housing. This sets out that the Mayor, boroughs and other relevant agencies/partners should maximise affordable housing provision, with:

- An average target of at least 17,000 homes (which is equivalent to 40% of the Plan's minimum targets);
- A tenure mix whereby 60% is of social or affordable rented provision and 40% for intermediate rent or sale; and
- A priority is given to provision of affordable family housing.

2.42 Boroughs are required in LDFs to set an overall target for affordable housing provision and separate targets in social/ affordable rent, and intermediate housing. Affordable housing targets can be expressed in absolute or percentage terms in light of local circumstances, but must take account of economic viability and other relevant considerations (listed in Policy 3.12). In general a threshold of 10 or more homes is considered 'normal' although Boroughs can seek a lower thresholds where this can be justified (Policy 3.13). The SHMA is required to provide an evidence base regarding the need for different types/ sizes of affordable housing.

2.43 The London Plan sets out in Policy 3.8 that new developments should offer a range of housing choices, in terms of the mix of housing sizes and types, taking account of the housing requirements of different groups and the changing roles of different sectors. It particularly promotes delivery of social/ affordable rented family housing, institutional investment in the Private Rented Sector (PRS) and enhanced provision of intermediate affordable housing. The SHMA is necessary to provide local evidence of need to support the implementation of this.

2.44 The policy also sets out that all new housing should be built to Lifetime Homes standards and 10% is designed to be wheelchair accessible or easily adaptable for wheelchair users. This responds to expected growth in the older population; as well as a current unmet need for from 30,000 households for wheelchair accessible housing and more than 100,000 for redesigned bathing facilities. It also requires account to be taken of a growing older population, the needs of particular communities, and student housing needs; together with appropriate provision to be made for accommodation for service families and custom build having regard to local need. The SHMA will provide the needs evidence in this respect. Lifetime Homes standards have really been replaced by National Standards within Building Regulations and references in Policy 3.8 have been updated in the Minor Alterations to the London Plan (2016). Updates to Policy 3.5 also reflect the nationally described space standard.

2.45 The Plan sets out that "*the planning system must take a more positive approach in enabling [the private rented] sector to contribute to achievement of housing targets*." Whilst outlining that the Mayor will continue to work to encourage institutional investment in the sector, it notes that viability tests for covenanted PRS should take account of the distinct economics of this form of development. This is an important sector for London – and one which the SHMA will need to address.

The London Housing Strategy 2014

2.46 Homes for London, the London Housing Strategy (June 2014), sets out the Mayor's strategy for addressing the housing issues in London. The overriding aims of the strategy are to increase the supply of housing of all tenures and to ensure that these homes better support London's continued economic success. The key priorities were set out as following:

- Increasing housing supply to levels not seen since the 1930s;
- Better supporting working Londoners and helping more of them into home ownership;
- Improving the private rented sector and promoting new purpose - built and well managed private rented housing;
- Pushing for a new, long-term financial settlement for London Government to drive housing delivery; and
- Bringing forward land for development and accelerating the pace of housing delivery through Housing Zones and the London Housing Bank.

2.47 The strategy sets out an annual delivery target of a minimum of 42,000 new homes, of which at least 17,000 (40%) should be affordable. Over the next 20 years this amounts to 840,000 new homes in total.

2.48 The strategy will increase the provision of smaller affordable homes targeted at those downsizing, support purpose-built older people's housing and offer better incentives for older people to downsize. This is in order to tackle overcrowding, particularly in the social rented stock.

2.49 The strategy also recognises that London's housing market is complex and diverse and there is not a homogenous housing market within any single borough boundary. It contains a range of sub-markets which vary widely, not just by tenure and price, but by the type of purchaser and renter.

2.50 Debate around affordability gained momentum as a result of mayoral race during the first months of 2016. On 5th May 2016, Sadiq Khan became the new Mayor of London. His policies aims to set a target of half of all the new homes that are built across London being genuinely affordable to rent or buy. His Homes for Londoners concept will include homes for social rent, homes for London Living Rent (with rents based on one-third of average local wages), homes for first-time buyers to 'part-buy part-rent'.

2.51 The new mayor aims to achieve this by building new homes on land owned by the Mayor, including Transport for London land, and bidding to develop other public sector land; supporting housing associations and by long-term planning for new and affordable homes tied in with new transport infrastructure, including proposals such as DLR extensions, the Bakerloo Line extension, and Crossrail 2.

Implications

- Density and space standards set out in the London Plan, and national space standards, will be relevant considerations for new housing development in the Borough.
- The London Plan and Mayor's Housing Strategy particularly promote delivery of affordable family housing; and institutional investment in the Private Rented Sector.

Local Policies

2.52 The 2009 Core Strategy sets a minimum housing target for 2,700 dwellings in the Borough between 2007-17 (270 per annum). Policy CP14 requires the maximum intensity of use of a site to be made compatible with the local context whilst respecting the quality, character and amenity of existing neighbourhoods. Development is expected to take place on brownfield land, with no greenfield development expected.

2.53 All housing is expected to be built to Lifetime Homes standards; with 10% provided as wheelchair-accessible. At least 25% small 1-bed units are expected, rising to 75% in the more sustainable locations.

2.54 Policy CP14 seeks to resist the loss of housing to other uses. It expects new housing to contribute to mixed and balanced communities.

2.55 CP15 provides policies regarding affordable housing provision. 50% on-site affordable housing provision is expected on sites of over 10 dwellings (with a financial contribution expected from smaller sites). 40% is expected to be delivered for social rent, and 10% intermediate housing. The policy in particular promotes delivery of larger social rented units.

2.56 The 2011 Development Management Plan builds on the Core Strategy and includes more detailed policies for managing development. Policy DMHO1 expects redevelopment of existing housing to be justified. Policy DMHO4 encourages family housing. Policy DMHO5 expects new housing to meet identified specific community needs to be based on robust evidence of local needs. Policy DMHO6 seeks financial contributions to affordable housing from all small sites, recognising regard will be had to viability in delivering affordable housing.

2.57 This SHMA will inform how policies for housing are crafted within the Local Plan Review. Once adopted this will replace policies in the 2009 Core Strategy and the 2011 Development Management Plan.

2.58 The borough position on housing needs and affordability is set out in the Housing Strategy 2013-17 and accompanying guidance and evidence base. It is based around five key themes that address the key housing issues in the borough. These are:

- Good quality homes;
- Supporting residents: delivering affordable homes;
- Supporting residents: addressing housing market pressures and homelessness;
- Supporting residents: choice, standards and quality for renters; and
- The connectivity of housing to people and place: housing contributions to health, wellbeing and the economy.

3 SPATIAL DYNAMICS

3.1 In this section we move on to consider spatial dynamics. London is defined as a housing market area in its own right by the GLA, with the 2013 London SHMA seeking to move away from defining sub-markets within London recognising that there are complex sets of interactions between Boroughs and across the Capital. In this context, this section seeks to understand spatial relationships between LB Richmond and surrounding areas, together with the profile of and influences on people moving to/ from the Borough.

Internal Migration Flows

3.2 ONS recorded 2.85 million 'internal' moves between local authorities over the July 2013 – June 2014 period, up 5% on the previous year. This reflects a recovery of the levels of moves following the 2009-11 recessionary period; and returns levels of moves to those seen at the peak of the last market cycle.

3.3 At a national level movement is greatest of those in their late teens and early 20s, reflecting flows of students moving to/ from universities. More broadly, those in their 20s and 30s see the highest levels of movement; together with young children. Once families have children in schools, levels (and distance) of moves are less. The level of migration movement in London is far higher than for other UK regions.

3.4 Looking at in-migration to the Borough, the evidence points to the majority of movers coming from another London Borough (62-63%); or from Surrey (6-7%). Around 22-23% of longer distance moves are from beyond London and the South East Regions.

Table 2: Internal In-Migration to LB Richmond

	2011-12	2012-13	2013-14
London	8080	8310	8500
Surrey	870	800	1000
Other South East	1550	1520	1480
East of England	620	580	610
Other English Regions	1960	1940	2070
Other Parts of UK	430	390	360

Source: ONS Internal Migration Matrices

3.5 The largest sources of internal in-migrants are from other boroughs in West or South West London, with the largest inflows being from Hounslow and Wandsworth. A secondary tier of flows is evident from Hammersmith and Fulham, Kingston upon Thames and Ealing.

Table 3: Key Sources of Internal In-Migrants

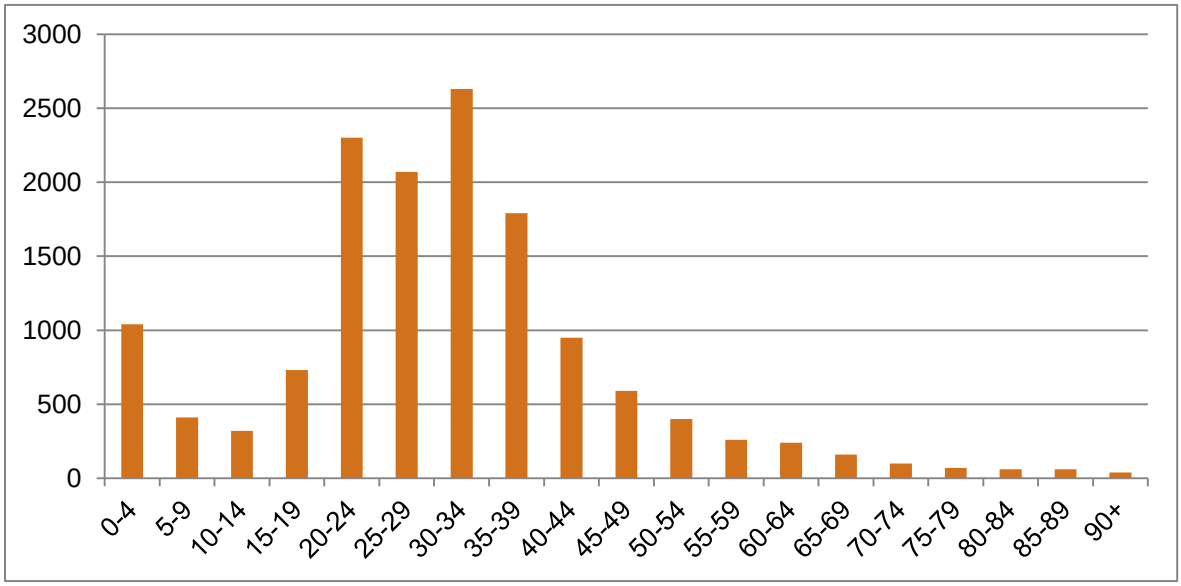
	2011-12	2012-13	2013-14	Average
Hounslow	1400	1670	1650	1570
Wandsworth	1160	1170	1200	1180
Hammersmith and Fulham	670	700	650	670
Kingston upon Thames	560	590	620	590
Ealing	560	550	530	550

Source: ONS Internal Migration Matrices

3.6 For comparison the average inflows from adjoining Surrey authorities are of 230 migrants per annum from Elmbridge and 210 per annum from Spelthorne. It is evident that the inflow from other London Boroughs is significantly greater. In part this will reflect the relative population sizes.

3.7 The chart below profiles the age structure of those moving into the Borough in 2013-14. The main flows are of those in their 20s and 30s, with the largest overall flow of those aged 30-34. The evidence also points to a notable in-movement of young families, given flows of over 1000 children aged 0-4. Typically younger age groups move frequently; but what the Borough's specific profile shows is a notable movement of those in their 30s (some with young children) into the Borough.

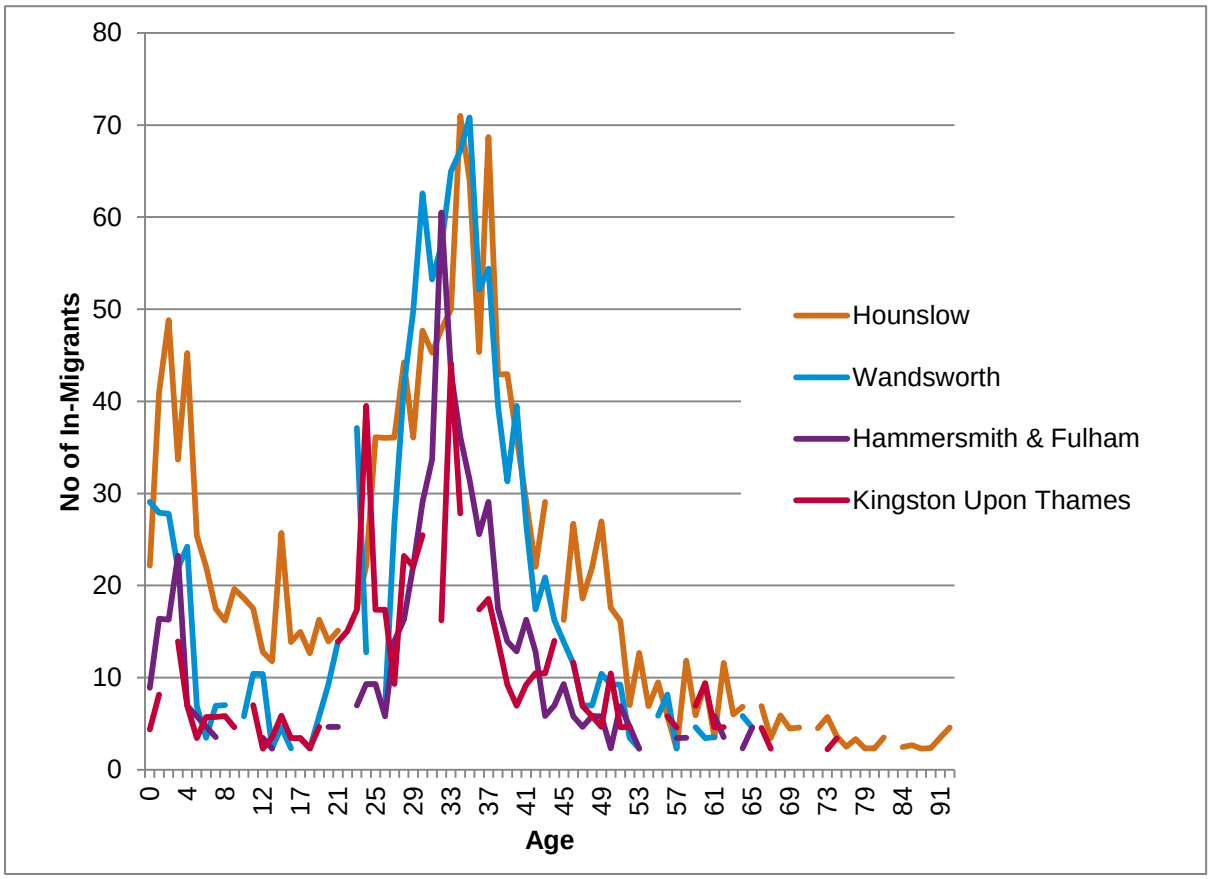
Figure 1: Age Structure of Internal In-Migrants, 2013-14



3.8 The strongest in-migration flows are from Hounslow and Wandsworth, followed by Hammersmith and Fulham and Kingston. We have used the ONS data to profile the age distribution of in-migrants from these Boroughs in 2013-14, as this will influence the profile of housing demand. The strongest levels of in-migration are of those aged between 28-40 from all of these Boroughs, and of children aged 0-4; confirming that a notable movement in of young families. Figure 2 does however show a broader age range of movement from those moving from Hounslow (albeit most moves are of those

aged under 50). In contrast from Hammersmith and Fulham there is a particularly strong level of movement of those in their late 20s/ early 30s.

Figure 2: Age Distribution of In-Migrants – Main Flows, 2013-14



Source: GLH Analysis of ONS Internal Migration Data

3.9 Of those moving out of the Borough, 40-41% are to other London Boroughs, 15-17% to Surrey, 17-18% to other parts of the South East, and 25-27% to further afield.

Table 4: Internal Out-Migration from London Borough of Richmond

	2011-12	2012-13	2013-14
London	5360	5420	5670
Surrey	2050	2250	2300
Other South East	2370	2330	2340
East of England	760	690	690
Other English Regions	2360	2040	2370
Other Parts of UK	420	360	450

Source: ONS Internal Migration Matrices

3.10 Profiling the top five internal outflows by local authority, the strongest flow is to Hounslow – confirming that this is the local authority with which the Borough is most closely linked. The analysis however shows a relatively strong level of out-migration to Kingston; and in comparison with the analysis of in-migration (where the main flows were with other London Boroughs), Elmbridge and Spelthorne in Surrey see internal out-migration flows which fall within the top 5 locations.

Table 5: Key Destinations of Internal Out-Migrants

	2011-12	2012-13	2013-14	Average
Hounslow	1340	1290	1340	1320
Kingston upon Thames	710	800	830	780
Wandsworth	650	630	710	660
Elmbridge	680	700	750	710
Spelthorne	490	520	520	510

Source: ONS Internal Migration Matrices

3.11 Bringing the analysis of in- and out-migration flows together, the strongest gross flows (adding the in- and out- migration flows together) are with Hounslow (2,900 persons per annum (ppa), Wandsworth (1840 ppa) and Kingston-upon-Thames (1370 ppa).

3.12 Looking at net flows, the picture is one of net in-migration from other London Boroughs (with the exception of Kingston), and a net outflow to areas within Surrey. This is typical of the pattern we see in cities nationally and within London, whereby Inner London sees net in-migration from other areas across the Country and from abroad; and there is then a flow to Outer London Boroughs and into areas in the Home Counties surrounding London. This is partly relates to age structures – where people move to more urban locations in their 20s, and then to move suburban areas in their 30s/ 40s.

Table 6: Average Annual Migration Flows, (2011-14)

	Gross Flow	Net Flow
Hounslow	2900	250
Wandsworth	1840	510
Kingston upon Thames	1370	-190
Hammersmith & Fulham	920	430
Ealing	780	320
Lambeth	650	190
Other London Boroughs	5320	1300
Elmbridge	940	-480
Spelthorne	720	-300
Rest of Surrey	1440	-520

Source: ONS Internal Migration Matrices

3.13 There is evident net out-migration from the Borough to Elmbridge, Spelthorne and other parts of Surrey; as well as to Kingston. As the table below shows, there is a net out-migration to other parts of the South East region (beyond Surrey) and other regions and parts of the UK.

Table 7: Net Migration Flows with LB Richmond, 2011-14

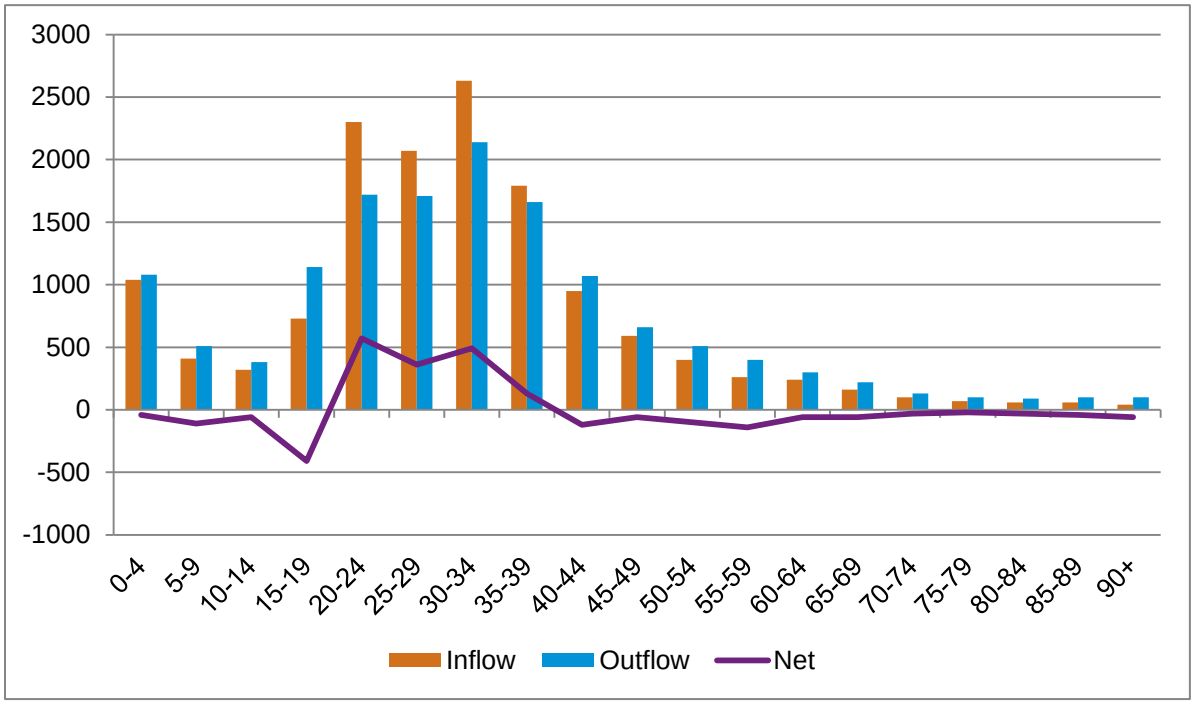
	2011-12	2012-13	2013-14
London	2720	2890	2830
Surrey	-1180	-1450	-1300
Other South East	-820	-810	-860
East of England	-140	-110	-80
Other English Regions	-400	-100	-300
Other Parts of UK	10	30	-90

Source: ONS Internal Migration Matrices

3.14 Figure 3 below compares the age profile of internal in- and out-migrants in 2013-14. It is clear that the strongest migration flows are of those in their 20s and 30s (some of which comprises families with young children). We see a net out-flow of those aged 15-19, and inflow of those 20-24. This is likely to be particularly influenced by flows of students and suggests that despite the presence of a university in the Borough, flows of residents to universities elsewhere are stronger.

3.15 A net inflow is shown of those aged in their late 20s and in their 30s, with net outflows of internal migrants for all age groups over 50. A particularly strong net outflow is shown of those aged 55-59 representing households approaching retirement.

Figure 3: Age Profile of Migrants, 2013-14



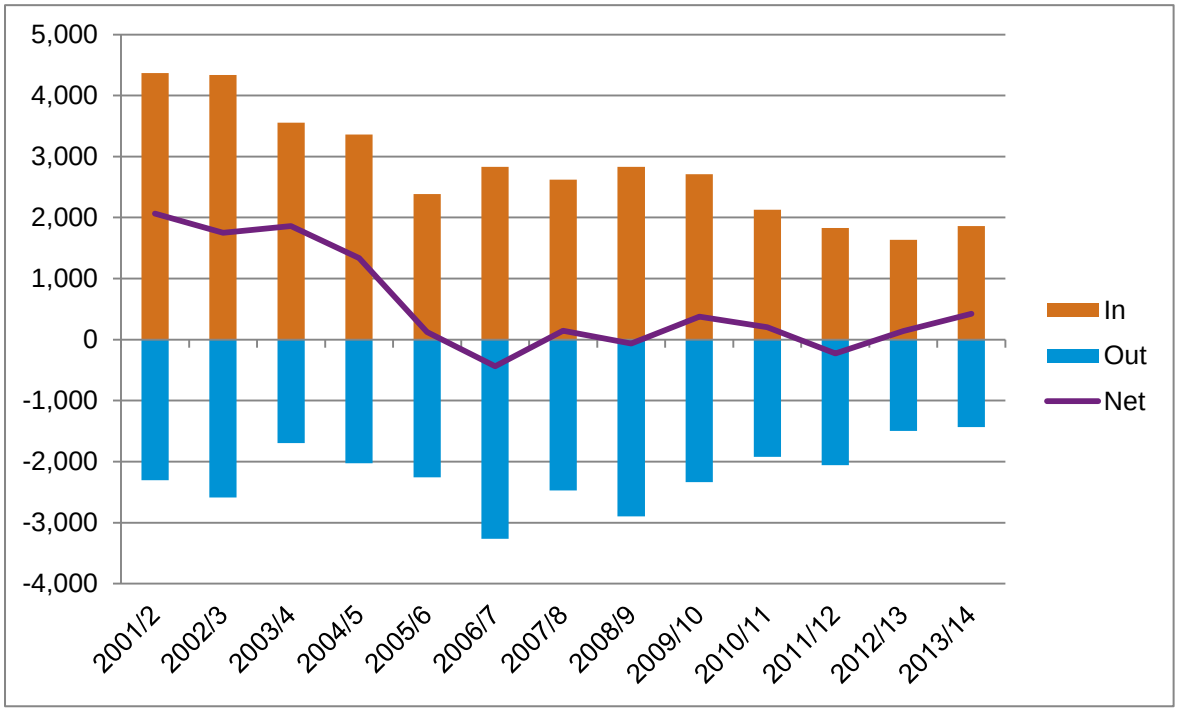
Source: ONS Internal Migration Data

International Migration

3.16 The Department for Work and Pensions records the nationality of people registering for a National Insurance number and the location of their registration. The latest available dataset shows that in the year up to September 2015 almost 860,000 registrations were made in the UK from overseas nationals. Of these approximately 40% were registered in London (approx. 340,000) but less than 1% of the London figure were in Richmond upon Thames. For comparison neighbouring Hounslow registered almost 4.5 times as many overseas nationals (11,800) and Newham, which had the highest level in the country with 27,000 person registering.

3.17 According to the ONS components of change data, since 2001 international in-migration has broadly decreased. Starting at a peak of 4,368 people moving to the borough from overseas in 2001 this has fallen to 1,636 in 2012/13. This falling level of international in-migration has been somewhat counter-balanced by decreasing international outmigration, although net migration has reduced significantly and is in a broad balance.

Figure 4: International Migration (2001/2 to 2013/14)

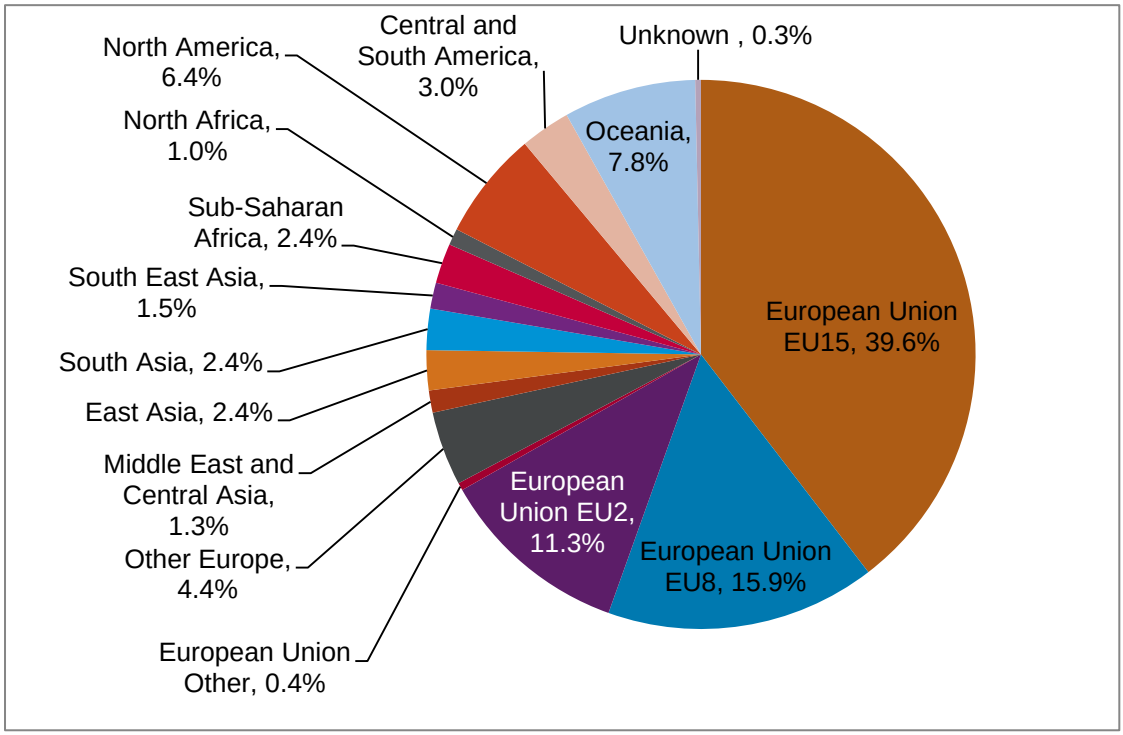


Source: ONS Components of Change, 2015

3.18 In contrast international in-migration across London steadily increased between 2001/2 and 2006/7 and has plateaued since. A similar pattern appears with net migration which has continuously positive over the same period.

3.19 As shown in Figure 5, the vast majority of new registrations in Richmond are from other European Union countries (67.3%) with a further 4.4% coming from other European countries. The largest migrant numbers from outside the EU are from Oceania (7.8%) and North America (6.4%). Around 7.6% of new residents come from Asia with similar number coming from East Asia and South Asia.

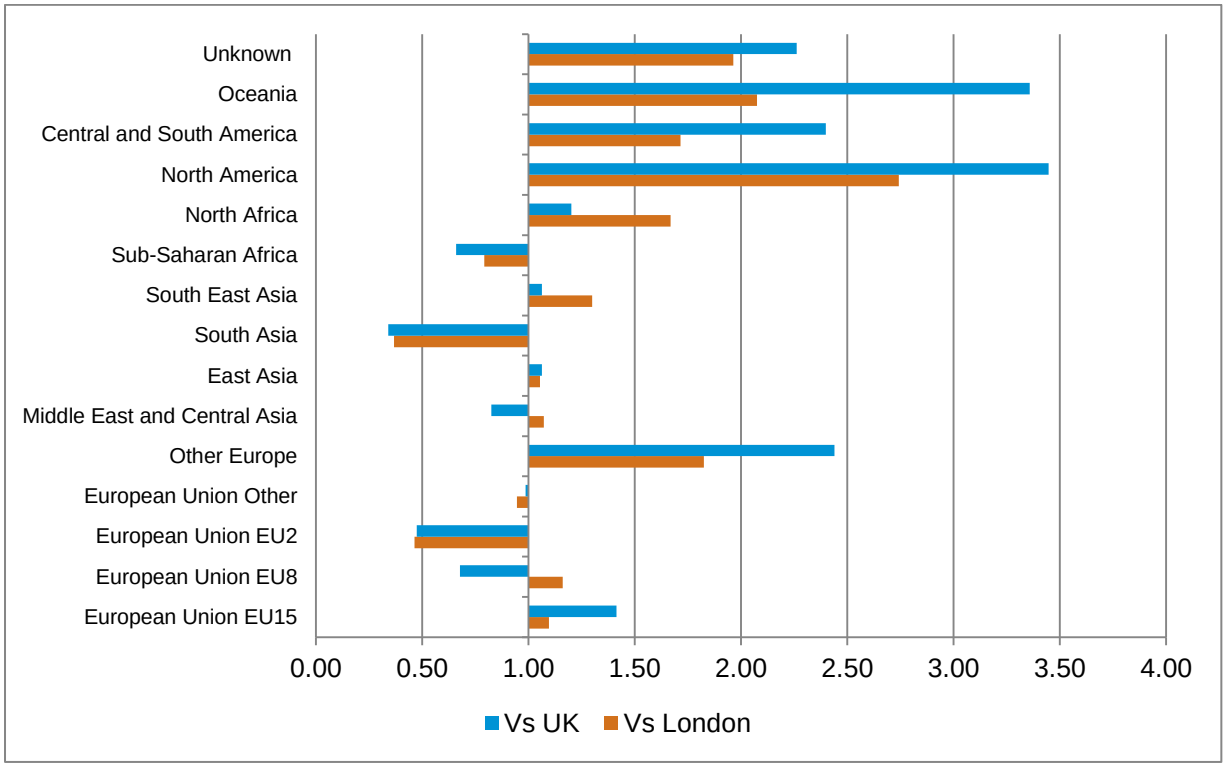
Figure 5: Origin of New National Insurance Registrations in LB Richmond (2015)



Source: DWP (2016)

3.20 In comparison to both greater London and the UK, LB Richmond has a substantially higher proportion of new registrations from Oceania, North America as well as higher numbers from Central and South America and non EU European countries.

Figure 6: Location Quotient of Origin of New Registrations in LB Richmond (2015)



Source: DWP (2016)

3.21 In contrast the Borough has a much lower percentage of registrations from people coming from EU2 countries (Romania and Bulgaria), South Asia and Sub–Saharan Africa. This suggested that those arrive in the Borough have a generally higher level of affluence than elsewhere in the City.

Commuting Patterns

3.22 The 2011 Census data showed 99,916 residents in the Borough in employment. Table 8 profiles where residents work. In total 36% work within the Borough, either at home or at a place of work that is within the Borough boundary. A similar level (35%) commute to Inner London Boroughs. There are also commuting flows to other adjoining authorities, particularly to Hounslow (8%).

Table 8: Where Residents Work, 2011

	No Persons	% Resident Workforce	% Resident Workforce (excl. Offshore/ No Fixed Place)
At/ from Home	14,156	14.2%	15.4%
Other Location within the Borough	18,671	18.7%	20.3%
Self-Containment within the Borough	32,827	32.9%	35.7%
Inner London Boroughs	32,297	32.3%	35.2%
… of which			
Westminster & the City	14,773	14.8%	16.1%
Hammersmith & Fulham	3,441	3.4%	3.7%
Camden	2,978	3.0%	3.2%
Wandsworth	2,128	2.1%	2.3%
Tower Hamlets	2,121	2.1%	2.3%
Hounslow	7,102	7.1%	7.7%
Kingston upon Thames	3,479	3.5%	3.8%
Hillingdon	2,149	2.2%	2.3%
Other Outer London Boroughs	4,023	4.0%	4.4%
Self-Containment within London	67,721	67.8%	73.7%
Surrey	5,194	5.2%	5.7%
Other South East	3,515	3.5%	3.8%
Other UK Regions	1,246	1.2%	1.4%
Offshore/ Overseas	450	0.5%	0.5%
No Fixed Place	7,634	7.6%	8.3%

Source: GLH Analysis of 2011 Census

3.23 Turning to look at where the Borough's workforce is drawn from, 46% work at home or another location in the Borough. 11% commute from Hounslow; with 5% from Kingston and 4% from Wandsworth. These are the principal flows. In total 83% of the workforce lives within Greater London.

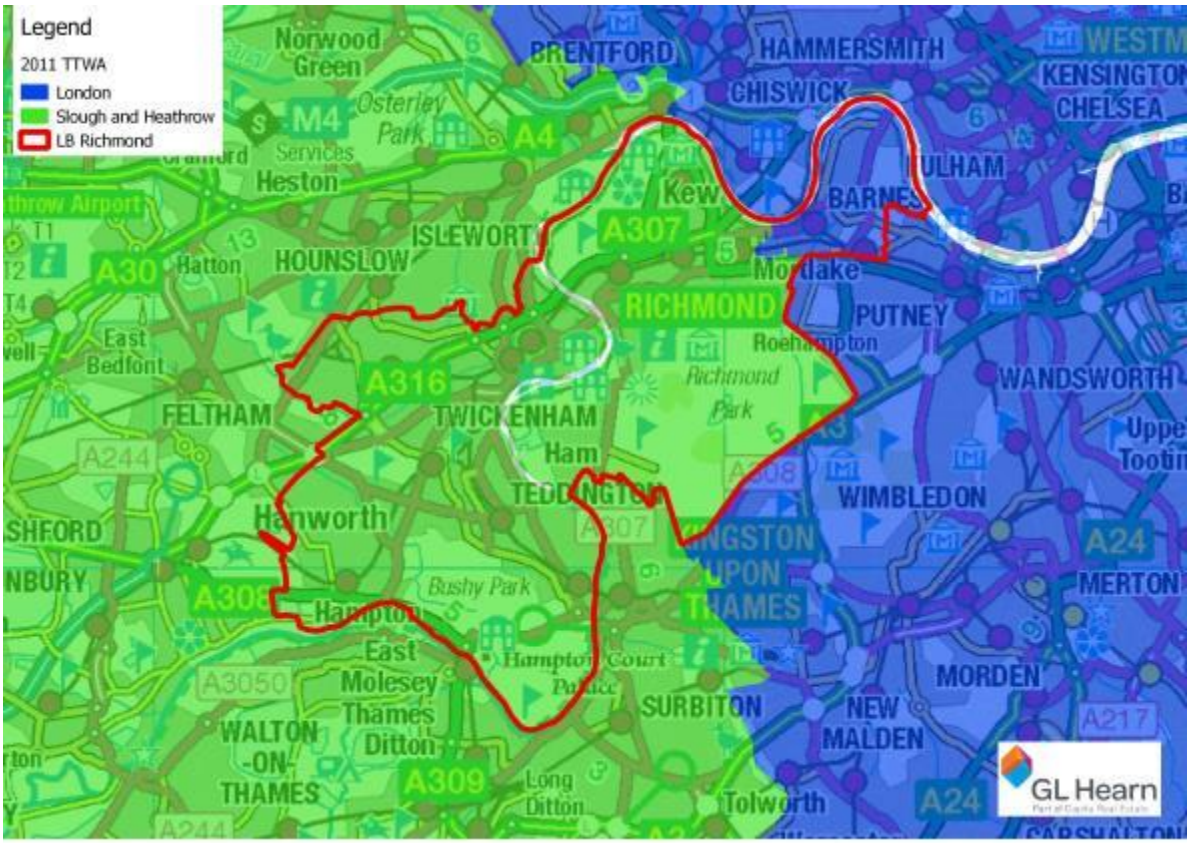
3.24 In 2015 the ONS published a national set of Travel to Work Areas which drew from the 2011 census. The ONS' "Introduction to Travel to Work Areas"[7] (October 2007) sets out the criteria for defining TTWAs.

[7] "Introduction to Travel to Work Areas" (ONS October 2007) - http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/index.html

> *"that at least 75% of the area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must also have a working population of at least 3,500. However, for areas with a working population in excess of 25,000, self-containment rates as low as 66.66% are accepted."*

3.25 As shown in Figure 7 below the London Borough of Richmond is split across two different Travel to Work areas. The eastern part of the Borough including Barnes and Sheen fall within the London TTWA with the remainder falling within the Slough and Heathrow TTWA.

Figure 7: 2011 ONS Travel to Work Areas



Source: ONS, 2015

3.26 The previous 2001 Travel to Work Area definitions place the entire Borough within the London Travel to Work area. The changing definition highlights the growing importance of Heathrow as an employment location.

Table 9: Where the Borough's Workforce is drawn from, 2011

	Number	%
At/ from Home	14,156	19.8%
Within the Borough	18,671	26.1%
Hounslow	7,752	10.8%
Kingston upon Thames	3,755	5.3%
Wandsworth	2,674	3.7%
Spelthorne	2,111	3.0%
Elmbridge	2,083	2.9%
Ealing	1,970	2.8%
Merton	1,264	1.8%
Hammersmith and Fulham	1,147	1.6%
Other London Boroughs	8,095	11.3%
Other Surrey Authorities	2,881	4.0%
Rest of South East	3,117	4.4%
Elsewhere within the UK	1,802	2.5%

Source: GLH Analysis of 2011 Census

3.27 In total, 38,561 persons commute daily into the Borough to work, but 59,455 commute out to work elsewhere, giving a net level of out-commuting of 20,804 persons daily. This is equivalent to 21% of the resident workforce. Table 10 below analyses flows with key locations. There is a net out-flow of 25,481 persons daily to Inner London Boroughs, of which 14,452 is to the City and Westminster.

3.28 The evidence points to modest net commuting inflows from a number of surrounding boroughs, including Wandsworth, Hounslow and Kingston; as well as from Surrey. There is a net outflow to Hillingdon, most likely reflecting employment at Heathrow Airport.

Table 10: Net Commuting Flows, 2011

	Outflow	Inflow	Net
Inner London Boroughs	32297	6,816	-25,481
… of which			
Westminster & the City	14773	321	-14,452
Hammersmith & Fulham	3441	1,147	-2,294
Camden	2978	303	-2,675
Wandsworth	2128	2,674	546
Tower Hamlets	2121	248	-1,873
Hounslow	7102	7,752	650
Kingston upon Thames	3479	3,755	276
Hillingdon	2149	706	-1,443
Surrey	5194	7,075	1,881

Source: GLH Analysis of 2011 Census

3.29 The analysis highlights the inter-connected nature of the labour market in the area, with strong links with other parts of London and some adjoining areas within Surrey which economically are closely linked. It makes little sense trying to precisely balance jobs and workforce at the Borough level.

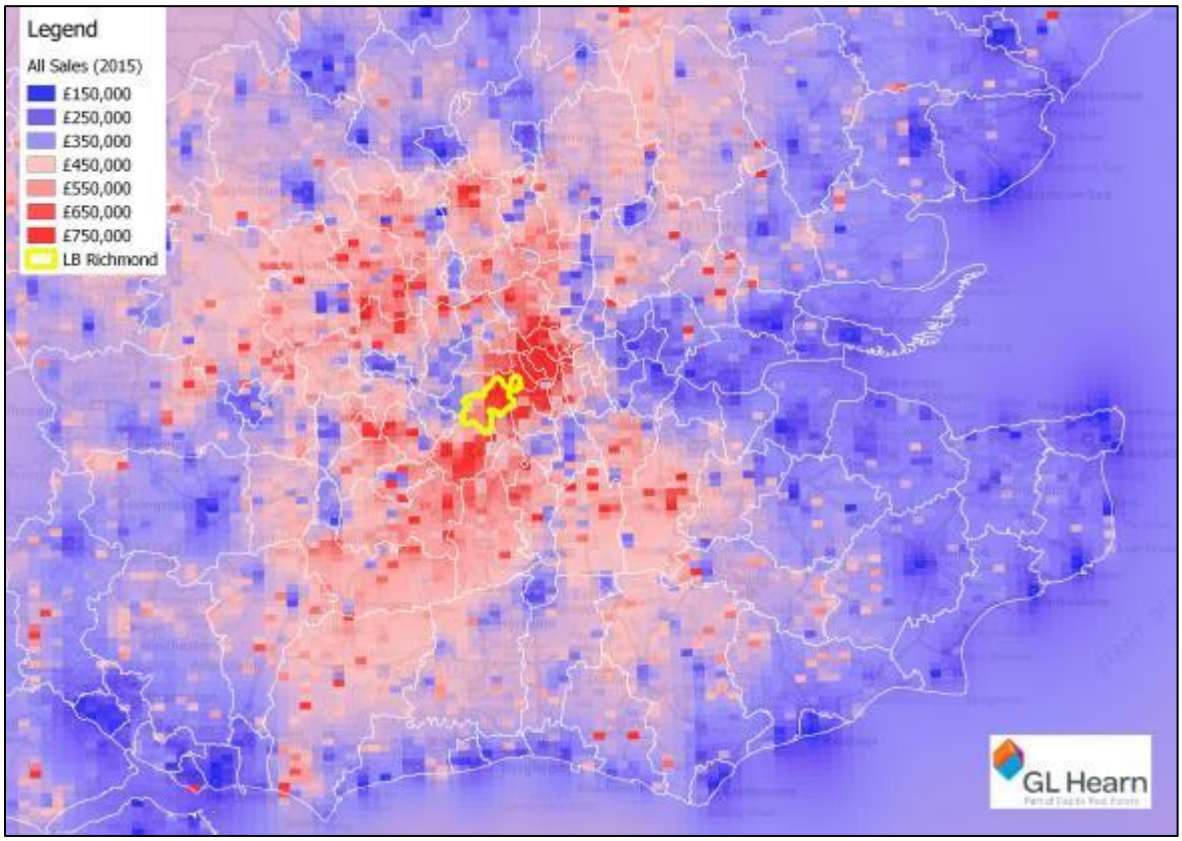
House Price Dynamics

3.30 Detailed analysis of house price dynamics as set out in more detail within Chapter 8. This section seeks to address the differences within the wider West and Central London context. Where possible we have drawn on price paid data published by the Land Registry. This is the most up to date data source on house prices available.

3.31 The wider market dynamics is illustrated in Figure 8 below perhaps as expected the highest house prices are found in Central London. This core area of high house prices extends to much of the eastern parts of the London Borough of Richmond upon Thames.

3.32 There are other notable areas of higher house prices in moving into the commuter belts of Surrey, Bucks and Oxfordshire. Figure 8 also illustrates the clear east/west split with prices to the west of the capital significantly higher than those areas immediately to the east.

Figure 8: Average House Price (Greater South East) – 2015



Source: HMLR, 2016

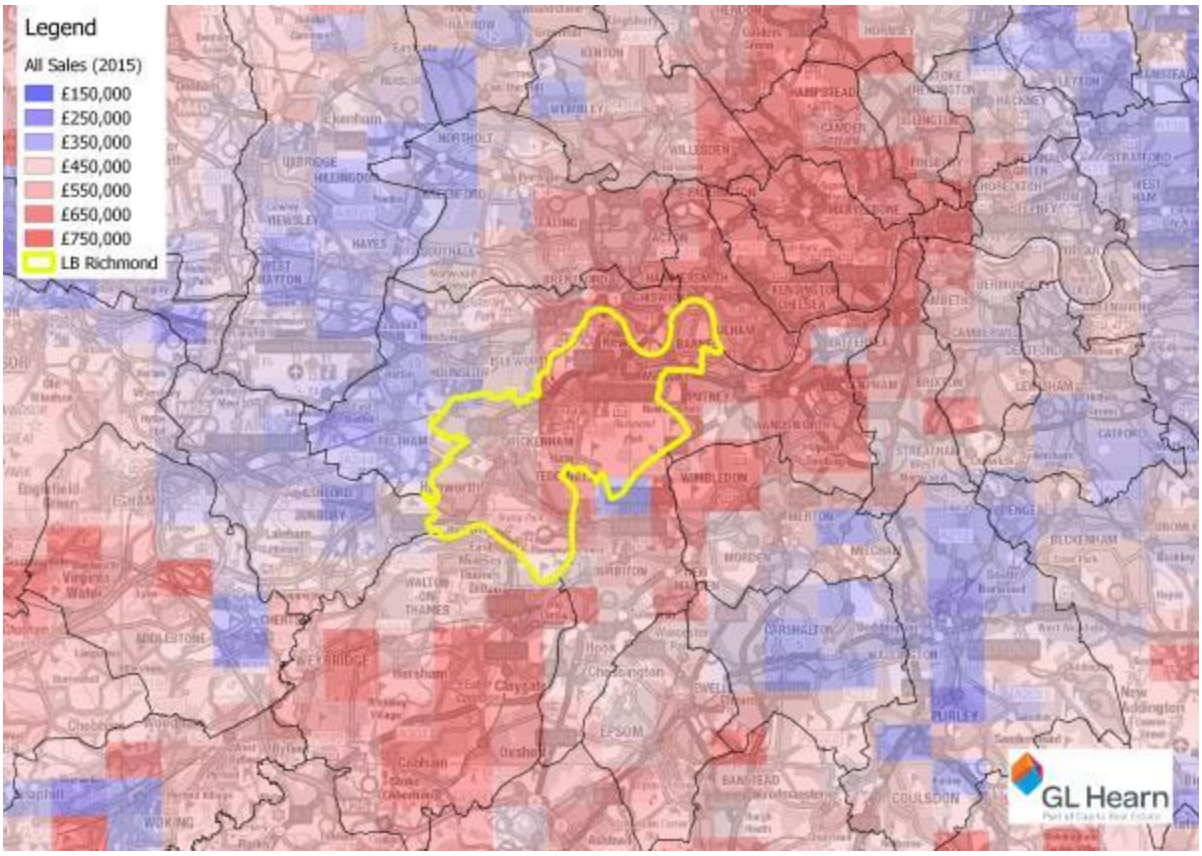
3.33 We have also analysed more local dynamics which again show, but in more detail areas of higher and lower house prices in the borough and the immediately surrounding areas. One must be mindful however that the average house price tends to reflect the stock with higher prices expected in areas with more detached homes and lower prices in flatted areas.

3.34 As shown in Figure 9 house prices in the Sheen, Mortlake and Barnes area of the Borough are significantly higher than those in the Hampton area. This is likely to reflect the connectivity with Central London.

3.35 By comparison house prices in the Borough are higher than those immediate to the north and south. There is a particularly notable drop off in price to the north into Hounslow. This in part will reflect the prevalence of flatted and terraced stock in Hounslow but also the quality of place.

3.36 Richmond benefits from access to two large royal parks, the River Thames and historic environment and also has excellent connectivity. While Hounslow also has excellent connectivity, access to open spaces is more limited and the proximity to Heathrow results in some noise issues, particularly for those living beneath the flight path.

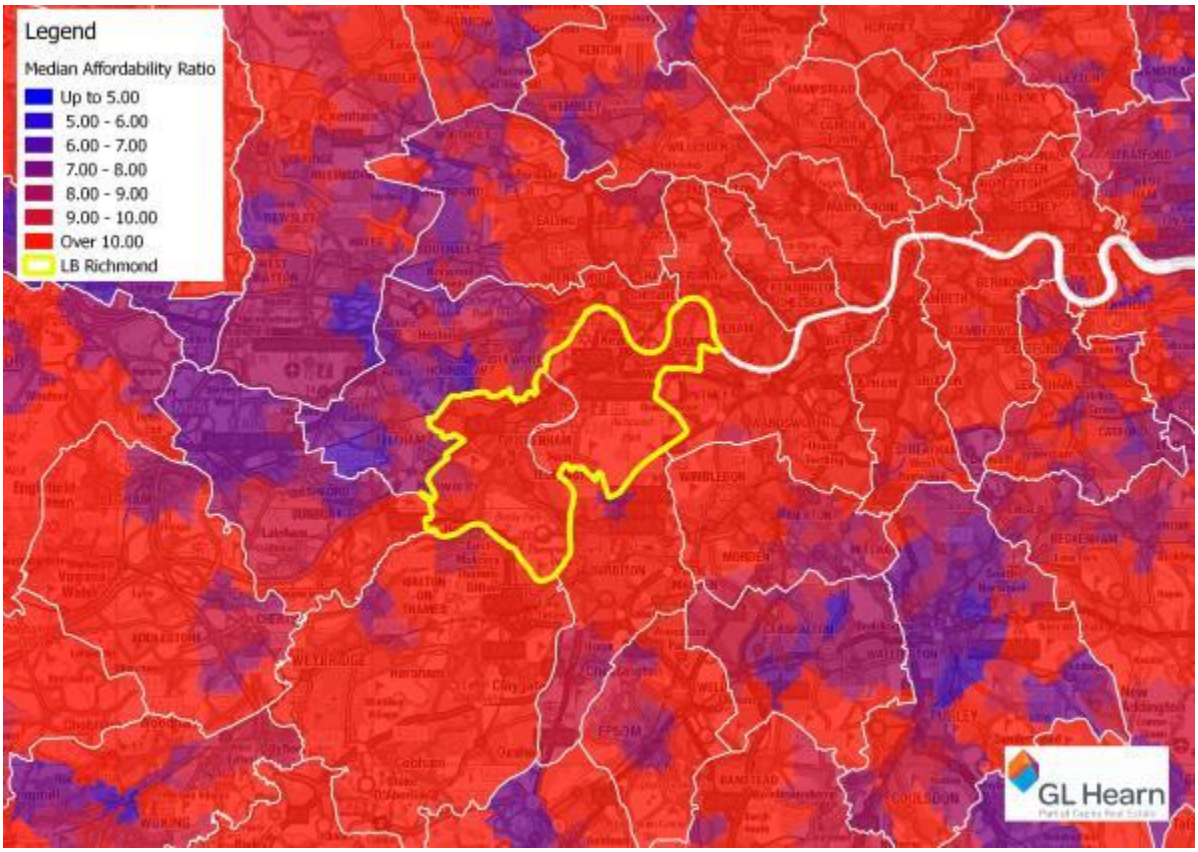
Figure 9: Local House Prices (2015)



Source: HMLR, 2016

3.37 It is also important to understand house prices relative to earnings. To do this we have used the ONS affordability data which calculates the ratio between house prices and earnings at Middle Super Output Area (MSOA) level. Although only recently published, the latest data reflects 2011 ratios. As shown in Figure 10, affordability is an acute issue in the Borough with almost the entire borough having house prices which are more than 10 times income.

Figure 10: Affordability Ratio by MSOA (2011)

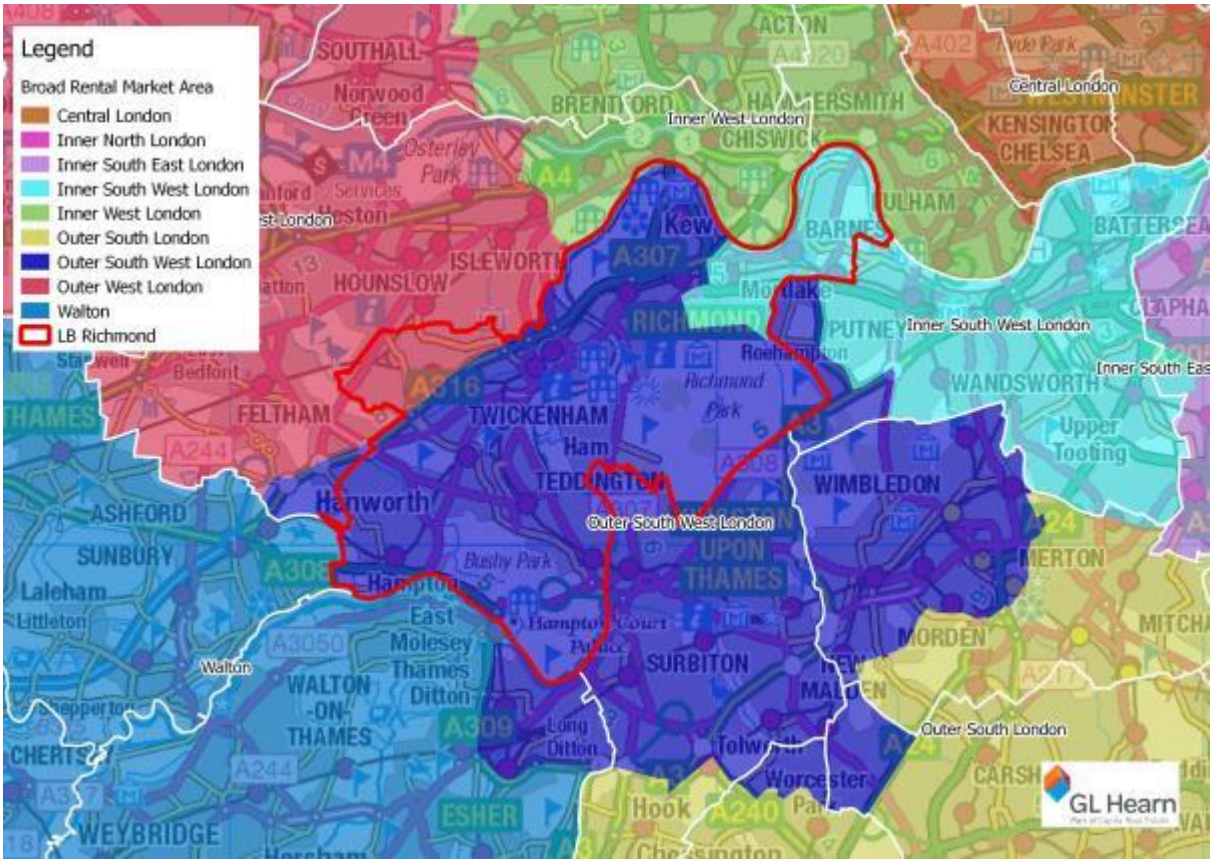


Source: ONS, 2015

3.38 The only area which has a ratio of less than 10 is the northern part of Hampton, although this area still has a ratio of around 9.5. There is also a stark difference in affordability between the Borough relative to Hillingdon, Hounslow and Spelthorne.

3.39 The Broad Rental Market Area (BRMA) is an area defined by the Valuation Office Agency and is the area within which a Local Housing Allowance claimant could reasonably be expected to live taking into account access to facilities and services. It is also the area to which local housing allowance is benchmarked. As illustrated in Figure 11, there are three Broad Rental Markets which operate across the Borough.

Figure 11: Broad Rental Market Areas



Source: VOA, 2014

3.40 The eastern part of the Borough including Barnes, Sheen and Mortlake are located within the Inner South West London BRMA which extends across most of Wandsworth Borough and into a small part of Lambeth and Merton.

3.41 The majority of the Borough is located in the Outer South West London BRMA which also includes most of Merton including Wimbledon and small parts of Hounslow, Kingston, Elmbridge and Epsom and Ewell.

3.42 A small part of the Borough in Whitton is located within the Outer West London BRMA.

Implications

- There are strong housing market and economic inter-relationships across borough boundaries within London, and between LB Richmond and parts of Surrey. The greatest proportion of people moving to the Borough are from other South West London or West London Boroughs.
- The analysis shows that the strongest relationships (in terms of migration moves) are with Hounslow, Wandsworth and Kingston. The strongest commuting flow is with Inner London – with net out-commuting of 20,800 persons daily, equivalent to 21% of the resident workforce. Beyond this the strongest commuting relationships are also with these three adjacent boroughs.
- Of those moving into the Borough, the strongest flow is of people in their 20s and 30s, and in particular those in their late 20s or early 30s with (or soon to have) young children. The Borough is an attractive place to have a family.

4 THE BOROUGH'S POPULATION

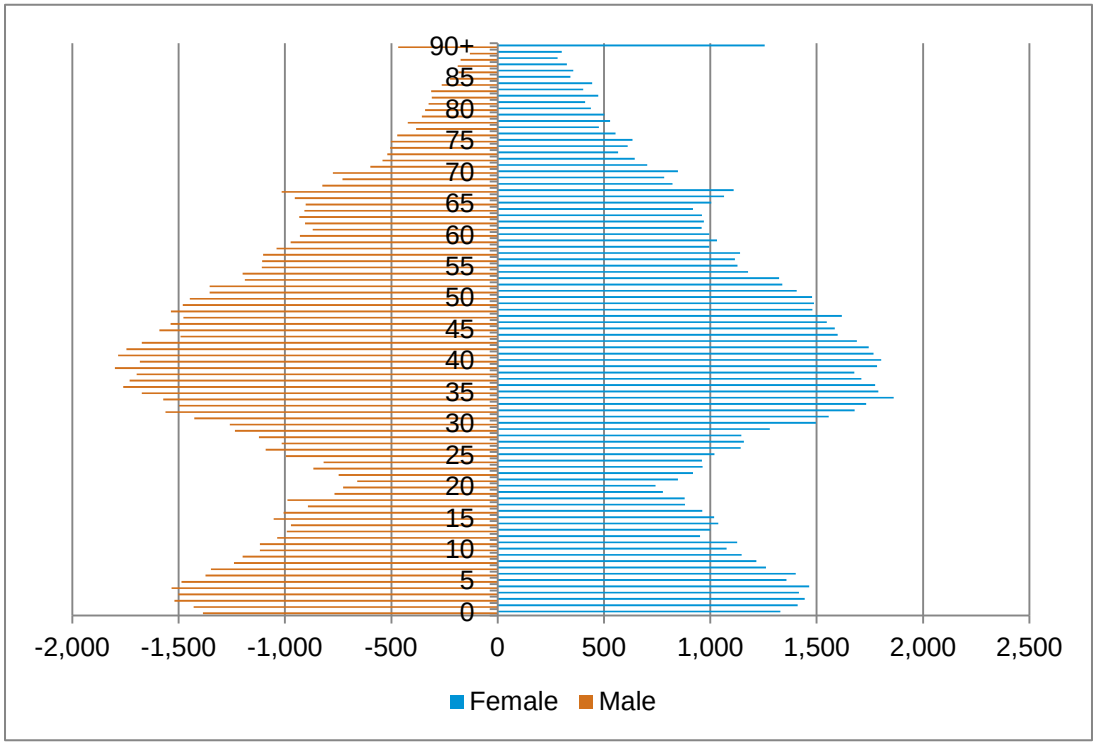
4.1 The Borough had a population of 193,600 in mid-2014. This has grown from 186,990 at the time of the last census indicating a 3.5% increase in just three years. In 2001 the population was recorded as 172,335. In 2011 there were 76,146 households making the average household size 2.45 persons.

Population Analysis

Age Structure, 2014

4.2 The largest age groups within the Borough's population are of those aged between 30-48. Children aged under 7 are also relatively strongly represented. There is also a notable population aged 90 and over although this is an open ended group (see Figure 12 below).

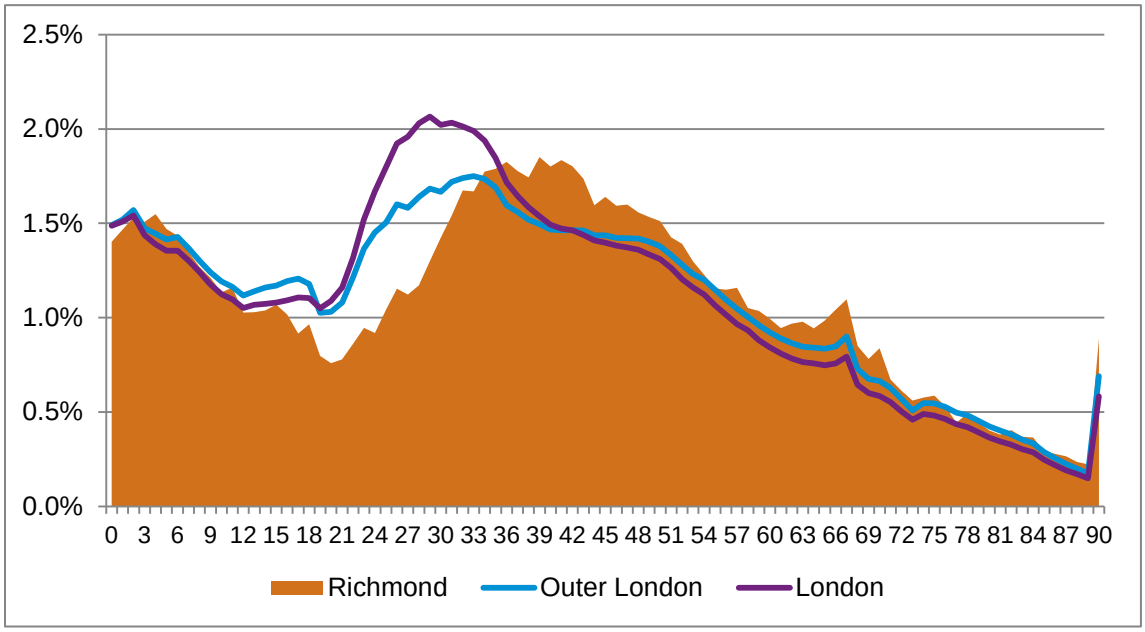
Figure 12: Population Pyramid LB Richmond (2011)



Source: Census, 2011

4.3 Figure 13 compares the age profile in the Borough to that in London and Outer London. As illustrated the Borough has a higher percentage of population at almost every age point older than 35. This is in turn has resulted in a slightly higher percentage of very young children in the Borough.

Figure 13: Distribution of Population by Age (2011)



Source: Census, 2011

4.4 In contrast there is a much higher percentage of population in London and Outer London in their 20s. This suggests that the Borough is typically attractive to slightly older 'family-makers' and is affordable for those in older age groups.

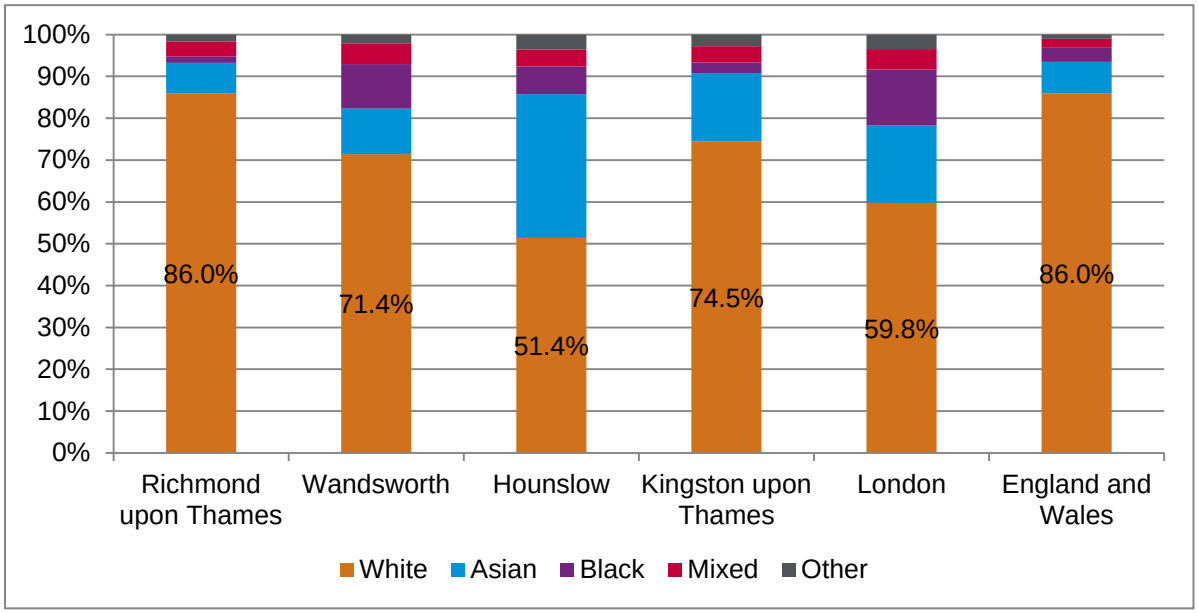
Ethnicity

4.5 Figure 14 profiles population by the ethnic group in LB Richmond and neighbouring comparator areas including LB Wandsworth, LB Hounslow, LB Kingston upon Thames, London and England and Wales. These key areas are consistently used as comparators across the report; they have been chosen as the neighbouring London Boroughs for comparisons, with other general comparisons to Surrey and London made on the occasional basis in order to understand the context of the borough on the edge of London.

4.6 Richmond upon Thames is a far less diverse area than any of the wider comparator areas. The white population comprises 86% of the population which is in line with England and Wales, but far lower than London (59.8%). Amongst its white population, it has a higher proportion of White English population (83%) than when compared to Hounslow (74%) or Wandsworth (75%). It has a slightly lower proportion than Kingston upon Thames (85%).

4.7 The largest BME group in the Borough is the Asian population which equates to 7.6% of the total population of which the largest group is of Indian people. The mixed race population is the most comparable with the wider comparators but still slightly below those other areas.

Figure 14: Population by Ethnicity (2011)

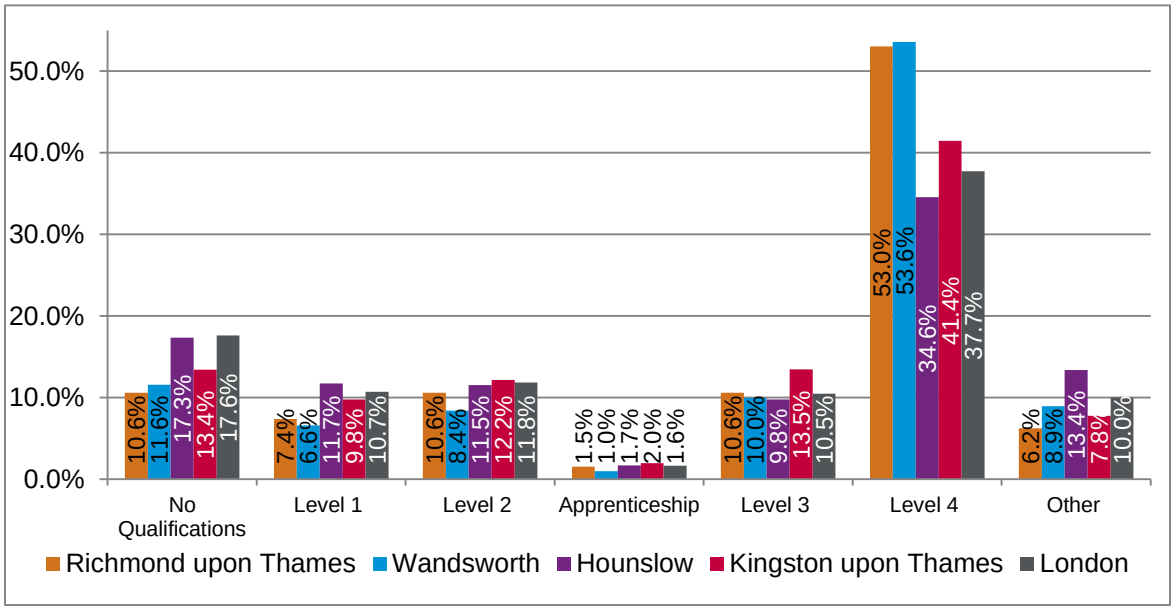


Source: Census, 2011

Qualifications

4.8 Both LB Richmond and LB Wandsworth have a significantly higher population qualified to at least level 4, which is the equivalent of an under-graduate degree. In contrast both Boroughs have similarly few residents with no qualifications (see Figure 15). The skills profile is evidently strong.

Figure 15: Level of Education Attained (2011)

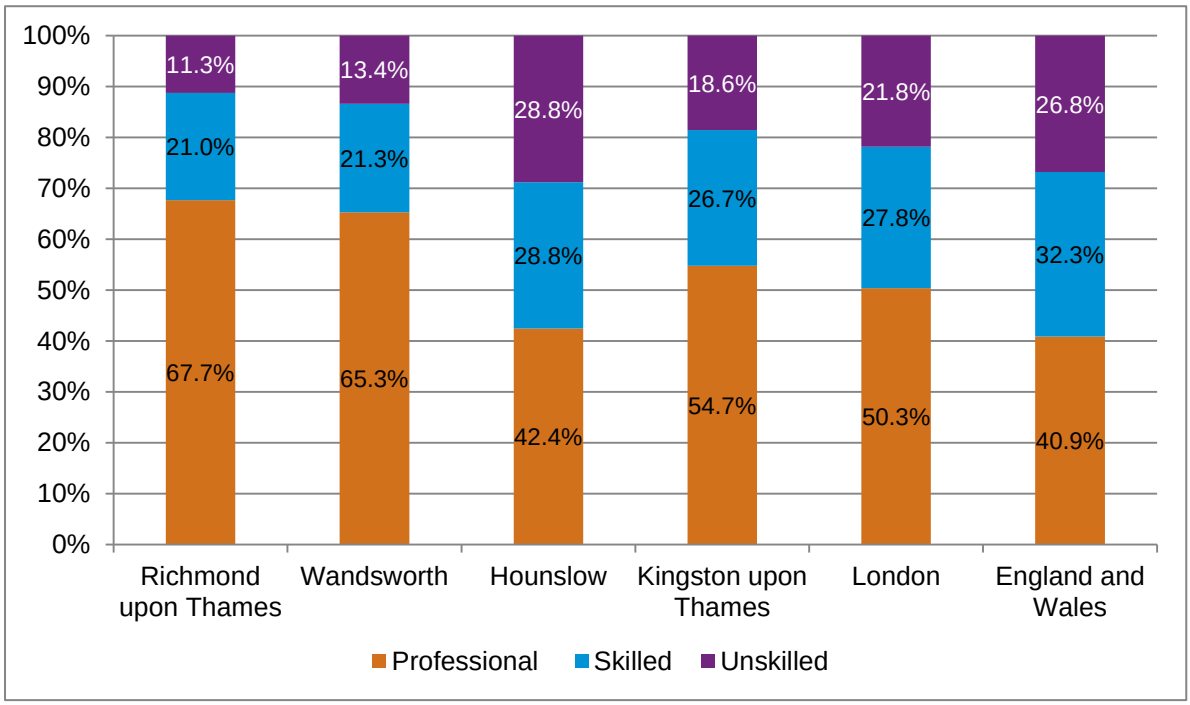


Source: Census, 2011

Occupation

4.9 The highly qualified nature of the Richmond population is directly reflected in the percentage of residents working in Professional Occupations (67.7%). This is significantly higher than the London (5.3%) and National Figures (40.9%).

Figure 16: Broad Occupation Level of Residents (2011)



Source: Census, 2011

4.10 Only 11% of the Borough residents work in an unskilled profession. This is similar to the levels in Wandsworth (13.4%) but much lower than in Hounslow (28.8%).

Earnings

4.11 At £39,563 per annum, Richmond also has the highest median earnings of the areas considered, although it is almost identical level to Wandsworth. The median earnings in the Borough are around £6,000 higher than the equivalent figure in London (£33,203) and £12,000 higher than England and Wales (£27,732).

Figure 17: Median Full-Time Earnings (2015)

Source: Annual Survey of Hours and Earnings, 2011

4.12 Workplace earnings in the Borough are also significantly lower (£32,852 per annum) than resident earnings suggesting a level of out migration to high paying jobs (see Table 11), as is the case for many Outer London Boroughs. Average workplace earnings are still around £5,000 higher than the England and Wales median (£27,715).

Deprivation

4.13 The Department of Communities and Local Government (CLG) published the latest version of their Index of Multiple Deprivation in 2015. The index ranks every local authority and Lower Super Output Area (LSOA) across England in terms of how deprived it is. The indices cover a range of topics and are also combined for an overall deprivation score.

4.14 Overall the Borough is ranked 296 out of 326 local authorities in terms of deprivation putting in in the least deprived 10% of Boroughs nationally. It performs strongly across most indicators.

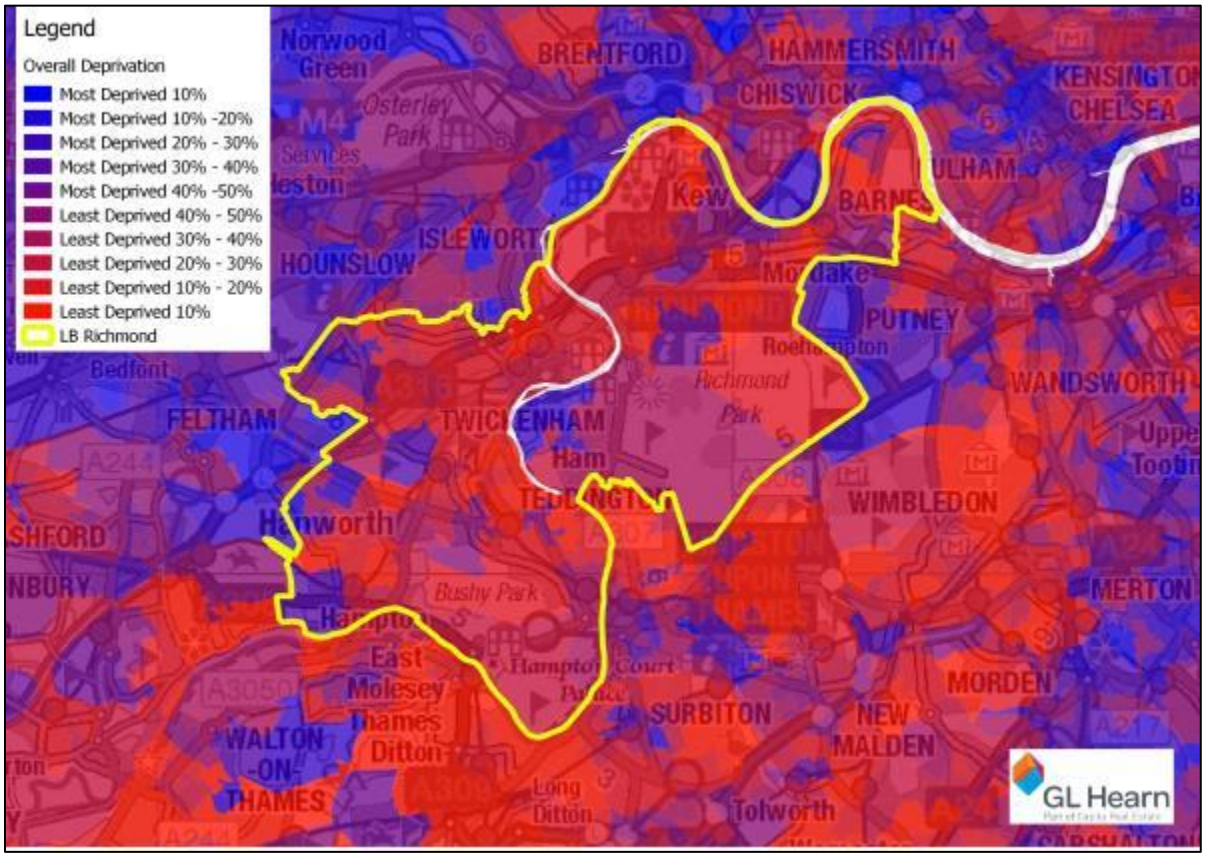
Table 11: Index of Multiple Deprivation Ranking for LB Richmond

Index	LA Ranking (of 327 with 1 being most deprived)	National Percentile	% of LSOAs in most deprived 10%
Overall	296	90.5%	0.0%
Income	293	89.6%	0.0%
Employment	313	95.7%	0.0%
Education	326	99.7%	0.0%
Health	319	97.6%	0.0%
Crime	105	32.1%	0.9%
Barriers to Housing and Services	190	58.1%	1.7%
Living Environment	48	14.7%	2.6%

Source: GLH Analysis of CLG IMD, 2015

4.15 Figure 18 below illustrates the overall relative deprivation in LB Richmond and the immediately surrounding areas. As shown the Borough is relatively affluent although there are pockets of deprivation within the Borough.

Figure 18: Overall Deprivation (2015)



Source: GLH Analysis of CLG IMD, 2015

4.16 According to this index the parts of the Borough fall within the most affluent 10% of the Country including parts of Teddington. Hampton, Mortlake, Barnes and Twickenham. Although no parts of the Borough are in the most deprived 10% nationally one part does fall within the lowest 20%, that is the area around Oak Avenue in Hampton on the boundary with Hounslow. Some of the more deprived parts of the borough are covered by open space including parts of Richmond Park and Ham Lands which may limit the amount of data.

Housing and Households

4.17 In 2011 there were 79,835 households in the Borough which is a 4.8% increase since 2001 (76,146). These are accommodated in 82,827 dwellings. Table 12 below sets out the percentage of all households within certain household typologies.

Table 12: Scale of Selected Household Types (2011)

	One Person Households	All pensioner Households	With Dependent Children	With Non-Dependent Children	All Student Households	"Other" Households
Richmond upon Thames - No.	26,008	13,895	23,648	9,223	285	4,417
Richmond upon Thames - %	32.6%	17.4%	29.6%	11.6%	0.4%	5.5%
Wandsworth	32.3%	10.5%	24.3%	8.8%	0.7%	15.5%
Hounslow	27.4%	13.2%	34.5%	8.9%	0.5%	9.2%
Kingston upon Thames	28.6%	16.5%	30.9%	10.8%	2.0%	6.5%
London	31.6%	13.9%	30.9%	8.3%	0.7%	9.4%
England and Wales	30.2%	20.9%	29.1%	12.3%	0.6%	4.4%

Source: Census, 2011 (note there can be some overlap in these groups)

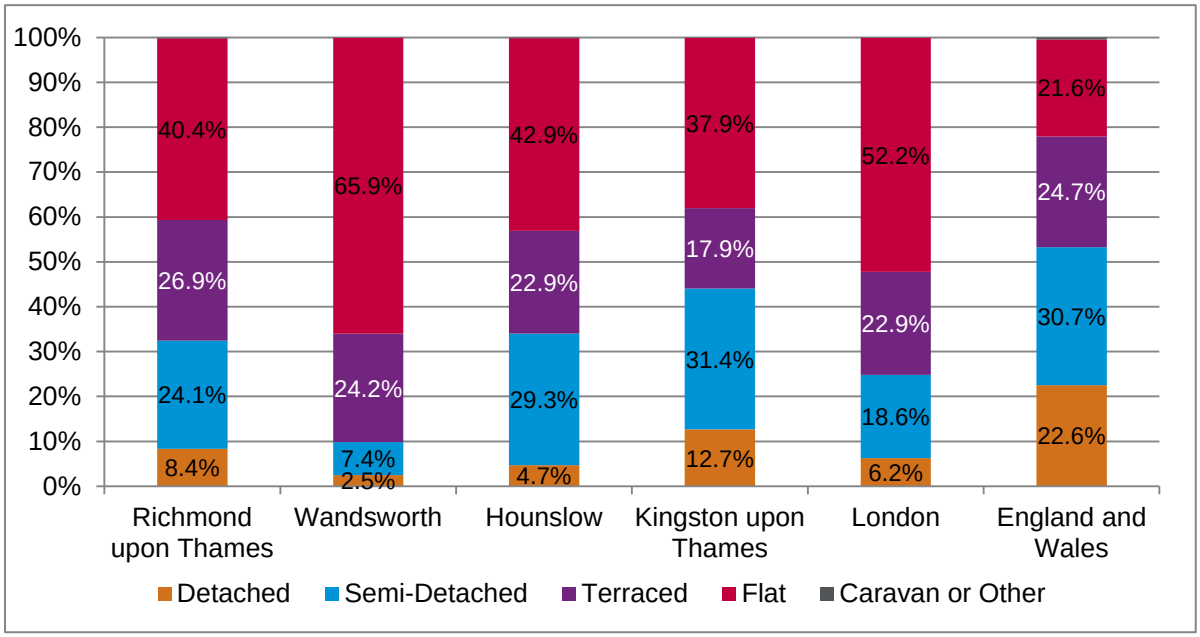
4.18 As shown the Borough has a higher percentage of Single Person Households, All Pensioner Households and Households with Non-dependent Children than the other comparator Boroughs and London and a whole.

4.19 Almost 5.5% of households in the Borough are terms as “other” household types which are shared households of more than one unrelated adults. This is a relatively low level compared to the local comparators but above that in England and Wales (4.4%).

Type

4.20 Just over 40% of household spaces in Richmond upon Thames are flats, the majority of which are purpose built. This is significantly higher than the equivalent figure of England and Wales (21.6%) but below the London Figure (52.2%).

Figure 19: Household Spaces by Type (2011)



Source: Census, 2011

4.21 The Borough also has a higher percentage of detached properties (8.4%) than most of London but significantly fewer than England and Wales (22.6%).

Size

4.22 Around 24% of all household spaces in the Borough have over 4 or more bedrooms. This is slightly higher than the comparable Boroughs and also the equivalent figures for London (15%) and England and Wales (19%).

Figure 20: Household Spaces by Number of Bedrooms (2011)

Source: Census, 2011

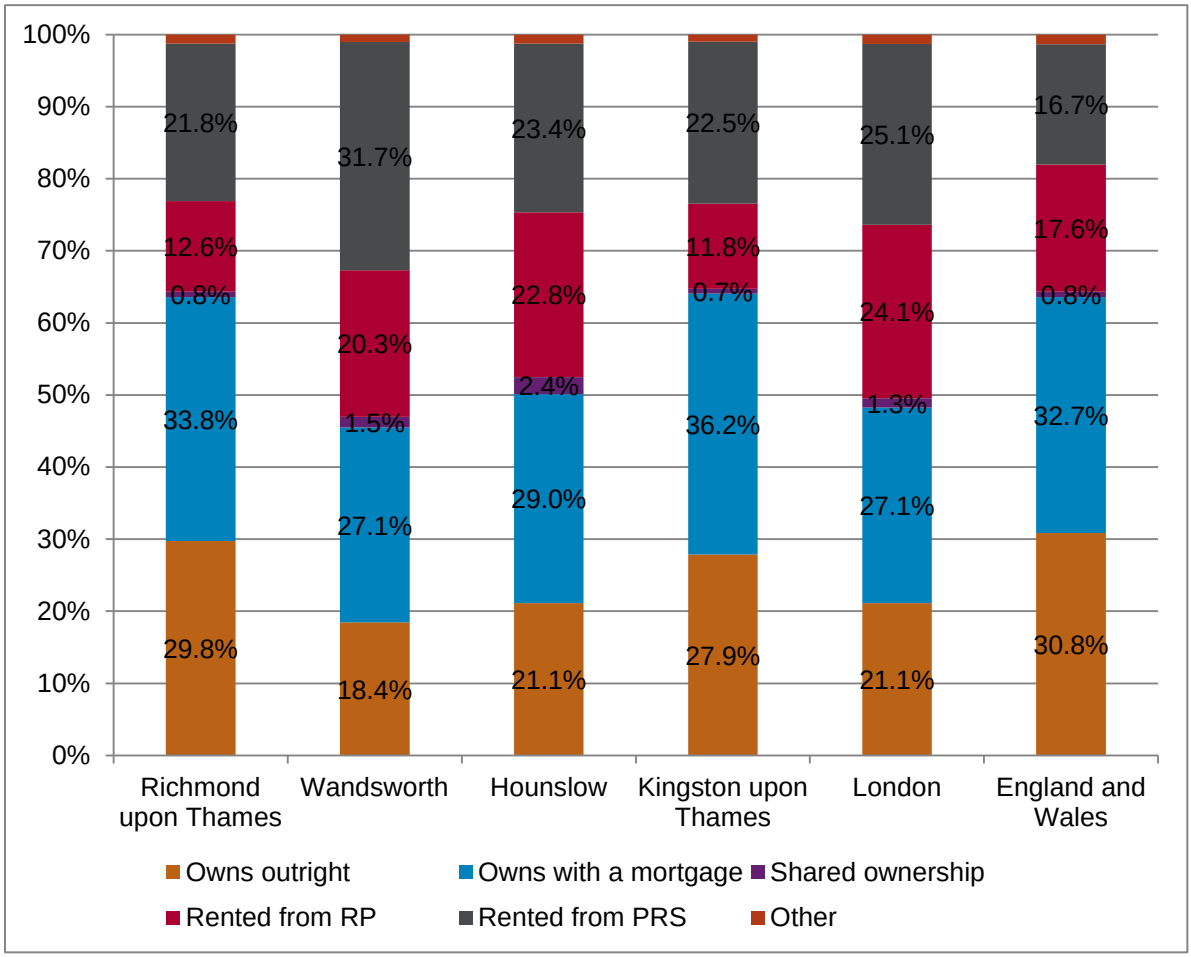
4.23 Only 19% of the household spaces in the Borough have 1 bedroom which is lower than all of the comparable areas shown but for Kingston upon Thames (15%) and England and Wales (12%).

Tenure

4.24 Almost two thirds of the households in the Borough (63.6%) own their own homes which is the same as the England and Wales figure; although the Borough has a slightly higher percentage of households who own their own properties outright.

4.25 As shown in Figure 21, the social rental sector equates to 12.6% of all households which is wholly driven by those renting from registered providers. Following Large Scale Voluntary Transfer (LSVT) in 2000 the borough has none of its own housing stock. The reliance on the socially rented sector is lower in Richmond than in Wandsworth and Hounslow and London as a whole.

Figure 21: Tenure of All Households (2011)



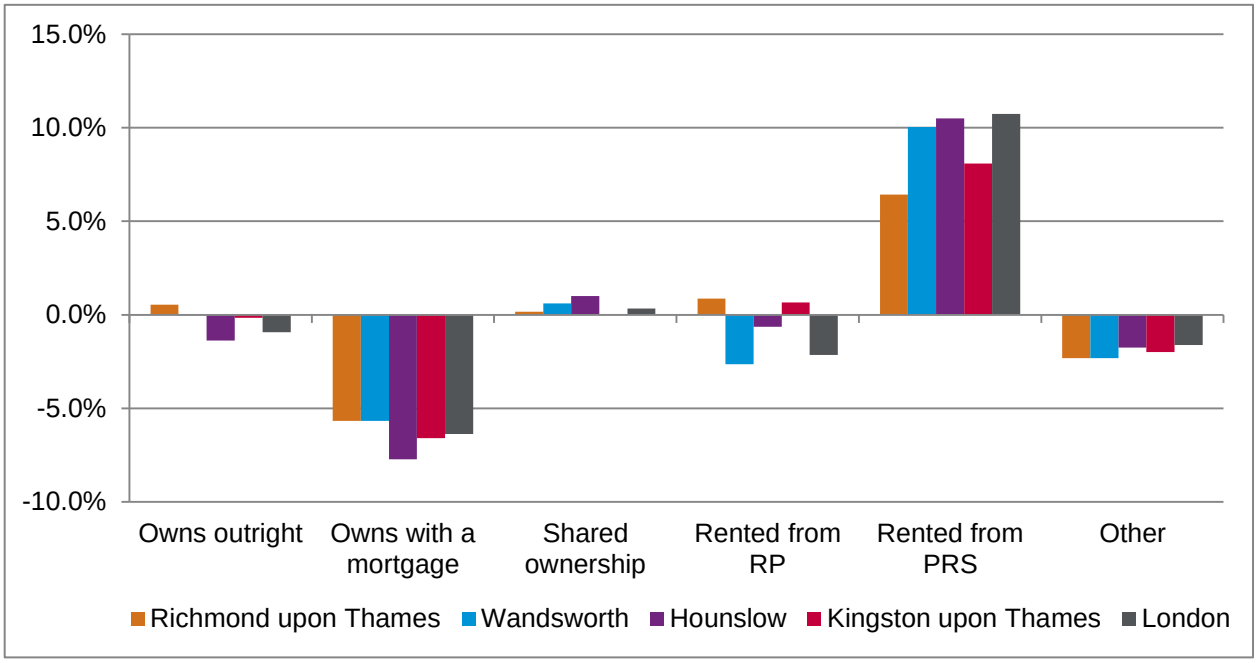
Source: Census, 2011

4.26 The private rental sector equates to 21.8% of households which is lower than the other comparable Boroughs and London as a whole (25.1%); although this is still higher than the equivalent figure for England and Wales (16.7%).

4.27 The Private Rental Sector has also seen significant growth in the ten year period (2001-2011) however the growth in Richmond upon Thames is slightly smaller than all of the comparable areas. There has also been a commensurate reduction in the number of homes which own their home with a mortgage.

4.28 The shift away from owning with a mortgage towards the private rental sector is one seen nationally. Although in part this may reflect a conscious choice for some households, it is likely to be largely driven by affordability issues for younger households and post-recession restrictions to mortgage lending.

Figure 22: Change in Tenure (2001-2011)



Source: Census, 2011

Occupancy Rates

4.29 Across both the Borough and the wider comparators we have seen the proportion of residents living in over-occupied properties increase. Over-occupation is based on the number of rooms required for a given household against the number of rooms in their home. The requirement reflects ages of the household members and their relationships to each other. Where there are too few rooms this would be classed as overcrowding.

Table 13: Under and Over Occupancy (2011)

	Under-Occupied			Over-Occupied		
	2001	2011	Change	2001	2011	Change
Richmond upon Thames - No.	54,538	54,886	348	6,378	8,006	1,628
Richmond upon Thames - %	72%	69%	-2.9%	8%	10%	1.7%
Wandsworth	53%	49%	-3.7%	16%	20%	3.7%
Hounslow	57%	51%	-6.1%	16%	22%	5.6%
Kingston upon Thames	69%	65%	-3.5%	11%	13%	2.3%
London	57%	51%	-5.5%	17%	22%	4.3%
England and Wales	75%	73%	-2.0%	7%	9%	1.6%

Source: Census, 2011

4.30 The increase in overcrowding was particularly noticeable in Hounslow which grew from 16% in 2001 to 22% in 2011 (+5.6pp). By comparison the Richmond upon Thame figure increased only by 1.7pp and in England and Wales the increase was 1.6pp (see Table 13). In absolute terms the increase in the Borough was 1,600 households.

4.31 There are different measures of overcrowding (by bedroom standard) and the Council's Housing Strategy 2013-17 reported there has been a significant reduction in overcrowding in the borough since 2001, when 8.4% of households lacked at least one bedroom.

4.32 The number of properties that under occupied by their household is significantly larger (almost 7 times as many). In percentage terms the Borough (69%) has a much higher percentage of under-occupied properties than the local comparators. However the increase in these properties has only been very modest since 2001. Indeed as a percentage of the total stock the figure has actually decreased by around 3 percentage points.

Implications

- As illustrated in the previous section the borough population is growing, albeit at a slower rate than the neighbouring boroughs. The age profile of the Borough sees high levels of people in their thirties and early forties in comparison with the rest of London.
- The socio-economic profile of the Borough is generally one of affluence, with higher earnings, qualification and occupation levels than most of the comparable areas. The area sees high numbers of residents commuting out of the borough to highly paid jobs in the City and Westminster.
- The housing stock in the district is characterised by larger homes although there are a notable number of flats in the Borough which make up 40% of the stock. The Borough also sees a notable percentage of the homes in owner occupation. Private renting has grown between 2001-11, but at a lower rate than seen in other parts of London.

5 TREND BASED DEMOGRAPHIC PROJECTIONS

5.1 In this section consideration is given to demographic evidence of housing need and trend-based population and household projections. Population trends are interrogated, and projections both from ONS/ CLG and the GLA considered.

5.2 A degree of professional judgement is necessary in considering what might represent a reasonable and realistic projection for housing need, as highlighted in a recent High Court case[8] where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

5.3 The core projections in this section look at housing needs in the Borough over the period from 2014 to 2033. The end point is set to be consistent with the likely end date of the Local Plan Review; whilst the start date (2014) is the data at which there is an up-to-date baseline for population from ONS Mid-Year Population Estimates.

5.4 The central projection in the London SHMA 2013 indicated that London will require between approximately 49,000 (2015-2036) and 62,000 (2015-2026) more homes a year. However, estimates are at Greater London level only and not disaggregated to borough level. The 2015-2036 figure of 49,000 additional homes a year provided the basis for the detailed housing need figures set out in the London Plan, with a view to a full review of the Plan by 2019/20. The GLA have indicated their current expectation is household growth at similar levels to those set out in London Plan (40k/year), a population increase slightly lower (70k/year), but employment growth significantly higher (above 40k/year)[9].

5.5 For clarity, this section considers six different projections drawing on both GLA and ONS/CLG data. The six projections can be summarised as:

[8] *Kings Lynn & West Norfolk Council vs. Elm Park Holdings* [CO/914/2015]
[9] GLA, *https://www.london.gov.uk/sites/default/files/political_steering_group_notes_10_march_2016.pdf*

Table 14: Overview of Projection Considered

GLA Short-Term Trends	Linked to migration patterns over the five year period 2008-13
GLA Long-Term Trends	Linked to migration patterns over the 12 year period 2001-13
GLA SHLAA Short-Term	Housing delivery and household growth take account of land supply information from the GLA 2013 Strategic Housing Land Availability Assessment (SHLAA). Migration profiles are based on short-term trends (2008-13).
GLA SHLAA Long-Term	Housing delivery and household growth take account of land supply information from the GLA 2013 Strategic Housing Land Availability Assessment. Migration profiles are based on long-term trends (2001-13).
ONS 2012-based SNPP	Based on the latest official population and household projections issued by ONS and CLG respectively. These are 2012-based. ONS projections which consider international migration trends in the 2006-12 period and internal (domestic) migration over the 2007-12 period
ONS 2012-based (as Updated)	This uses the assumptions in the SNPP for birth/death rates and migration levels but updates the baseline population (in 2014) to that shown by ONS mid-year population estimates.

5.6 In deriving conclusions on the 'unconstrained' housing need (OAN), the trend-based and ONS projections are relevant. However given the historic and continued constrained land supply within the Borough, the GLA projections which take account of land availability data from the SHLAA are arguably more realistic in estimating future population/ household growth. Both are therefore considered herein.

Interrogating Past Demographic Trends

Overall Population Growth

5.7 The population of the Richmond in 2014 was estimated to be 193,600. This is an increase of 19,300 people since 2001 – an 11% increase over the 13-year period. This level of population growth is notably lower than seen across either Outer London or London as a whole, but is slightly higher than population growth seen nationally.

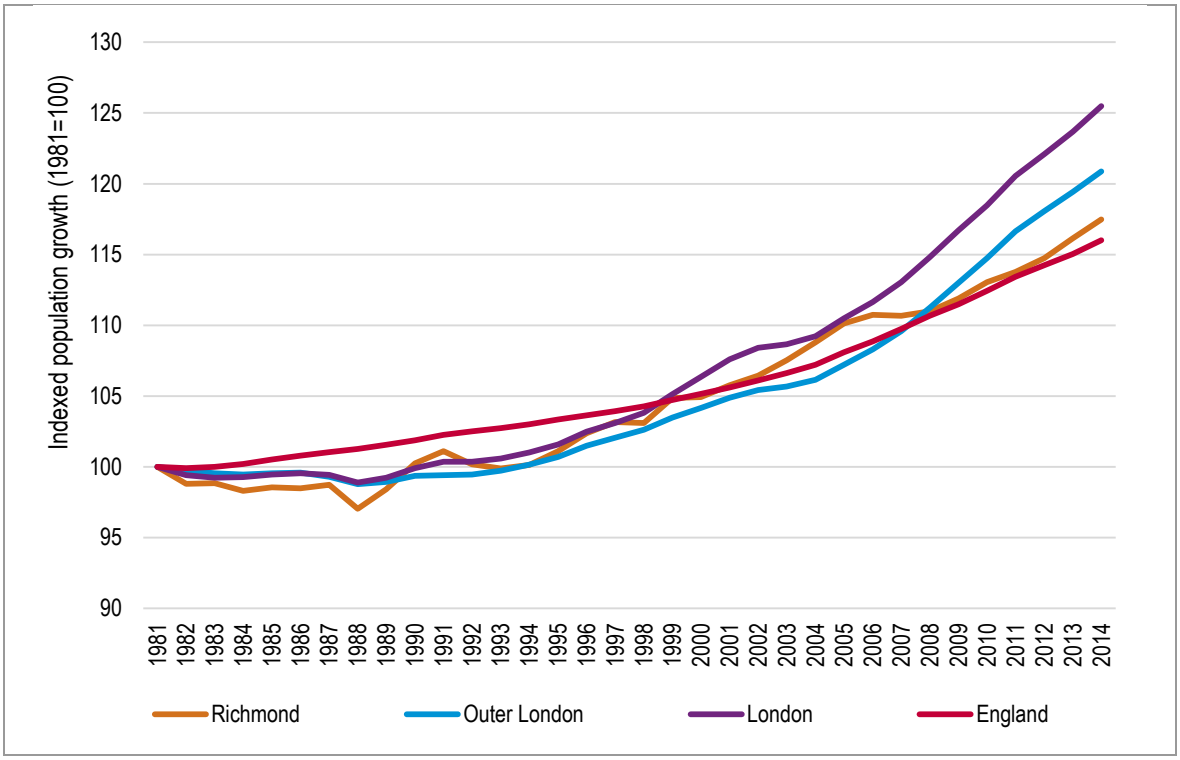
Table 15: Population Growth (2001-14)

Area	Population 2001	Population 2014	Change in Population	% change
Richmond	174,311	193,585	19,274	11.1%
Outer London	4,463,028	5,143,034	680,006	15.2%
London	7,322,403	8,538,689	1,216,286	16.6%
England	49,449,746	54,316,618	4,866,872	9.8%

Source: ONS Mid-Year Population Estimates

5.8 Looking over the longer-term, the Borough's population was relatively static between 1981-1993, grew modestly over the subsequent period to 2007, with stronger growth seen thereafter. This broad profile is relatively consistent with that seen across Outer London and London as a whole. However population growth in LB Richmond has been more modest than that seen across London since 1998, and has not seen the acceleration in rates of population growth which have been seen in London (and across England albeit to a lesser rate) since 2004. Against this stronger regional and national growth, it is however realistic that growth/ demand pressures in the Borough will be more akin to those seen over the last 5 or 10 years than those seen looking back to 1981 overall.

Figure 23: Indexed Population Growth, 1981-2014



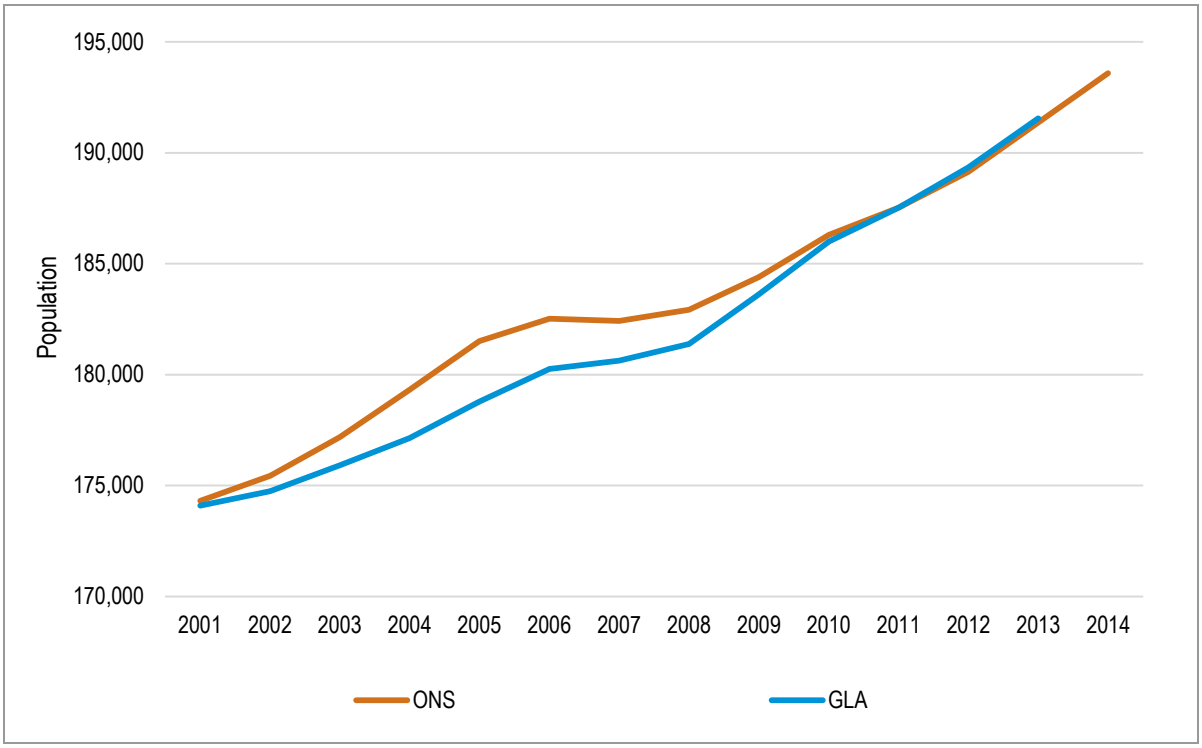
Source: ONS Mid-Year Population Estimates

5.9 The analysis above is based on ONS data and it is useful to also consider the GLA view about how population has changed. From the latest GLA projections it is possible to extract a time-series of

data back to 2001. Figure 24 shows that from 2001 to 2013 the level of population growth estimated by both of these sources is virtually identical although the trajectory of growth is slightly different.

5.10 Good quality data on population change (ad the components thereof) is principally available from 2001 onwards.

Figure 24: Past Population Growth – ONS and GLA Data



Source: ONS Mid-Year Population Estimates

Components of Population Change

5.11 Figure 25 and Table 16 below consider the drivers of population change in LB Richmond, using ONS data. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category (mainly related to armed forces and prison populations) and an Unattributable Population Change (UPC) category.

5.12 UPC is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for 2001 to 2011.

5.13 Natural change is a strong driver of population growth in the Borough. This is function in part of the age structure, with a high proportion of women of childbearing age resident. Set against this, levels of migration are relatively modest. International migration was significant between 2001-4, but figures since have been modest. Internal migration was negative (net out-migration) in five of the

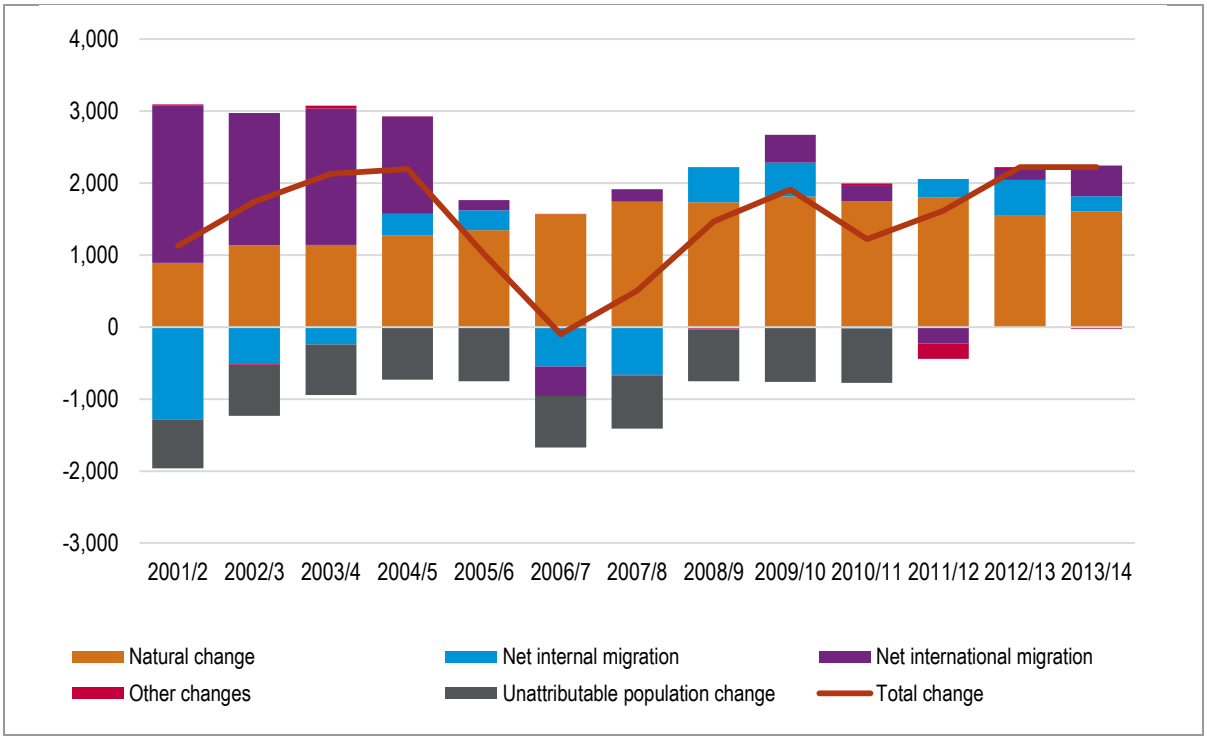
seven years between 2001-7 (which is fairly common for urban authorities with a younger population). It has however been positive in five of the last 6 years.

5.14 The number of births has typically exceeded the number of deaths by around 1,500 per annum over the period from 2001. The level of natural change has generally been increasing over time although the more recent evidence suggests that this trend may now be levelling off or declining slightly.

5.15 Over the 13 year period as a whole, the data shows an average level of net migration of about 563 people per annum on average (with about 623 of this being international migration and a level of net internal out-migration of about 60 people per annum).

5.16 Other changes are quite small although the data shows a notable (negative) level of UPC. This could suggest that the 2011 Census undercounted the population, or (more likely) that ONS over-estimated migration to the Borough between 2001-11. Given the strong levels of international migration between 2001-5, and recognising that international migration is the most difficult component of population change to accurately estimate, it is most likely that international migration during this period in particular could have been over-estimated. The 'attribution' of UPC to years between 2001-11 in the ONS data (as shown in the chart) is arbitrary.

Figure 25: Components of Population Change, mid-2001 to mid-2014 – Richmond



Source: ONS

Table 16: Components of Population Change, LB Richmond 2001-14 – ONS Estimates

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (Un-Attributable)	Total change
2001/2	891	-1,283	2,185	16	-679	1,130
2002/3	1,137	-518	1,838	-19	-697	1,741
2003/4	1,140	-240	1,894	41	-705	2,130
2004/5	1,272	300	1,354	1	-731	2,196
2005/6	1,344	278	141	-11	-740	1,012
2006/7	1,569	-546	-412	4	-714	-99
2007/8	1,743	-663	172	-10	-736	506
2008/9	1,731	489	-21	-12	-720	1,467
2009/10	1,813	471	387	-7	-754	1,910
2010/11	1,750	-21	223	24	-753	1,223
2011/12	1,806	252	-226	-214	0	1,618
2012/13	1,548	496	139	37	0	2,220
2013/14	1,610	208	426	-24	0	2,220

Source: ONS

5.17 As with population growth, the GLA also provide estimates of the components of population change. The GLA data provides estimates of natural change and net migration as well as overall population growth. This allows for a calculation of 'other' changes. The table below shows the GLA components of change from 2001 to 2013. The data shows the same natural change data as with ONS, but some substantially different figures for net migration (particularly international migration). The differences for international migration are largely linked to the GLA view that most (or all) of the UPC can be attributed to international migration.

5.18 The GLA analysis overall suggests net migration averaging -24 people per annum in the 2001-13 period (i.e. a net out-migration). This compares with 557 per annum (average net in-migration) for the same period in the ONS Components of Change (although the ONS data does not make any adjustment for UPC). The difference principally relates to the treatment of UPC.

Table 17: Components of Population Change, LB Richmond 2001-13 – GLA Estimates

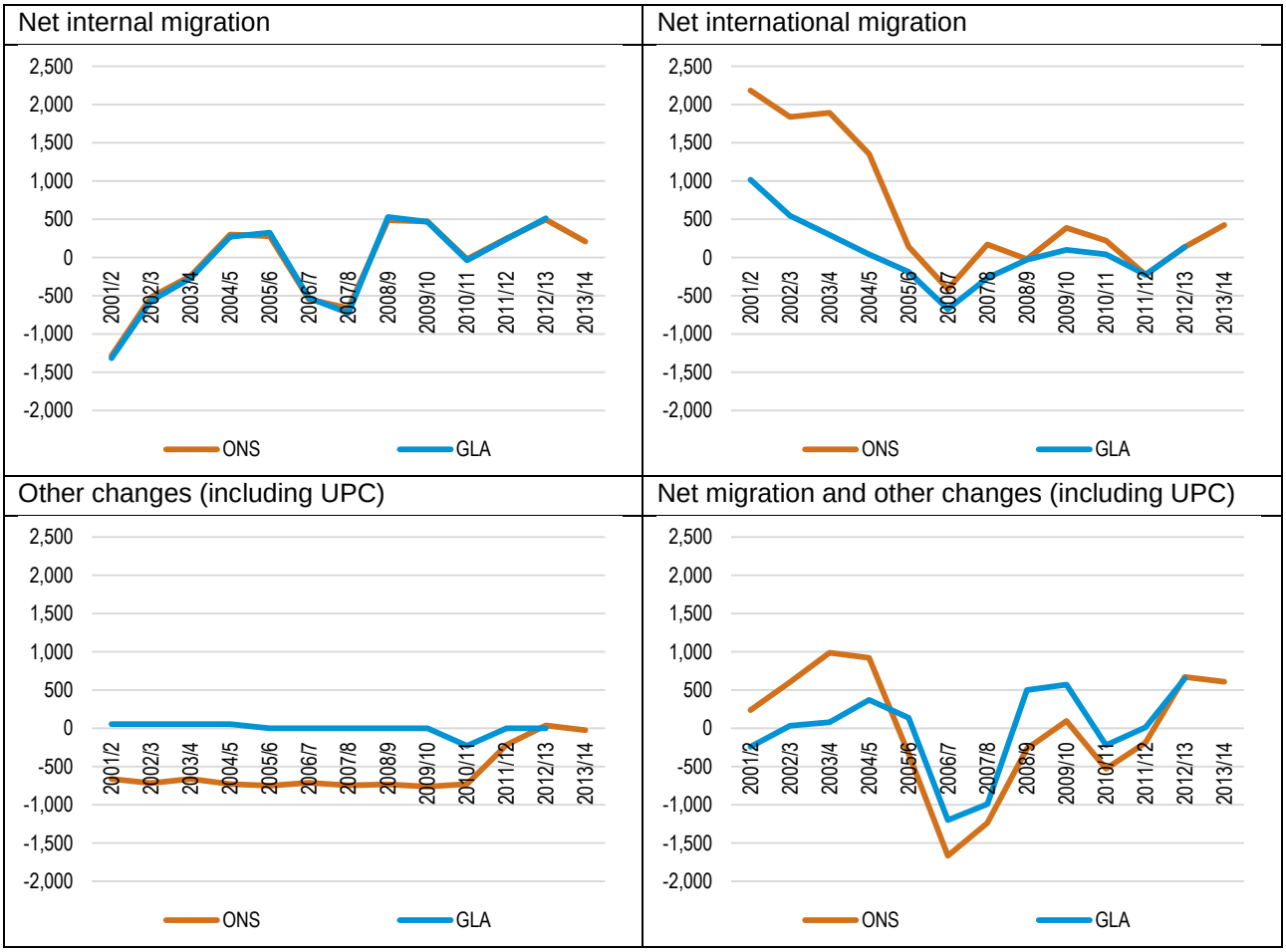
Year	Natural change	Net internal migration	Net international migration	Other changes (implied)	Total change
2001/2	891	-1,316	1,018	57	650
2002/3	1,137	-568	546	57	1,172
2003/4	1,140	-270	295	57	1,222
2004/5	1,272	270	44	57	1,642
2005/6	1,344	325	-188	0	1,481
2006/7	1,569	-527	-674	0	368
2007/8	1,743	-723	-267	0	753
2008/9	1,731	531	-30	0	2,232
2009/10	1,813	469	101	0	2,383
2010/11	1,751	-35	42	-228	1,530
2011/12	1,806	241	-226	0	1,821
2012/13	1,548	513	139	0	2,200

Source: GLA

5.19 The figures below (Figure 26) compare the key components of change from each of the ONS and GLA data. The figure looks separately at internal migration, international migration and other changes. The final chart (bottom right) shows a combined measure which adds together all net migration and other changes (including UPC).

5.20 The analysis shows that there is little difference between ONS and CLG in terms of internal migration. There are however substantial differences when considering both international migration and other changes. However, when these are combined (along with the internal migration figures) there is a closer agreement between the sources.

Figure 26: Comparing Components of Population Change (ONS and GLA)

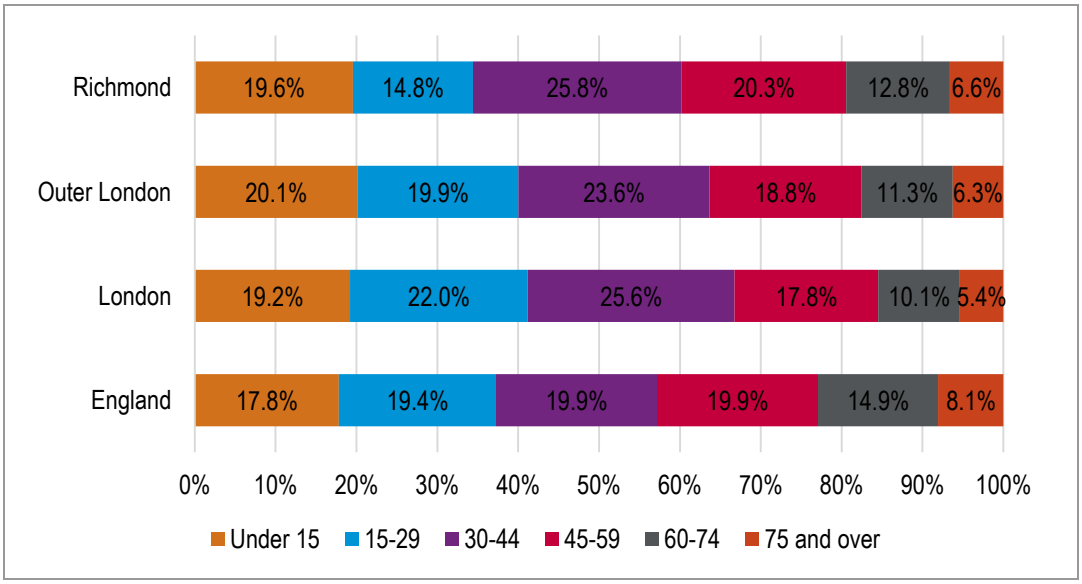


Age Profile and Past Changes

5.21 The age profile of the population of LB Richmond is slightly different to that seen in other areas (as explored in Section 3 and summarised in Figure 27). Compared with London and Outer London, the Borough has a relatively old population with 19% of the population aged 60 and over (compared with 18% in Outer London and 15% across the whole of London).

5.22 However, when compared with the national position, the proportion of people aged 60 and over is quite low (23% of the population nationally is aged 60 and over). The Borough sees a low proportion of people aged 15-29 and a fairly average proportion of children (people aged under 15). As a result, the proportion of people aged 30-59 is relatively high; accounting for 46% of the population, higher than seen in any of Outer London (42%), London (43%) or nationally (40%). As set out in the previous section, the proportion of people in their late 30s and 40s is particularly above average. The largest age groups overall are of those in their 30s and 40s, many of which have young children.

Figure 27: Population Age Profile (2014)



Source: ONS 2014 Mid-Year Population Estimates

5.23 The table below shows how the age structure of the population has changed over the 2001 to 2014 period (again from the ONS data). The data shows the most significant growth to have been in the Under 15 age group, although the 60-74 age group saw the highest proportionate increase. Increases have also been seen in most other age groups, although the proportion of people aged 15-29 has declined by about 9% over the 13-year period studied. The change in the population aged 75 and over is very modest (at just 3%).

Table 18: Change in Age Structure 2001 to 2014 – LB Richmond

Age group	2001	2014	Change	% change
Under 15	30,874	37,894	7,020	22.7%
15-29	31,437	28,679	-2,758	-8.8%
30-44	48,075	50,018	1,943	4.0%
45-59	33,516	39,348	5,832	17.4%
60-74	18,041	24,866	6,825	37.8%
75 and over	12,368	12,780	412	3.3%
Total	**174,311**	**193,585**	**19,274**	**11.1%**

Source: ONS Mid-Year Population Estimates (2001 and 2014)

5.24 The same analysis has been carried out for a range of comparator areas. Population profile changes in Richmond are somewhat different to that seen in other areas – in particular the Borough has seen greater increases in the proportion of people aged 60-74 and typically smaller increases (and some decreases) in the population aged 15-59. The proportion of children living in the Borough has seen more substantial growth than in other areas (in particular when compared with the national position).

5.25 The population change evidence would point in particular to demand from families for housing in the Borough.

Table 19: Changes in Age Structure, 2001 to 2014

Age group	Richmond	Outer London	London	England
Under 15	22.7%	21.0%	19.9%	4.2%
15-29	-8.8%	9.7%	10.5%	12.9%
30-44	4.0%	9.2%	14.3%	-4.0%
45-59	17.4%	25.6%	30.2%	16.0%
60-74	37.8%	16.2%	14.3%	24.1%
75 and over	3.3%	10.0%	7.6%	17.5%
Total	**11.1%**	**15.2%**	**16.6%**	**9.8%**

Source: ONS Mid-Year Population Estimates (2001 and 2014)

5.26 GLA data about age structure changes typically shows the same pattern as the ONS data (as can be seen in the table below). The information below covers the 2001-13 period – overall population growth is slightly lower as the ONS population estimates including population growth in the 2013-14 period.

Table 20: Change in age structure LB Richmond 2001-13 (GLA data)

Age group	2001	2013	Change	% change
Under 15	30,644	36,877	6,233	20.3%
15-29	31,175	30,235	-940	-3.0%
30-44	48,377	50,043	1,666	3.4%
45-59	33,502	38,018	4,516	13.5%
60-74	18,033	23,835	5,802	32.2%
75 and over	12,362	12,541	179	1.4%
Total	**174,093**	**191,548**	**17,455**	**10.0%**

Source: GLA

Demographic Evidence of Housing Need

5.27 Planning Practice Guidance outlines that *'household projections published by the Department for Communities and Local* Government *should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data.'*

5.28 The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) Subnational Population Projections (SNPP) – published in May 2014.

5.29 Table 21 below sets out levels of household growth expected by the CLG Household Projections in the 2014-33 period. Data is also provided for Outer London, London and England for comparative purposes.

5.30 Across the Borough, the CLG Household Projections show household growth of about 21,200 – this is a 26% increase; below equivalent figures for both Outer London (31%) and London as a whole (30%). The projected change in households in the Borough is however notably above the proportion projected nationally (18%).

Table 21: Household change 2014 to 2033 (2012-based CLG Household Projections)

Area	Households 2014	Households 2033	Change in households	% change
Richmond	82,573	103,810	21,237	25.7%
Outer London	1,998,788	2,615,833	617,045	30.9%
London	3,435,376	4,463,095	1,027,719	29.9%
England	**22,718,084**	**26,797,826**	**4,079,742**	**18.0%**

Source: CLG household projections

5.31 Whilst the 2012-based SNPP is the latest 'official' population projection, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context. Our analysis also considers the GLA 2014 round of demographic projections.

2012-based Subnational Population Projections (SNPP)

5.32 The latest SNPP were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections. The new SNPP are largely based on trends in the 2007-12 period (2006-12 for international migration trends). The SNPP are only population projections and do not contain headship rates (which are needed to convert into household estimates).

5.33 The SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way. These are trend-based projections and do not take account of land supply.

5.34 Table 22 below shows projected population growth from 2014 to 2033 in the Borough and a range of other areas. The data shows that the population of LB Richmond is projected to grow by around

39,500 people; this is a 20% increase – substantially above that projected for England but slightly below equivalent figures for Outer London and London as a whole.

Table 22: Projected Population Growth (2014-2033) – 2012-based SNPP

	Population 2014	Population 2033	Change in population	% change
Richmond	194,039	233,549	39,510	20.4%
Outer London	5,155,100	6,299,200	1,144,100	22.2%
London	8,530,500	10,346,600	1,816,100	21.3%
England	54,227,900	61,022,500	6,794,600	12.5%

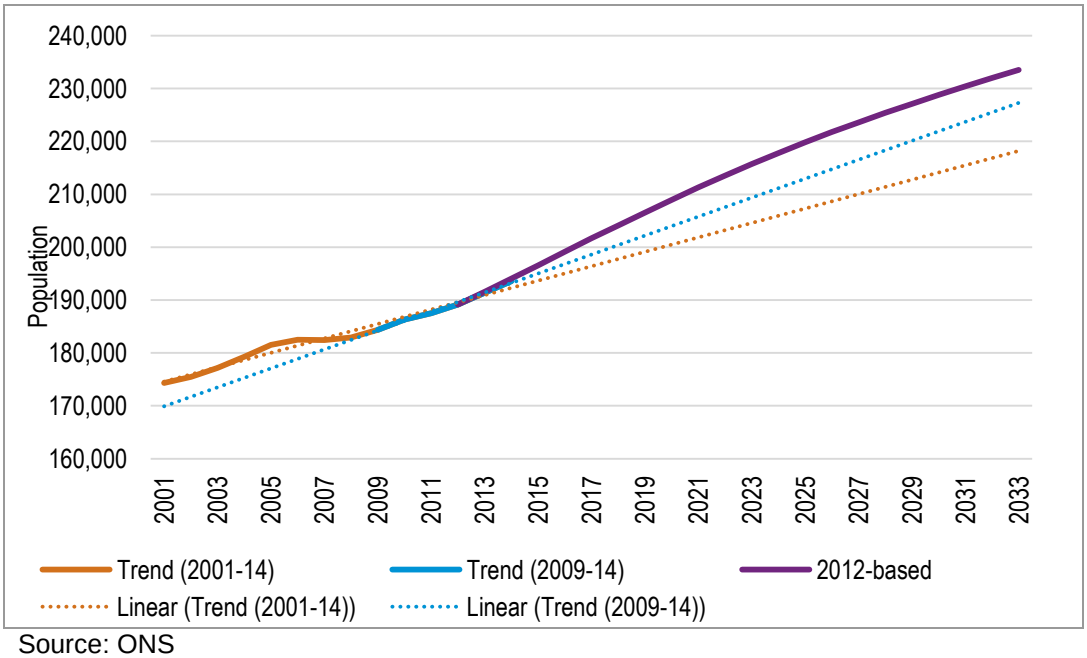
Source: ONS

5.35 Figure 28 below shows past and projected population growth in the period 2001 to 2033. The data also plots a linear trend line for the last five years for which data is available (2009-14) and also a longer-term period from 2001 to 2014 – this being the longest period for which reasonable data about the components of population change (e.g. migration) is available.

5.36 The data shows that the population is expected to grow in the SNPP at a rate which is some way above past trends; regardless of whether comparing with long- or short-term data. The growth rate expected moving forwards at 1.0% pa contrasts with a 0.8% pa growth rate over the 2001-14 period.

5.37 There is however a closer relationship with short-term trends than those seen back to 2001. ONS typically consider short-term trends when developing the SNPP (looking at the last 5-years for internal migration and the last 6-years for international migration) and this is thus reflected in the trend.

Figure 28: Past and Projected Population Growth – LB Richmond



Source: ONS

Alternative Demographic Scenarios

5.38 Whilst the SNPP are the latest official (national) projections, it is appropriate to consider alternative demographic scenarios, including those developed by the GLA. These other scenarios considered are as listed in Table 14.

5.39 The first four projections are taken directly from the GLA (2014-round) Demographic Projections, which have a 2013 base. The latter two use the assumptions underpinning the 2012-based SNPP but with the second projection rebasing this to take account of 2014 Mid-Year Population Estimates (as it is not necessary to project population between 2013-14). The core assumptions about birth/death rates and migration profiles have not been changed but a different age structure in 2014 to that projected in the 2012-based projections does mean that the figures can be different moving forward.

5.40 The table below shows the projected change in population under each of the different scenarios. The trend-based GLA Projections show slightly lower population growth than the SNPP. Given a continued constrained land supply, the projections linked to housing land availability showing significantly lower levels of population growth (only a 2% increase in the case of the SHLAA and long-term trends).

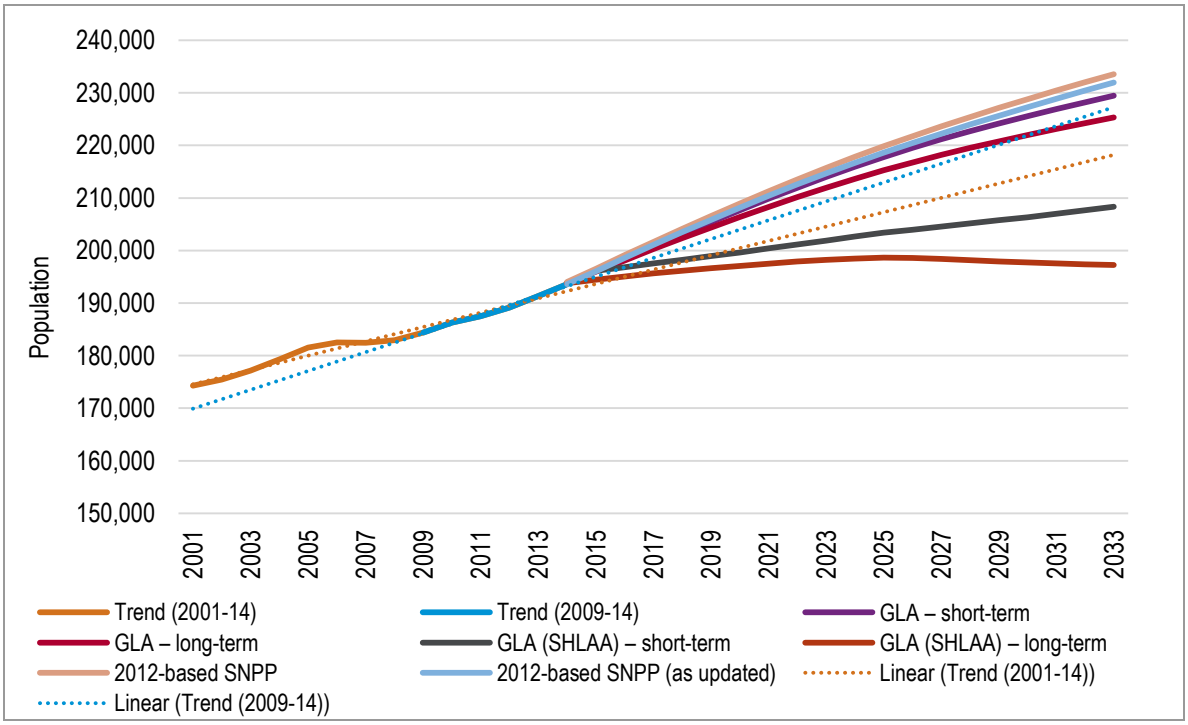
Table 23: Projected Population Growth (2014-2033) – Alternative Scenarios – LB Richmond

	Population 2014	Population 2033	Change in population	% change
GLA – short-term	193,849	229,457	35,609	18.4%
GLA – long-term	193,777	225,337	31,560	16.3%
GLA (SHLAA) – short-term	193,849	208,310	14,461	7.5%
GLA (SHLAA) – long-term	193,777	197,256	3,479	1.8%
2012-based SNPP	194,039	233,549	39,510	20.4%
2012-based SNPP (as updated)	193,585	231,971	38,386	19.8%

Source: Demographic Projections

5.41 Figure 29 below shows population growth under each of the above scenarios and how this compares with past trends (past trend data being drawn from ONS mid-year population estimates). All of the trend-based projections show population growth above the long-term trend and only one projection (GLA – Long-Term) has a population by 2033 which is below even the short-term trend. The SHLAA based Projections both show population growth that is significantly below past trends (regardless of the trend period studied). All of the demographic projections show stronger growth earlier in the projection period.

Figure 29: Past and Projected Population Growth – LB Richmond



Source: ONS

Which Scenarios are potentially the most robust?

5.42 The analysis above indicates that there are a range of different projections which give different estimates of future population growth varying from 2% to 20% over the 2014-33 period. The level of variance is wide.

5.43 It is clear that many of the trend-based projections show future population growth to be above past trends – the only exception to this being the GLA – Long-Term Projection. In the absence of land supply constraints, population growth in the Borough would potentially be of between 16-20% over the period to 2033. The short-term projections, based on GLA's analysis, are potentially influenced by the recent economic recession – which saw stronger population growth in London (and other cities) and less out-migration from cities to surrounding areas, linked in part of housing market conditions. GLA's conclusions in the 2013 London Strategic Housing Market Assessment is that it would be reasonable to expect net internal out-migration from London to increase as we move away from the recession. This seems to be a reasonable conclusion – and would lend weight to the use of the GLA Long-Term Projection as a reasonable trend-based projection to use as the starting point for considering OAN in the absence of development constraints.

5.44 However the reality is that land supply in the Borough will continue to be constrained, and therefore the SHLAA-related projections are also a realistic assessment of the likely demographic change. In

the case of the SHLAA Projections it is notable that these show a different level of population growth even though they are linked to a consistent level of housing delivery. Although not presented in this report, we have run a scenario which seeks to match the levels of housing delivery suggested by the GLA. Our own projection indicates a modest decline in population. On this basis it is considered that the SHLAA scenario with the lowest population growth is probably the most robust. The expectation that migration dynamics will return towards long-term trends supports this.

5.45 Therefore, the analysis concludes that there are two main scenarios which can be considered as the most robust for LB Richmond. These are:

- Unconstrained – GLA Long-Term Projection
- Taking account of Constraints – GLA SHLAA Long-Term Projection.

Age Structure Changes

5.46 With growth in the population will also come age structure changes. The table below summarise the findings for key (15-year) age groups under the GLA Long-Term Projection. The data shows that largest growth will be in people aged 45-59 with the highest proportionate growth in the 75+ age group. The analysis also identifies strong growth in the 60-74 age group and fairly modest changes to the population aged under 45.

Table 24: Population change 2014 to 2033 by fifteen-year age bands (GLA (long-term)) – Richmond

Age group	Population 2014	Population 2033	Change in population	% change from 2014
Under 15	37,516	41,625	4,110	11.0%
15-29	30,495	34,555	4,060	13.3%
30-44	50,255	52,191	1,936	3.9%
45-59	38,709	46,303	7,594	19.6%
60-74	24,064	30,704	6,640	27.6%
75+	12,738	19,958	7,220	56.7%
Total	193,777	225,337	31,560	16.3%

Source: GLA

5.47 A similar analysis has been carried out using data from the SHLAA (long-term) Projection from the GLA. This shows a similar pattern of change although due to the much lower level of population growth, the age specific increases are much smaller (and indeed negative for age groups up to age 44).

Table 25: Population change 2014 to 2033 by fifteen-year age bands (GLA (SHLAA – long-term)) – Richmond

Age group	Population 2014	Population 2033	Change in population	% change from 2014
Under 15	37,516	35,556	-1,959	-5.2%
15-29	30,495	29,776	-719	-2.4%
30-44	50,255	44,292	-5,963	-11.9%
45-59	38,709	41,315	2,605	6.7%
60-74	24,064	28,010	3,946	16.4%
75+	12,738	18,307	5,569	43.7%
Total	193,777	197,256	3,479	1.8%

Source: GLA

5.48 These changes in the population result from a situation whereby land supply is constrained which inhibits the ability of younger households to move into the Borough; but older age groups with housing wealth remain resident.

Household Formation Rates and Household Growth

5.49 Having examined the anticipated growth in the population of Richmond and the age/sex profile of the population, the next step in the process for considering housing need is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP).

5.50 A new set of headship rates is now available following publication of 2012-based CLG Household Projections. The headship rates used in the 2012-based Household Projections are considered to be more reliable than the previous published (2011-based) Interim Household Projections. The 2012-based Household Projections generate a higher level of anticipated household growth for a given population than the previous (2011-based interim) Household Projections.

5.51 The CLG (2012-based) Projections were published in two stages; Stage 1 in February 2015 and Stage 2 in December 2015. Both show the same level of overall household growth but some of the age specific assumptions differ – this means that alternative population scenarios can differ (in terms of household estimates). The overall level of anticipated household growth for LB Richmond taken from the 2012-based CLG Household Projections was presented earlier in this chapter.

5.52 It is useful to understand how the different CLG Projections impact on assumptions for different age groups – this includes comparing the Stage 1 and Stage 2 of the 2012-based projections. This analysis can be used to consider if the 2012-based Projections are robust and the extent to which household formation rates may have been supressed (an analysis required by 2a-015 of the PPG).

The figure below shows the headship rates used in each of the projections for Richmond. It is notable that there are differences internally within the 2012-based Projections; this occurs because CLG consolidate overall household growth but do not consolidate figures for individual age groups.

5.53 Arguably the most notable differences are in some of the older age groups (75-84 and 85+) where the Stage 1 projections generally decrease over time compared with Stage 2 showing a notable increase). It is also notable that the 25-34 age group shows a continuing reduction in headship rates regardless of the analysis being studied (this is also evidence to a lesser extent for the 35-44 age group). This points to increasing difficulties for younger households in forming.

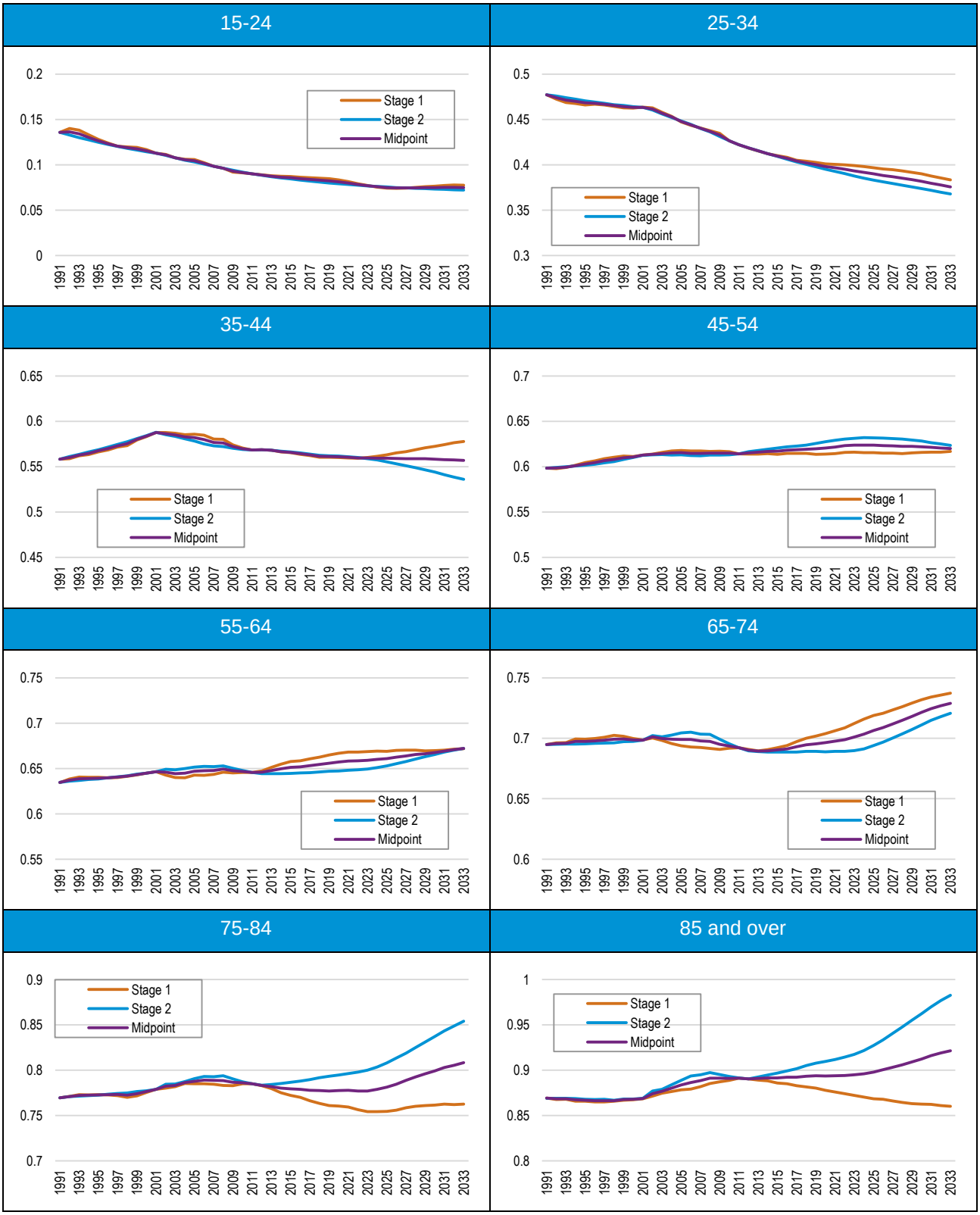
5.54 It is difficult to say which of Stage 1 or Stage 2 are the most reliable to take forward into demographic modelling and given the differences between the two sets of figures a pragmatic approach has been taken to initially use the mid-point between Stage 1 and Stage 2 figures. This should be reviewed when Government published 2014-based Household Projections.

5.55 It is notable that the 25-34 and 35-44 age groups show a notable decrease in the headship rate from 2001 to 2011 – this would suggest that there may have been some degree of suppression of household formation in this period; although this is not clear cut as the headship rates can also be influenced by other factors such as international migration and growth in BME communities (which have different household structures). Moving forward from 2011 the projections are expecting some further decrease in the headship rate; this suggests that there may be some additional suppression being built into the projections.

5.56 However, when looking at the projections across all age groups it is considered that the increases in rates amongst people aged 75+ should also be noted. Whilst these increases are indeed within the CLG Projections, it is questionable whether or not these are a reasonable 'trend'. Generally, due to improved life expectancy, it is likely that older people will remain as couples for longer (as one or other partner is less likely to die) and as a result we would probably expect the rates in these age groups to fall rather than increase.

5.57 Therefore, whilst recognising that the CLG Projections appear to include some degree of suppression of the younger population it is considered when looking at all age groups that levels of household growth are likely to even out. This situation is not ideal but does mean that overall household estimates derived using the CLG Household Projections data are likely to be of the right sort of level. Additionally, whilst some improvements to the formation rates of the younger population could be projected, it does seem unlikely given the land constraints in the Borough (and London more widely) that increases in the formation rates of these groups is a realistic outcome. Planning Practice Guidance emphasises the need for realism in assessments of housing need. Alternative ways of looking at headship rates are discussed later in this section.

Figure 30: Projected Household Formation Rates by Age of Head of Household – LB Richmond



Source: Derived from CLG data

Housing Need (using 2012-based Headship Rates)

5.58 Table 26 below brings together outputs in terms of household growth and housing need using the 2012-based headship rates and the full range of population growth scenarios developed (those marked in bold represent the scenarios considered to be the most robust). To convert households into dwellings the data includes an uplift to take account of vacant homes. Analysis of 2011 Census data about unoccupied household spaces (Table: QS417EW) suggests a vacancy rate of 3.7% which has been used in analysis. It is assumed that such a level of vacant homes will allow for movement within the housing stock – it takes account of frictional vacancy and some vacant housing which is undergoing repair, extension or modernisation.

5.59 The analysis shows an overall housing need for 913 dwellings per annum across the Richmond area when using the GLA Long-Term Population Projection. This figure reduces substantially to 298 per annum when linking figures to the SHLAA (with long-term migration patterns).

5.60 Other scenarios are typically higher and it is also notable that the short-term SHLAA shows a much higher level of need than the long-term SHLAA; this is slightly odd given that both are apparently based on a similar level of housing delivery. For information the long-term SHLAA projections within the GLA database are based on housing delivery of 284 units on average per annum in the 2014-33 period. Our estimate (of 298) based on linking the relevant population data to the latest CLG Household Projections looks therefore to be providing a reasonable output.

Table 26: Projected housing need – range of demographic based scenarios and 2012-based headship rates – Richmond

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
GLA – short-term	82,592	101,863	19,271	1,014	1,052
GLA – long-term	**82,327**	**99,055**	**16,728**	**880**	**913**
GLA (SHLAA) – short-term	82,592	93,311	10,719	564	585
GLA (SHLAA) – long-term	**82,327**	**87,787**	**5,460**	**287**	**298**
2012-based SNPP	82,563	103,803	21,240	1,118	1,160
2012-based SNPP (as updated)	82,681	103,621	20,940	1,102	1,143

Source: Demographic Projections

5.61 The analysis above (where linked to GLA Projections) is based on applying 2012-based CLG headship rates to the population outputs from the GLA. It is worth briefly comparing these outputs with some provided by the GLA. The GLA has modelled household growth for three of the projections above (excludes the SHLAA-short-term). As can been from the table below, our own analysis broadly confirms that by the GLA. Differences are likely to be due to our use of a midpoint

headship, whereas GLA have used Stage 2 figures for the demographic-led scenarios and Stage 1 figures when linked to the SHLAA.

Table 27: Projected housing need – comparing GLA and GL Hearn outputs (per annum need (2014-33)

	GL Hearn	GLA	Difference
GLA – short-term	1,014	1,039	+25
GLA – long-term	**880**	**905**	**+25**
GLA (SHLAA) – long-term	**278**	**282**	**-4**

Source: Demographic projections

Sensitivity Testing – Headship Rates

5.62 Although it is considered that the 2012-based headship rates are sound when taken as a whole across all age groups, it is worthwhile looking at potential alternative ways of looking at the interpretation of these rates. A number of methods have been considered in the past and many of these put weight on the use of the 2008-based CLG projection headship rates. The sort of methods used include:

- Blended headship – where the rates are comprised of a combination of the 2012- and 2008-based rates. In some cases, this 'blending' is only carried out for specific age groups (generally with the aim of increasing the apparent housing need); an approach which is not considered to be robust as it is clear that patterns of formation vary across different age bands and any analysis should be viewed for the population as a whole.
- Full-return to trend – a second approach is to return all household formation rates back to those observed in the 2008-based projections. This is also not considered to be a robust approach given that the 2008-based figures were prepared at a point in time at which interest rates had been at a historical low point for some time; coupled with availability of a range of mortgage deals (including 100% mortgages) which in a historical context would be seen as somewhat exceptional.

5.63 Overall, it is not considered that there is any merit in using the 2008-based rates in the analysis (whether as a partial or full adjustment). Not taking account of these historic figures has some considerable support from academic analysts with Alan Holmans for example noting that part of the shift away from 2008-based household formation rates relates to international migration and different household structures within new migrant communities. He identifies that this *"will not be reversed."*

5.64 More recent research by Ludi Simpson and Neil McDonald has also considered these issues and is clear that it is not appropriate to revert to the 2008-based household representative rates, setting out: *"it is no longer sensible to appeal to previous household projections including the 2008-based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period."*

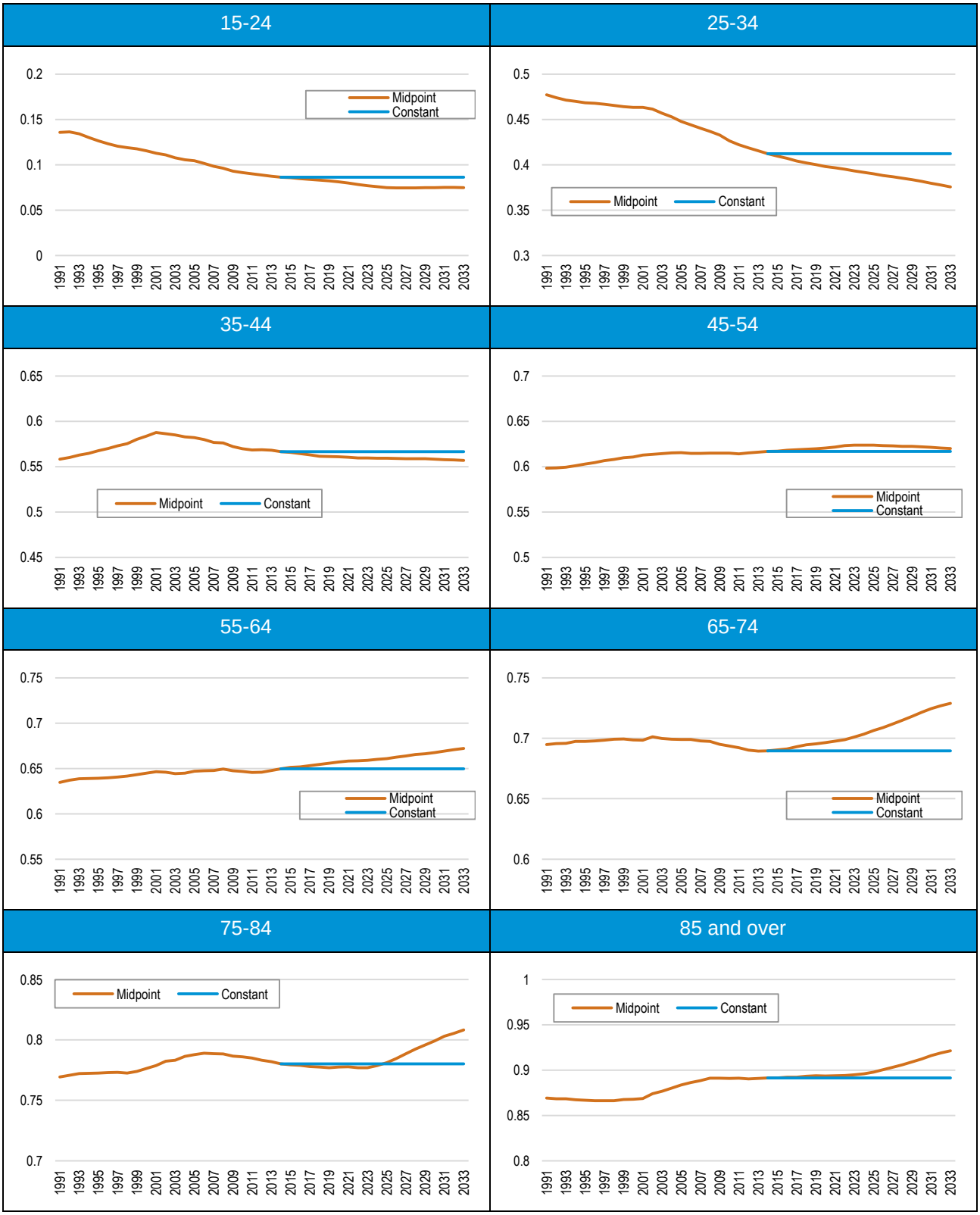
5.65 The PAS Technical Advice Note also supports this position, noting that *'The CLG 2008 HRRs are no longer helpful because they are based on very old evidence, and anyway may not reflect the true long-term trend'*.

5.66 It is however worth recalling some of the issues identified in this section with regard to some of the age specific rates. In particular, there was some concern that a further suppression of household formation was being built into the figures for the younger population; this however was counter-balanced by the suggestion in the CLG Projections that headship rates for people aged 75 and over would increase (a change that is not considered particularly reasonable).

5.67 On this basis we have developed a headship sensitivity that holds household formation rates constant from 2014. In effect this would mean no further suppression of household formation in younger age groups and would remove the slightly strange 'trend' being projected in some of the older groups. Although there is no direct precedent for such an approach (which in any case is being used as a sensitivity) it is similar to an approach suggested by Simpson/McDonald (where they suggest holding either increasing or decreasing rates constant by way of testing the projections).

5.68 Figure 31 below shows how the household formation rates under this scenario are projected to change when compared with the midpoint between Stage 1 and Stage 2 figures. As noted the key differences can be seen for younger and older age groups – increasing headship amongst the younger population and reducing it for older people (relative to the 2012-based figures).

Figure 31: Projected household formation rates by age of head of household –Richmond (2012-based midpoint and constant headship)



Source: Derived from CLG data

5.69 The analysis with this alternative set of headship rates shows an overall housing need for 896 dwellings per annum when linked to the GLA Long-Term Trends and a figure of 276 with long-term trends and the SHLAA. Both of these figures are very slightly lower than the numbers derived when using the 2012-based rates and tends to support the view that the 2012-based rates (when taken as a whole) are broadly reasonable.

Table 28: Projected housing need – range of demographic based scenarios and constant headship rates – Richmond

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
GLA – short-term	82,592	101,408	18,816	990	1,027
GLA – long-term	82,327	98,727	16,400	863	896
GLA (SHLAA) – short-term	82,592	92,809	10,217	538	558
GLA (SHLAA) – long-term	82,327	87,390	5,063	266	276
2012-based SNPP	82,563	103,217	20,653	1,087	1,128
2012-based SNPP (as updated)	82,681	103,014	20,333	1,070	1,110

Source: Demographic Projections

Trend based Demographic Projections: Implications

- The population of Richmond has grown quite rapidly over the past decade or so (increasing by 19,300 people from 2001 to 2014). The rate of growth is however below that seen in Outer London and London. Moving forward, a range of demographic based projections (both from ONS and the GLA) indicate a continuation of the past trends. However a much more modest future growth is projected (a population increase of about 3,500 people (2014-33)) using the most reliable of the SHLAA related projections from GLA. This compares with population growth of at least 31,600 from the range of trend-based scenarios analysed, and reflects a continued constrained land supply.

- As with many areas, the population is expected to age over time, with particularly strong increases in the population aged 75 and over – projected 'ageing' is particularly noticeable where population projections are lower (i.e. in the case of the GLA SHLAA-based projections) as housing supply inhibits in-migration of younger age groups. This projection expects to see population decline in age groups up to age 44.

- Overall, taking account of the range of evidence available it is considered that the most reliable projections to use in analysis are the GLA 10-year migration trends (when studying trend-based population growth) in studying OAN and the GLA SHLAA (linked to 10-year migration trends) in considering what in reality is more likely to occur. Alternative projections from both the GLA and ONS have been considered but are not thought to be as robust as the GLA ones which use longer-term migration data.

- When taken as a whole, the household formation rates in the 2012-based household projections (from CLG) appear reasonable. However, there are concerns about the projected direction of the rates for some age groups. In particular, younger age groups (aged up to 44) show reducing household formation rates (which may indicate a degree of suppression) whilst older age groups (65+) show increases in rates – a scenario considered unlikely given improvements to life expectancy. Alternative scenarios developed to hold rates constant (from 2014) do however show similar levels of household growth; confirming the CLG Projections (when taken across all age groups) as providing reasonable outputs.

- Once applying the 2012-based household projections to the population estimates (and including a vacancy allowance) it is concluded that the (unconstrained) demographic-based need for housing in the Borough is for around 895 - 915 dwellings per annum in the 2014-33 period – linked to the GLA 10-year migration projection. This is at the bottom end of the range identified by the demographic projections but is consistent with past trends in population growth. Evidently taking account of land supply, expected growth will be lower, which could result in a stronger relative ageing of the population in the Borough.

6 INTERACTION WITH ECONOMIC PERFORMANCE

6.1 In this section we move on to consider the interaction between demographic and economic growth.

6.2 Planning Practice Guidance sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing (leaving aside constraints). Where the evidence suggests that higher migration might be needed than seen in past trends in order to support economic growth, consideration should be given to adjusting the spatial distribution of housing. Specifically, the Guidance outlines that:

> *'Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population'*
>
> *'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems'*

6.3 This balancing exercise – considering the interaction between workforce and employment growth – is expected to be undertaken at a housing market area level. National policy does not really envisage that this balancing exercise will be undertaken for individual local authorities within a wider HMA (albeit that case law draws in some instances different conclusions – see for instance Oadby & Wigston BC vs. SSCLG).

6.4 The London labour market clearly operates across local authority boundaries, and indeed across the boundary between London and the Home Counties. The London Borough of Richmond sits across two wider Travel to Work Areas (as shown in Section 3). In this context any attempt to match jobs and homes within an individual borough is potentially a somewhat theoretical exercise. This chapter should therefore be considered as providing an indicative analysis of what level of housing need might in theory arise should balance growth in jobs and homes in the Borough be sought.

6.5 It may also be relevant to note that the Local Plan Expert Group proposes to Government a key major change in approach, recommending the removal of the requirement to consider the alignment of housing need and economic forecasts in deriving conclusions on housing nee. This is in recognition of the fact that this has been one of "*the single most difficult and disputed steps in the current methodology*" and that employment growth pressure is also likely to be obvious in local affordability issues. On that basis, the Local Plan Expert Group's report proposes that adjustments to support employment growth would not form part of the OAN assessment, but instead provides flexibility so that authorities could choose to justify a higher housing requirement to align with policy aspirations. However, at the time of writing, the existing PPG guidance applies.

Economic Forecasts

6.6 The latest econometric forecast for future economic performance is from Experian. This considers the number of additional jobs that might be created in the Borough based on a 'business as usual' approach. These have been compared against the GLA's latest employment projections set out in GLA Economics *Working Paper 67*[10] and tested quantitatively alongside other evidence and through engagement with the Council's Economic Development Team.

6.7 The Experian forecast essentially considers how the national and regional economy might perform before considering the local situation. At the local level consideration is given to past job growth as well as an understanding of how different sectors have performed; this is used to predict what might happen in the future. The forecasts do not take account of policy influences, or land supply – and there is clearly some potentially that for instance loss of office floorspace could constrain future economic growth.

6.8 Economic forecasts need to be treated with some degree of caution; they often show widely different outputs depending on the time of the forecast and the forecasting house. Additionally, they can be influenced by past trend 'shocks' (e.g. where an area has seen strong growth in the past, it is generally assumed that this will continue in the future; in reality it may be that high past trends are influenced by individual schemes that are not likely to be repeated).

6.9 The table below shows the estimated number of jobs forecast to be provided in the 2014-33 period based on the Experian forecasts. It should be noted that the forecast only ran to 2031 and so data to 2033 has been extrapolated based on figures for the last two years for which data is provided (2029-31). The data shows a forecast increase of 14,500 jobs over the 2014-33 period, a 16% increase – this is equivalent to about 760 additional jobs per annum.

Table 29: Job growth per annum (2014-33) – Experian

	Jobs (2014)	Jobs (2033)	Change in jobs	% change from 2014
Experian	90,700	105,200	14,500	16.0%

Source: Experian

6.10 GLA Economics Working Paper 67 provides an alternative set of borough-based projections for employment growth, based on projecting forwards separately trends in employee jobs and self-employment. These expect Richmond Borough's economy to grow by 0.8% per annum, which is modestly above the growth rate (of 0.7% pa) expected across London over the 2014-36 period but below the 1.0% pa growth achieved between 2000-14. This is reasonable set against weaker expected global growth, and the influence of constrained public spending – and consistent with

[10] GLA Economics (2015) *Updated employment projections for London by sector and trend-based projections by borough*

most forecasters' views that future growth will be slower than over the 2000-14 period. The GLA projections expect on this basis 790 additional jobs per annum in LB Richmond.

6.11 Consideration is given in this section to what impact this level of economic growth could have in theory on housing need; but also following on from this to what other local-based factors, including a constrained supply of land and premises, might have on future economic performance.

Considering Potential Labour Demand

6.12 Linking economic performance to housing need is inherently complex and should be treated with extreme caution.

6.13 The analysis above has set out a range of potential scenarios for changes in the number of jobs in the Borough. However, for the purposes of analysis linked to demographic data it is necessary to convert this into estimates of the required change to the economically active population. The number of jobs and resident workers required to support these jobs will differ depending on two main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting); and
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs.

Commuting Patterns

6.14 As described in Section 3, the Borough sees net out-commuting, with the number of people resident in the Borough who are working being about 26% higher than the total number who work in the area based on 2011 Census data. This gives a commuting ratio of 1.26 as shown below.

Table 30: Commuting Patterns in Richmond (2011)

	Richmond
Live and work in LA	18,671
Home workers	14,156
No fixed workplace	7,634
Out-commute	59,455
In-commute	38,651
Total working in LA	79,112
Total living in LA (and working)	99,916
Commuting ratio	1.26

Source: 2011 Census

6.15 In translating the commuting pattern data into growth in the labour-force for the Borough it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. assumes that the growth in the number of residents who are economically active will need to be 26% higher than the increase in the number of jobs). This recognises that with higher earnings jobs in Central London in particular, it is reasonable to expect some growth in people living in the Borough, but working outside of it.

Double Jobbing

6.16 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey suggests that around 4.2% of workers have a second job.[11] This gives a double jobbing ratio of 0.958 (i.e. the number of jobs can be discounted by 4.2% to estimate the required change in the workforce).

Potential Labour Demand

6.17 To work out the change in the resident workforce required to match the forecast number of jobs, the commuting ratio is multiplied by the amount of double jobbing (to give an adjustment factor) and in turn multiplied by the number of jobs – this is shown in Table 31 below. Overall, the Experian forecast expects an increase of 763 jobs per annum across the Borough (2014-33). If commuting patterns and levels of double jobbing remain the same then this would require a higher level of growth in the resident workforce (of about 923 people per annum) – a total change of 17,540 over the full 2014-33 period, leaving aside supply-side constraints.

Table 31: Job growth and Change in Resident Workforce (2014-27)

Forecast	Additional jobs	Adjustment factor (commuting and double jobbing)	Change in resident workforce
Total (2014-33)	14,500	1.21	17,540
Per annum	763	1.21	923

Source: Experian, NOMIS and 2011 Census

Potential Influences on Labour Demand

6.18 The largest growth in the Experian forecasts is expected to be in professional services (2,800 jobs, 2014-31), accommodation and food (1,900 jobs), education (1,200 jobs) specialist construction (1,100 jobs) and retail (1,000 jobs). Jobs in public administration are expected to fall.

6.19 The Borough's economy has an evident strength in professional and business services, and growth potential in the "tech sector" with a high concentration of tech-related jobs. However growth in

[11] Based on the average of the 2004-14 period accounting for the high error margins associated with the survey data from the APS

employment in these sectors – which represent the largest overall employment growth in the forecasts – will be dependent in part on the ability of companies to find suitable accommodation. The Government's extension of permitted development rights to allow office to residential conversions, based on the Council's analysis, is expected to result in the potential loss of at least 26% of the Borough's office stock. Although the Council is seeking to counteract further loss through Article 4 Directions that remove such permitted development rights in certain parts of the borough, a constrained or reducing supply of land and premises is likely to dent the growth potential of these sectors in the Borough and suggests that growth in business and professional services and other office-based activities could be more modest than shown in trend-based forecasts. As businesses grow, it seems highly likely that some will have to move out of the Borough to secure appropriate accommodation.

6.20 Other potential influences on economic performance in the longer-term include the potential for a third runway at Heathrow Airport; Crossrail 2; competition from surrounding areas and the Central London labour market; and housing affordability issues. Infrastructure investments such as Crossrail 2 and Heathrow expansion could improve connectivity to the Borough – but this does not necessarily translate into an upward impact on its economy. Heathrow expansion would require additional surface access enhancements to accommodate increased volume of traffic via local road network as identified in the Final Report of the Airports Commission [12] (July 2015); and fundamentally the Borough has few sites available to support growth or capture investment from major firms who might seek to locate close to Heathrow.

6.21 In respect of Crossrail 2, this is more likely to influence the Borough's attractiveness as a residential location by enhancing accessibility to other parts of South West London and to Central London than it is to support business investment. It should be recognised however that this does have a potential upside impact on housing demand.

6.22 In respect of the Borough's economy, housing affordability can be a potential influence on businesses (in respect of recruitment issues). This fact was highlighted as an issue by some of the employers across the borough.

6.23 Overall, given the particular impact of a constrained land supply- particularly for office accommodation – it seems reasonable to conclude (based on qualitative evidence) that the Experian forecasts are probably somewhat optimistic regarding future economic performance for use in the SHMA.

[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/440316/airports-commission-final-report.pdf

Modelling Potential Changes in Labour Supply

6.24 Having estimated the likely required change to the workforce under a range of scenarios, the next stage is to estimate how much growth is implied by demographic projections (and hence if levels of population growth would need to change so that a sufficient workforce is available). This is a complex issue and subject to a potentially high error margin given the range of influences on the relationship between demographics, housing market dynamics and economic performance. In particular it is unclear to what extent, given improving life expectancy and changes to pensionable age, we might see people working for longer and retiring later; or that more people might take on more than one job.

6.25 For example, all of the main forecasting houses (Experian, Oxford Economics and Cambridge Econometrics) use population data as an input to their forecasts and each will estimate different levels of job growth. Inherently, each of the forecasting houses are therefore suggesting that whatever level of job growth they expect, this will be met by the population (and the population as it is projected to change). Given the different levels of job growth it is therefore implicit that there will be an assumption about how employment rates are likely to change, and this assumption will be different depending on the forecasting house. There could also be changes such as double jobbing within the modelling although this is difficult to determine.

6.26 Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These however are at a national level and are not robustly applicable to smaller areas. Perhaps more significantly, the level of job growth (growth in residents in employment) estimated by OBR is significantly lower than from any of the main forecasting houses (a growth in residents in employment of about 2,500,000 from 2014-35 compared with a figure in excess of 4,000,000 in the most recent Experian forecast for the United Kingdom).

6.27 One final set of rate data that is utilised is that published by Kent County Council (KCC) in November 2014. This is specific to Kent and so not applicable in other areas, however, more importantly many of the rates used in the model draw from 2006 Labour Force Projections. This publication, based on the latest data for 2014,can be seen to seen to have been substantially wrong for all age groups where a reasonable comparison can be made with more up-to-date information.

6.28 Hence, there is no clear and agreed set of figures which can be used to estimate how economic activity rates might change in the future. At best, any rates will be informed guesswork and at worse they can simply be unrealistic.

6.29 For these reasons this report has sought to look at changes to economic activity rates using as much data as possible for which there is relative certainty. Whilst some level of assumption is required, the method used is designed to limit the amount of speculation and therefore provide some certainly that the outputs properly reflect what might be expected to happen. The method used considers two key groups of the population:

- The population of working age who are economically active; and
- The population who have reached retirement age who are economically active.

6.30 When modelling data against job-growth forecasts it is assumed that the increase in the number of residents in employment would need to be matched by the increase in the number of people who are economically active.

Working-Age Population

6.31 The first part of the analysis looks at the working-age population. The working age being fixed by Central Government through the setting of pensionable age (most recently in the Pensions Act of 2014). The use of working-age is also consistent with wording in the PPG [2a-018] which states that:

'plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to growth of the working age population in the housing market area' [emphasis added]

6.32 Estimating the working age population and how this will change over time is not as straightforward as it has been in the past where conventionally the working age population has been defined as the population aged 16-64 (and previously 16-64 for males and 16-59 for females). The situation currently is one where there are incremental changes to pensionable age for both sexes which means that gradually people will be able to draw a state pension later in life.

6.33 Tables 32 and 33 below are taken from supporting information from the ONS 2014-based National Population Projections from ONS and show for both males and females the proportion of an age group who are considered to be of pensionable age. For example, the first table shows in 2019 that an estimated 60% of males aged 65 will be of pensionable age and in 2020 about 10% will have reached that threshold. The data is cut off from 2027 and age 66 as there are currently no future proposals for changes to pensionable age until 2044 (which is some way beyond the date of projections developed in this report).

Table 32: Proportion of Males of Pensionable Age by Age and Date

	Age group						
	60	61	62	63	64	65	66
2011	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2012	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2013	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2014	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2015	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2016	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2017	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2018	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
2019	0.00%	0.00%	0.00%	0.00%	0.00%	60.27%	100.00%
2020	0.00%	0.00%	0.00%	0.00%	0.00%	9.86%	100.00%
2021	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2022	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2023	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2024	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2025	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2026	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	84.70%
2027	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.07%

Source: (ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls)

Table 33: Proportion of Females of Pensionable Age by Age and Date

	Age group						
	60	61	62	63	64	65	66
2011	35.07%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2012	0.00%	84.66%	100.00%	100.00%	100.00%	100.00%	100.00%
2013	0.00%	34.97%	100.00%	100.00%	100.00%	100.00%	100.00%
2014	0.00%	0.00%	84.70%	100.00%	100.00%	100.00%	100.00%
2015	0.00%	0.00%	35.07%	100.00%	100.00%	100.00%	100.00%
2016	0.00%	0.00%	0.00%	76.44%	100.00%	100.00%	100.00%
2017	0.00%	0.00%	0.00%	1.37%	100.00%	100.00%	100.00%
2018	0.00%	0.00%	0.00%	0.00%	26.58%	100.00%	100.00%
2019	0.00%	0.00%	0.00%	0.00%	0.00%	60.27%	100.00%
2020	0.00%	0.00%	0.00%	0.00%	0.00%	9.86%	100.00%
2021	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2022	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2023	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2024	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2025	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
2026	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	84.70%
2027	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.07%

Source: (ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls)

6.34 Using the various demographic projections developed it is possible to apply the rates above to see how the working-age population might change and this is shown in the table below. Over the 2014-33 period the working-age population is projected to increase – by 21,800 people when linking to the GLA Long-Term Trend Projection (unconstrained) and 3,100 people with the GLA SHLAA-Long-Term Scenario.

Table 34: Projected Change in Working-Age Population – LB Richmond (2014-33)

	Working-age population (2014)	Working-age population (2033)	Change in working-age population	% change
GLA – short-term	123,630	147,251	23,621	19.1%
GLA – long-term	**123,950**	**145,741**	**21,791**	**17.6%**
GLA (SHLAA) – short-term	123,630	133,092	9,462	7.7%
GLA (SHLAA) – long-term	**123,950**	**127,012**	**3,062**	**2.5%**
2012-based SNPP	123,274	147,636	24,362	19.8%
2012-based SNPP (as updated)	122,622	146,669	24,047	19.6%

Source: Derived from demographic projections

6.35 However, looking at the working-age population does not directly indicate how many are economically active; some people of working age will not be in work or actively seeking employment.

To look at the proportion who are economically active, Census data (from 2011) has been analysed. This looks at the population aged 16-64 for males and 16-59 for females – the different age band for females reflects the fact that at the time of the Census changes to pensionable age were only just starting and so the vast majority of females in the 60-64 age band would have reached pensionable age. Table 35 below shows the proportion of the working age population who are economically active – across the Borough this is a high figure of 82%.

Table 35: Proportion of Working-Age Population who are Economically Active

	Working-age population (2011)	Economically active working-age population (2011)	% economically active
Richmond	119,518	97,987	82.0%

Source: Census 2011

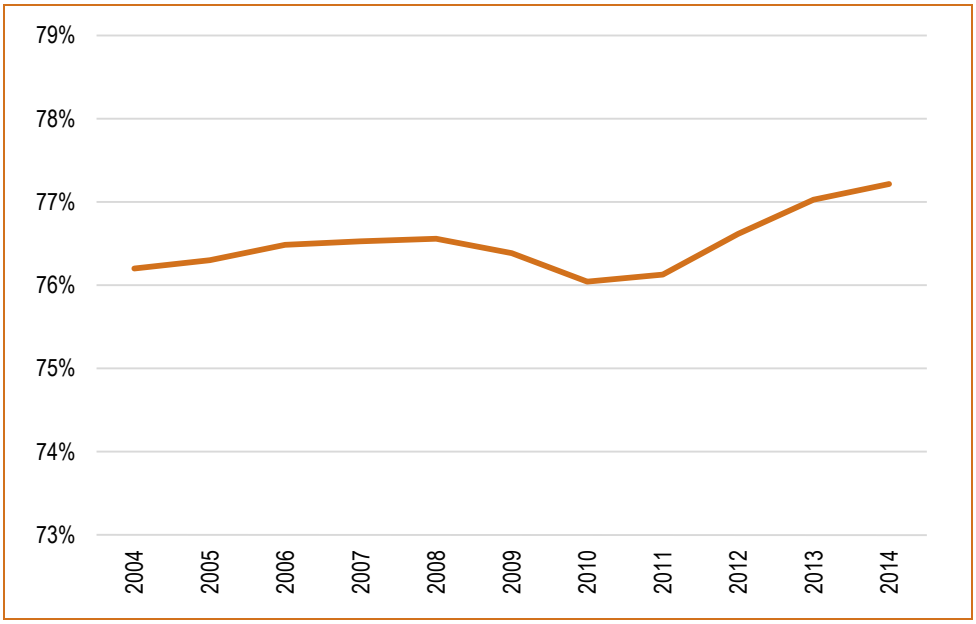
6.36 This proportion (82%) can be applied to the change in the working age population to estimate how the number of economically active residents would change. It is however worth briefly assessing if this figure is likely to increase (or decrease) over time.

6.37 To study this, a time series analysis has been carried out using Annual Population Survey data looking at the 16-64 age group. This age group does not exactly match 'working-age' due to changes to pensionable age but is the closest match available to the age groups which need to be studied. The core analysis looks at how rates have changed across the whole United Kingdom – this is due to there being relatively high error margins associated with the data at a smaller are level. The time period covered is from 2004 to 2014 which is the longest consistent time series available from this source.

6.38 The analysis shows that if anything the proportion of the working-age population who are economically active has increased slightly over the past decade – however, it should be stressed that the changes are pretty modest and only start from about 2010 (which does coincide with the start of pension reforms).

6.39 On this basis it is considered that there is no evidence to suggest that economic activity rates of the working-age population will increase in the future (and likewise no evidence of a decline). Hence for the purposes of modelling the percent of people economically active (as shown by the Census) is applied to the growth in the working age population to derive an estimate of the change in the economically active population.

Figure 32: Change in Economic Activity Rate (United Kingdom) – population aged 16-64



Source: Annual Population Survey (from nomis)

Economically active Population of Pensionable Age

6.40 The analysis above has looked at the working age population and the likely proportion who will be economically active. To complete the analysis of how the economically active population might change it is also necessary to consider people who have reached pensionable age who are still working (or possibly seeking work).

6.41 A similar process has been undertaken and this begins by considering the pensionable age population and how this will change in the future. Table 36 below shows that the number of people of pensionable age is projected to increase by about 2,100-5,100 (depending on the projection being run) in the 2014-33 period.

Table 36: Projected Change in Pensionable-Age Population – LB Richmond (2014-33)

	Pensionable-age population (2014)	Pensionable-age population (2033)	Change in pensionable-age population	% change
GLA – short-term	30,485	37,299	6,814	22.4%
GLA – long-term	**30,287**	**35,347**	**5,060**	**16.7%**
GLA (SHLAA) – short-term	30,485	35,053	4,568	15.0%
GLA (SHLAA) – long-term	**30,287**	**32,348**	**2,061**	**6.8%**
2012-based SNPP	30,917	40,146	9,229	29.8%
2012-based SNPP (as updated)	30,999	40,474	9,475	30.6%

Source: Derived from demographic projections

6.42 Again, the change in the number of people of pensionable age does not directly show how many are economically active. To look at the proportion who are economically active, Census data (from 2011) has again been utilised. This looks at the population aged 65+ for males and 60+ for females – consistent with the analysis undertaken for the working-age population. The table below shows the proportion of the pensionable age population who are economically active – across the Borough this is a figure of 22%. Again this is relatively high.

Table 37: Proportion of Pensionable-Age Population who are Economically Active

	Pensionable-age population (2011)	Economically active pensionable-age population (2011)	% economically active
Richmond	30,534	6,837	22.4%

Source: Census 2011

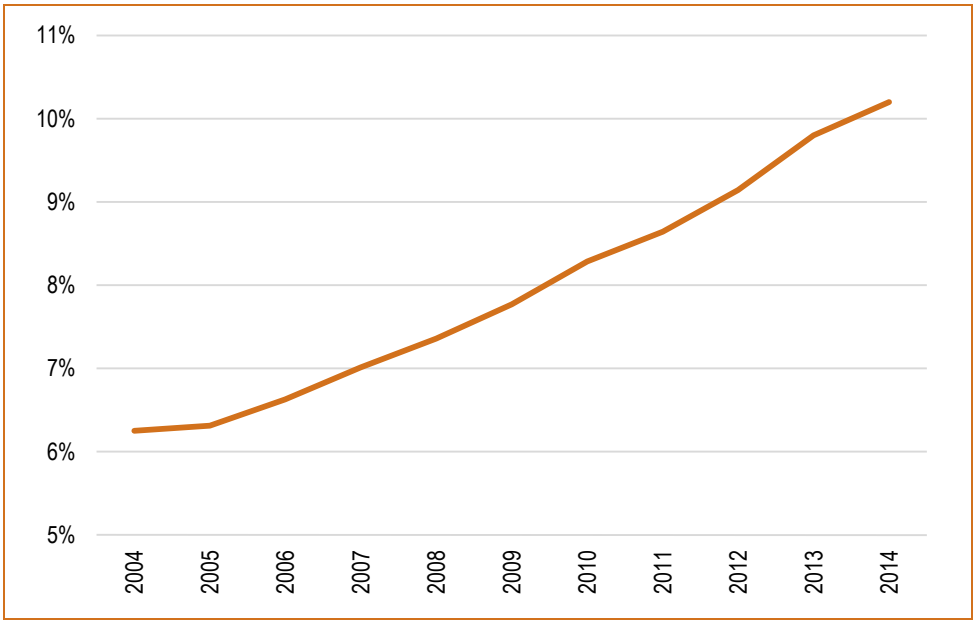
6.43 Again, this proportion could be applied to the change in the pensionable age population to estimate how the number of economically active residents would change. It is however again worth assessing if this figure is likely to increase (or decrease) over time.

6.44 To study this, a time series analysis has again been carried out using Annual Population Survey data looking at the 65+ age group. This age group does not exactly match 'pensionable-age' but is the closest match available from this source. The core analysis looks at how rates have changed across the whole United Kingdom – this again is due to there being relatively high error margins associated with the data at a smaller are level. The time period covered is from 2004 to 2014 which is the longest consistent time series available from this source.

6.45 The analysis shows that the proportion of the pensionable-age population who are economically active has increased notably over the past decade (increasing from about 6% in 2004 to 10% in 2014) – this would suggest that further potential increase in activity rates of the older population might reasonably be expected. It is difficult to know by how much the economic activity rate of this cohort of the population might change in the future and the analysis takes the pragmatic view that further increases will be at half of the rate seen in the 2004-14 decade (this is a 0.2% increase per annum).

6.46 Whilst there is no precedent in the use of a 'half' increase, it is arguably a reasonable assumption for modelling given that the data clearly shows an upward trend with no evidence of this slowing down. However, it is noted that such a trend could not continue indefinitely on a linear pattern (to do so would mean that eventually everyone aged 65+ would be assumed to be economically active (which is not realistic)). Additionally, the use of a 'half' recognises that much of the ageing of the population is in older age groups (e.g. those aged 85+) where activity rates are likely to be very low; that said an ageing of the population will also be underpinning the APS analysis.

Figure 33: Change in Economic Activity Rate (United Kingdom) – Population aged 65+



Source: Annual Population Survey (from nomis)

6.47 Hence, on the basis of the analysis and discussion above the following economic activity rates have been applied to the pensionable age population in each of 2014 and 2033.

Table 38: Estimated Economic Activity Rates 2014 and 2033 – Population of Pensionable Age

	% economically active (2014)	% economically active (2033)
Richmond	23.0%	26.8%

Source: Derived from Census 2011 and APS

Resultant Scenarios for Growth in Labour Supply

6.48 Having run through an analysis of the two groups from which economically active people will arise (those of working age and those who have reached pensionable age) it is possible to estimate the overall change in the number of economically active people in the Borough (i.e. the growth in labour supply). This is set out in the table below, Table 39, and uses the proportions of each group who are economically active (and changes as appropriate) applied to the relevant population.

6.49 The analysis shows that linked to the GLA Long-Term Projection there would be an increase in the economically active population of about 22,600 people (2014-33). This figure decreases to just 4,200 in the projection linked to GLA SHLAA (Long-Term). These figures sit both above and below the change in the resident workforce suggested as being required by the economic forecasts (total growth in the resident workforce of 17,540 people).

Table 39: Estimated Change to the Economically Active Population (2014-33)

	Change in working-age economically active	Change in pensionable age economically active	Total change in economically active	Per annum change
GLA – short-term	21,226	3,586	24,812	1,306
GLA – long-term	**19,539**	**3,039**	**22,578**	**1,188**
GLA (SHLAA) – short-term	8,388	2,904	11,292	594
GLA (SHLAA) – long-term	**2,129**	**2,108**	**4,238**	**223**
2012-based SNPP	22,089	4,327	26,416	1,390
2012-based SNPP (as updated)	21,638	4,412	26,050	1,371

Source: Derived from Demographic Projections

Implications

6.50 Our analysis of economic dynamics showed that trend-based forecasts expected growth in employment of 760 jobs per annum. GLA trend-based projections draw relatively similar conclusions, projecting 790 additional jobs per annum. Assuming a continuation of current patterns of commuting and levels of people with more than one job, the Experian forecasts might require workforce growth of 923 persons per annum.

6.51 This can be contrasted with the expected level of workforce growth in the (unconstrained) projections based on long-term migration trends. These show workforce growth of 1,188 persons.

6.52 Given that the level of growth in the economically active population sits either above or below that required to meet job growth forecasts, it is of interest to assess what level of housing would be required for economic forecasts to be met. Within the modelling, migration assumptions have been changed so that across the Borough the increase in the economically active population matches the increase in the resident workforce required.

6.53 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).

6.54 Once the level of economically active population matches the job growth forecast the population (and its age structure) is modelled against CLG headship rates (midpoint) to see what level of housing provision that might imply.

6.55 The table below shows an estimate of housing need set against the job growth scenario. The analysis shows a housing need of 893 dwellings per annum. It should be noted that this is based on our adjustment to the SNPP; a different (almost certainly lower) housing need figure would be expected if it were possible to model a scenario as an adjustment to the GLA long-term migration based projections.

Table 40: Projected housing need – Experian job-led scenario and 2012-based Headship Rates – LB Richmond (2014-33)

	Households 2014	Households 2033	Change in households	Per annum	Dwellings (per annum)
Experian	82,681	99,041	16,361	861	893

Source: Demographic projections

6.56 By looking at the relationship between the growth in the economically active population and housing need it has been estimated that the housing need based on GLA migration data and an increase in the economically active population of 17,540 people would show a need for around 741 dwellings per annum (2014-33).

6.57 Given both the outcomes of the modelling, and evidence that the supply of floorspace within the Borough is restricted and potential impact of this on future economic performance, there is little evidence that – setting aside housing land supply constraints – economic growth would provide an upside in identifying objectively assessed housing need.

Summary – Economic-led Housing Need

- Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet an Experian job-growth forecast. This showed an increase of 763 additional jobs per annum across the Borough to 2033. This is a trend-based estimate, with qualitative evidence indicating that in reality employment growth could well be lower than this reflecting a constrained availability of commercial floorspace (and in particular office floorspace).

- The modelling suggests that with trend based assumptions (using the GLA long-term migration model) the economically active population can be expected to increase by about 22,600 people (2014-33) – this is above the change needed to match the economic forecast. The implication of this would be that in defining OAN there is not a basis for adjusting upwards trend-based projections to support employment growth. There is a broad similarity between the scale of growth envisaged in workforce and jobs, leaving aside development constraints.

- Leaving aside constraints, it is estimated that to meet the job growth forecasts there will need to be provision of about 893 dwellings per annum across the Borough. This figure is slightly below that suggested in the trend-based demographic modelling but some way above the SHLAA scenarios. Some caution should be attached to this figure as it has been based on an adjustment to ONS population projection data (which is based on short-term trends). Were a similar projection to be undertaken as an adjustment to the GLA long-term migration then a lower need would be likely to be derived – a best estimate is that the need shown in such a scenario would be for around 741 dwellings per annum.

- The modelling undertaken suggests that a realistic estimate of growth in labour supply, taking account of land supply and commuting would be around 4,200 jobs to 2033, based on the GLA SHLAA Projection. However employment growth could be stronger than this – if for instance we saw a greater movement out of older residents; or change in commuting dynamics.

- Overall given the inter-connected nature of London's labour market, it is realistic that workforce growth within the Borough will influence potential economic growth (and could potentially result in recruitment difficulties, particularly for lower-skilled roles) but that employment growth over the 4,200 modelled could be achieved.

7 AFFORDABLE HOUSING NEED

7.1 In this section we discuss levels of affordable housing need in LB Richmond. Affordable housing need is defined in the NPPF (Annex 2) as *'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'*. The PPG (2a-022) describes affordable housing need as being an estimate of *'the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.

7.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous 2007 SHMA Practice Guidance. The 2007 Guidance contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information.

7.3 The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2015 (e.g. data about housing costs and incomes is for 2015). It is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 19-year period between 2014 and 2033 (to be consistent with the demographic projections described in the previous section).

Key Definitions

7.4 We begin by setting out key definitions relating to affordable housing need, affordability and affordable housing.

Affordable Housing

7.5 The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF.

"Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision."

7.6 Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

"Social rented housing is owned by local authorities and private registered providers (as defined in

section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency."

7.7 Affordable rented housing is defined as:

"Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)."

7.8 The definition of intermediate housing is shown below:

"Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing."

Current Affordable Housing Need

7.9 Current affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Newly-Arising Need

7.10 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from CoRe along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

7.11 An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

7.12 Affordability is assessed by comparing household incomes, based on income data modelled using a number of sources including CACI, ASHE, the English Housing Survey (EHS) and ONS data, against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below:

a. *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9x) and those with a single income (3.5x), however (partly due to data availability) we have only used a 3.5 times multiplier for analysis. This ensures that affordable housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;*
b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Consideration of a reasonable proportion of income to use in analysis can be found later in this section although outputs are provided for a range of thresholds (from 25% to 40%).*

7.13 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

Local Prices & Rents

7.14 An important part of the SHMA is to establish the entry-level costs of housing to buy and rent – this data is then used in the assessment of the need for affordable housing. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need.'

7.15 In this section we establish the entry-level costs of housing to both buy and rent across the study area. Our approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents. For the purposes of analysis (and to be consistent with the PPG) we have taken lower quartile prices and rents to reflect the entry-level point into the market.

7.16 Table 41 below shows estimated lower quartile house prices by dwelling type and the volume of sales. The data shows that around 43% of properties sold were flats with a lower quartile price of £320,000; at the other end of the scale less than 7% of homes sold were detached and these had a lower quartile price of nearly £800,000. The data shows a lower quartile cost for all dwellings of £405,000.

Table 41: Lower Quartile Sales Prices by Type (Year to September 2015)

	Flat	Terraced	Semi-detached	Detached	All dwellings
Lower quartile	£319,950	£530,000	£560,000	£791,250	£405,000
Number of sales	1,324	1,039	530	216	3,109

Source: Land Registry (2015)

7.17 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this also covers a 12-month period to September 2015. For the rental data information about dwelling sizes is provided (rather than types). The analysis shows an average lower quartile cost (across all dwelling sizes) of £1,300 per month with the main size of dwelling being a two-bedroom home (41% of all lettings).

Table 42: Lower Quartile Private Rents by Size and Location (Year to September 2015) – per month

	Room only	Studio	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All dwellings
Lower quartile	£500	£750	£1,095	£1,350	£1,700	£2,900	£1,300
Number of rents	11	68	543	1,003	409	384	2,418

Source: Valuation Office Agency (2015)

What is an appropriate threshold for affordability?

7.18 Having undertaken an analysis of the cost of housing, it is useful to think about what might be a reasonable figure to use as an affordability threshold (in terms of the amount of income that could be spent on housing costs). As noted previously there is no guidance on this topic within the PPG and our own analysis shows that analysis based upon 25% to 40% could be considered a reasonable starting point.

7.19 The threshold of income to be spent on housing should be set by asking the question *'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?'* The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many can or can't afford market housing.

7.20 It is therefore useful to look at housing costs in the Borough and contrast this with other areas. The analysis in this section has shown a lower quartile rent (across all dwelling sizes) of £1,300 per month. This is a very high lower quartile rent level – the highest in Outer London and only exceeded

by six Inner London Boroughs. The figure compares with a national lower quartile rent of just £494 per month. It is clear from this that the Borough sits very much towards the top of range. Although arbitrary, if the upper rent areas were considered to be '40%' areas and lower rent areas '25%' locations then the Borough would sit towards the top of this range.

7.21 However, the key point when looking at thresholds and housing costs is one of 'residual income' – i.e. the amount of money a household has after housing costs are paid for. Using the national example (a lower quartile rent of £494), if a household spent 25% of income on housing then their residual income would be £1,482 per month, the same threshold in Richmond would show a residual income of £3,900 – if the threshold in Richmond were increased to 40% then the residual income would be around £1,950. Hence it could be concluded that a 40% threshold in the Richmond is reasonable (given, as it does, a residual income which is some £500 a month more than at the national level with a 25% threshold). This analysis is not conclusive given that such an analysis would need to be predicated on a) an assumption that 25% in England is an appropriate benchmark; b) that living costs (other than housing) are equal across areas and c) to note that the analysis is based on gross income (households with higher gross incomes would be expected to be paying more tax). It does however serve to show why the cost of housing is the key input into understanding a reasonable threshold for affordability.

7.22 Despite the potential issues with looking at residual incomes and housing costs, it is clear that even with a 40% threshold, it would be expected that a household in the Borough would have a reasonable level of income after housing costs. It is therefore concluded in seeking to establish the need for affordable housing that the outputs should be based on a 40% affordability threshold (although summary data is also provided to show what the outputs would be with a full range of potential thresholds (25%, 30%, 35% and 40%). With a lower quartile rent of £1,300 per month, the analysis essentially sets a threshold for affordability at £39,000 per annum (i.e. a household with an income below this level will be deemed as unable to afford market housing).

Income Levels and Affordability

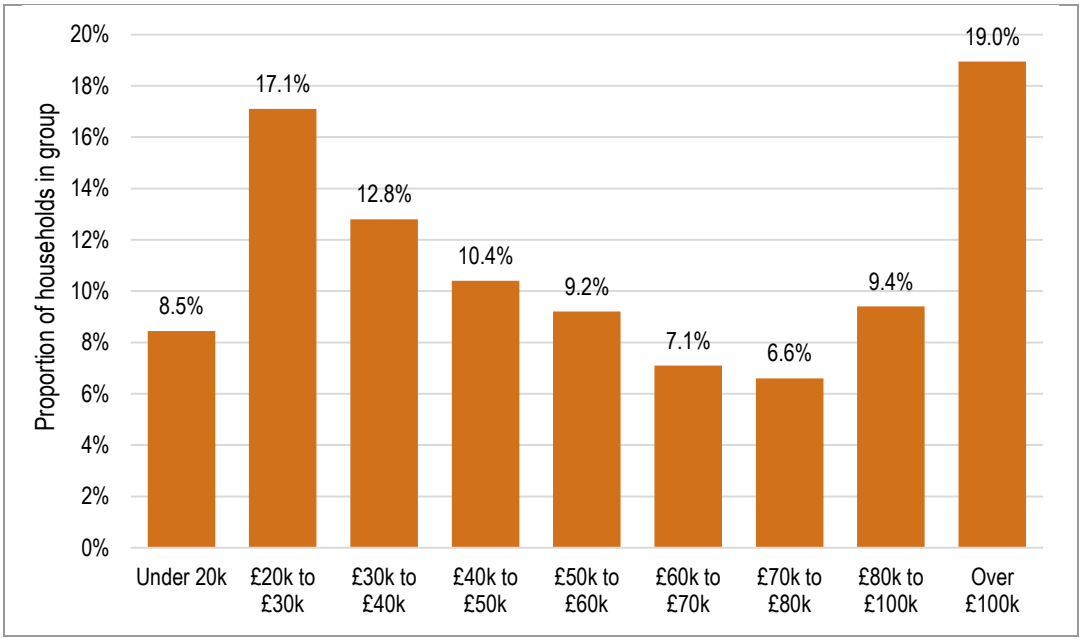
7.23 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area. The key sources of data include:

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey (EHS) – to provide information about the distribution of incomes

- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed from 2012 to 2015
- ONS modelled income estimates – to assist in providing more localised income estimates (i.e. specifically for the Richmond)

7.24 Drawing all of this data together we have therefore been able to construct an income distribution for the Borough for 2015. The data shows that around a quarter of households have incomes below £30,000 with a further quarter in the range of £30,000 to £50,000. The overall average (median) income of all households in the Borough was estimated to be around £51,200 with a mean income of £67,300. This is partially distorted by a large number of households earning over £100,000.

Figure 34: Distribution of Household Income in Richmond (2015 estimate)



Source: Derived from ASHE, EHS, CACI and ONS data

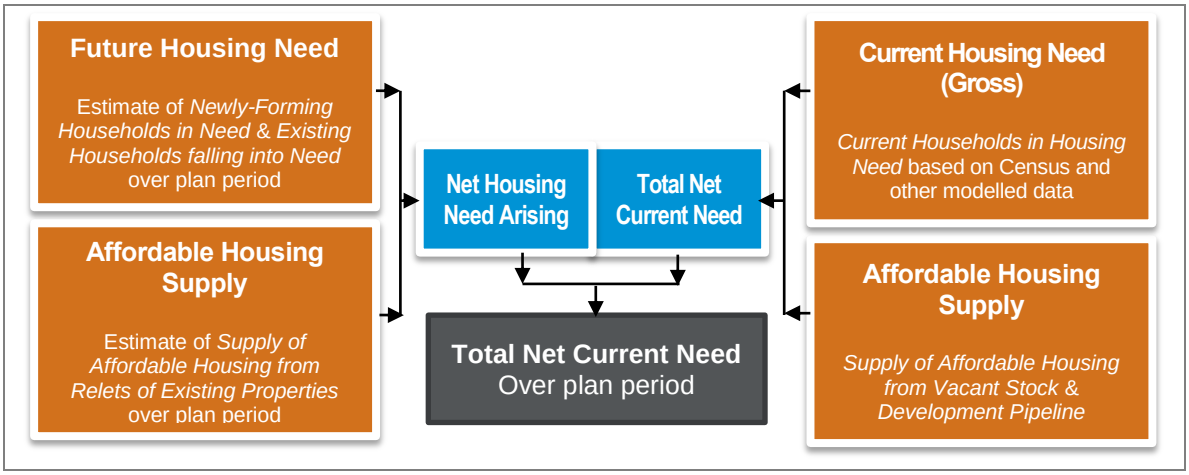
7.25 To assess affordability, we have looked at households' ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

7.26 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households). Assumptions about income levels are discussed where relevant in the analysis that follows.

Affordable Housing Needs Assessment

7.27 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.

Figure 35: Overview of Basic Needs Assessment Model



7.28 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The modelling undertaken provides an assessment of affordable housing need for a 19-year period from 2014 to 2033 (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

Further Methodological Issues

7.29 Due to the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in guidance (see paragraph 2a-023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

7.30 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Richmond (e.g. from the Census) as appropriate. It is the case that outputs from surveys in other

areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally in Richmond. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

7.31 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.

7.32 The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

Current Affordable Housing Need

7.33 In line with PPG, the current need for affordable housing need has been based on considering the likely number of households with one or more housing problem. A list is initially set out in paragraph 2a-023 of the PPG and provides the following.

What types of households are considered in affordable housing need?
The types of households to be considered in housing need are:

- homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);
- households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.

Source: PPG [ID 2a-023-20140306]

7.34 Table 43 below sets out the data used in each part of the assessment. All efforts have been made to avoid double counting; this includes excluding households living in non-hostel and B&B properties from the number of 'other' households in need (such households will be included in the homeless in temporary accommodation). However, there may be some issues with looking at both concealed households and overcrowding – it is likely that providing housing for some concealed households would remove an overcrowding issue – no account has been taken of this and therefore

arguably the figures presented could be slightly too high. On the other hand, the analysis of concealed households only includes those with children and it is possible that some 'childless' concealed households also have a need (which would make the figures too low). On balance it is considered that the analysis and outputs (whilst noting some potential deficiencies of using a secondary data approach) will be as accurate and plausible as is reasonably possible.

Table 43: Main Sources for Assessing the Current Unmet Need for Affordable Housing

	Source	Notes
Homeless households	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)
Exiting affordable housing tenants in need	Modelled data linking to past survey analysis	Will include households with many of the issues in the first box above (e.g. insecure tenure).
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [ID 2a-024-20140306]

7.35 The table below therefore shows the initial estimate of the number of households who potentially have a current housing need. These figures are before any consideration of affordability has been made and has been termed 'the number of households in unsuitable housing'. Overall, the analysis suggests that there are 6,100 households living in unsuitable housing (or without housing) – this is 7.3% of the estimated total number of households living in the Borough in 2014.

Table 44: Estimated number of Households living in Unsuitable Housing

Category of 'need'	Richmond
Homeless households	335
Households in overcrowded housing	3,089
Concealed households	283
Exiting affordable housing tenants in need	210
Households from other tenures in need	2,155
Total	6,073

Source: CLG Live Tales, Census (2011) and data modelling

7.36 In taking this estimate forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. A final adjustment is to slightly reduce the unsuitability

figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be considered as being in affordable housing need. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

7.37 Table 45 below shows that as of mid-2014 it is estimated that there were 3,630 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers) – this represents 4.4% of all households in the area in 2014.

Table 45: Unsuitable housing by tenure and numbers to take forward into affordability modelling

	In unsuitable housing	Number to take forward for affordability testing
Owner-occupied	1,374	137
Social rented	1,161	0
Private rented	2,920	2,875
No housing (homeless/concealed)	618	618
Total	6,073	3,630

Source: CLG Live Tales, Census (2011) and data modelling

7.38 Having established the figure of 3,630 households in unsuitable housing, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy, because they could afford a suitable market housing solution. For an affordability test the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the level of income to 69% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing other than in temporary accommodation). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing and those in temporary accommodation. These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

7.39 Overall, using a 40% affordability threshold, around three-fifths of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is reduced to 2,146 households across Richmond Borough. The table below shows this information which is also split by broad category of current housing. The analysis

shows that an estimated 484 of the households do not have housing – this is an important number within this analysis as it is this group who will need additional accommodation to be provided. The remaining households (1,661) have a need but if they were to move to alternative accommodation would free-up a home for use by another household (and hence no need for additional accommodation overall is required).

Table 46: Estimated Current Need by broad type of Current Accommodation

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford	Revised Gross Need (including Affordability)
Households in housing	3,012	55.2%	1,661
No housing (homeless/concealed)	618	78.4%	484
TOTAL	**3,630**	**59.1%**	**2,146**

Source: CLG Live Tales, Census (2011), data modelling and affordability analysis

7.40 The levels of need shown by this analysis can be compared with those on the Council's Housing Register. According to Local Authority Housing Statistics (LAHS) there were 4,101 households on the Housing Register in March 2015; of these some 1,258 were assessed by the Council to be a reasonable preference category (i.e. having more acute needs). This latter figure is some way lower than the modelled estimate above (of 2,146) although this may to some degree reflect the availability of housing in the Borough and the possibility that many households with a need do not register with the Council due to believing that they have little hope of being housed.

Newly-Arising Need

7.41 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the PPG. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

7.42 The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth. The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with 2007 SHMA Practice Guidance which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45

(e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households. No equivalent advice is provided in the PPG.

7.43 The estimates of gross new household formation have been based on outputs from the GLA Long-Term Projections – this to try to reflect need rather than a potentially constrained position if population growth is more closely linked to potential delivery. In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.44 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around 45% of newly-forming households will be unable to afford market housing and that a total of 887 new households will have a need on average in each year to 2033.

Table 47: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum) – 40% affordability threshold

Area	Number of new households	% unable to afford	Total in need
Richmond	1,964	45.2%	887

Source: Projection Modelling/Income analysis

Existing Households falling into Affordable Housing Need

7.45 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe. We have looked at households who have been housed over the past two years – this group will represent the flow of households onto the Housing Register over this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied (again based on 40% of income to be spent on housing).

7.46 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'*. Again, no equivalent advice is provided in the PPG.

7.47 Following the analysis through suggests a need arising from 281 existing households each year through to 2033.

Supply of Affordable Housing

7.48 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

7.49 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish past patterns of social housing turnover. Our figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock. Additionally, an estimate of the number of 'temporary' supported lettings have been removed from the figures (the proportion shown in CoRe as being lettings in direct access hostels or foyer schemes (of which there were very few in the Borough)).

7.50 On the basis of past trend data is has been estimated that 347 units of social/affordable rented housing are likely to become available each year moving forward.

Table 48: Analysis of past social/affordable rented housing supply (per annum – based on data for 2012-15 period)

	Total lettings	% as non-new build	Lettings in existing stock	% non-transfers	Sub-total	% non-temporary housing	Total lettings to new tenants
Richmond	631	83.1%	524	67.7%	355	97.9%	347

Source: CoRe

7.51 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Richmond is not significant compared to the social/affordable rented stock it is possible that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not new build. From this it is estimated that around 12 additional properties might become available per annum.

7.52 Finally, the analysis considers the pipeline supply of new affordable housing (i.e. housing with planning permission that can reasonably be expected to be provided). As of January 2016 there were a total of 289 affordable homes in the pipeline with permission granted. For the purposes of analysis this number has been annualised over the 19-year projection period to be consistent with

other analysis – this is an equivalent annual supply of about 15 homes. In reality the pipeline over 19 years would increase with supply from other sites. The total supply of affordable housing is therefore estimated to be 375 per annum and is summarised in the table below.

Table 49: Supply of Affordable Housing

Area	Social/affordable rented relets	Intermediate housing 'relets'	Pipeline supply	Total supply (per annum)
Richmond	347	12	15	375

Source: CoRe/ Supply Analysis

Net Affordable Housing Need

7.53 The table below shows our overall calculation of affordable housing need. The analysis shows with a 40% affordability threshold that there is a need for 906 dwellings per annum to be provided – a total of 17,215 over the 19-year period (2014-33). This is in effect the level of affordable housing which would need to be provided if all households requiring financial support to meet their housing needs were to be allocated an affordable home, and land supply did not constrain population growth. In this context it is a relatively theoretical number.

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 50: Estimated Annual Level of Affordable Housing Need

	Per annum	2014-33
Current need	113	2,146
Newly forming households	887	16,851
Existing households falling into need	281	5,336
Total Gross Need	1,281	24,333
Supply	375	7,118
Net Need	**906**	**17,215**

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

Sensitivity to Income Thresholds

7.54 The analysis in this section has look at affordable housing need using a threshold of affordability of 40% - this figure has been based on an understanding of the sort of figures which might be reasonable to use along with an analysis of the cost of housing locally. It is however recognised that a number of different assumptions could arguably have been used and so the analysis below briefly considers the implications of alternative thresholds. The data shows in particular, that with an assumption of households spending 25% gross income on housing costs need increases to 1,437 households per annum (up from 906 using a 40% threshold).

Table 51: Estimated level of Housing Need (per annum) at Variant Income Thresholds

	@ 25%	@ 30%	@ 35%	@ 40%
Backlog Need	152	137	124	113
Newly forming households	1,335	1,166	1,019	887
Existing households falling into need	325	312	297	281
Total Need (per annum)	1,812	1,615	1,440	1,281
Supply	375	375	375	375
Net Need	1,437	1,240	1,065	906

Relating Affordable Need and OAN – Legal Judgements and Guidance

7.55 The analysis above clearly indicates a need for affordable housing across the two HMAs and individual local authorities. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. The Planning Advisory Service's Technical Advice Note on *Objectively-Assessed Need and Housing Targets* (2nd Edition, July 2015) also deals with this issue. Below we have summarised some of the key judgements and guidance in chronological order.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

7.56 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.

7.57 In paragraph 43 of the judgement it is concluded that *'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'*. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.

7.58 It is not clear if this is exactly what the judge in this case had in mind. What is clear that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

Oadby and Wigston v Bloor Homes (July 2015)

7.59 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.

7.60 The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

7.61 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

7.62 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating that the assessment of need *'becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN'*. This however is inconsistent with the more recent judgement in Kings Lynn (below) and also contrasts with the approach recommended in the PAS Technical Advice Note.

Planning Advisory Service – Technical Advice note (July 2015)

7.63 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced/updated a version from June 2014.

7.64 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

7.65 They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households.

7.66 PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do however note that their views 'may be' contradicted by the Satnam judgement referred to above.

Kings Lynn v Elm Park Holdings (July 2015)

7.67 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

7.68 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

7.69 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'*. This is an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed in relation to Oadby and Wigston he notes that *'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'*.

7.70 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN.

7.71 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'*

Relating Affordable Need and OAN

7.72 The analysis above indicates a clear need for affordable housing. The assessed affordable need of 906 dwellings per annum represents 99% of the demographic projection linked to the GLA long-term trends and a much higher figure of 304% if linked to the GLA SHLAA projections (again long-term migration assumptions). It provides a clear basis for seeking to maximise affordable housing delivery. These figures are however calculated in different ways and are not strictly comparable.

7.73 The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

> *"The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."*

7.74 The likely delivery of affordable housing on mixed market housing-led developments will be influenced both by affordable housing policies (themselves influenced by development viability evidence), the mix of homes which are delivered and the viability of individual development schemes. Some schemes will not be able to viably deliver policy-compliant levels of affordable housing.

7.75 It should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing in Richmond These include:

- Mayoral Affordable Housing Programmethis (administered by the GLA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs. The Council also supports RPs to access other specialised funding streams such as the Government's Estate Regeneration Fund;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock

7.76 As Richmond upon Thames Council transferred its housing stock in 2000, the Council's role is to work in partnership with Registered Providers. The Council supports delivery of general needs housing through the following main sources:

- Affordable housing secured by legal agreement in schemes that are granted planning permission.
- Small scale schemes or larger scale regeneration by Registered Providers on their land holdings.
- Purchase and repair of properties on the open market for use as affordable housing.
- Disposal of its own land and other assets.

7.77 The Council's Housing Capital Programme is used to support delivery of affordable housing in the Borough. The Housing Capital Programme is funded from a number of sources such as prudential borrowing, S106 financial contributions for affordable housing, New Homes Bonus and grant funding. A Housing Capital Programme for 2015/16 - 2020/21 totalling almost £20m has recently been agreed.

7.78 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

7.79 In interpreting the relationship between affordable need and total housing provision, it is important to understand the basis of the affordable housing needs model. As the Planning Practice Guidance sets out, the calculation of affordable need involves *"adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock."* The affordable housing need does therefore not represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
- This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock, and affordable housing in the development pipeline.

7.80 The affordable housing model thus includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today.

7.81 In the case of Richmond, the stock of affordable housing (social rented) represents about 13% of the total number of households – this is notably below the equivalent figure for London (24%) and England (18%). This has affected the level of affordable housing need and the Private Rented Sector has in effect taken on an increasing role in providing housing for households who require financial support in meeting their housing needs, supported by Local Housing Allowance.

7.82 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises

this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

7.83 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.

7.84 Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA supported Private Rented Homes. As of August 2015 it is estimated that there were around 2,806 benefit claimants in the Private Rented Sector.

7.85 From English Housing Survey we estimate that the proportion of households within the private sector who are "new lettings" each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector gives an estimate of around 365 private sector lettings per annum to new LHA claimants in the Borough. This serves to illustrate that there is some flexibility within the wider housing market.

7.86 However, national planning policy does not specifically seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model herein. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

7.87 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

7.88 But the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another household. These households do not generate a need for more dwellings overall. They include households who need to move as they are:

- Overcrowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

7.89 Such households do not generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing need are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings).

7.90 In considering the overall need for housing, only those who are concealed or homeless would be likely to result in an additional need for housing. The modelling undertaken indicates that there are 484 concealed and homeless households, the needs of which might be considered 'additional' to those in the demographic modelling undertaken. Numbers of newly-forming households in the modelling are established specifically from the demographic projections.

7.91 On balance, the analysis undertaken provides limited evidence to justify considering an adjustment to the (unconstrained) assessed housing need. However, the levels of affordable need are high enough that the Council should seek to deliver as much affordable housing as possible (subject to issues such as viability).

Richmond Housing Register

7.92 To inform the SHMA, GL Hearn were provided with waiting list data from the Councils Housing Register (as of the 1st March 2016) and also nominations data about past lettings (going back over the past 5-years to the end of 2015). Such data is often of use in assessing affordable needs, both demand and supply. The Council uses a points system to work out the priority of each housing application received, and adjusts the number of 'live' applications to broadly match the availability of homes. Whilst such an approach is logical in terms of allocating homes, the way in which the Register is maintained means it is of more limited use because it is difficult to definitively establish the level of need from this source.

7.93 Additionally, it should be noted that in areas with a fairly restricted supply of affordable homes (as is the case in Richmond) that the Register may not fully reflect needs – if for example households do not join the register due to a perception that they are unlikely to be housed.

7.94 However, the points system used and data available does mean that a good understanding of the profile of needs can be established – this issue is largely dealt with in Section 9 (where the report looks at the sizes of homes needed). In this section, current affordable needs are established through a range of secondary data sources (including Census data) with only a brief comment to overall compare with Register data.

Allocations Policy

7.95 The Richmond Housing Allocations Policy, implemented since May 2013, sets out the range of criteria against which applicants score points. The higher the points scored, the higher the assessed level of need and therefore households have a greater chance of being housed (or rehoused). Below is a brief summary of the points system used:

- Homelessness or threats with homelessness – 50 points plus additional points if living in temporary accommodation and the length of time in temporary accommodation (up to a maximum of 900 points). Points are awarded to rough sleepers (80 points)
- Medical needs – applicants can be awarded up to 200 points for medical needs (in circumstances such as terminal illness)
- Welfare/social needs – applicants can be awarded up to 200 points in this category although the awards are more typically for 50 points (issues include violence and harassment with child protection and adult safeguarding issues potentially attracting higher points scores (of 100 points)
- Property defects – typically 10 points but up to 50 or 200 where the property is in serious disrepair or is considered to be uninhabitable
- Lacking or sharing facilities – a range of points from 5 to 15 depending on what is shared or lacking
- Overcrowding – 50 points for each extra bedroom required plus additional points of up to 20 depending on the ages of children and the size of bedrooms
- Separated families – up to 40 points
- Age – older people can be awarded up to 30 extra points (for those aged 80 and over)
- Pregnancy – 5 points
- Low income and savings – 5 points for each
- Working households – receive 80 points
- Community contribution – including voluntary work is an additional 50 points (but not in addition to any points awarded for working)
- Local connection – 100-200 points for living in the Borough, working in the Borough or with exceptional circumstances requiring them to live in the Borough

7.96 Clearly there are a range of different ways in which applicants attract points and the analysis below does not seek to determine what the 'threshold' for need should be although some general description of how the Register data compares with the modelled estimates of need is provided below.

Comparison with modelled estimates of current need

7.97 Overall the analysis through secondary data sources suggests a current need from around 2,150 households (excluding households currently living in affordable housing). This figure compares initially with 4,862 households on the Housing Register, a figure which is reduced to around 4,000

once current affordable housing tenants are excluded. Of these only about 488 are considered by the Council as 'live' and therefore potentially likely to be provided with housing.

If it were accepted that the number in need is around 2,150 (i.e. consistent with the secondary data analysis) then this would be an equivalent level to a household accruing around 210 points through the allocations system used by the Council.

Affordable Housing Need: Implications

- An assessment of affordable housing need has been undertaken which is compliant with Planning Practice Guidance to identify whether there is a shortfall or surplus of affordable housing in Richmond.
- Overall, in the period from 2014 to 2033 a net deficit of 906 affordable homes per annum is identified (based on a 40% affordability threshold). There is thus a requirement for new affordable housing in the Borough and the Council is justified in seeking to secure additional affordable housing contributions from all sites.
- The identified affordable housing need represents 99% of the need arising through the demographic projections (and a higher figure if linked to the SHLAA). However, in considering this relationship, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se

8 HOUSING MARKET CONDITIONS AND MARKET SIGNALS

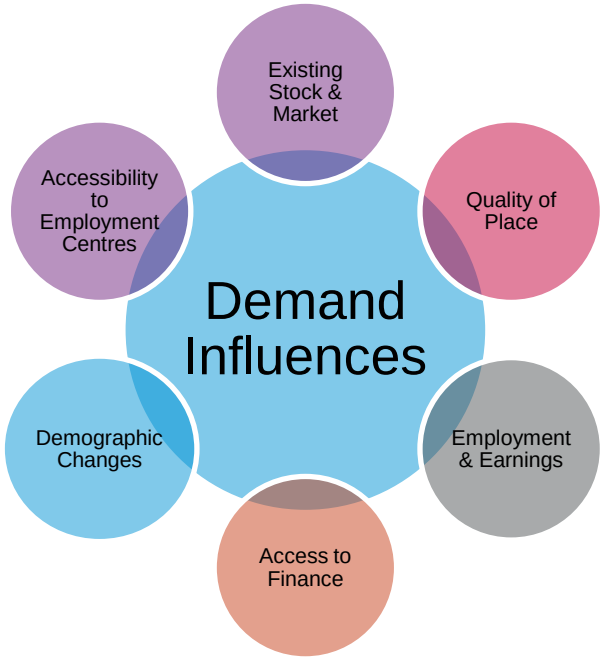
8.1 In line with the Planning Practice Guidance, we have sought to analyse in detail the housing market dynamics. This section, initially reviews housing market dynamics including national and macro-economic drivers. This is then developed at a borough and London wide level with quantitative analysis of local prices, sales volumes and affordability.

8.2 This section also presents findings from the detailed engagement process which GL Hearn has undertaken with estate and letting agents in the Borough to understand current housing market dynamics 'on the ground.'

Conceptual Framework

8.3 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 36: Understanding Housing Demand Drivers



Source: GLH

8.4 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). In the recent recessionary period, these macro conditions have been particularly prominent in driving the housing market.

8.5 The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

8.6 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.

8.7 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. The importance of these local factors is perhaps more pronounced in stable or healthy economic times, when mortgage availability and market liquidity are far less of a constraint on activity. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

8.8 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

8.9 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

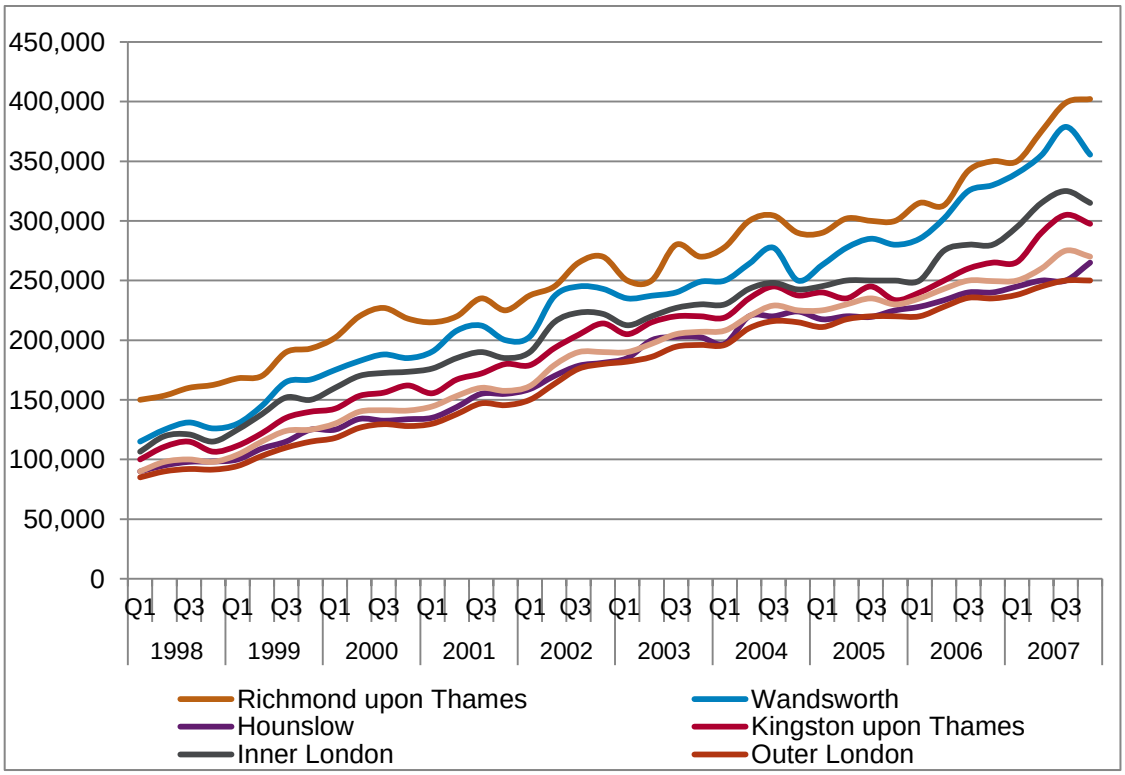
Local Demand Indicators and Market Signals

House Price Change

8.10 Figure 37 profiles house prices across London Borough of Richmond upon Thames, adjoining boroughs and Inner and Outer London wide areas from 1998 to 2007 (i.e. the pre-recession decade). This shows a steady upward trend in all areas over this period. Over this period the median house price in the London Borough of Richmond upon Thames grew from £150,000 in Q1 1998 to £349,950 in Q1 2007 – a growth of £199,950 (133% growth over the 9 year period). By comparison the average growth across Inner London was £188,450 (177%) and Outer London was £153,000 (180%), while there was a £160,000 (178%) across London. In absolute terms, house price growth has exceeded London and Outer London averages over the longer-term.

8.11 House price growth in LB Richmond over this period have also been higher than most of the neighbouring areas. Median house prices increased by £224,975 (196%) in Wandsworth, by £155,028 (172%) in Hounslow and by £165,500 (166%) in Kingston upon Thames. Richmond has highest median house prices upon Q1 2007, at £349,950. This is compared to Wandsworth (£339,975), Hounslow (£245,000), Kingston upon Thames (£265,500), Inner London (£294,950) and Outer London (£238,000).

Figure 37: Quarterly Median House Prices (1998- 2007)

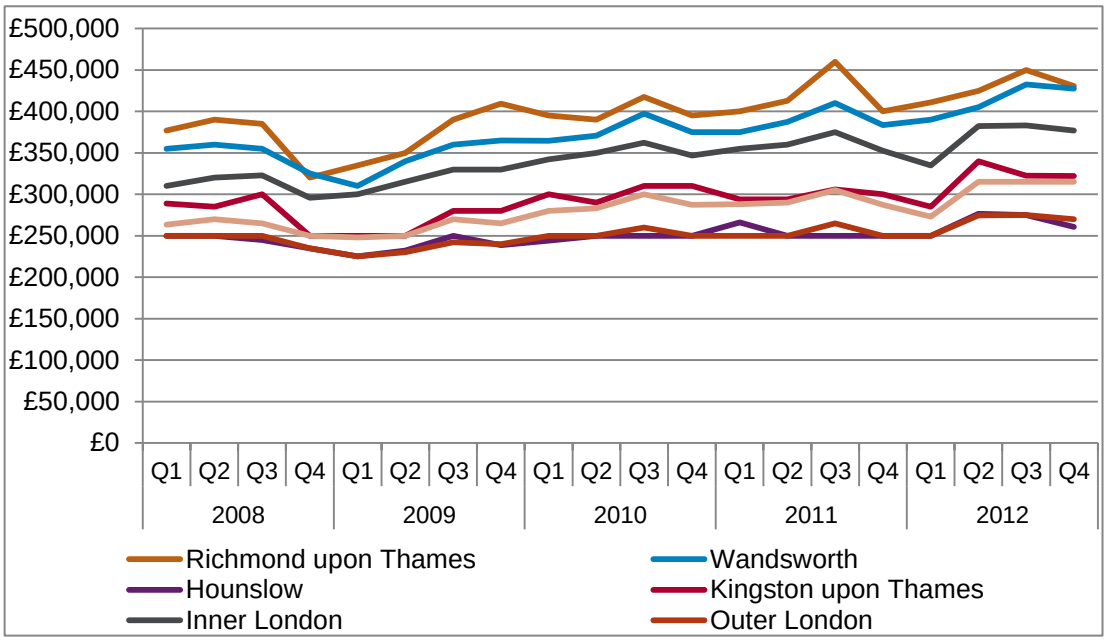


Source: GLH Analysis: Land Registry Price Paid Data

8.12 Figure 38 shows quarterly growth in median house prices between 2008 and 2012 (a recessionary period)/ period of subdued market conditions. The graph below shows a decrease in prices in first half of 2008 and a subsequent rebound at the beginning of 2009. The Borough experience a notable fall in median house prices, a decrease by 16.9% between Q3 and Q4 2008. This can be compared to Wandsworth (-8.5%), Hounslow (-4.1%), Kingston upon Thames (-16.7%), Inner London (-8.4%) and Outer London (-6%).

8.13 Although prices fell in 2008-9, median house prices have grown by 35% in LB Richmond over the five year period 2008- 2012. This was the highest increase across all of the areas under consideration, and compares to a 32% increase in Wandsworth, 11% increase in Hounslow and 29% in Kingston-upon-Thames. Comparing the above figures to the London trends, it can be observed that Richmond, Wandsworth and Kingston noted higher growth than boroughs within Inner London (27%), Outer London (15%) and across the City (26%) over the recessionary period.

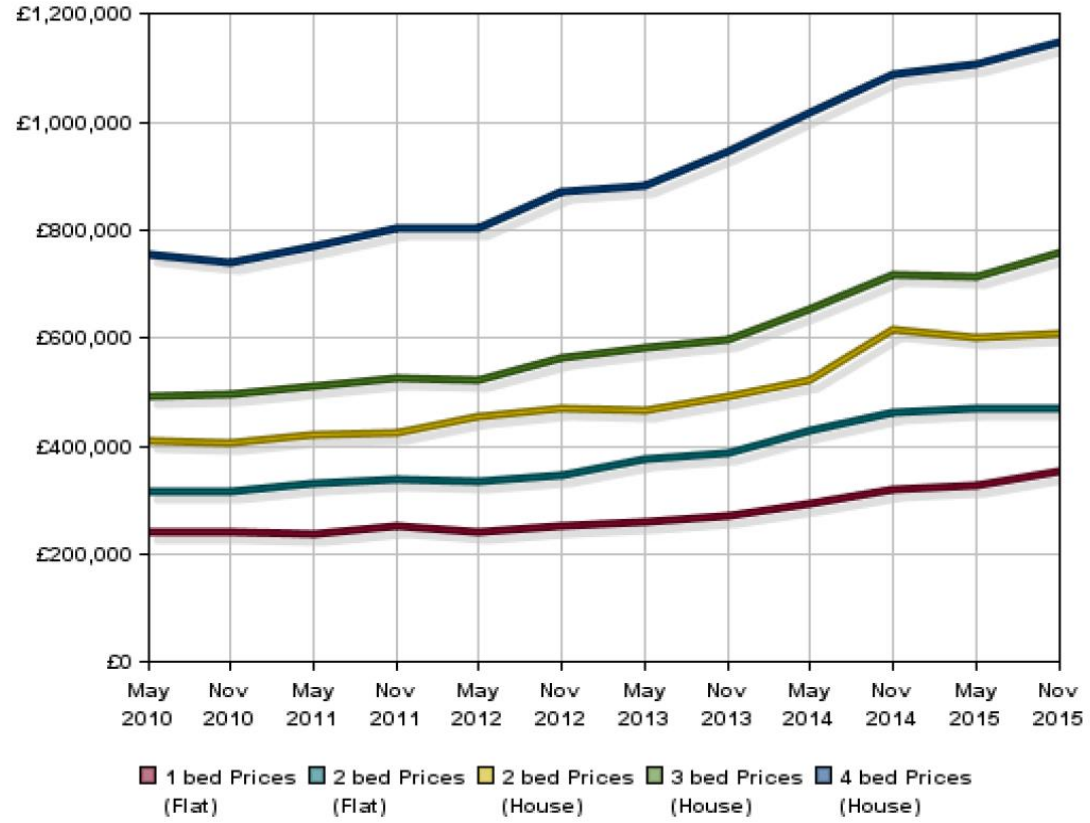
Figure 38: Quarterly Median House Prices (2008- 2012)



Source: GLH Analysis: Land Registry Price Paid Data

8.14 Figure 39 shows a detailed breakdown of the average house prices between 2010 and 2015 by bed count and type of the property across the London Borough of Richmond upon Thames. Average values have increased by 33% across of all of the types of properties. In general, there are small differences in the average growth in the price of different sizes of properties. The highest rate of growth has been for 3 bedroom houses (34.8%), suggesting a stronger difference between supply and demand. It is followed by 32.6% increase in 2 bedroom flats and houses. The slowest growth can be observed for 1 bed flats where capital values increased by 32.2% over the 5 year period. Differences between percentage growth rates by type overall re relatively marginal.

Figure 39: Price Trends by Type and Size, LB Richmond (2010-2015)

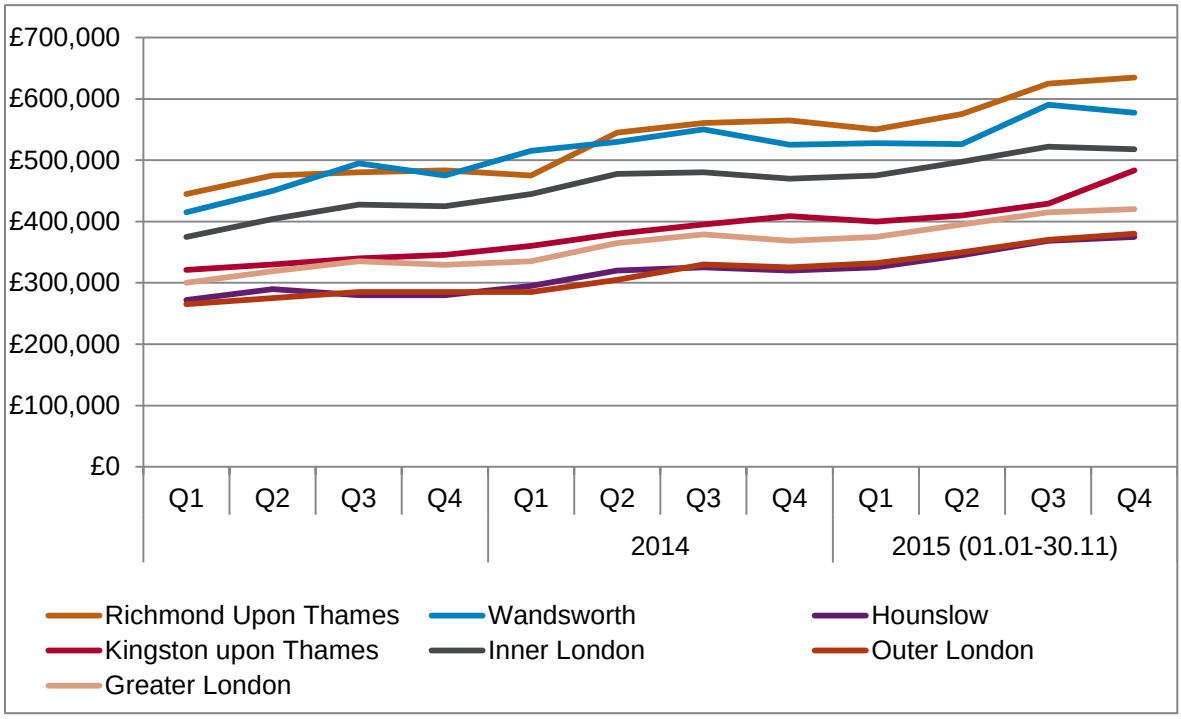


Source: *Hometrack: Housing Intelligence Syste*m

8.15 Figure 40 provides an overview of median house price changes over the last three years (2013 to 2015). Data used in this figure shows house prices up to end of November 2015. All of the areas noted a substantial increase in the median house price values over this period. The highest growth was observed in Kingston, where prices increased by 51% in the last three years, followed by Richmond (43%), Wandsworth (39%) and Hounslow (38%). In case of City-wide trends, Inner London boroughs noted a 38% increase, Outer London ones 43% growth and Greater London saw a 40% growth in a 3 year period.

8.16 The overall picture seems to suggest price growth been influenced by movement of households from Inner to Outer London Boroughs which are relatively more affordable. The lower relative growth in LB Richmond is likely to have been influenced by its relatively higher housing costs compared to other Outer London Boroughs.

Figure 40: Quarterly Median House Prices (2013-2015)



Source: GLH Analysis: Land Registry Price Paid Data

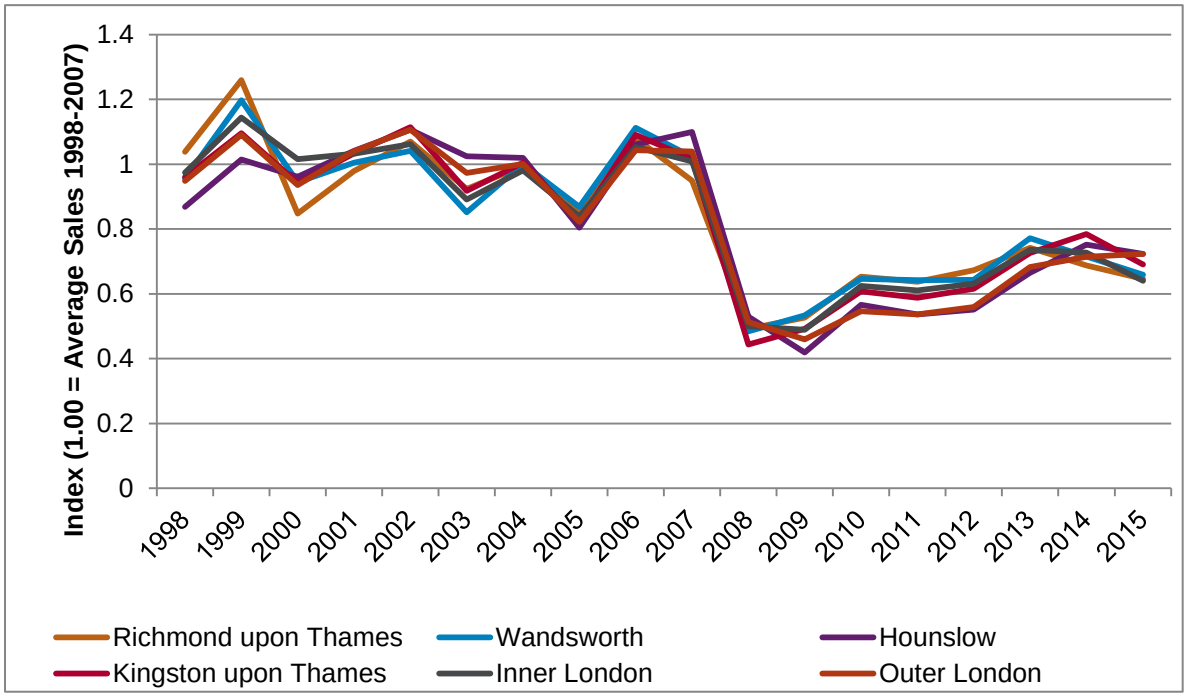
Sales Volumes and Effective Demand

8.17 Sales are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 41 benchmarks annual sales across authority, region and national levels and compares areas over the period of 1998 to 2014. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recessionary period.

8.18 As seen in the figure below, the impact of the recession was experienced across all geographical areas with sales volumes experiencing a significant drop between 2007 and 2008. Following the recessionary slump, sales volumes have remained well below pre-recession levels, yet, relative to the figures from 2012 and earlier, the rate of recovery is accelerating.

8.19 Comparing the benchmarked values, it can be seen that the levels of sales in 2015 in Richmond upon Thames and Kingston upon Thames recovered to 68% of its pre- recessionary (2007) values. This is one of the strongest recoveries across the boroughs under consideration (no doubt as the market is less influenced by younger buyers without significant equity). In comparison, Wandsworth recovered only to 64% while Hounslow to 66%, Inner London sales levels recovered to 63% of the 2007 values, while Outer London values marked a 70% recovery.

Figure 41: Indexed Analysis of Sales Trends (1998-2015)



Source: GLH Analysis: Land Registry Price Paid Data

8.20 Figure 42 below provides a breakdown of median house prices by type. It used data on sales to November 2015. The median value of detached houses sold was £1,220,000. This is below the values in Wandsworth (£1,775,000) however significantly above the values for Hounslow (£528,000), Kingston (£805,000), Inner (£1,075,000) and Outer London (£670,000). This end of the market is more similar to Inner London.

8.21 The most expensive semi- detached households can be in Wandsworth (£1,300,000) and Richmond (£790,000). Both boroughs have substantially higher median house prices for this type of property. In comparison, median value for a semi- detached property in Hounslow is £400,000, in Kingston, £670,000 across Inner London and £440,000 in Outer London. Lower prices relative to LB Wandsworth is likely an influence on migration to LB Richmond.

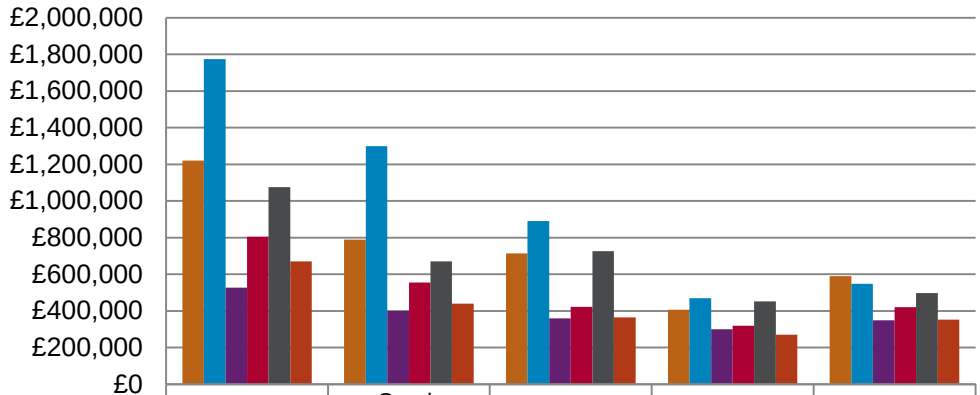
8.22 In terms of the terraced properties, once again highest median values can be found in Wandsworth (£890,000) and Richmond upon Thames (£715,000). At the borough level, these are followed by Kingston upon Thames (£422,250) and Hounslow (£395,950). In terms of the Inner London (£726,000) values, these are higher than in most of the above areas. Outer London values are substantially lower, with median price for a terraced properties being £365,000.

8.23 Analysis of median house prices for flats shows that the highest values for these properties across the boroughs can be found in Wandsworth (£470,000) and Richmond upon Thames (£406,500). These are followed by Kingston upon Thames (£320,000) and Hounslow (£300,000).

8.24 In terms of the overall values, Richmond upon Thames (£590,000) has the highest median house value across all of the areas under consideration. It is followed by Wandsworth (£548,000). Both areas are above the Inner and Outer London (£352,500) values but substantially exceed the figures for neighbouring boroughs. The overall median house price in Hounslow is £349,000 and £420,000 in Kingston upon Thames.

8.25 The house price analysis suggests that the market is the Borough is more closely related to higher value Inner London than a number of neighbouring areas. There is a significant price differential relative to Hounslow and Kingston (with properties in the Borough being on average more expensive). Values for larger properties are however lower than in Wandsworth.

Figure 42: Median House Prices By Type (2015)



	Detached	Semi-Detached	Terrace	Flat	Overall
Richmond upon Thames	£1,220,000	£790,000	£715,000	£406,500	£590,000
Wandsworth	£1,775,000	£1,300,000	£890,000	£470,000	£548,000
Hounslow	£528,000	£400,000	£359,950	£300,000	£349,000
Kingston upon Thames	£805,000	£555,000	£422,250	£320,000	£420,000
Inner London	£1,075,000	£670,000	£726,000	£452,000	£497,500
Outer London	£670,000	£440,000	£365,000	£271,000	£352,500

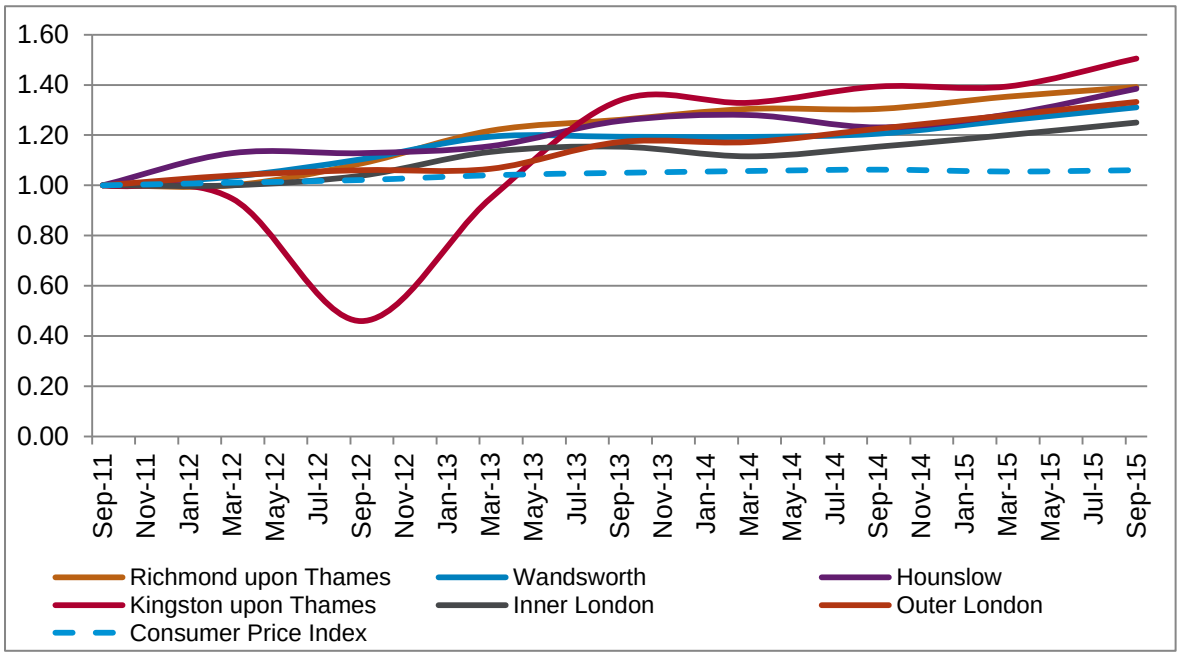
Source: GLH Analysis: Land Registry Price Paid Data

8.26 The most recent VOA private rental data (over the year to September 2015) shows the median rental price in Richmond upon Thames was £1,600 per calendar month (pcm). This compares to an average of £1,647 pcm in Wandsworth, £1,350 Hounslow, £1,350 pcm in Kingston upon Thames, £1,650 in Inner London and £1,250 pcm across the Outer London area. Rental costs on average are similar to Inner London and Wandsworth.

8.27 Figure 42 shows the median rental values benchmarked to September 2011 values. Also shown is the Consumer Price Index (CPI). This shows a 39% growth in private rental values across Richmond upon Thames between 2011-15. This rate of growth is followed by Wandsworth (31% increase) and Hounslow (38%). The highest rate of increase can be observed in Kingston upon Thames, with 51% growth between September 2011 and September 2015. Inner London boroughs noted a 25% growth, while Outer London a 33% one.

8.28 Strong rental growth has been evident over the last four years, indicating supply/demand imbalance for rented properties in the Borough.

Figure 43: Benchmarked trend in median private rental values (Sep 2011 – September 2015)

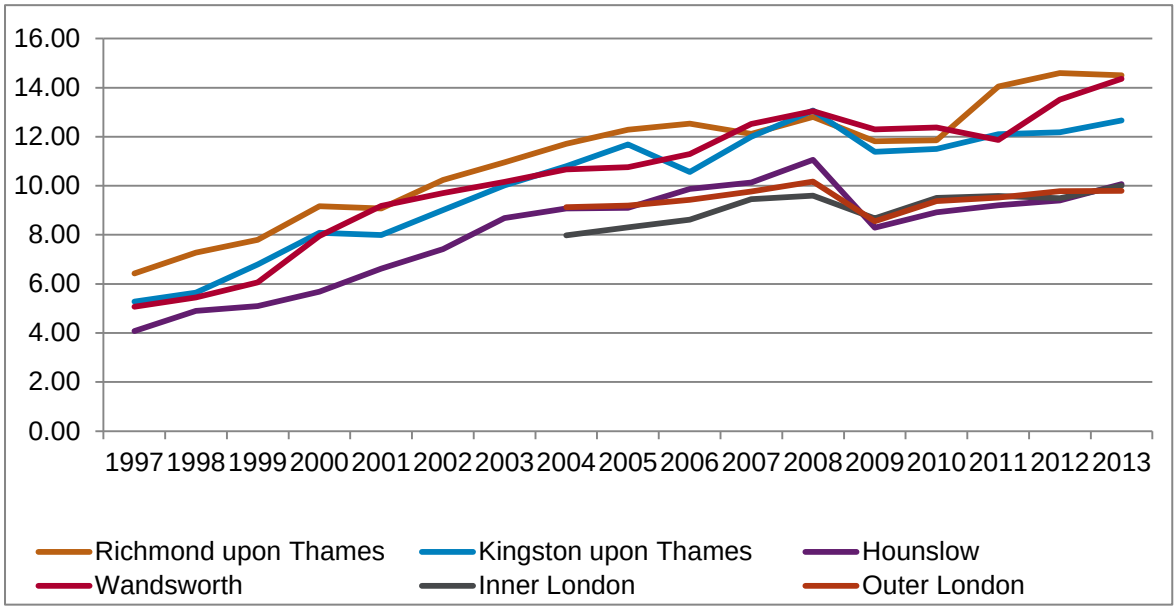


Source: VOA Private Rental Data

Affordability of Market Housing

8.29 We have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and lower quartile earnings. As of 2013, the lower quartile house prices in Richmond upon Thames are 14.5 higher than lower quartile earnings what appear to be the highest values across all of the areas under consideration. It is followed by Wandsworth (14.36), Kingston upon Thames (12.66) and Hounslow (10.07). All of the above areas have higher ratios of lower quartile house price to lower quartile earnings than the Inner (10.00) and Outer London (9.79) areas. Data for Inner and Outer London covers the period from 2004 to 2013.

Figure 44: Lower Quartile Affordability Trend (1997- 2013)



Source: VOA Private Rental Data

8.30 Table 52 compares the lower quartile affordability ratio to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In Richmond upon Thames the median ratio is 0.5 below the lower quartile figure indicating that affordability pressures are even more acute at the lower end of the market. A similar trend can be seen in case of Wandsworth (-0.08) and Inner London (-0.40), where the difference between lower quartile and median ratio is also negative. For Hounslow (0.59), Kingston upon Thames (0.81) and Outer London (0.69), lower quartile affordability ratio is slightly higher than the median ratio.

Table 52: Comparison of Lower Quartile and Median Affordability (2013)

	Lower Quartile Ratio	Median Ratio	Difference
Wandsworth	14.36	14.44	-0.08
Hounslow	10.07	9.48	0.59
Kingston upon Thames	12.66	11.86	0.81
Richmond upon Thames	**14.50**	**15.01**	**-0.50**
Inner London	10.00	10.41	-0.40
Outer London	9.79	9.10	0.69

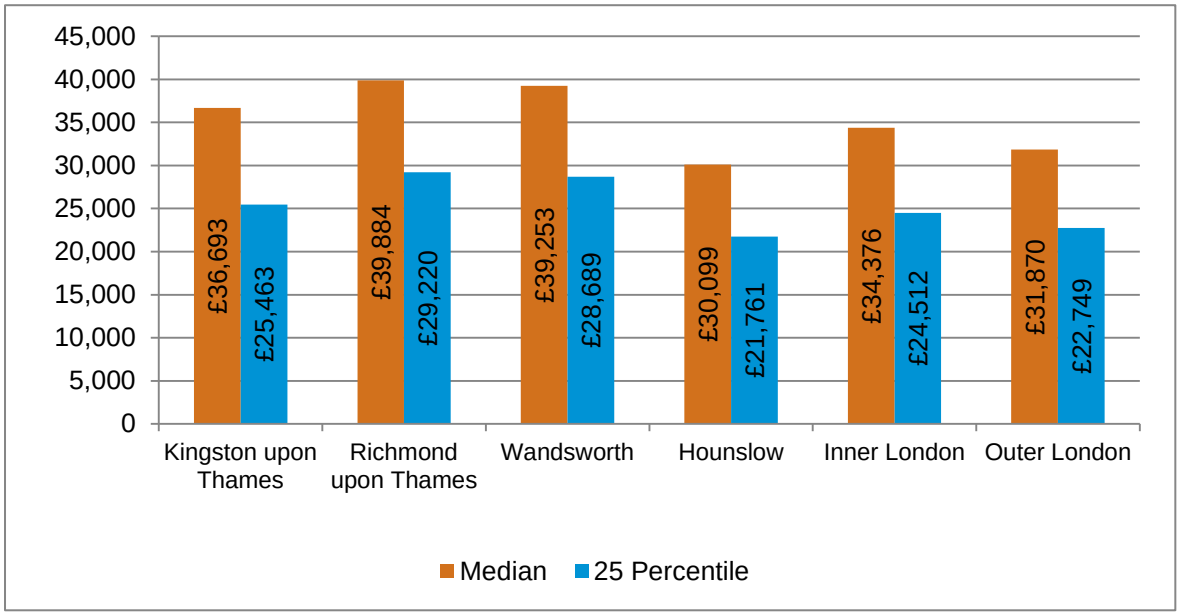
Source: DCLG Housing Market Live Tables

8.31 Affordability is influenced by house prices and earnings. Figure 45 compares the median and lower quartile gross annual earnings by place of residence. The median annual (gross) earnings (for individuals in work) in Richmond upon Thames are £39,884 per annum with the lower quartile being £29,220. These are the highest figures across all of the areas considered. It is followed by Wandsworth, where the median income is £39,253 and lower quartile of £28,689. The lowest

incomes can be found in Hounslow, where median salaries are £30,099 and lower quartile is £21,761.

8.32 The above data suggests that the lack of affordability is driven in particular by high housing costs.

Figure 45: Gross Annual Earnings of Full -time Workers by Place of Residence (2015)



Source: Annual Survey of Hours and Earnings

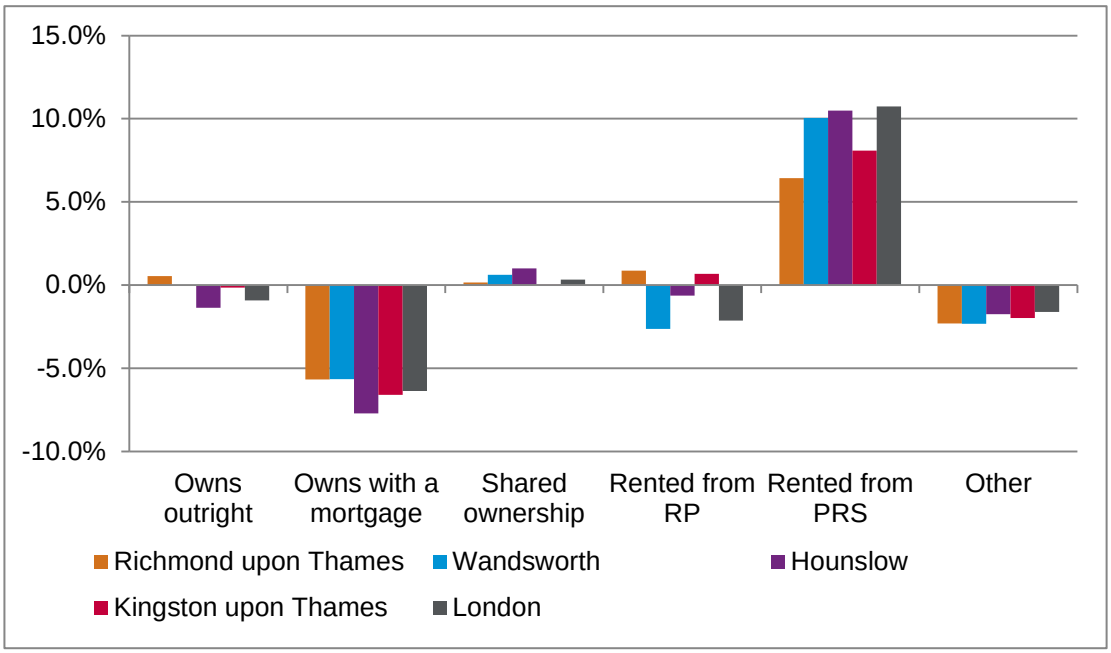
8.33 Nationally, a combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the private rented sector as households are being forced to rent for longer. This is illustrated in Figure 46. Between 2001 and 2011 there was a 0.9 percentage point decrease in owns outright category across London. Richmond is the only area that noted a small increase (0.5pp) which may reflect the large cohort of over 65's who own their property outright in the Borough.

8.34 Nevertheless, there has been a substantial decrease in ownership of properties with a mortgage or loan across all of the areas. The highest decrease can be observed in Wandsworth (-7.7pp), followed by Kingston upon Thames (6.6pp), Richmond upon Thames (5.7pp) and Wandsworth (5.7pp). This can be compared to 6.4pp decrease in ownership of a property with a mortgage or loan across London. A tenure shift from home ownership to renting is evident nationally, and particularly in London. It seems likely that this will continue.

8.35 There was a marginal increase in shared ownership across most of the areas, with Richmond noting a 0.2pp growth in the category.

8.36 Private renting grew significantly in all areas. The highest increase was across London (10.7pp), followed by Hounslow (10.5pp), Wandsworth (10.0pp) and Kingston upon Thames (8.1pp). Richmond upon Thames (6.4pp) had the smallest change across the areas under consideration. The evidence points to particular demand from family households looking to buy property.

Figure 46: Changes in Tenure (2001-2011)



Source: Census 2011

Implications

It is clear that the Borough, as with London overall, is a relatively unaffordable place to live. House prices grew significantly prior to the recession; and have continued to grow since 2009. They have grown by a third in five years (2010-15). There is evidence that rental costs have increased vey substantially over the period since 2011 as well. In general, LB Richmond is the highest priced outer London borough.

Increases in sales prices have made it more difficult for younger households to buy a home – and this is borne out in significant increase in demand for private renting. The growth in rents suggests that supply – as for homes for sale – has not kept up.

The Borough is relatively expensive compared to other parts of Outer London, with housing costs more similar to areas within Inner London. This is a reflection in part of the stock and quality of place in the Borough. Cheaper housing is more prevalent in surrounding areas, including Kingston and Hounslow (and into parts of Surrey).

It seems highly likely that prices (for rent and purchase) will continue to increase moving forwards – and that demand for rental properties will grow; and an increasing number of households will not be able to afford housing costs. Demand for affordable housing thus seems likely to continue to be strong (and will most likely grow); whilst housing costs may limit the ability of employers to recruit and retain staff – particularly for lower wage roles.

Engagement with Estate and Letting Agents

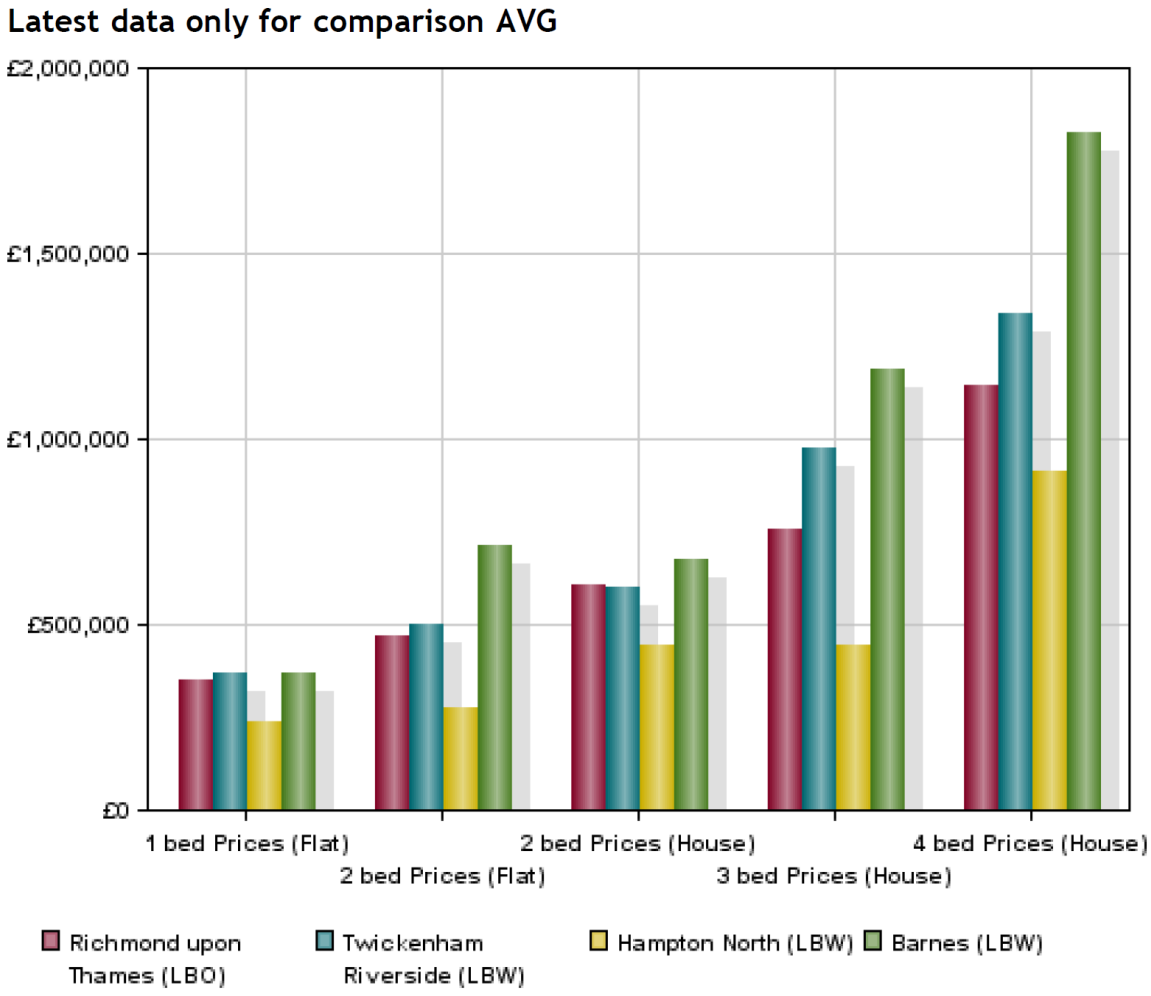
8.37 In order to further understand the performance of the market, GL Hearn carried consultation with several local estate agents across the borough. Semi- structured interviews were carried out in Teddington, Twickenham, Richmond, Sheen and Barnes. These areas may not have picked up some of the lower value pockets such as in Whitton and parts of the Hamptons, however it enabled us to gain more in-depth insight and identify differences and intricacies in the local housing markets within the Borough. We have sought to use this to provide qualitative evidence based on triangulating findings with a number of active local agents.

8.38 Overall, all of the responses were positive and stated that the sales and lettings market in LB Richmond is really strong at the moment. At the time of engagement in February 2016 the impact of Stamp Duty changes in April 2016 for buy to let and second home purchases was influencing transactions. There was a visible distinction in the house prices across the borough. This is reflected in the most recent data from Hometrack Housing Intelligence System, which breaks down the analysis by ward and we have used the following sub-areas to illustrate the differences across the borough: Twickenham Riverside, Hampton North, Barnes and Richmond upon Thames.

8.39 There is a clear difference in terms of the prices between sub-areas, where Barnes appears to be the most expensive area across most of the dwelling types. The highest difference in prices can be

seen for 4 bed properties, with an average price reaching £1,831,167 in Barnes, £1,342,174 in Twickenham Riverside, £917,778 in Hampton North and £1,148,858 across the borough as a whole.

Figure 47: House Prices in London Borough of Richmond upon Thames, sub- area breakdown, 2016



Source: Hometrack Intelligence System, February 2016

Teddington

Sales Market

8.40 All of the estate agents consulted across Teddington described very strong current housing market conditions, with a high level of demand outstripping supply. Consultation indicated increased activity in the sales market over the last few months, what has been driven by the low interest rates and anticipated changes to Stamp Duty.

8.41 The majority of buyers in the area were families and people commuting to central London, looking for a good value for money property.

8.42 A proportion of them had already lived in the area and had a reasonable knowledge of the area and the market. These groups were usually seeking to upsize and considered the area attractive due to its accessibility and public transport links, good schools and a number of infrastructure improvements across the borough. The price range for good quality properties was between £900,000 and £1,900,000. A small proportion (up to 5%) of the buyers was from overseas using the property as their second home and occupying it for few weeks a year.

8.43 Consultation indicated minor differences in the prices across the area. Prices in Hampton and Hampton Hill were starting from £500 - 550 per sq. ft. Higher values were achieved around Teddington and Fulwell, where prime locations in a close proximity to the train stations reached up to £700 per sq. ft. The best properties in the area were up to £800-900 per sq. ft. All of the agents indicated a 4-5% growth in the house prices when compared to last year. A significant proportion of the buyers (particularly for investment purchases) were fully financing the purchase with cash.

8.44 Consultation indicated a small proportion of new built units in the area, with current schemes including London Square's Waldegrave Road development. In terms of capital values, new build developments in Teddington were performing better than the rest of the stock. They were highly popular and usually sold within few weeks and above the asking price. The majority of them were owner occupied. One of the most popular developments was Longfords, providing 4 bedroom semi-detached houses with the asking prices starting from £1,290,000.

8.45 Agents indicated a steady influx of investors over the last few months. Usually these tend to be smaller investors seeking for properties of a value between £500,000 and £600,000, up to a maximum of £700,000. Consultation indicated that there is a very active buy-to-let market. Strong rental income streams and growth in capital values appear to be a highly attractive opportunity for people who have larger amount of cash for their disposal. A significant proportion of the investors wanted to complete transactions before the end of tax year taking account of changes to Stamp Duty. This has contributed to the increased activity on the sales market over the last few months.

8.46 Responses regarding the future market performance were consistent. The majority of the respondents stated that the market will continue to perform well. The impact of Stamp Duty changes is expected to have a marginal short term impact. Given the recent increase in the sales activity over the past few months, it is anticipated that the sales will decrease after April 2016. The reform is not expected to bring any substantial changes to the local market in a long term. In terms of the changes to tax relief on the interest on mortgage, the proposed reforms are not expected to

impact the sales market in Teddington. This is based on the fact that the significant proportion of the buyers are cash purchasers.

Lettings

8.47 We have further sought to get a broader understanding of the 'on the ground' letting market in the area. Respondents were highly positive, stating a strong and 'always busy' market. The area has a broad mix of tenants, with one of the largest groups being couples, young professionals and small families. These tend to prefer flats. There were a small proportion of international tenants and landlords across the lettings market.

8.48 Agents further indicated that most of the families moving into the area are people pushed out of more central areas due to the steady decline in affordability. The majority of them were coming from Richmond, Kew, Fulham or Hammersmith. Tenants were letting in the area for a short time to get to know the area and get onto the housing ladder. In terms of the future outlook, the lettings market majority of the respondents were positive about the next year and stated that the lettings market will continue to perform at the current rate or further increase over time.

8.49 Typical rents in the area start from £1,500 pcm for a 2 bedroom property, £1,750 pcm for a 3 bedroom property and £2,000 pcm and more for a 4 bedroom house. All of the responses stated a 3-5% increase in the rental values when compared to the last year. It is anticipated that the rents will continue growing over the next year.

Twickenham

Sales

8.50 Similarly to Teddington, market performance in Twickenham is described as very strong, with agents selling at least few properties each week. The local market is short in stock what is primarily caused by the limited supply. Recent demand has been influenced by the surge from Buy-to- Let investors arising from the changes to Stamp Duty in April 2016. This successively allows property owners to achieve values above the asking price. The area is considered to be a good value for money; with high demand largely due to the transport facilities and a good range of local amenities including retail and schools. Compared to the last year, sales prices have increased by 5-6% with best quality housing stock growing in capital values by 6-10%.

8.51 The area is mainly family oriented with majority of buyers being local residents. Almost 30- 40% of the buyers were considered to be new to the area, usually coming from neighbouring boroughs e.g. Wandsworth.

8.52 New buyers were first time buyers in their late 30s seeking to buy their first property. The most popular properties across this group were 2 bed cottages or 3 bed semi- detached houses in the region of £600,000 (these would require a deposit up to £80,000).

8.53 Agents indicated a small difference in the capital values between the Twickenham and neighbouring areas. This is mainly due to the characteristics of the area and proximity to public transport facilities. Lower values can be found in Whitton, where prices are around £500- £550 per sq. ft., compared to £550-600 per sq. ft. in Twickenham and £650-£700 per sq. ft. in St Margarets. These differences can be particularly visible in case of 2 bedroom cottages. In terms of most desirable price ranges in the areas, agents indicated that properties with capital values between £500,000 and £900, 000 are the most sought after.

8.54 In terms of new build developments, these are highly anticipated - with properties that go off the market within weeks and above the asking price. Agents stated that there is a shortage of new build developments across Twickenham what consequently leads to tight stock and growth in capital values. One of the most recent developments in Twickenham consisted of 12 units (1-2 bed flats) and was sold in a really short period of time at a price £350,000 for a 1 bed properties and £450.000-£475,000 for 2 bed units.

8.55 Consultation indicated that the proportion of the investors in Twickenham is larger than in Teddington. Although there is a marginal number of overseas buyers and investors, there is a large proportion and some of the responses indicated nearly a half of the properties were sold to investors over the last few months. The majority of them were local, small scale investors targeting properties with values around £400,000.

8.56 In terms of future outlook, it is expected that the current pressure on the sales market is caused by the upcoming changes to Stamp Duty. With an increase in Stamp Duty (up to £15,000 on a £500,000 property) local estate agents expect a short term decrease in the market activity beyond the Spring. The longer term outlook seems to be positive, with the market stabilizing and regaining its historic levels of activity. With limited development in the pipeline, it is anticipated that the growth in capital values will continue.

Lettings

8.57 On the lettings side, there is a high demand to rent properties in the area. This is primarily due to the location to public transport and connectivity to Central London as well as lower rental values when compared to Inner London areas. Rental levels increased by 10-12% over the last 12 months. The highest demand could be observed for 1-2 bed properties.

8.58 The majority of the tenants are professional couples, single professionals and corporates. Similarly to the buyers, the majority of the tenants were coming from the neighbouring areas such as Richmond or Clapham as Twickenham area offered better value for money. Compared to Teddington, Twickenham was a better and larger market for service apartments, with several large corporations such as Shell, BP or Mercedes renting a proportion of the existing stock. Our research indicated that these tend to rent properties in Twickenham and St Margarets and occupy 1-2 bed flats. Other tenants are professional couples or small families. These tend to prefer 2 bedroom maisonettes which are rented for £1,500- £1,700 pcm in St Margarets.

8.59 Generally, values are higher than in Teddington. 1 bed properties start from £1,250, 2 bed units from £1,500-£1,600 and 3 beds from £2,000. Slightly higher values can be found in St Margarets and Central Twickenham. This is in part a function of better transport link.

8.60 In terms of the future rental values, rate of growth might slow down due to the decreased yields in the area.

Richmond

Sales

8.61 Estate agents consulted in Richmond all described the local market as very good. Although a significant proportion of buyers were cash buyers, low interest rates and cheaper mortgages have stimulated market activity. This was particularly apparent in case of the first time buyers. Further to that, there was an increased activity of the investors on the market over the past few months, primarily driven by the anticipated changes to Stamp Duty and tax relief. The local stock was more diversified with more top- end/ prime properties. In overall terms, the area was considered more affluent than Teddington and Twickenham. Some of the responses indicated differences in performance depending on the capital values. Prime properties above £1 m that constituted a proportion of the existing housing stock were performing a little bit worse. This was justified on the basis of high transaction costs caused by 2014 Stamp Duty changes.

8.62 The majority of the buyers were professionals (usually 40 year old or more) with a good knowledge of the local housing market. Further to that, the last few months saw a small proportion of First-Time Buyers (early 30s). This group was targeting properties up to £600,000. More than half of the buyers were owner occupiers, although consultation indicated high levels (20% or more) of Buy-to-Let investors relative to the other areas. Richmond had a higher proportion of foreign buyers when compared to Teddington and Twickenham. These were usually second home owners or wealthy investors from Russia or Asia. Recently the proportion of these buyers has decreased due to the worsening economic situation in these countries. Nearly 50-60% of all of the purchases were paid in cash.

8.63 Richmond was considered to be a highly desirable postcode. It had a historic record of a strong market performance and was an attractive and affluent place to live. The most attractive locations were around the high street and on Richmond Hill. These command the highest values.

8.64 Prices in Richmond vary. Basing on the agent's responses we estimated that the average prices are £1,000 per sq. ft. with the properties south from the river achieving prices closer to £800 per sq. ft. and ones on the hill above £1,000. Usually capital values of the properties are around £750,000 or higher. Properties below £600,000 were particularly popular amongst first time buyers. The top end of the housing stock (£1m and above) has been less popular over the last few years and its activity is expected to decrease.

8.65 In terms of the investors in the area, it was estimated that these accounted for c. 30% of purchases, the majority being smaller scale buy- to- let investors. Agent's consultation indicated a presence of few (5-10) big overseas investors.

8.66 Due to the limited land supply there is a small number of new build units on the market. These usually consist of conversions or refurbishments and sell in a short period of time. Some of the responses indicated that significant proportion of the buyers is after old Victorian or Georgian houses due to its unique character.

8.67 It is expected that the impact of the proposed changes to Stamp Duty will not have a substantial effect on the market. Once again, lots of respondents linked Stamp Duty changes to the surge of market activity over the past few months. A further slowdown at the top end market is expected as the transaction costs will be a discouraging factor for many of the buyers (including investors). Given low rental yields and a large proportion of buy- to- let investors paying for property by cash, tax relief changes will not have a significant impact on the local market.

Lettings

8.68 The rental market was described as performing really well as activity picked up between November and December. Rental values were broadly stable and were expected to remain unchanged. The majority of the occupiers were professional couples, smaller families and sharers. Key age groups were mid-30 to 40 years olds; but with a higher proportion of older tenants in Richmond relative to other parts of the Borough.

8.69 Rental levels are higher than those in Teddington and Twickenham. Prices for one bed properties were starting from £1,300, 2 bed units from £1,500 up to £4,000 for highest quality units and 4 bed houses starting from £4,500.

8.70 According to the local estate agents, anticipated changes to Stamp Duty will not have a substantial effect on the values or the number of tenants in the area. Rental levels stabilized over the past few months and are expected to remain similar over the upcoming quarters.

Sheen and Barnes

Sales

8.71 Sheen and Barnes have slightly different profile of the area yet there is not a substantial difference in terms of market performance when compared to Richmond (in particular), Twickenham and Teddington. The sales market is strong with a lot of stock being sold over the past few months, with an average price for 3-4 bed property for £1m-£1.5m. Consultation indicated that there are however numerous properties that are overpriced. Agents find it difficult to sell such units – and the market appears more price sensitive than other areas in the Borough. Family houses are more popular than any other type of the property and tend to sell faster.

8.72 Most of the buyers are professional couples and families. This is partially determined by type of stock- a large proportion consists of 3-5 bed Victorian houses. Around 60% of the buyers are considered to be coming from the Borough. Others are relocating from areas such as Kensington, Chelsea, Notting Hill or moving from abroad. There is a small proportion of investors – the majority of the stock is owner occupied.

8.73 In terms of the values, lower end properties achieve around £600-700 per sq. ft., while higher end units are sold for £1,000 or more. The most common type of dwelling is 2 and 3 bed houses. Compared to Richmond, Twickenham and Teddington, there is a higher proportion of international relocations. Quite a substantial proportion of the international relocations are from Western Europe. Large families are particularly attracted to the area due to a number of schools with international profiles (such as the Swedish School).

8.74 There were more international buyers and investors in the previous years but numbers have fallen. One of the reasons for this might be increased transaction costs. An important factor is to the lack of the tube stop in the area. This appears to be an important factor for international investors who lack detailed knowledge of the local market. Consequently, such investors are more attracted to central London areas.

8.75 As in case of Richmond, Twickenham and Teddington, new build units were selling really quickly and achieved 10% premium on price.

8.76 In terms of the future outlook, proposed Stamp duty changes are currently driving the market.

Lettings:

8.77 In terms of lettings, the market performance was considered to be good, with high activity when compared to the last three years. There is a large shortage of properties to rent in the middle market. The majority of the tenants are professional couples (late 20s and 30s) and large families (late 40s). The first group occupies 1 or 2 bed flats, the latter, 3-5 bed houses.

8.78 Most of the tenants are relocating from more central areas. There is also a larger proportion of international relocations. People from overseas are moving into the area due to the good value for money, existing housing stock and good educational facilities (including the Swedish School).

8.79 In terms of the rental values, there is a small difference across the areas, with Sheen achieving lower figures than Barnes. Average rental value for 1 bed property in Sheen is £1,200, for 2 bed unit is £1,500, 3 bed houses for £2,300- £2,600 and largest 4 bed units starting from £2,800. This can be compared to Barnes where 1 bed flat is rented for £1,500, 2 bed properties for £2,000, 3 bed houses for £2,600 and 4 bed houses starting from £2,800. Rental levels have gone up over the last year, with rental values increasing by 3-8% depending on the property and the landlord. Current yields are reaching 3-4% (this is relatively low compared to other locations in London). Given a steady growth in the capital values it is expected that the yields will continue to decrease.

8.80 It is expected that the proposed changes will not have a substantial impact on the performance of the market. Stamp Duty changes that are described as the main driver behind recent increases in activity, but are expected to result in a decline in the number of transactions post April 2016. It is anticipated that after this short- term impact the market will return to its normal performance shortly thereafter.

9 NEED FOR DIFFERENT TYPES OF HOMES

9.1 There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

9.2 The analysis in this section considers information about the size and structure of the population and how this might influence the need for different types of homes. This should be considered as representing a long-term analysis of the need for different types of homes over the period to 2033; whereas the analysis in the previous section considered short-term market demand.

9.3 For analysis purposes, the modelling assumes population and household growth in line with two of our demographic projections:

- GLA Long-Term Migration Trends Projection (unconstrained land supply);
- GLA SHLAA Long-Term Projection (constrained land supply).

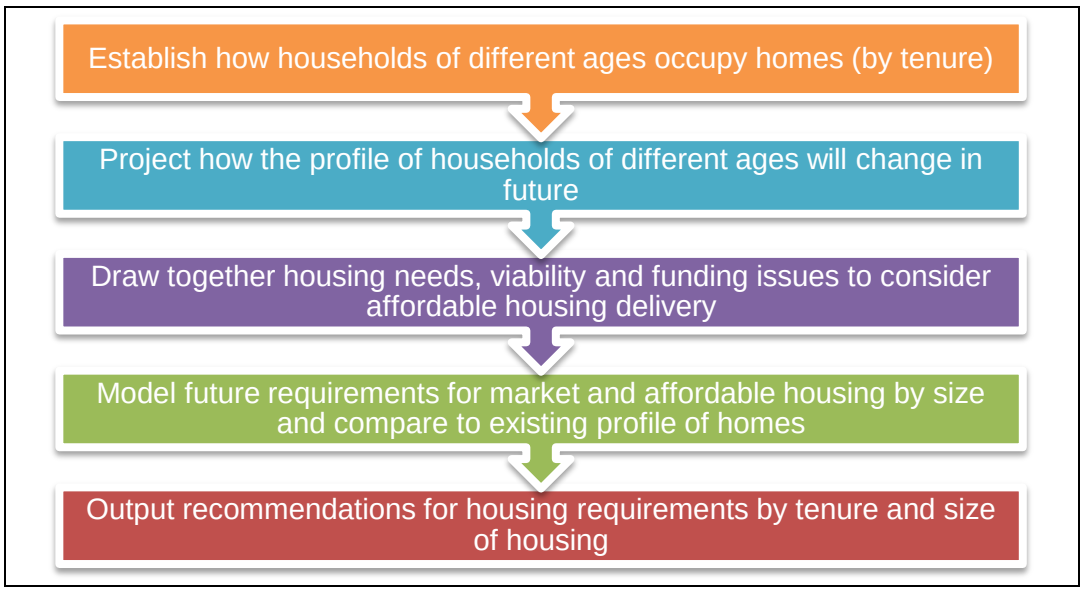
9.4 These projections indicate a household growth of around 17,200 and 5,600 respectively across the Borough between 2014 and 2033.

9.5 It should be noted that these projections may not necessarily be translated directly into policies for housing provision, but have been used to indicate the likely need for different sizes of homes moving forward. The levels of household growth in these projections may vary very slightly from equivalent figures in the demographic section of this report, this will largely be due to the analysis in this section being linked to Stage 1 CLG household formation rates (which hold data by age and sex) rather than the midpoint between Stage 1 and Stage 2 figures within the demographic analysis.

Methodology

9.6 Figure 48 below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 48: Stages in the Housing Market Model



Understanding how Households Occupy Homes

9.7 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

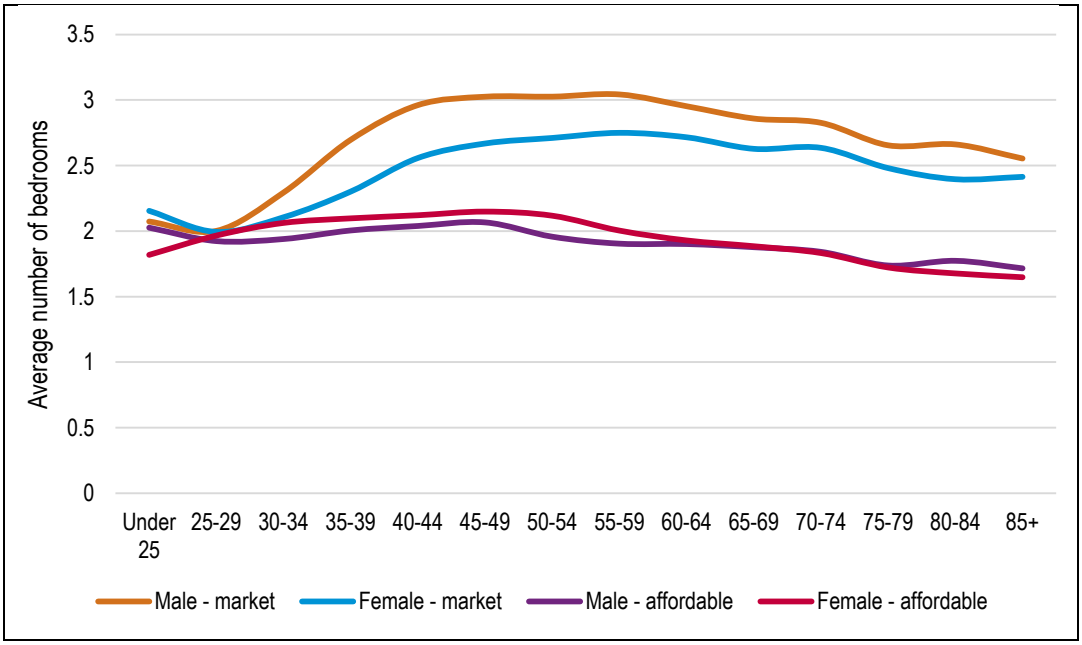
9.8 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and some working households who may be able to continue to under-occupy their current homes.

9.9 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).

9.10 Figure 49 below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 60. In the affordable sector this peak appears earlier. After this peak the average dwelling size decreases – as typically some households downsize as they get older.

9.11 It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups (with no particular trend being seen in the affordable sector).

Figure 49: Average Bedrooms by Age, Sex and Tenure – Richmond-upon-Thames



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

9.12 As of 2014 it is estimated that there were 82,631 households living in LB Richmond-upon-Thames. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2014, as shown in the table below. This shows that an estimated 13% of households live in affordable housing with 87% being in the market sector. The size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census (data updated to 2014 through reference to CLG Live Table 100). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 56% having three or more bedrooms compared to 26% for affordable housing.

Table 53: Estimated Profile of Occupied Dwellings in 2014 by Size – Richmond-upon-Thames

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	9,651	13.4%	4,334	40.9%	13,985	16.9%
2 bedrooms	21,850	30.3%	3,481	32.9%	25,331	30.7%
3 bedrooms	20,810	28.9%	2,383	22.5%	23,193	28.1%
4+ bedrooms	19,727	27.4%	395	3.7%	20,123	24.4%
Total	72,038	100.0%	10,593	100.0%	82,631	100.0%
% in tenure	87.2%		12.8%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

9.13 The housing market model has been used to estimate the future need for different sizes of property over the 19-year period from 2014 to 2033. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

9.14 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing as households occupy homes in different ways in these sectors. Data from the London Plan Annual Monitoring Report (2014-15) indicates that around 25% of all housing completions in the Borough were affordable housing in the 2012-15 period set against a 50% strategic target for affordable housing. It is difficult from this information to precisely know what level of delivery might be achieved in the future; we have for example not carried out any viability testing or a review of available sites. Therefore, for the purpose of modelling, the analysis assumes that 40% of net completions across all types of sites are of affordable housing.

9.15 To be clear, this is not a policy target – it is solely a modelling assumption based on past delivery and current policy. Policy targets for affordable housing on new development schemes are above this; but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

9.16 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 19-year period from 2014 to 2033.

9.17 On the basis of the unconstrained modelling assumptions, an increase of 10,312 additional households is modelled. Roughly a third of these fit into each of the 2-, 3- and 4+ bedroom categories with just under 10% being a need for 1-bedroom homes. The data suggests that housing need can be expected to reinforce around the existing profile, but with a slight shift towards a requirement for larger dwellings relative to the distribution of existing housing. This is the opposite finding to that observed in many part of the country (where the profile tends towards smaller dwellings) and occurs in the Borough because older person households tend to live in larger homes with less evidence of downsizing than is observed elsewhere.

9.18 With a constrained projection driving the outputs it can be seen that the profile is even more strongly towards larger homes (and indeed a negative need for one bedroom homes). This finding links to the points above about older people living in larger homes. With the constrained projection, there is expected to be population growth in age bands from about 50 and upwards, with general population losses in younger age cohorts. Therefore, seeing higher growth in age cohorts that typically live in larger homes drives the analysis to show a future need for a larger dwelling profile to be provided.

Table 54: Estimated Size of Dwellings Needed 2014 to 2033 – Market Housing – Richmond-upon-Thames (GLA long-term migration assumptions)

Size	2014	2033	Additional households 2014-2033	% of additional households
1 bedroom	9,651	10,515	864	8.4%
2 bedrooms	21,850	24,841	2,991	29.0%
3 bedrooms	20,810	24,157	3,347	32.5%
4+ bedrooms	19,727	22,837	3,110	30.2%
Total	**72,038**	**82,350**	**10,312**	**100.0%**

Source: Housing Market Model

Table 55: Estimated Size of Dwellings Needed 2014 to 2033 – Market Housing – Richmond-upon-Thames (GLA SHLAA constrained assumptions)

Size	2014	2033	Additional households 2014-2033	% of additional households
1 bedroom	9,651	9,539	-112	-3.4%
2 bedrooms	21,850	22,724	874	26.1%
3 bedrooms	20,810	22,181	1,371	41.0%
4+ bedrooms	19,727	20,939	1,212	36.2%
Total	**72,038**	**75,383**	**3,344**	**100.0%**

Source: Housing Market Model

9.19 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand. This may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

9.20 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

Key Findings: Affordable Housing

9.21 The tables below show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2014 and 2033 that the main need is for homes with one- or two-bedrooms across the Borough regardless of whether or not a constrained projection is used (although the constrained projection tends to push the need disproportionately towards smaller homes). With an unconstrained projection, there is a need for 76% of homes to have 1- or 2- bedrooms and this increases to 79% when household growth is constrained by housing land availability.

9.22 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. This may however be moderated by welfare reforms limiting the amount of housing benefit being paid to some working-age households. It should be noted that the London Plan particularly promotes – based on strategic level analysis – the delivery of affordable family homes, as have the Council's existing planning policies.

9.23 The Council also has to meet a number of strategic housing needs all of which lead to policy considerations that emphasise the need for the delivery of larger family sixed units for affordable rented homes. These policy considerations include:

- **Historic supply of affordable units**; historically a large number of bedsit and one bedroom properties were built in the borough, some of which are no longer fit for purpose. The Councils recent policy approach has been to develop larger family units to counterbalance historic build issues. However there will still be a need to provide further smaller homes to both accommodate those in need (particularly priorty needs such as the homeless) and also to support downsizing in the exisitng stock.
- **Overcrowding in the social housing sector**; data from the Census highlighted in the Housing Strategy 2013 – 2017 found that Housing association tenants still have a higher proportion of tenants living in overcrowded accommodation at just over 10% compared to 7% of private rented tenants and 4% of owner occupiers.
- **Research on the needs of those most likely to be re-housed**; Previous research by DTZ to inform the Tenancy Strategy (2013) found that those households in the most housing need and the households most likely to be re-housed via the Housing Register required family sized accommodation. The report therefore recommended a bias towards developing larger affordable units for rent.
- **Making best use of existing stock;** by developing larger units the Council can free up smaller units of accommodation through the use of 'chain lettings', where an existing household in social housing moves from a two to a three bedroom property, in the process freeing up the smaller unit.

Table 56: Estimated Size of Dwellings Required 2014 to 2033 – Affordable Housing – Richmond-upon-Thames (GLA long-term migration assumptions)

Size	2014	2033	Additional households 2014-2033	% of additional households
1 bedroom	4,334	7,337	3,003	43.7%
2 bedrooms	3,481	5,678	2,197	32.0%
3 bedrooms	2,383	3,820	1,438	20.9%
4+ bedrooms	395	633	237	3.5%
Total	**10,593**	**17,468**	**6,875**	**100.0%**

Source: Housing Market Model

Table 57: Estimated Size of Dwellings Required 2014 to 2033 – Affordable Housing – Richmond-upon-Thames (GLA SHLAA constrained assumptions)

Size	2014	2033	Additional households 2014-2033	% of additional households
1 bedroom	4,334	5,415	1,082	48.5%
2 bedrooms	3,481	4,158	677	30.4%
3 bedrooms	2,383	2,788	405	18.2%
4+ bedrooms	395	461	66	2.9%
Total	**10,593**	**12,822**	**2,229**	**100.0%**

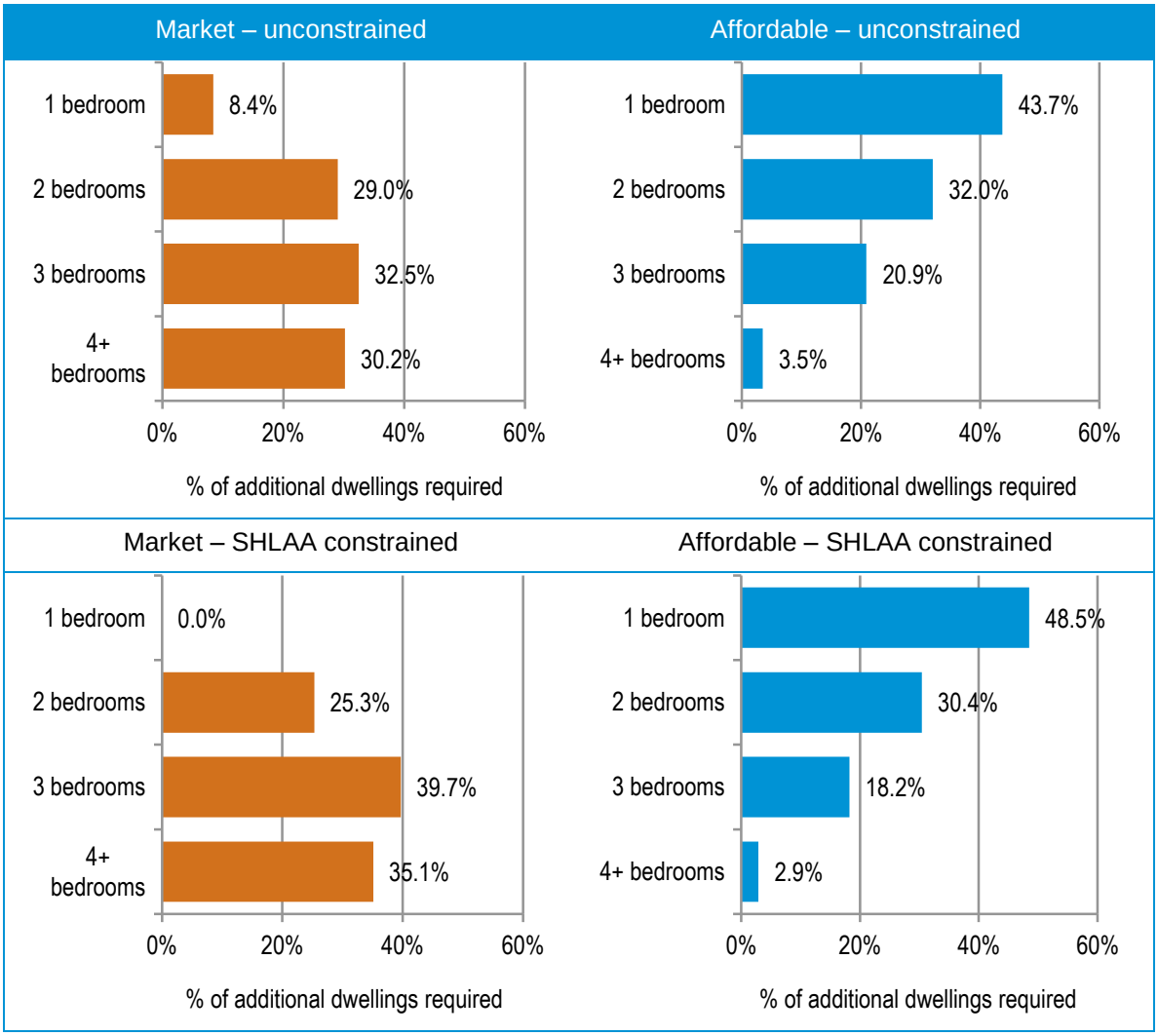
Source: Housing Market Model

9.24 In contrast to the analysis of market housing, the data shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed. This is related to the ageing population and the observation that older person households in the affordable sector are more likely to occupy smaller dwellings.

Indicative Targets by Dwelling Size

9.25 The figure below summarises the above data in both the market and affordable sectors under the modelling exercise. For the market sector in the SHLAA-constrained analysis, the 1-bed figure has been set at zero, and other figures adjusted to sum to 100%.

Figure 50: Size of Housing Needed 2014 to 2033 – LB Richmond-upon-Thames



Source: Housing Market Model

9.26 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. Conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

9.27 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. Strategic policies in the London Plan also emphasise the particular need

for affordable family housing across London. On this basis the profile of affordable housing to be provided would be further weighted to two or more-bedroom housing.

9.28 For these reasons it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

9.29 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a Borough-wide level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 35-40%
- 2-bed properties: 30-35%
- 3-bed properties: 20-25%
- 4-bed properties: 5-10%

9.30 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

9.31 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties, see further comments below regarding the Housing Register Data.

9.32 In the market sector, against a context of a constrained land supply there are potential policy choices about what is prioritised in delivery; together with a broader policy question regarding whether overall numbers of homes delivered should be prioritised over different types of homes. The evidence presented in the preceding sections in particular highlight demand for family housing, in particular from households in their late 20s and 30s. However a constrained land supply may limit the ability of families to move into the Borough.

9.33 A constrained housing delivery position is likely to see a significant ageing of the population and indeed population losses in younger age groups (particularly people aged under 50). Providing appropriate housing for older households to downsize may also release larger family homes within the existing stock.

9.34 On the basis of these factors it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households (2-bedroom homes) and some 1-bedroom units for younger single people and childless couples. On this basis the following mix of market housing is recommended:

- 1-bed properties: 10-15%
- 2-bed properties: 25-30%
- 3-bed properties: 30-35%
- 4-bed properties: 25-30%

9.35 The figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. Evidently there will be sites where higher density flatted development is appropriate and as such a higher proportion of smaller 1 and 2 bed properties would likely be delivered, or vice versa taking account of local character.

Dwelling size requirements and the Housing Register

9.36 As well as modelling an estimate of dwelling sizes in the affordable sector using an understanding of current occupancy patterns and demographic change, it is relevant to use the Housing Register data to study the size requirements of households with a need for housing (including looking at the intensity of this need through the Allocations Policy points system).

9.37 As noted previously, the points system is to some extent used as a tool to match households to available lettings and therefore those applicants considered as 'live' (i.e. with a greater chance of being rehoused) are not necessarily those with the greatest needs (for example, a household with a 4-bedroom need may require a higher level of points to fall into the 'live' category) but 'live' cases can be seen as a useful proxy for those households reaching a need threshold for the size of property their household requires and most likely to be re-housed and actually gain a housing association home.

9.38 The analysis below firstly seeks to look at the intensity of need rather than the 'live' cases for rehousing. This is undertaken in terms of the sizes of homes required with the table below showing (for the whole Housing Register) the number and proportion of households in each size category. Of a total of 4,860 households on the Register it can be seen that over half have a need for a one-bedroom home and only 2.4% fall into a 4+ bedroom need. It should be noted with only approximately 330 lettings available each year the majority of households on the Register will not be re-housed with re-housing going only to those with the highest points of the Register. Therefore whilst households requiring a one bedroom property are proportionally high, the majority of households are unlikely to gain the points required to be offered a property.

Table 58: Size **requirement** for all households on the Register

Number of bedrooms	Number of applicants	% of applicants
1 bedroom	2,515	51.7%
2 bedrooms	1,640	33.7%
3 bedrooms	586	12.1%
4+ bedrooms	119	2.4%
TOTAL	4,860	100.0%

Source: Richmond-upon-Thames Housing Register

9.39 When the analysis moves on to look at the points scored by applicants it is clear that those with a need for smaller homes typically attract a lower number of points. The table below shows that households with a one-bedroom need have an average of 232 points and this figure rises to 335 for households who need four or more bedrooms. This analysis would identify that whilst the overall register shows a particularly high need for one bedroom homes, households with a need for larger homes typically have a more acute housing situation.

Table 59: Average Points by size of home required

Number of bedrooms	Average points
1 bedroom	232
2 bedrooms	249
3 bedrooms	270
4+ bedrooms	335
TOTAL	245

Source: Richmond-upon-Thames Housing Register

9.40 To try to see what potential gaps there are between supply and need an analysis has been undertaken to match a level of need with a level of supply. Analysis in Section 7 has identified an annual supply from relets (excluding intermediate housing and the pipeline) of 347 lettings per annum. Analysis has therefore been undertaken to look at the 347 households on the Register with the most acute needs (highest points). Essentially this analysis is looking at the need on the assumption of one years' supply of relets. Analysis at this point in time identifies that there are 348 households with 405 or more points and these have been used in the analysis.

9.41 The table below therefore shows the size requirements of households with 405 or more points. This shows (when compared with the whole register) that there is a lower need from households with a one-bedroom need and slightly higher figures for all other sizes. For the whole Register, some 51.7% of households need one bedroom and this figure is slightly reduced to 47.1% when the focus is just on the 348 applicants with the highest points. It should be noted that the existing Housing

Register scheme significantly priorities downsizers (via the points system) to free up larger family homes, the majority of whom require one bedroom properties. This may account for around 15% of the most highly pointed one bedroom households, with 25 moves occurring each year. The percentage size requirements for one bedrooms units is therefore influenced by this policy consideration and this should be considered when recommending the size mix of affordable units i.e. a lower percentage may well be a better reflection of actual need.

Table 60: Size requirement of applicants with 405 or more points

Number of bedrooms	Number of applicants	% of applicants
1 bedroom	164	47.1%
2 bedrooms	125	35.9%
3 bedrooms	46	13.2%
4+ bedrooms	13	3.7%
TOTAL	348	100.0%

Source: Richmond-upon-Thames Housing Register

9.42 To look at the balance between need and supply, a second analysis has been carried out to look at the sizes of homes that have been let over the past five years (to the end of 2015). This analysis shows that slightly over half of all homes let have had one-bedroom. The table below presents the size requirement of the need (based on those with 405 or more points) and the profile of supply. The final column of the table is a simple calculation of the difference between the figures. This identifies a relative over-supply of one and three bedroom homes and a relative under-supply of 2 and 4+ bedroom homes.

Table 61: Size requirement of applicants with 405 or more points and profile of supply

Number of bedrooms	Size needed	Supply	Difference
1 bedroom	47.1%	53.0%	-5.9%
2 bedrooms	35.9%	29.5%	6.4%
3 bedrooms	13.2%	14.8%	-1.6%
4+ bedrooms	3.7%	2.6%	1.1%
TOTAL	100.0%	100.0%	-

Source: Richmond-upon-Thames Housing Register/Allocations Data

9.43 Overall the analysis seems to support a relatively higher need for one bedroom homes. However, it is equally clear that this is the stock with the highest supply. This information should be read alongside the analysis of the size requirements from occupancy patterns and demographic change when translating into a broad profile of housing to be provided. The analysis would support a lower

level of provision of one and three bedroom homes (relative to the modelled outputs) and slightly higher proportions of 2 and 4+ bedroom homes.

Need for Different Types of Affordable Housing

9.44 As well as considering the sizes of homes required the analysis makes an estimate of the proportion of affordable housing need that should be met through provision of different housing products. The income information used in the affordable needs analysis is used to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:

- Intermediate
- Affordable rent
- Social rent

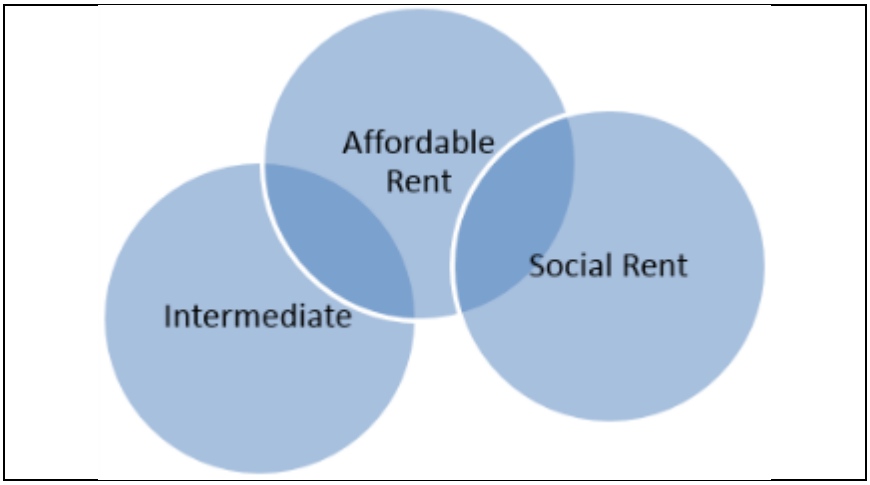
9.45 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy. For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution.

9.46 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit).

9.47 Over the spending period to 2015 grant funding was primarily available to support delivery of affordable rented homes although this is now shifting towards a focus on shared ownership accommodation (in the 2016-21 Affordable Homes Programme). However, a significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements) and in Richmond through the Housing Capital Programme.

9.48 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as the figure below shows.

Figure 51: Overlap between Affordable Housing Tenures



9.49 The intermediate category would include equity-based intermediate products such as shared ownership and shared equity homes. The other two categories are both rented housing and in reality can be considered together (both likely to be provided by Registered Providers (with some degree of subsidy). Additionally, both affordable rented and social rented housing is likely to be targeted at the same group of households; many of whom will be claiming Housing Benefit. For these reasons the last two categories are considered together for the purposes of drawing conclusions, for analytical purposes we have defined the following two categories:

- Households who can afford 80% or more of market rent levels (termed intermediate housing) – this will include equity-based intermediate products such as shared ownership and shared equity homes;
- Households who would cannot afford 80% of market rent levels (or would require housing benefit, or an increased level of housing benefit to do so) – this has been termed social/affordable rented although in reality our analysis shows that a rent at 80% of a lower quartile market rent in some areas would potentially be lower than for a social rented home.

9.50 We do not have detailed information on households' savings. For the purposes of the analysis of affordability it has been assumed that all households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product.

9.51 When working the above assumptions through the affordability models developed in the affordable needs analysis (taking account of the different elements of need and using a 40% affordability threshold) it is estimated that around a fifth of households would be able to afford a product priced at 80% of the market housing cost.

Table 62: Gross Need for Intermediate Affordable Housing

Component of need (all per annum)	Afford 80% of market rents	Cannot afford 80% of market rents	Total
Current need (with housing)	18	70	87
Current need (without housing)	3	22	25
Newly forming households	165	572	737
Existing households falling into need	37	244	281
Total	223	907	1,131
Percentage of total	20%	80%	100%

9.52 However, the figures in the table above should not be directly taken to be the proportion of housing that should be provided as intermediate. There are two factors which need to be considered and these are described below:

- Savings and or access to a deposit – as noted, there is no information about household savings and their ability to afford an equity-based intermediate product. In reality, many households with a modest income may not be able to afford intermediate housing due to this factor. For this reason, the figures presented in the table above are arguably too high
- Supply of intermediate housing – however, the current supply of affordable housing also needs to be considered. As previous analysis has shown, the vast majority of the affordable housing stock and relets is in the social/affordable rented category with only a modest supply of intermediate housing. Therefore, it is arguable that a higher proportion of intermediate housing would be needed due to this imbalance.

9.53 As can be seen these two factors suggest that the need is either higher or lower than presented in the table above. Given this, it is suggested that a prudent response would be to consider the figures in the table as being broadly reflective of the need for intermediate products. Given the range of figures the following is suggested as a reasonable tenure mix for affordable housing across the Borough:

- 20% - intermediate housing
- 80% - social and affordable rented housing

9.54 In determining policies for affordable housing provision on individual sites, the analysis should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

Need for Starter Homes

9.55 In October 2015, the Government published the Housing and Planning Bill 2015-16. This set out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing.

9.56 Unfortunately, the detail of the final Bill is not yet available at the time of writing and is not expected to be enacted until May 2016 at the earliest[13]. However, in its current version (December 2015) the Bill will introduce a statutory requirement for local authorities to promote the supply of Starter Homes in England. Starter homes are defined as:

- a new dwelling;
- which is available for purchase by qualifying first-time buyers only;
  - First Time Buyer, Under 40,
- is to be sold at a discount of at least 20% of the market value;
- is to be sold for less than the price cap;
  - £450,000 inside London, and
- Is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.

9.57 In December 2015, a consultation on changes to National Planning Policy Framework was started. This included proposals to include Starter Homes within the definition of affordable housing. Whilst the inclusion of Starter Homes within the definition of affordable housing looks to be quite a radical change there is some consistency with the current NPPF which seeks in para 50 to *'widen opportunities for home ownership'*. The Housing and Planning Bill proposes significant areas will be clarified in secondary legislation that the Government need to bring into effect to set out further requirements for local authorities and therefore details to inform implementation will remain uncertain until later in 2016. In March 2016 the Government consulted on the Regulations including how the proposals may be delivered through the planning system.

9.58 Whilst there is no published methodology for assessing the need for Starter Homes (unlike for affordable housing need as currently defined in the PPG) it does seem logical that the need can be considered in a similar way (i.e. that there is a "current need" and will be a "future need" as the population age structure changes and cohorts move through time). Hence the analysis seeks to consider likely need (on an annual basis) taking account of both current and projected need.

9.59 The analysis undertaken looks at a gross need with no reduction for estimated supply; this makes sense given that at present Starter Homes are not available as a product. It also makes the analysis slightly more straight forward. It should also be recognised that in reality there is a degree of overlap between the potential market for shared ownership homes, homes sold under the Government's Help-to-Buy Scheme and Starter Homes.

The Target Group

9.60 As a precursor it is useful to understand why the Starter Home initiative has been introduced. Whilst it is not stated, it is considered that one of the key reasons is the fall in the number of younger

[13] The Bill received Royal Assent on 12 May 2016 to become the Housing and Planning Act 2016

owner-occupiers across the Country over the past 15-year or so (and certainly since 2001). Using Census data, it is possible to look at this in some detail with the table below showing that the number of households living in private rented accommodation has increased by around 4,600 between 2001-11 in the Borough, whilst the number of owners with a mortgage has dropped (by around 2,900). The trend over the decade has been of a falling number of young households able to move into homeownership, and increases in those renting.

Table 63: Change in tenure 2001-11 (all households) – Richmond-upon-Thames

Tenure	2001	2011	Change	% change
Outright owner	22,244	23,756	1,512	6.8%
Owned with mortgage	30,522	27,595	-2,927	-9.6%
Social rented	8,930	10,051	1,121	12.6%
Private rented	12,855	17,440	4,585	35.7%
Other	1,595	993	-602	-37.7%
TOTAL	76,146	79,835	3,689	4.8%

Source: Census (2001 (Table UV63) and 2011 (Table QS405EW))

9.61 If the proportion of households in each tenure group had stayed the same in 2011 as it was in 2001 then it would have been expected that there would be 13,500 households living in the private rented sector. The actual number is about 4,000 higher than this and therefore it is arguable that this is the number of households who might be considered as 'would be owner-occupiers' and therefore a potential target group for Starter Homes. For some young households, renting may have however been a lifestyle choice or desired because of its flexibility.

9.62 The data above shows information for all households and it needs to be recognised that the Starter Home Initiative is to be targeted at non-owners aged under 40. Interrogating changes for this age group is difficult as the two Census (2001 and 2011) use different age bandings and do not typically include an 'up to 40' band in the data. It is however possible to provide an indication of the change in tenure by looking at households age under 35 and this is shown in the table below. It should be noted that to provide consistent analysis, both groups of owners have been merged, whilst the private rented category also includes the 'other' category as shown in the table above.

9.63 For the Under 35 age group the analysis again shows an increase in the number of households living in private rented accommodation. Surprisingly the growth in this age group is slightly below that for all households although it does need to be borne in mind that overall this age group also saw a decrease generally in numbers. The analysis also highlights a very significant decrease in the number of owner occupiers (decreasing by about two-fifths in just 10-years). This analysis does provide some support for widening access to owner-occupation for younger people.

Table 64: Change in tenure 2001-11 (all households aged under 35) – LB Richmond-upon-Thames

Tenure	2001	2011	Change	% change
Owned	7,808	4,493	-3,315	-42.5%
Social rented	1,410	1,823	413	29.3%
Private rented	6,722	7,461	739	11.0%
TOTAL	15,940	13,777	-2,163	-13.6%

Source: Census (2001 (Table S013) and 2011 (DC4201EW))

Estimating Households in the Target Group

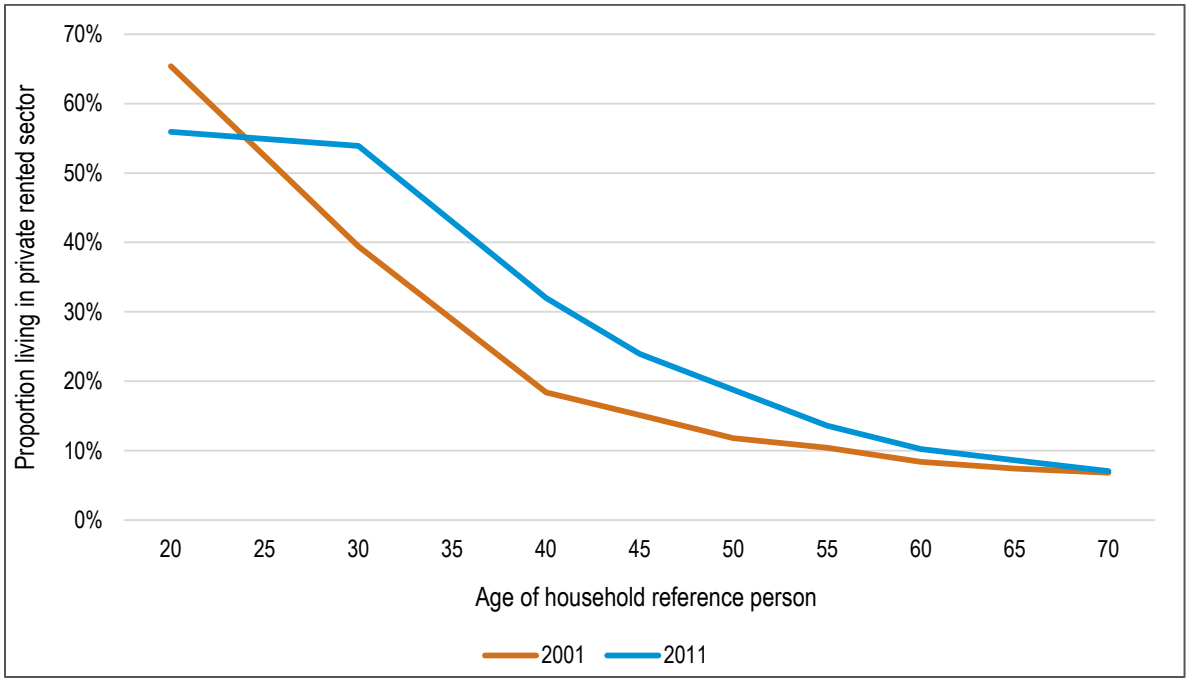
9.64 To look at the current need for Starter Homes an analysis has been undertaken to estimate the size of the target group for such housing. This has been assumed to be the difference between the number of households living in the private rented sector in 2011 with the number that might have been expected if there were no changes in the proportion of households in this sector from 2001 (the analysis then being limited to households who are aged Under 40 (where the household reference person is aged under 40).

9.65 Arguably there will be other households who might be in this target group, particularly those currently living with parents; however, these are not included in the current need as it is assumed that they will be picked up as part of the projection of need (i.e. at the time at which they might be expected to form an independent household). Additionally, there could be some households living in social rented housing who might be part of this target group; however, in this case it is not considered that many (if any) of such households would have sufficient levels of income to afford a Starter Home (and even if they did, they might well wish to remain in their current subsidised housing).

9.66 The first part of the analysis looks at the proportion of people (by age) who live in private rented accommodation. As noted above this analysis is slightly imperfect as the Census source used does not allow for a split to be made at age 40. Additionally, data from each of the 2001 and 2011 Census use slightly different age bandings within published analysis. We have therefore plotted the data available and drawn a trend line between the available data points to establish what proportion of different age bands live in the private rented sector – this analysis includes the 'other' tenure category due to this not being able to be separated out within the 2001 Census data.

9.67 Figure 53 shows this analysis, this clearly identifies high levels of private renting amongst younger age groups, the analysis also shows an increase in the proportion of households privately renting in 2011 compared with 2001 (for all age groups other than those aged under 20 which has very few households anyway) – the biggest increase looks to be for households aged 30 to 40 with the proportion privately renting in 2011 estimated to be 14% higher than in 2001.

Figure 52: Change in proportion of households living in private rented housing (2001-11) by age – LB Richmond-upon-Thames



Source: Census (2001 (Table S013) and 2011 (DC4201EW))

9.68 Table 60 below summarises the information from the figure above to make an estimate of the changes in the proportions living in the private rented sector for various age bands up to age 40. For the analysis the percentages are taken as the midpoint between age groups; the exception being for those Under 20, where the estimated proportion aged 20 is taken to reflect the value; this will not have any significant impact on the analysis as the proportion of households in this age group is quite small. The analysis clearly identifies an increase in the proportion in the private rented sector for all age groups.

Table 65: Change in proportion of households living in Private Rented Housing (2001-11) by Age – LB Richmond-upon-Thames

	2001	2011	Change
Under 20	65.4%	55.9%	-9.5%
20-24	58.9%	55.4%	-3.5%
25-29	45.9%	54.4%	8.5%
30-34	34.2%	48.4%	14.2%
35-39	23.7%	37.5%	13.8%

Source: Census (2001 (Table S013) and 2011 (DC4201EW))

9.69 To work out the current size of the target group of households for Starter Homes, the change in the proportion of households in the private rented sector is multiplied by the number of households in

each age band. This analysis is shown in the table below and identifies around 2,713 households as currently being a potential target for Starter Homes.

Table 66: Estimated Current Target Group for Starter Homes – LB Richmond-upon-Thames

	Number of households (2014)	% in target group	Number in target group (2014)
Under 20	136	-9.5%	-13
20-24	1,314	-3.5%	-46
25-29	4,529	8.5%	384
30-34	7,452	14.2%	1,062
35-39	9,602	13.8%	1,326
TOTAL	23,032	-	2,713

Source: Census (2001 and 2011) and demographic projections

9.70 The analysis above has considered the current target group for Starter Homes. It is also necessary to understand how many new households will be expected to join this group moving forward. To study this, a similar analysis is carried out to that in the main affordable needs modelling; this seeks to estimate the number of new households in each of the age bands up to age 40. The new households are calculated as the number of household reference persons (HRP) in an age band who were not an HRP five years previously. The analysis is based on annual figures over the full projection period of 2014 to 2033) and shows that each year an additional 198 households are expected to fall into the target group for Starter Homes.

Table 67: Projected Target Group for Starter Homes (per annum) – Richmond-upon-Thames

	Number of newly forming households	% in target group	Number in target group
Under 20	33	-9.5%	-3
20-24	229	-3.5%	-8
25-29	629	8.5%	53
30-34	530	14.2%	75
35-39	583	13.8%	80
TOTAL	2,003	-	198

Source: Census (2001 and 2011) and demographic projections

Affordability of Starter Homes

9.71 To understand the likely affordability of Starter Homes in the Borough a similar analysis to that in the main affordability modelling has been undertaken. This essentially seeks to estimate the income levels likely to be required to access housing and the income profile of the target group (i.e. non-owners (and specifically those in private rented accommodation) aged under 40). Income estimates are then compared with the estimated level of income required to access such housing.

Access level for Starter Homes

9.72 In looking at the cost of housing it needs to be recognised that Starter Homes will be a newbuild product (and therefore may have a small premium) and that discounts on open market value (OMV) of at least 20% will be available. To establish the likely OMV we have looked at Land Registry data for newbuild properties in 2015 and taken a lower quartile value to equate to a typical cost; the use of a lower quartile is trying to recognise that Starter Homes are likely to be towards the bottom end (in price terms) of the newbuild market and may be smaller unit sizes.

9.73 In 2015 the lower quartile newbuild price in Richmond-upon-Thames was £393,750. To convert this into an income level it has been assumed that there will be either a 20% or 30% discount and it has also been assumed that a household will have a 10% deposit. Whilst a deposit may potentially be an issue for a number of households, it is the case that Starter Homes will be able to be bought in conjunction with other incentives (such as HTB Shared Equity schemes (with 40% of mortgage covered by the Govt for years 1-5) which could help affordability in the short term albeit with increased interest costs on unsold equity after year 5 or alternatively a help to buy ISA etc.). Finally, it is assumed that a mortgage could be secured for four times the household income. This is slightly higher than the typical multiples used in such analysis (which often use 3 to 3.5 times income) but again reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need. For the Help-to-Buy Scheme, the maximum income multiple is for instance 4.5.

9.74 Table 63 below therefore works through the calculations to determine what level of income might be required to be able to buy a Starter Home. The analysis shows that an income of about £70,875 would be needed if the discount were 20% and that this falls to £62,016 with a 30% discount on OMV.

Table 68: Estimated income levels required to access Starter Homes at different levels of discount – Richmond-upon-Thames

	20% discount	30% discount
Open Market Value	£393,750	£393,750
With discount	£315,000	£275,625
Minus deposit (amount of mortgage)	£283,500	£248,063
Income required	£70,875	£62,016

Source: Derived from Land Registry data

Income Levels

9.75 The next step in the process is to consider income levels. The difficulty here is that we are wanting to focus on a very particular group of households (non-owners aged under 40) about which specific data does not readily exist. However, it is considered that the majority of the target group will be households living in private rented accommodation and so some consideration of income levels in this sector will help to get an idea of our target group. Additionally, it is possible to look at HMRC

data about the incomes of people in different age bands. The analysis of the incomes of the target group of households therefore essentially has two stages:

- How do income levels of each age group compare with the overall average?
- How do income levels of those living in the private rented sector vary from other households?

9.76 Table 64 below shows average (median) income before tax for people aged both under and over 40 (the data is from the Survey of Personal Incomes 2013-14) for the whole of the Country but only includes taxpayers. This indicates that the income levels of people aged under 30 are lower than those of people aged over 40 but that people aged 30-39 typically have slightly higher incomes.

9.77 It should however be remembered that this is an imperfect analysis and in reality it is probable that income levels amongst older people are relatively higher (if for example there are other non-tax incomes such as from dividends). Additionally, the figures are for individual taxpayers rather than households (which is the category used for the affordability analysis); hence the figures in the last column should be given some weight although the actual income levels shown are of limited use.

Table 69: Estimated income levels by age (United Kingdom)

Age group	Median income (before tax)	% of all taxpayers
Under 20	£12,100	55.3%
20-24	£15,200	69.4%
25-29	£20,200	92.2%
30-34	£24,000	109.6%
35-39	£26,100	119.2%
All ages (including 40 and over)	£21,900	-

Source: National Statistics - Distribution of median and mean income and tax by age range and gender (2013-14)

9.78 When looking specifically at households in the private rented sector we have looked at data from the English Housing Survey. In 2013-14 (the latest year for which data is available) this source shows an average (mean) income of £580 per week in the private rented sector, compared with £672 for all households – the private rented sector is therefore at about 86% of the overall average.

9.79 On the basis of this analysis, it is concluded for the purposes of modelling the incomes of the target group by age can be calculated by multiplying age specific differences in incomes by the typical proportion of all household income seen in the private rented sector. The table below shows estimated median incomes in LB Richmond-upon-Thames for the target group for Starter Homes by age; the figure shown are calculated as a proportion of the overall median income in the Borough which as of 2015 has been estimated to be £51,202 per annum.

9.80 The analysis suggests that younger households in the target group will have relatively low incomes, however by the time a household reaches about age 30, income levels are similar to those seen across the whole Borough.

Table 70: Estimated income levels by age for Starter homes target group – LB Richmond-upon-Thames

Age group	Multiplier from all household income	Estimated median income
Under 20	0.48	£24,417
20-24	0.60	£30,672
25-29	0.80	£40,762
30-34	0.95	£48,430
35-39	1.03	£52,667

Source: Derived from a range of analysis (as described)

Affordability

9.81 In taking this information forward an income distribution has been constructed for each age group based on the distribution for all households. This is then applied to the income thresholds already derived to estimate the likely proportion of households in each age group who might be able to afford a starter home. This is shown in the table below and shows that about 9% of households aged Under 20 would be expected to be able to afford a Starter Home with a 20% discount on OMV; this figure rises to over 40% when considering the 35-39 age group and a 30% discount.

9.82 These figures essentially include anyone with an income above the thresholds derived and analysis based on these figures should be considered as indicative; for example, some of the higher earners in this category would have the choice between Starter Homes and other owner-occupied products and may not choose the discounted newbuild option.

Table 71: Affordability of Starter Homes by age band and level of discount – Richmond-upon-Thames

Age group	% able to afford (20% discount)	% able to afford (30% discount)
Under 20	9.3%	11.9%
20-24	14.1%	17.9%
25-29	23.5%	29.8%
30-34	31.7%	38.1%
35-39	35.8%	41.9%

Source: Derived from a range of analysis (as described)

Bringing the analysis together – the Potential Need for Starter Homes

9.83 The analysis below brings together the analysis of the number of households in a target group for Starter Homes along with the affordability estimates. Analysis is provided separately for the current and future need and then brought together into a single annual estimate of the potential need for Starter Homes. To be consistent with the analysis of affordable housing need, the figures are presented as annual figures for the whole of the projection period (i.e. 2014-33).

9.84 Table 67 below shows the estimated current need for Starter Homes; this varies from 892 to 1,063 depending on the level of discount assumed. Annualised, this represents between 47 and 56 homes per annum over the 19-year period to 2033.

Table 72: Estimated Current Need for Starter Homes

		20% discount		30% discount	
	Size of target group	% able to afford	Number able to afford	% able to afford	Number able to afford
Under 20	-13	9.3%	-1	11.9%	-2
20-24	-46	14.1%	-6	17.9%	-8
25-29	384	23.5%	90	29.8%	114
30-34	1,062	31.7%	336	38.1%	404
35-39	1,326	35.8%	474	41.9%	555
TOTAL	2,713		892		1,063
Annualised (2014-33)			47		56

Source: Derived from a range of analysis (as described)

9.85 Table 68 below shows a similar analysis for future newly forming households; this analysis indicates a potential need for between 64 and 76 Starter Homes each year (depending on the level of discount applied).

Table 73: Estimated Future Need for Starter Homes (per annum)

		20% discount		30% discount	
	Size of target group	% able to afford	Number able to afford	% able to afford	Number able to afford
Under 20	-3	9.3%	0	11.9%	0
20-24	-8	14.1%	-1	17.9%	-1
25-29	53	23.5%	13	29.8%	16
30-34	75	31.7%	24	38.1%	29
35-39	80	35.8%	29	41.9%	34
TOTAL	198		64		76

Source: Derived from a range of analysis (as described)

9.86 Adding together the figures for current and newly forming need for Starter Homes the analysis identifies **a potential need for between about 111 and 132 Starter Homes to be provided each year from 2014 to 2033**. **These figures represent 12% and 15% of the total need for housing identified by unconstrained demographic projections** (a need for around 900 dwellings each year) and a much higher proportion (35%-42%) if compared with a constrained position of 315 dwellings per annum.

9.87 This is a policy off assessment for “starter homes” and assumes housing delivery at a certain level. However, as set out earlier in the report delivery is expected to be much lower than the estimated need. Furthermore there are only very limited areas of the Borough where the required £393,000 open market value can be achieved to deliver the 20% discount.

9.88 Evidently not all households who could potentially afford a Starter Home will choose to buy one – some may choose to continue renting; whilst others may choose to purchase properties within the second hand market. It seems likely that in a number of instances there will be properties available at a comparable price in the second hand market to levels at a 20% discount to new-build values.

9.89 The difference between the estimated need based on either a 20% or 30% discount is not particularly significant (about 21 dwellings per annum) and would suggest, on the basis of this analysis, that there is little merit in seeking discounts on OMV which are higher than the minimum position (of 20%) suggested by the Housing and Planning Bill. With a 20% discount (rather than higher discounts) it is possible that additional affordable housing (e.g. social/affordable rent) will be able to be viably provided to help meet the needs of lower income households in the Borough.

9.90 Additionally, it should be noted that the need for Starter Homes derived in this assessment should not be seen as a need for additional homes over and above the numbers suggested in the demographic modelling. As can clearly be seen from the analysis, it is considered that the provision of Starter Homes will enable some households in the private rented sector to move into owner-occupation. In doing so a dwelling would be released for use by another household and hence there is no net additional need for housing as a result of including Starter Homes within the mix of housing to be delivered.

Private Rented Sector

9.91 As the above analysis demonstrates, there has been a notable growth within the Private Rented Sector in the Borough over the 2001-11 period; albeit that the rate of growth has not been as significant as in a number of other parts of London. A growing number of younger households are renting for longer.

9.92 Whilst delivery of Starter Homes may assist some younger households in moving into home ownership, it seems reasonable to expect some further growth in private renting.

9.93 Most private rented supply is currently provided by small landlords who rent individual or small numbers of properties. There has however been a growing interest from institutional investors in the sector, and are a number of new-build PRS schemes across London.

9.94 Some of the benefits of institutionally delivered and managed PRS supply include the on-going management of stock, as well as in some situations a range of facilities and services provided on-site.

9.95 GL Hearn considers that there is some potential for this sector to grow in the Borough, particularly through development in town centre locations, although this may not be a priority need. The viability

of such development is however fundamentally different to build to sale or a more traditional mixed tenure scheme (where the development receives 'receipts' from sales upfront) and as set out in national Planning Policy Guidance this would need to be taken into account in negotiating Section 106 Agreements on a case by case basis.

Implications – Need for Different Sizes of Homes

- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance, supporting down-sizing and housing affordability. The analysis linked to long-term (19-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	10-15%	25-30%	30-35%	25-30%
Affordable	35-40%	30-35%	20-25%	5-10%
All dwellings	25-30%	25-30%	25-30%	20-25%

- An alternative view on affordable housing mix is also presented. This is based on the needs of those in priority needs within the housing register. This suggests a broadly similar housing mix to that modelled with perhaps less emphasis on provision of one and three bedroom homes (relative to the modelled outputs) and conversely a slightly higher proportions of 2 and 4+ bedroom homes.

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- A mix of market housing should be delivered including family housing and options for older households to downsize (which can then release existing larger family homes for other households). Provision of smaller properties, including rented stock, will also cater for younger households.

- There is some potential for institutional investment to deliver build-to-rent schemes in the Borough; but this is not a priority need and it the viability of such schemes will need to be assessed on a case by case basis.

- A potential need is established for between 111-132 households per year for Starter Homes, representing between 12-15% of the demographic need. The analysis suggests that there is little merit in providing discounts of over 20%.

  Some 20% of the net need identified for affordable housing could be met through intermediate housing, with 80% of the need for social or affordable rented homes. This is in line with current policy. The types of intermediate housing could include products such as shared ownership or shared equity, although the cost of such products should be carefully considered to ensure they are genuinely affordable – this will need to include consideration of any deposit requirements which may be a barrier to access for a number of households as well as the current supply of such housing.

10 HOUSING NEED OF PARTICULAR GROUPS WITHIN THE POPULATION

10.1 We have established overall housing requirements for different sizes of properties over the next 19-years, however there can be specific groups within the population who require specialist housing solutions or for whom housing needs may differ from the wider population. These groups are considered within this section.

10.2 Estimates of household groups who have particular housing needs is a key output of the SHMA Guidance whilst the National Planning Policy Framework identifies that local planning authorities should plan for a mix of housing which takes account of the needs of different groups in the community. This will need to be put together with the Council's local evidence and research to inform setting of policy targets.

10.3 The following key groups have been identified which may have housing needs which differ from those of the wider population:

- Older Persons;
- People with disabilities;
- Black and Minority Ethnic (BME) households;
- Households with children
- Young people
- Students

Housing Needs of Older People

10.4 A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons. Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).

10.5 The context to older persons housing provision can be summarised as below:

- A rising population of older people;
- Many older households are equity rich and are able to exercise housing choice;
- A move away from residential institutions towards providing care support in someone's homes through adaptation and visiting support; and
- An increased diversity of specialist housing to reflect different levels of care support.

10.6 The London Plan 2015 set indicative requirement benchmarks for specialist housing for older people 2015 – 2025 (Annex A5, Table A5.1) to inform local expression of strategic needs. For

Richmond the annual indicative benchmark is 135 – of which 105 private and 30 intermediate sale. The Council expressed concern that the Assessment of Potential Demand has fundamental limitations including the assumption that 50% of affordable housing stock is not fit for purpose and that a specific proportion of elderly will choose this type of housing when there is a wide choice of accessible easy to run flats available. It also corresponds to almost half of the overall housing target without assessing other needs. We can therefore look in more detail at the needs of older people.

Current Population of Older Persons

10.7 Table 74 provides baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data shows, when compared the whole of London that Richmond has a higher proportion of older persons, but a lower proportion in a national context. In 2014 it is estimated that 15% of the population of Richmond was aged 65 or over.

Table 74: Older person population (2014)

Age group	Richmond-upon-Thames		London	England
	Population	% of popn	% of popn	% of popn
Under 65	165,287	85.4%	88.5%	82.4%
65-74	15,518	8.0%	6.1%	9.5%
75-84	8,550	4.4%	3.8%	5.7%
85+	4,230	2.2%	1.6%	2.3%
Total	193,585	100.0%	100.0%	100.0%
Total 65+	28,298	14.6%	11.5%	17.6%

Source: Demographic projections and 2012-based SNPP

Future Changes in the Population of Older Persons

10.8 As well as providing a baseline position for the proportion of older persons in the Borough we can use population projections to provide an indication of how the numbers might change in the future. The data provided below is based on two of the GLA projections: a) based on long-term migration trends and b) a projection constrained by the SHLAA.

10.9 The data shows that Richmond-upon-Thames (in line with other areas) is expected to see a notable increase in the older person population with the total number of people aged 65 and over projected to increase by 28%-39% depending on the projection being used. Additionally, there is expected to be particularly strong growth in the population aged 85 and over.

10.10 Whilst total population growth is projected to be much stronger with trend-based assumptions it is notable that the vast majority of the difference is due to assumptions about population change in the Under 65 age bracket. With the constrained projection, population growth in the 65 and over age group is some 3,300 lower than with trend-based assumptions, the equivalent difference for the

Under 65 population is nearly 25,000. This highlights the fact that older people tend to be less migratory and hence lower migration assumptions disproportionately impact on change to the younger population.

Table 75: Projected Change in Population of Older Persons (2014 to 2033)

Age group	GLA long-term migration		SHLAA constrained projection	
	Change in population	% change	Change in population	% change
Under 65	20,628	12.4%	-4,161	-2.5%
65-74	3,712	24.8%	2,071	13.8%
75-84	3,404	40.6%	2,507	29.9%
85+	3,816	87.5%	3,062	70.2%
Total	31,560	16.3%	3,479	1.8%
Total 65+	10,932	39.4%	7,640	27.6%

Source: GLA projection modelling

Characteristics of Older Persons Households

10.11 We have used 2011 Census data to explore in more detail the characteristics of older person households in Richmond-upon-Thames (based on the population aged 65 and over). The first table below shows the number of households compared with London and England. The data shows that in 2011 around 17% of households were comprised entirely of people aged 65 and over. This is notably above the figure for London (14%) but some way below the equivalent figure for England (21%). The data for Richmond also identifies a particularly high proportion of single older person households.

Table 76: Older Person Households (Census 2011)

Older person households	Richmond-upon-Thames	London	England
Single older person	9,434	312,022	2,725,596
2 or more older people	4,461	142,723	1,851,180
All households	79,835	3,266,173	22,063,368
Single older person	11.8%	9.6%	12.4%
2 or more older people	5.6%	4.4%	8.4%
All households	100.0%	100.0%	100.0%
Total % older person only	17.4%	13.9%	20.7%

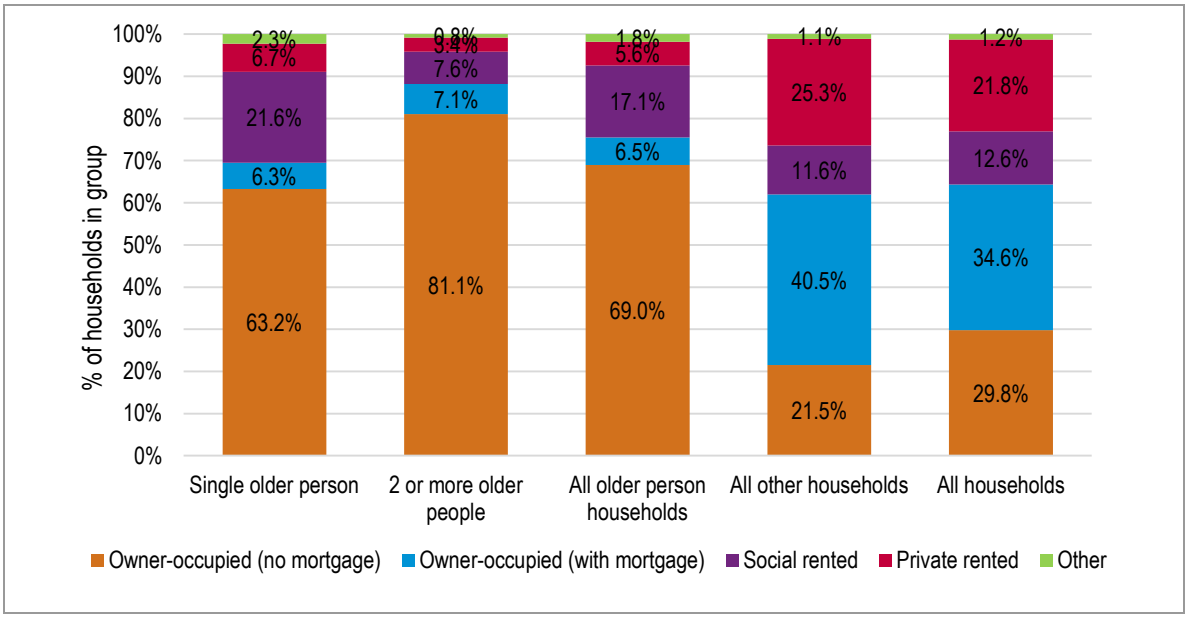
Source: 2011 Census

10.12 Figure 53 below shows the tenure of older person households – the data has been split between single older person households and those with two or more people aged 65+ (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (69%) and are more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (6% compared with 22% of all households in the Borough).

10.13 There are however notable differences for different types of older person households with single older person households having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

10.14 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs. This is considered later in this section. Additionally demand data from the Housing Register demonstrates that demand for rented sheltered housing is low compared to that for other forms of affordable housing.

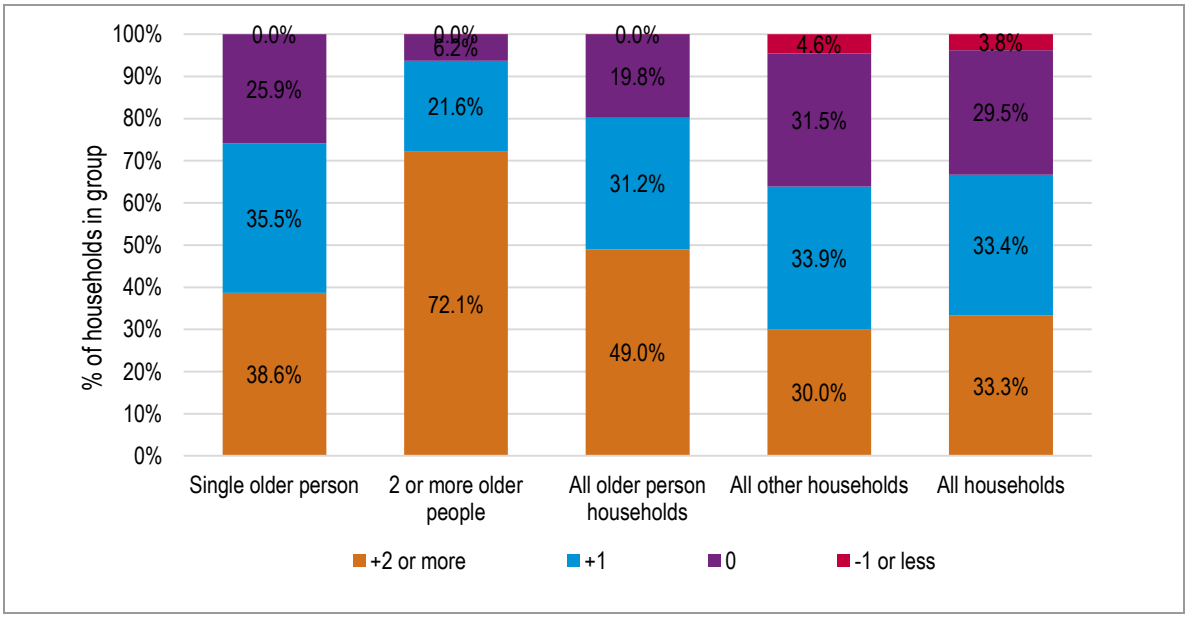
Figure 53: Tenure of Older Person Households – Richmond-upon-Thames



Source: 2011 Census

10.15 A key theme that is often brought out in SHMA work is the large proportion of older person households who under-occupy their dwellings. Data from the Census allows us to investigate this using the bedroom standard. The Census data does indeed suggest that older person households are more likely to under-occupy their housing than other households in the Borough. In total 49% have an occupancy rating of +2 or more (meaning there are at least two more bedrooms than are technically required by the household). This compares with 30% for non-older person households. Further analysis suggests that under-occupancy is far more common in households with two or more older people than single older person households.

Figure 54: Occupancy rating of older person households – Richmond-upon-Thames



Source: 2011 Census

10.16 It is of interest to study the above information by tenure. Table 77 below shows the number of older person households who had an occupancy rating of +2 or more in each of three broad tenure groups in 2011. Whilst the majority of older person households with an occupancy rating of +2 or more were in the owner-occupied sector, there were 345 properties in the social rented sector occupied by older person only households with an occupancy rating of +2 or more. This may therefore present some opportunity to reduce under-occupation although to achieve this it may be necessary to provide housing in areas where households currently live and where they have social and community ties.

Table 77: Older person households with occupancy rating of +2 or more by tenure.

Tenure	Single older person households	2 or more older people	All older person only households
Owner-occupied	3,225	2,918	6,143
Social rented	250	95	345
Private rented	170	44	214
All tenures	3,645	3,057	6,702

Source: 2011 Census

10.17 It should however be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement (or may move away from the area); however, we would expect many older households to want to retain family housing with space to allow friends and relatives to come to stay. Data about household ages and the sizes of homes occupied in the

previous section does indicate that some households do typically downsize, however, a cautious view should be taken about the willingness of households to move to smaller homes and the extent to which this can be influenced through policy.

Health-related Population Projections

10.18 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA, analysis has focused on estimates of the number of people with dementia and mobility problems.

10.19 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

10.20 The table below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 44-58%) along with a 39-52% increase in the number with mobility problems.

Table 78: Estimated population change for range of health issues (2014 to 2033)

Projection	Type of illness/disability	2014	2033	Change	% increase
Long-term migration	Dementia	2,011	3,173	1,163	57.8%
	Mobility problems	5,225	7,925	2,699	51.7%
SHLAA constrained	Dementia	2,011	2,899	889	44.2%
	Mobility problems	5,225	7,239	2,014	38.5%

Source: Data from POPPI and demographic projections

Indicative Need for Specialist Housing

10.21 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

Current Stock of Specialist Housing

10.22 The table below shows the current supply of specialist housing for older people. At present it is estimated that there are just under 1,200 units; this is equivalent to 94 units per 1,000 people aged 75 and over. The analysis shows a higher proportion of the stock is in the affordable than the market sector (80% vs. 20%).

Table 79: Current Supply of Specialist Housing for Older People

Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
Sheltered	233	877	1,110	87
Extra-Care	0	82	82	6
Total	233	959	1,192	94

Source: Housing LIN

Projected Future Need for Specialist Housing

10.23 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

10.24 Table 80 below shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 947-1,227 units – 50-65 per annum, depending on the base projection used for analysis.

Table 80: Projected need for Specialist Housing for Older People (2014-35)

Projection	Population aged 75+ (2014)	Population aged 75+ (2033)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
Long-term migration	12,738	19,958	7,220	1,227
SHLAA constrained	12,738	18,307	5,569	947

Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

10.25 Data already provided in this section showed the tenure of older person households – this identified a high level of owner-occupation, with the current supply having a higher proportion of affordable homes. Moving forward we would suggest that additional specialist housing should be split roughly 50:50 between the market and affordable sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (including the

likely increase in the number of single person older households where levels of home ownership are slightly lower).

10.26 The analysis is not specific about the types of specialist housing that might be required; we would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing, upon which the Council is developing local evidence.

10.27 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing[14] designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

10.28 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – although providing an element of bungalows could be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

10.29 In LB Richmond, it is recognised that delivery of bungalows is unlikely, given limited land supply and the pressure to optimise housing delivery, however the Council should consider the extent to which older persons may be able to be provided with level access living, and a reliable lift to the accommodation floor level (or ideally accommodation on the ground floor).

Registered Care Housing

10.30 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 818 spaces in nursing and residential care homes. Given new models of provision (including Extra-care housing) it may be

[14] a type of housing in which each individual or family has a private bedroom or living quarters but shares with other residents a common dining room, recreational room, or other facilities

the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

10.31 As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of 411-530 people living in institutions over the 2014-33 period (22-28 per annum). This figure is important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply (confirmed in the London Plan 2015 as part of non-conventional supply) as it will be necessary to include figures on both the need and supply side of the equation.

Table 81: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2014)	Institutional population aged 75+ (2033)	Change in institutional population aged 75+
Long-term migration	804	1,334	530
SHLAA constrained	804	1,215	411

Source: Derived from demographic projections

People with Disabilities

10.32 This sub-section concentrates on the housing situation of people/households that contain someone with some form of disability. We have again drawn on Census data although it should be recognised that an analysis of people with disabilities is very strongly linked with the above analysis about older people.

10.33 Table 82 below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across Richmond-upon-Thames some 19% of households contain someone with a LTHPD. This figure is lower than the equivalent figure for each of London and England. The figures for the population with a LTHPD again show a lower proportion when compared with the other areas studied (an estimated 11% of the population of Richmond-upon-Thames have a LTHPD).

Table 82: Households and people with Long-Term Health Problem or Disability (2011)

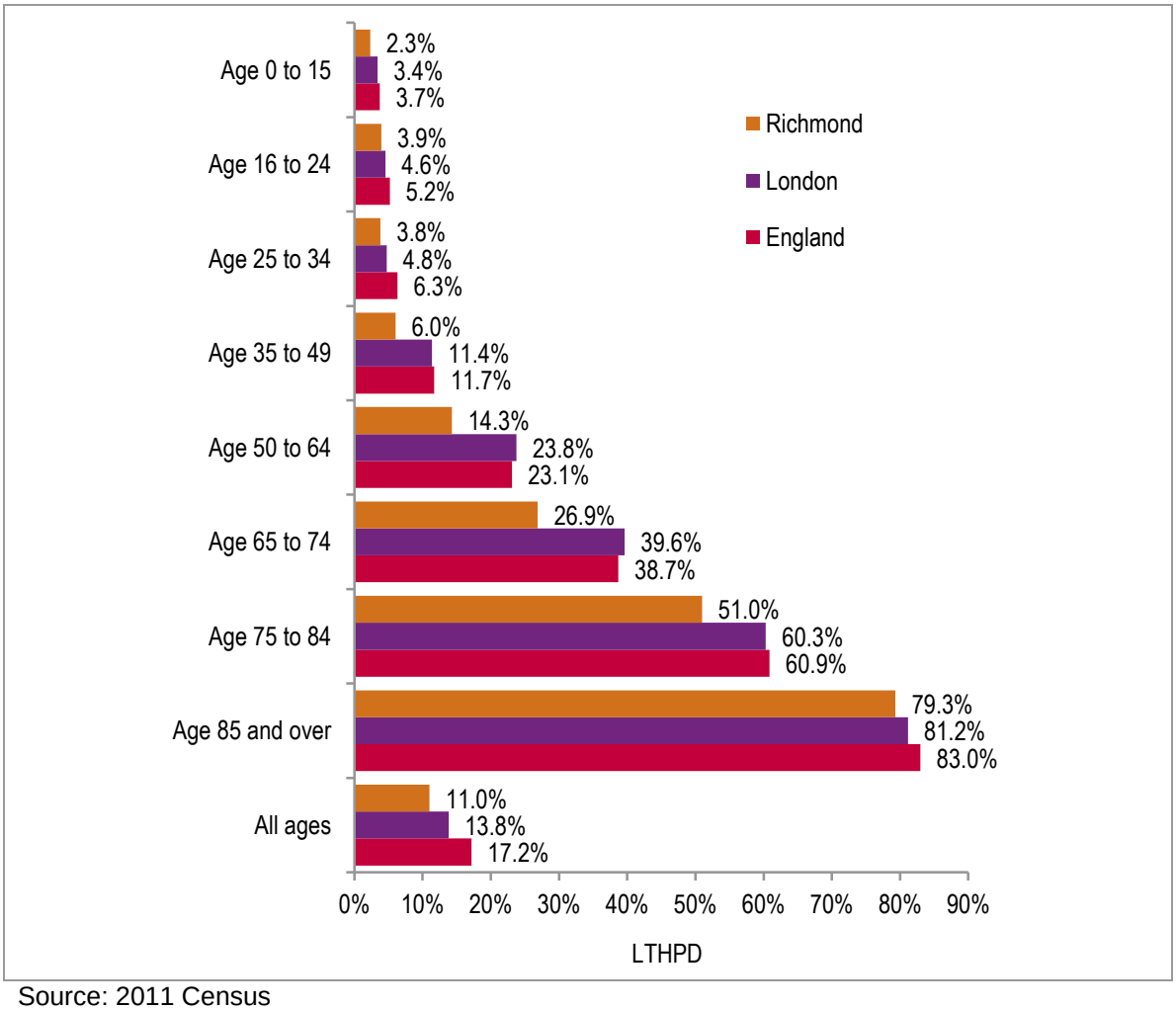
Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Richmond-upon-Thames	14,830	18.6%	21,447	11.5%
London	732,552	22.4%	1,157,165	14.2%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

10.34 To some degree the finding of a lower level of people/households with a LTHPD in Richmond-upon-Thames is surprising, this is because health issues are strongly linked to age and previous analysis has shown that the Borough has an older population (at least when compared with London). Therefore, the table below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 79% of people aged 85 and over have a LTHPD. It should be noted that the base for the figure below is slightly different to the above table in that it excludes people living in communal establishments. One explanation for the lower level of people with a LTHPD is that the Borough has one of the highest 'healthy life expectancies'(the years where a person is in good health) in the country.

10.35 When compared with other areas it is notable for all age groups that levels of LTHPD are relatively low and so the finding that a lesser proportion of the population has a LTHPD in Richmond-upon-Thames is due to age specific disability rates despite the age structure of the population.

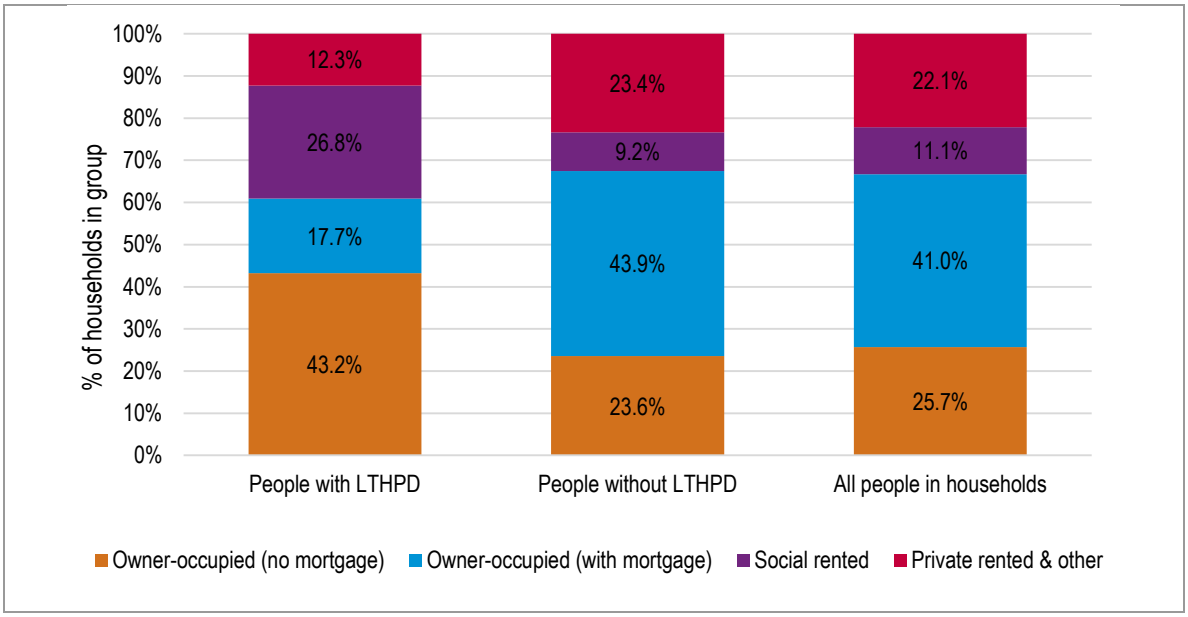
Figure 55: Population with LTHPD in each Age Band



Source: 2011 Census

10.36 Figure 56 below shows the tenures of people with a LTHPD – it should be noted that the data is for population living in households rather than households and is therefore not comparable with other tenure analysis provided in this section. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

Figure 56: Tenure of people with LTHPD – Richmond-upon-Thames



Source: 2011 Census

10.37 It seems clear that a substantial increase in households with mobility problems and/or a physical disability can be expected, in particular driven by the growing older population with those over 65 expected to increase by 27% over the period to 2033. In this context it is reasonable to continue to apply the requirement for 10% wheelchair accessible accommodation, as set out in the London Plan, to the optional higher Building Regulation M4(3).

BME Households

10.38 Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way. From 2011 Census data we find that around 26% of the population of Richmond-upon-Thames came from a non-White (British/Irish) background. This figure is significantly below that found across London

(53%) but slightly above the national average (of 19%). The key BME group in Richmond-upon-Thames is White: Other White, which makes up 11.9% of all people in the Borough.

Table 83: Black and Minority Ethnic Population (2011)

Ethnic Group	Richmond-upon-Thames	London	England
White: British	71.4%	44.9%	79.8%
White: Irish	2.5%	2.2%	1.0%
White: Gypsy or Irish Traveller	0.1%	0.1%	0.1%
White: Other White	11.9%	12.6%	4.6%
Mixed: White and Black Caribbean	0.7%	1.5%	0.8%
Mixed: White and Black African	0.4%	0.8%	0.3%
Mixed: White and Asian	1.5%	1.2%	0.6%
Mixed: Other Mixed	1.0%	1.5%	0.5%
Asian: Indian	2.8%	6.6%	2.6%
Asian: Pakistani	0.6%	2.7%	2.1%
Asian: Bangladeshi	0.5%	2.7%	0.8%
Asian: Chinese	0.9%	1.5%	0.7%
Asian: Other Asian	2.5%	4.9%	1.5%
Black: African	0.9%	7.0%	1.8%
Black: Caribbean	0.4%	4.2%	1.1%
Black: Other Black	0.2%	2.1%	0.5%
Other ethnic group: Arab	0.6%	1.3%	0.4%
Any other ethnic group	1.0%	2.1%	0.6%
Total	100.0%	100.0%	100.0%
Total population	186,990	8,173,941	53,012,456
% non-White (British/Irish)	26.0%	53.0%	19.3%

Source: 2011 Census

10.39 Since 2001 the BME population in the Borough can be seen to have increased significantly as shown in the table below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Richmond-upon-Thames has increased by 14,700 over the 10-year period there has been a notable increase in BME groups (all groups other than White (British/Irish)) of 16,800. The White (British/Irish) population has decreased by 1.5% compared to an increase of 53% in BME groups (all combined).

10.40 Looking at particular BME groups we see that the largest rise has been for the White: Other population – increasing by 6,100 persons over the ten years. The Asian or Asian British population has increased by a slightly lesser amount (5,600 persons) but does reflect over a 70% increase in the number of people from this ethnic group.

Table 84: Change in BME groups 2001 to 2011 – Richmond-upon-Thames

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	140,460	138,348	-2,112	-1.5%
White - Other	16,325	22,377	6,052	37.1%
Mixed	3,797	6,780	2,983	78.6%
Asian or Asian British	7,968	13,607	5,639	70.8%
Black or Black British	1,614	2,816	1,202	74.5%
Other	2,171	3,062	891	41.0%
Total	172,335	186,990	14,655	8.5%
Non-White (British/Irish)	31,875	48,642	16,767	52.6%

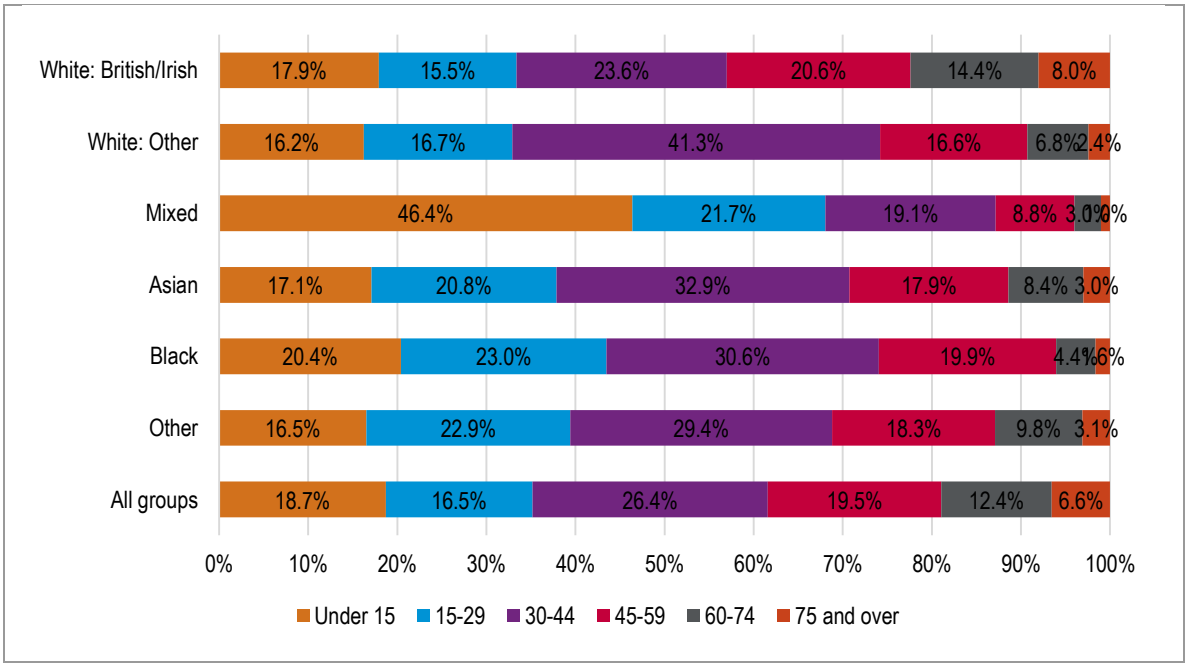
Source: Census 2001 and 2011

BME Household Characteristics

10.41 Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in the Borough. The figure below looks at the population age structure of six broad age groups using data from the 2011 Census.

10.42 The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged under 15 when compared with any other group. The proportions of older persons are also notable with 22% of White; British/Irish people being aged 60 or over compared with all BME groups showing proportions of no more than 13%.

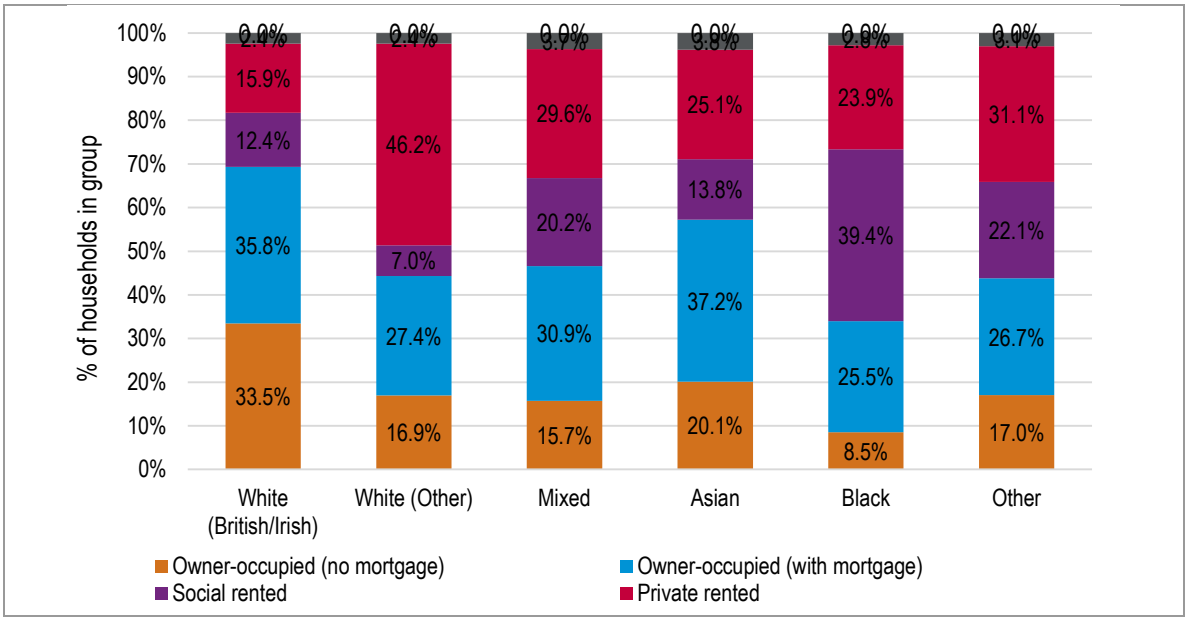
Figure 57: Population age profile (2011)



Source: Census (2011)

10.43 There are notable differences between the household characteristics of BME households compared with the White: British population. Figure 58 below indicates that all BME groups are significantly less likely to be owner-occupiers and all groups are far more likely to live in private rented accommodation. Arguably the starkest trend is the 46% of White (Other) households living in the private rented sector. This group would include recent EU nationals and people working in the UK from Australia and New Zealand. These groups would naturally access private renting as the first and easiest housing option in a new country. Additionally the borough is an attractive location for corporate lettings and has a buoyant market. This has attracted a large number of international residents some of whom may be represented within this White (Other) group.

Figure 58: Tenure by ethnic group – Richmond-upon-Thames



Source: 2011 Census data (from NOMIS)

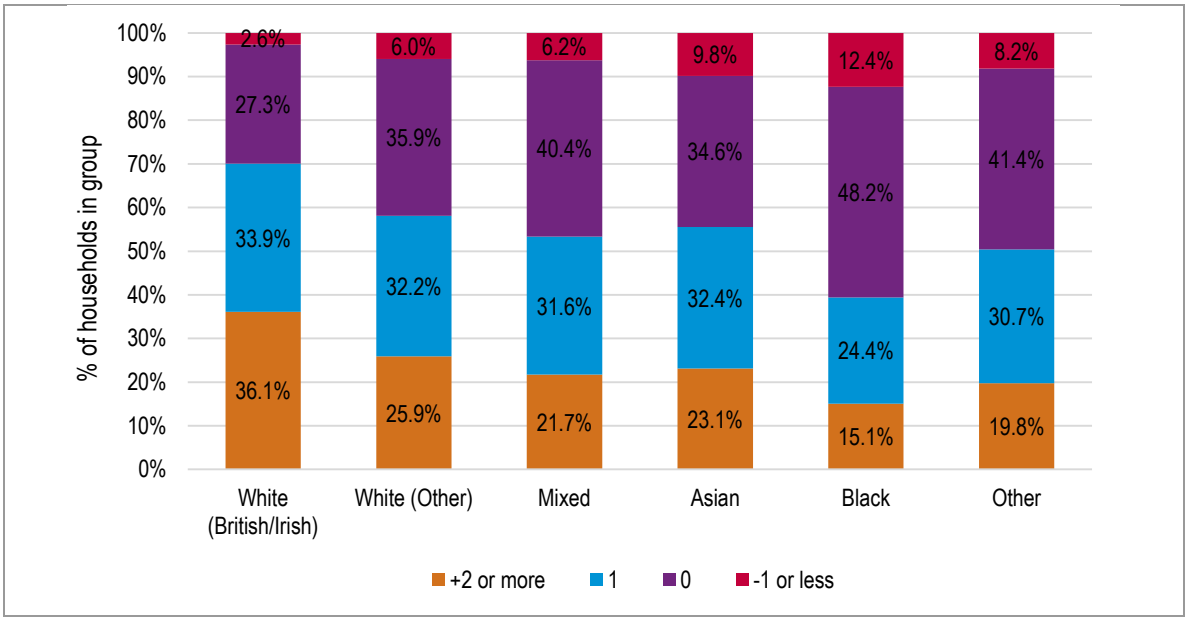
10.44 The strong representation of BME households in the Private Rented Sector means that they are more likely to be affected by the changes discussed to Local Housing Allowance (particularly as the sector in the Borough shows a strong representation of LHA Claimants). Although it should also be noted that those claiming Housing Benefit only represent a small number of PRS residents (16%).

10.45 As BME communities mature over time, the level of owner occupation may increase. The pace at which this happens may be influenced by economic opportunities available as well as the level of enterprise within the local community. For some communities there may be support mechanisms which can work within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.

10.46 Figure 60 below shows 'occupancy ratings' by BME group. This is based on the bedroom standard where a positive figure indicates under-occupancy and negative figures suggest some degree of

over-crowding. BME groups are more likely to be overcrowded (i.e. have a negative occupancy rating) than White (British) households. In particular, the Census data suggests that around 12% of Black households are overcrowded along with 10% of the Asian group – this compares with only 3% of the White (British) group. Levels of under-occupancy amongst BME communities are generally low.

Figure 59: Occupancy rating by ethnic group – Richmond-upon-Thames



Source: 2011 Census data (from NOMIS)

Households with Children (family households)

10.47 The number of families in LB Richmond-upon-Thames (defined for the purpose of this assessment as any household which contains at least one dependent child) currently totalled 23,600 as of 2011; accounting for 30% of households – a similar figure to that seen across both London and England. The demographic projection (linked to long-term migration trends) suggests that the number of children (aged Under 15) is expected to increase by 11% from 2014 to 2033 (an increase of around 4,100) although a SHLAA constrained projection suggests a decrease in this age group (of 2,000 people – 5%). When compared with other areas the proportion of married couple households is particularly notable (20%) as well as the low proportion of lone parents (5% of all households).

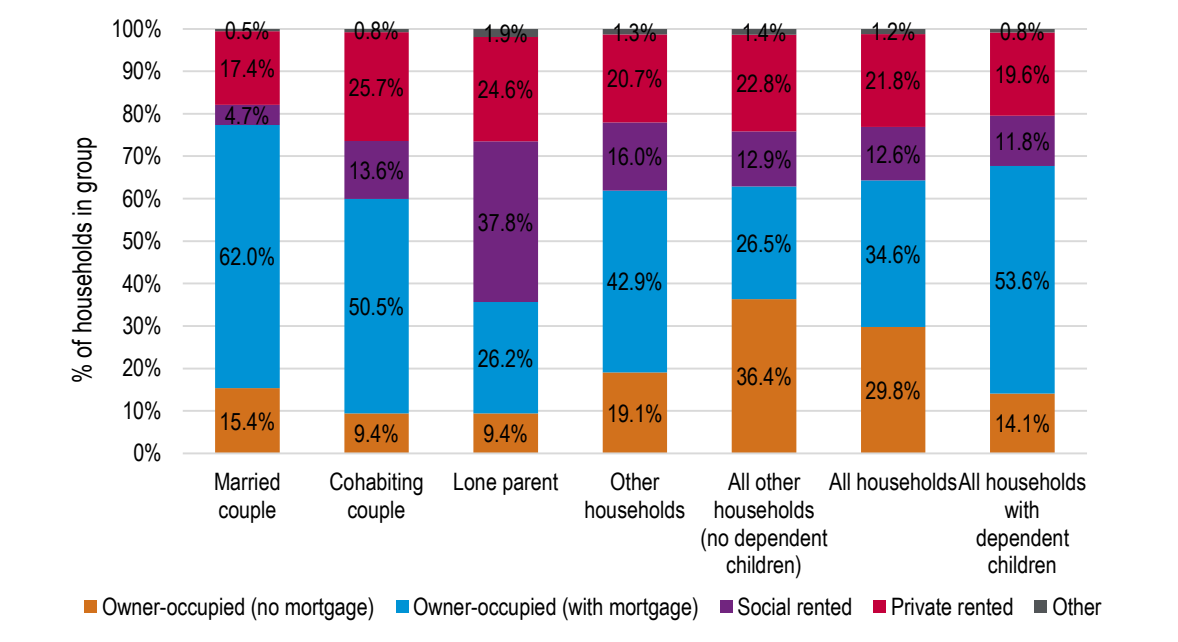
Table 85: Households with Dependent Children (2011)

Household Type	Richmond-upon-Thames		London	England
	Number	%	%	%
Married couple	15,747	19.7%	15.0%	15.3%
Cohabiting couple	2,409	3.0%	2.8%	4.0%
Lone parent	3,882	4.9%	8.5%	7.1%
Other households	1,610	2.0%	4.6%	2.6%
All other households (no dependent children)	56,187	70.4%	69.1%	70.9%
Total	79,835	100.0%	100.0%	100.0%
Total with dependent children	23,648	29.6%	30.9%	29.1%

Source: ONS (2011 Census)

10.48 Figure 61 below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only around 36% of lone parent households are owner-occupiers compared with 77% of married couples with children.

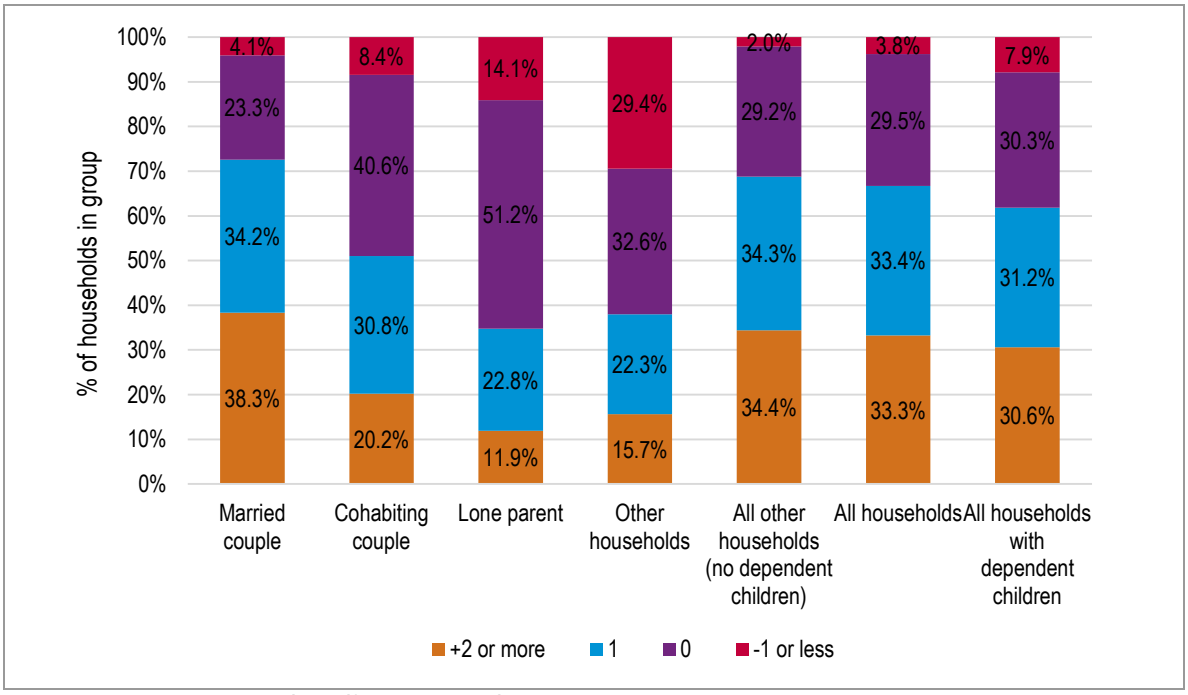
Figure 60: Tenure of households with dependent children – Richmond-upon-Thames



Source: 2011 Census

10.49 Overcrowding is often a key theme when looking at the housing needs of households with children and the figure below shows that households with children are about four times more likely than other households to be overcrowded. In total, some 8% of all households with dependent children are overcrowded and included within this the data shows 14% of lone parent households are overcrowded along with 29% of 'other' households with dependent children. Other than for married couple households, levels of under-occupancy are also very low.

Figure 61: Occupancy rating and households with dependent children



Source: 2011 Census data (from NOMIS)

Young People

10.50 Providing for the needs of younger person households is an important consideration for the Council. Given ageing populations, the ability to retain young people in an area can assist in providing a more balanced demographic profile as well as providing a vital part of the local workforce. Young people may however find barriers to accessing housing given typically low incomes and potential difficulties in securing mortgage finance due to deposit requirements. Additionally, LHA payments may limit choice for under-35s requiring private rented homes.

10.51 The demographic projections suggest that in 2014 there were around 13,400 households headed by someone aged under 35 and that this is expected fall over the period to 2033 – this is regardless of the projection used and with a SHLAA constrained position the number of households headed by someone aged under 35 is projected to fall by about 2,700.

10.52 As well as households headed by a younger person, there will be others living as part of another household (typically with parents). The table below shows the number of households in the Borough with non-dependent children. In total, some 8% of households (6,100) contain non-dependent children. This may to some degree highlight the difficulties faced by young people in accessing housing. Young people may be less likely to be eligible for social housing (they are unlikely to be in priority need if living with parents), have lower household incomes and have difficulty in accessing the owner-occupied sector due to mortgage constraints and deposit requirements. All of these

factors contribute to the current trend for young people moving in with or continuing to live with parents. That said, the proportion of households with non-dependent children is low when compared with London and England.

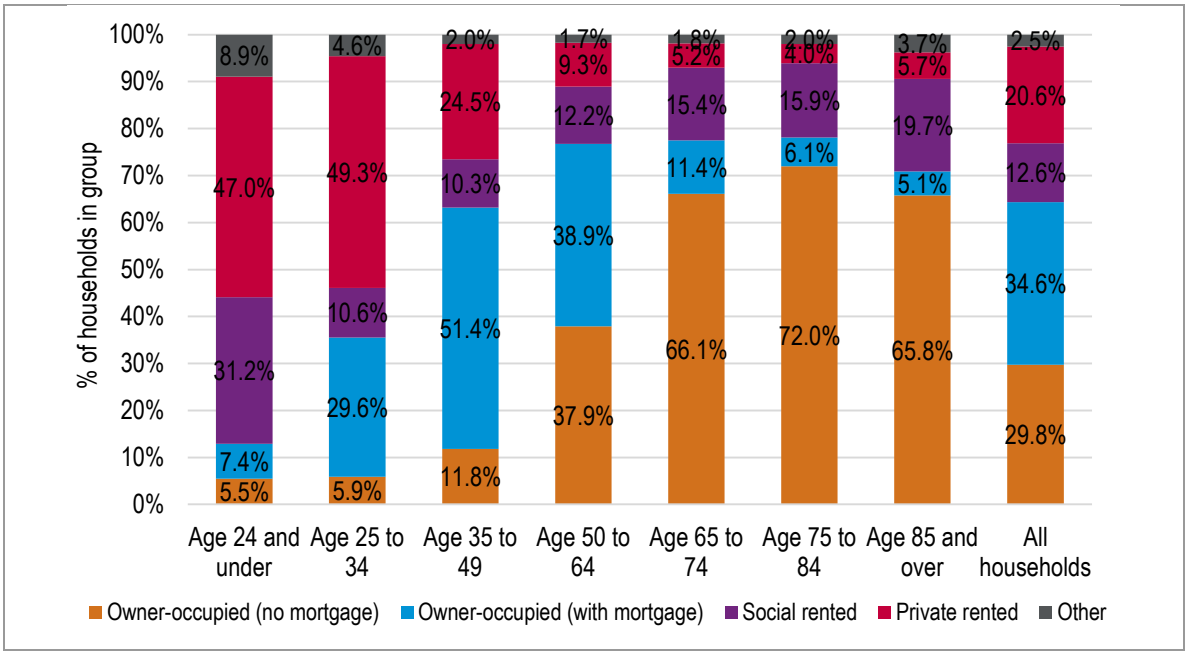
Table 86: Households with non-dependent children (2011)

	Richmond-upon-Thames		London	England
	Number	%	%	%
Married couple	3,532	4.4%	4.8%	5.6%
Cohabiting couple	230	0.3%	0.4%	0.5%
Lone parent	2,382	3.0%	4.1%	3.5%
All other households	73,691	92.3%	90.7%	90.4%
Total	79,835	100.0%	100.0%	100.0%
Total with non-dependent children	6,144	7.7%	9.3%	9.6%

Source: ONS (2011 Census)

10.53 When considering households that are currently headed by a younger person we can use 2011 Census data to look at some key characteristics. The figure below shows the tenure groups of these households (compared with other age groups). The data clearly shows that very few younger households are owner-occupiers with a particular reliance on the private rented sector and to a lesser degree social rented housing.

Figure 62: Tenure by age of HRP – Richmond-upon-Thames

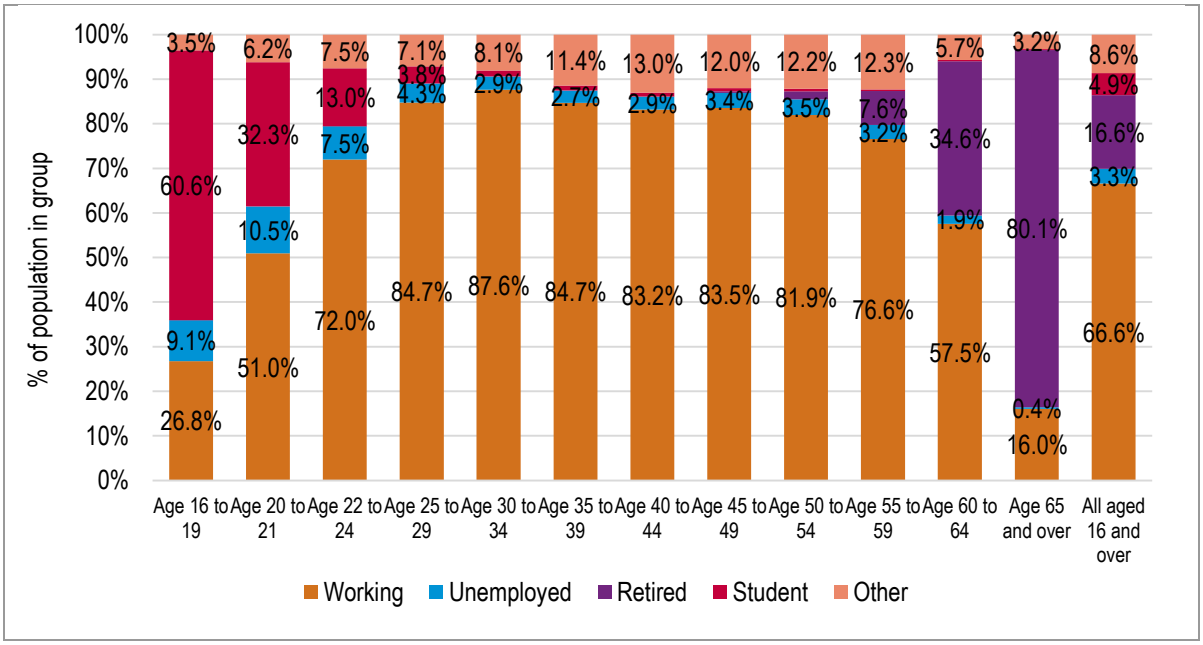


Source: 2011 Census

10.54 Census data can also be used to look at economic activity rates; including employment and unemployment levels. Data about this is shown in the figure below. The data shows that younger people are more likely to be unemployed than other age groups. The data shows that of the

population aged 16-34 some 5.4% are unemployed – included within this we see an unemployment rate of 10.5% for those aged 20-21 and 9.1% in the 16-19 age group.

Figure 63: Economic activity by age – Richmond-upon-Thames



Source: 2011 Census

Student Households

10.55 Student accommodation needs are identified in the London Plan as a strategic issue. The London Plan recognises the pressing need for more homes in London and need to boost significantly the supply of housing. It identifies a need for between 49,000 and 62,000 homes per year across London (for the 2015-36 and 2015-26 periods respectively). Paragraph 3.53C outlines that student accommodation is counted as part of overall housing provision.

10.56 Paragraphs 3.51 – 3.53 deal specifically with student housing. Policies on student accommodation in the London Plan were informed by findings from the Mayor's Academic Forum. Paragraph 2.52 emphasises the importance of providing student accommodation to supporting the attractiveness and growth potential of London's universities, identifying that there could be a requirement for some 20,000 – 31,000 places over the 10 years to 2025[15] and that new provision may also tend to reduce pressure on other elements of the housing stock currently occupied by students.

10.57 Paragraph 2.53 however identifies that meeting student demand "should not compromise capacity to meet the need for conventional housing, especially affordable family homes, or undermine policy to secure mixed and balanced communities." Paragraph 3.53A goes on to outline that:

[15] based on Mayor's Academic Forum (2014) *Strategic planning issues for student housing in London*

In addressing the need for specialist student housing, the Mayor will support proactive, partnership working by boroughs, universities, developers and other relevant bodies, including through his Academic Forum, to:

- *encourage a more dispersed distribution of future provision taking into account development and regeneration potential in accessible locations away from the areas of greatest concentration in central London, especially that anticipated from housing led, high density, mixed use redevelopment of town centres;*
- *secure accommodation which is more affordable for the student body as a whole; and*
- *ensure that in identifying and addressing local and strategic needs for student accommodation, boroughs are informed by working with other relevant partners as indicated above.*

10.58 The Plan also outlines that where student accommodation should be secured as such by planning agreement or condition relating to the use of the land or to its occupation by members of specific educational institutions. Where there is not an undertaking with a specific academic institution(s), it sets out that providers should, subject to viability, deliver an element of student accommodation that is affordable for students in the context of average student incomes and rents for broadly comparable accommodation provided by London universities.

10.59 London Borough of Richmond includes the campus of St Mary's University situated in Twickenham and Richmond American International University in London located around East Twickenham. Basing on the figures for 2014/ 2015 from Higher Education Statistics Agency (HESA) and admission data for Richmond American International University we estimate that there are 6,835 students attending the above universities. The Council is aware that St Mary's University is in the process of developing a Masterplan, which proposes an increase in the number of students.

10.60 The Universities provide some accommodation for their students. In the planning terms, there is however a strategic need for student accommodation across London. The reality is that London Borough of Richmond is outside central London areas where most of the university activity occurs. The figure below provides an overview of the private student halls across London. The highest concentration of the student accommodation tends to be located in a close proximity to the universities. These are situated across Central and Northern areas of London.

10.61 We therefore argue that the provision of the student accommodation seems currently sufficient to meet the local students' needs. Any plans for St Mary's University will need to form part of a wider accommodation strategy taking account of capacity and infrastructure. Further to that, given the location of the borough and proximity to central London areas, LB Richmond is not directly affected by the students attending central London universities such as LSE, UCL, Kings College, Imperial College of London or City University London.

10.62 Agent's consultation carried out as a part of housing market assessment indicated a small proportion of students in the PRS. This was mainly due to the proximity and more residential character of the areas across the borough.

Figure 64: Map of Private Student Halls of Residents

Source: www.accommodationforstudents.com

10.63 The demographic modelling in this report assumes that the institutional population of those under 75 remains constant (in absolute terms). Thus any delivery of student housing can be counted towards the housing requirement and meeting OAN on the basis of the expected number of dwellings from the general housing stock that it would release.

Self- and Custom-build Housing

10.64 SHMAs need to investigate the contribution that self-build makes toward the local supply. *Laying the Foundations – a Housing Strategy for England 2010* sets out that only one in 10 new homes in Britain were custom built – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:

- A lack of land;
- Limited finance and mortgage products;
- Restrictive regulation; and
- A lack of impartial information for potential custom home builders.

10.65 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.

10.66 Local authorities are now required to establish and maintain a register of those interested in building or commissioning their own home. This was introduced by the Self- and Custom Homebuilding Act 2015, the Self-Build and Custom Housebuilding (Register) Regulations 2016 and accompanying Planning Policy Guidance from 1 April 2016.

10.67 The GLA had set up a pilot register from August 2015, at regional level to inform its planning and housing strategies. As of March 2016, there were 20 people on the register already living in Richmond and there are 320 who would like to build in the borough. There is not yet any data available from the Council's borough level Register which has recently been set up.

10.68 Given this is a new requirement on local authorities, and Registers have only recently been established – they do not yet provide comprehensive information on demand.

10.69 Quantitative information regarding levels of demand for self-build is thus hard to come by. The website BuildStore currently (as at April 2016) has 83 persons registered on its Custom-Build Register as looking to build accommodation in Richmond; and 751 active Plot Search subscribers across the Borough.

10.70 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be a notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.

10.71 In Richmond, evidently land supply is a potential constraint on growth, along with high existing land values. There is anecdotal evidence that people are undertaking self-build themselves, for example through one for one demolitions and claiming CIL exemption on the basis of self-build.

Implications

- The evidence indicates that a significant growth in the population in older age groups can be expected, with the number of people aged 65 and above expected to increase by 7,600-10,900 (28-39%) from 2014 to 2033. Demographic change is likely to see a requirement for additional levels of care/support along with provision of some specialist accommodation in both the market and affordable sectors – it is estimated that around 50-65 units of new provision per annum should be some form of specialist housing for older people along with an additional 22-28 residential care bedspaces per annum. However, decisions about types of specialist housing that are required will need to be taken at a local level taking account of specific needs and existing supply.

- The number of people with disabilities is closely related to the age of the population and many of the conclusions related to older persons are relevant for this group. Demographic projections suggest a 70-88% increase in the population aged over 85 from 2014 to 2033 with Census data suggesting that around 80% of this age group have some level of disability. This provides a strong justification for seeking 10% of new dwellings as wheelchair-accessible, in line with the London Plan, to the optional higher Building Regulation M4(3).

- The Borough is an attractive location for families. The evidence however indicates that 8% of households (6,100 households) contain non-dependent children. Provision of affordable options will be important in enabling young people to move out of the family home.

- There is a growing BME population in the Borough, particularly of White Other and Asian/ Asian British origin. This is relatively younger than the wider population, with a higher proportion living in the Private Rented Sector.

- The Borough has a small student population. The evidence does not suggest that this has a particular impact on the local housing market, but this should continue to be monitored. A strategic need for additional student accommodation is identified across London.

- Self- and custom build housing is a potential growth sector. A modest level of existing demand is shown through existing evidence. Evidently land supply is a potential constraint on growth.

11 CONCLUSIONS

11.1 This Strategic Housing Market Assessment Report has sought to consider the overall need for housing, and the need for different types of homes and the housing needs of different groups within the Borough's population.

11.2 The Borough's housing market is closely integrated with those in other West and South West London Boroughs, and forms part of a wider London housing market that extends across the Capital and has links and inter-relationships into the Home Counties. LB Richmond's strongest links are with Hounslow, Wandsworth and Kingston. The evidence points to a net inflow of those in their late 20s and their 30s into the Borough seeking family-sized accommodation. Demographic trends have seen an increase in all age groups over 40, together with children, in the recent past. There is a modest net out-migration of those in all age groups over 40 – this is to a range of areas outside London, including to Surrey.

11.3 The largest age groups in the Borough's population are those aged 30-48; with the Borough having an older population structure than London as a whole. 83% of the population are White British and it is not as ethnically diverse as many boroughs; but the population of BME groups (particularly White Other and Asian/ Asian British) has been growing. The Borough is relatively affluent, with more than two thirds of its resident population employed in professional occupations.

Overall Housing Need

11.4 The Borough's population can be expected to grow. Over the 2001-14 period, the population grew by an average of 0.8% per annum. The analysis in this report has reviewed a range of demographic projections. It concludes that the GLA Long-Term Projections (2014-based) provide a reasonable assessment of demographic trends, if land supply constraints are 'left aside.' These expect 16.3% population growth between 2014-33 in the Borough, and result in a housing need for 913 dwellings per annum. The sensitivity analysis undertaken indicates that the unconstrained demographic need would show between 895 – 915 homes per annum.

11.5 In drawing conclusions on the potential OAN, these figures should be regarded as a minimum level of provision. Economic factors do not provide an upside to this assessment of need: they show a need for 741 – 893 homes per annum based on forecasts which potentially overstate the likely performance of the Borough's economy given in particular a diminishing stock of office floorspace available to accommodate jobs growth. In respect of affordability issues, in terms of market signals and affordable housing need, whilst in an unconstrained situation these might be considered as justifying higher housing provision relative to the demographic need, this is unrealistic set against a

constrained land supply. A notional 'unmet housing need' should be measured against the demographic-based need set out (895 – 915 dpa).

11.6 In reality, the supply of available land which is suitable for development is likely to influence future development trends and for the Council to consider in setting policy targets. Taking account of land supply, the London Plan sets a minimum housing target for 315 homes per annum. This is a minimum and development sites are expected to optimise housing output taking account of location and context, public transport accessibility and design standards.

11.7 A constrained land supply is likely to influence the migration and household formation trends moving forwards. The GLA SHLAA-constrained demographic modelling expects lower population growth and a stronger relative ageing of the population, and in-migration of younger persons is more restricted. The population in most age groups under 45 is expected to fall. In absolute numbers, it expects population growth of 4,200 to 2033; however in line with past trends population growth could feasibly be stronger – but this would likely be supported by greater intensity of use of housing including by younger households.

Affordable Housing Need

11.8 Private sector housing costs in the Borough have continued to grow since the market downturn. House prices increased by third between 2010-15 and are higher than in many Outer London Boroughs. Rental costs have increased 39% between 2011-15. In both cases this represents significant growth in housing costs in real terms. The evidence suggests entry level house prices in the Borough in 2014 were 14.5 times the incomes of younger households – significantly above the Outer London average of 9.8.

11.9 Affordable housing need has been assessed using the Basic Needs Assessment Model, as set out in Planning Practice Guidance. This considers the notional need from all households requiring financial support, and compares this to the turnover of existing affordable housing. Set against a limited supply of affordable housing and high costs for market housing for sale and rent, a high need for affordable housing is shown – from 906 households per annum. This level of need is assessed on an unconstrained basis.

11.10 The high level of affordable housing need clearly justifies policies seeking to maximise the delivery of affordable housing in the Borough, so far as this does not render development unviable. The Council's current policies seek 50% on-site affordable housing on development schemes of over 10 dwellings, and contributions to affordable housing on smaller sites. The needs evidence will need to be brought together with a Plan-wide Viability Assessment in drawing conclusions on future policies for affordable housing provision, but would justify a continuation of the current policy approach.

Need for Different Types of Homes

11.11 Against a context of a constrained land supply, there are potentially some policy choices to be made regarding the types of homes which are built. The SHMA has modelled the need for different types of market and affordable homes, taking account of demographic dynamics and wider issues. It concludes that a mix of homes of different sizes should be sought.

11.12 In the affordable sector there is a greater relationship between the sizes of households and the sizes of homes they occupy, and thus a greater need is shown for smaller properties than in the market sector. Market demand in the borough is particularly for family housing; although it will be important also to provide attractive housing for older households looking to downsize. The following conclusion on housing mix are drawn:

Table 87: Mix of Homes Needed

	1-bed	2-bed	3-bed	4+ bed
Market	10-15%	25-30%	30-35%	25-30%
Affordable	35-40%	30-35%	20-25%	5-10%
All dwellings	25-30%	25-30%	25-30%	20-25%

11.13 The mix set out takes into account a range of factors including the need to support downsizing, closer alignment between need and aspiration in the affordable sector and also longer term demographic trends which may or may not be evident in the short term. These mix conclusions are not intended to be applied rigidly to every site, and should be considered alongside the site context and specific local evidence on affordable housing need from the Council's Housing Register to inform setting of policy targets.

11.14 A slightly alternative view on the mix can be drawn from analysis of the housing register. This would indicate perhaps a slightly lower need for 1 and 3 bedroom properties and a higher need for 2 and 4 bedroom properties relative to that set out in Table 87. For policy making purposes both these approaches could be considered robust. It should also be recognised that local authorities have statutory homelessness responsibilities towards families with children, and would therefore prioritise accordingly. Other policy considerations such as overcrowding in the social housing sector and making best use of existing stock would need to be taken into account, and suggest a need for larger family sized affordable homes.

11.15 The modelling indicates that the current policy seeking 80% social/ affordable rented housing and 20% intermediate housing remains appropriate.

11.16 The SHMA has though also assessed the need for Starter Homes. A potential need for between 111 – 132 Starter Homes per year is shown, which represents 12-15% of the (unconstrained) demographic need and/or the affordable housing need. If Starter Homes are included within the

definition of affordable housing, an 80/ 20 split between social/ affordable rent and intermediate/ starter homes would still remain relevant.

11.17 A growing older population is expected to exert a key influence on future demand. 27% growth in the population over 65 is expected in the SHLAA-constrained demographic scenario. Linked to a growing older population, the number of households with dementia is expected to increase by 44% (+ 889 households) and those with mobility problems by 39% (+7,239 households). It will be important to provide a range of housing options and support – including specialist housing, adaptions to properties and floating support.

11.18 In regard to specialist accommodation for older persons, a need for between 50-65 units per annum is identified (drawing on the SHLAA constrained scenario). This forms part of the C3 need for housing. This would include provision of extra-care and sheltered accommodation. However, decisions about types of specialist housing that are required will need to be taken at a local level taking account of specific needs and existing supply.

11.19 In addition, the modelling indicates a need for 22-28 residential care bedspaces. This would fall within a C2 use, and is separate from the overall need for housing assessed herein.

11.20 With a growing older population, the numbers of people with disabilities is expected to increase. The London Plan requirement for 10% wheelchair accessible dwellings in entirely supported by the SHMA evidence.

11.21 More widely, the Borough is an attractive location for families. The evidence however indicates that 8% of households (6,100 households) contain non-dependent children. Provision of affordable options will be important in enabling young people to move out of the family home.

11.22 There is a growing BME population in the Borough, particularly of White Other and Asian/ Asian British origin. This is relatively younger than the wider population, with a higher proportion living in the Private Rented Sector.

11.23 The Private Rented Sector has been growing, but is not as larger as in other parts of London. The Borough has a small student population. The evidence does not suggest that this has a particular impact on the local housing market, but this should continue to be monitored. A strategic need for additional student accommodation is identified across London.

11.24 The Council might wish to consider policies regarding development of private rented accommodation. This is a growing sector across London, and the SHMA points to the likelihood of its continuing growth and importance in accommodating younger people in the Borough. In doing so,

it should recognise that scheme viability is different from mixed tenure housing developments. A bespoke policy regarding affordable housing might be considered.

11.25 Self- and custom build housing is a further potential growth sector. A modest level of existing demand is shown through existing evidence. Evidently land supply is a potential constraint on growth. The Council has recently set up a register of those interested in self- and custom-build development.