STRATEGIC HOUSING MARKET ASSESSMENT FOR KINGSTON UPON THAMES AND NORTH EAST SURREY AUTHORITIES

June 2016

Contents

Executive summary

1 Cobweb Consulting was commissioned in 2015 by Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District Council and the Royal Borough of Kingston upon Thames to prepare a Strategic Housing Market Assessment (SHMA).

2 The SHMA concludes that the four authorities of Elmbridge, Epsom & Ewell, Kingston and Mole Valley form a coherent and self-contained Housing Market Area (HMA), as identified from strong migration linkages and supported by evidence on house price patterns and commuting links. Detailed consultation with surrounding authorities and other bodies confirmed that this was viewed as an appropriate boundary.

3 The commissioning authorities fully recognise that there are strong linkages with surrounding authorities, particularly to the south of the HMA, but also in other directions, that will need to be taken into account in developing policy.

Dwelling stock

4 There were just over 190,000 dwellings in the HMA in 2014. Vacancy rates are generally low. Owner-occupation is the predominant tenure but since 2000 there has been a substantial increase in private renting. The social rented sector is smaller than average. Houses are the main type of dwelling with most being detached or semi-detached. The HMA has a greater proportion of homes with four or more bedrooms than the national average. Dwelling prices are exceptionally high across the whole HMA, especially in Elmbridge where the median sale price in 2014 was approaching £500,000. The lower quartile threshold prices for dwelling purchase and private sector rent levels are also very high. As a result, affordability has been and remains a key problem in the HMA.

Recent demographic trends

5 After slow growth up to 1996, the rate of population growth across the HMA has accelerated over the 2011-2014 period. Kingston and Epsom & Ewell have the highest growth rates. The factors generating growth differ between local authorities. In Kingston, for example, natural increase and international migration are important. In the Surrey authorities, natural change and net internal migration (dominated by outward movement from south and west London) are more important, although Mole Valley has little natural growth.

6 Kingston has a high proportion of people aged 15-34. The other authorities have smaller proportions in this age group. Elmbridge and Epsom & Ewell have higher than average proportions of people aged 35-54 and of children aged 0-14, whilst Mole Valley has an older population profile. The working age population has grown substantially in recent years in Kingston and in Epsom & Ewell (13%) but more slowly in Mole Valley and Elmbridge. (3%).

7 Growth in the number of households has been highest in Kingston and Epsom & Ewell, and lowest in Mole Valley. Mole Valley has a lower average household size than the

other authorities, reflecting the older age profile of its population. Overall, there are fewer 1-2 person and more 3-4 person households than the national average.

8 The economy of the area and its surroundings help to create demand for housing. The three Surrey authorities are among the 20 least deprived areas in England, and Kingston is the second least deprived London Borough. Residents in the HMA are more likely to be economically active than the Surrey or London averages, and occupations and industry are dominated by higher–end activities such as financial and professional occupations, with high proportions of managers, directors, and professional and technical roles and important commuting linkages with central London and other economic centres such as Gatwick Airport in the south and Heathrow Airport to the north. Between 2000 and 2013, the HMA became increasingly focussed on higher paid employment.

Objectively assessed need for housing

9 National planning policies require local authorities to base their planning policies on the full Objectively Assessed Need (OAN) for market and affordable housing identified through the preparation of a Strategic Housing Market Assessment (SHMA). The starting point is the most up to date official projections. CLG 2012-based household projections indicate household growth of 54,000 across the whole HMA over the period 2012-2037, an increase of 30%, or on average 2,160 households per annum.

10 There are considerable differences between authorities in the projected factors driving future growth, many of which are similar to the factors driving past growth. In Elmbridge, a steady net loss through international migration is projected, more than offset by natural growth and internal in-migration. In Epsom & Ewell, the projections assume contributions to growth from natural change, internal migration and to a much lesser extent from net international in-migration. In Kingston, natural change is consistently high, together with net international migration, offset by an assumed increase in the rate of net out-migration to the rest of the country. In Mole Valley, the projections assume a gradually increasing decline in population through natural change and net international out-migration, but these are more than offset by the projected increase in net migration from within the UK, especially from London and nearby areas.

11 The Greater London Authority has also produced population and household projections for Kingston, which do not cover the three authorities in Surrey. We consider that these provide a better basis for calculating OAN in Kingston than the CLG 2012-based projection, and have substituted the GLA 2014-based long-term migration scenario population and household projections for those prepared by ONS/CLG for Kingston.

12 In addition to demographic trends, Planning Practice Guidance recommends the consideration of projections of employment growth when considering the objective need for housing. Within this HMA, there is no strong evidence to suggest the need for any increase in OAN for housing as a result of projected employment change.

13 The OAN for housing in the HMA and each constituent authority is as shown in the table below. Across the HMA as a whole, the annual OAN is 2,000 dwellings per annum.

Source		Backlog need		New hhd form-ation	Allowance for vacancies		Allowance for second homes		Total
		Home-less	Con-cealed	Net new house-holds	% allow-ance	Number	% allow-ance	Number	
Elmbridge	2015-2035	5	606	8,565	2.84	243	0.71	61	9,480
	Per annum	0	30	428		12		3	474
Epsom and Ewell	2015-2035	62	514	7,627	1.95	149	0.00	0	8,352
	Per annum	3	26	381		7		0	418
Kingston	2015-2035	186	1,053	12,696	1.99	253	1.26	160	14,348
	Per annum	9	53	635		13		8	717
Mole Valley	2015-2035	6	419	7,168	2.18	156	0.90	65	7,814
	Per annum	0	21	358		8		3	391
Total	2015-2035	259	2,593	36,056	2.22	801	0.82	296	40,005
	Per annum	13	130	1,803		40		15	2,000

14 In terms of the breakdown by dwelling size, in Kingston, future requirements show a reduction in the proportion of one bedroom units required, and an increase in the proportion of larger units. In Elmbridge, the majority of the additional requirement is for smaller (1-2 bedroom) units. In Epsom and Ewell and in Mole Valley, 2-3 bedroom units form the majority of the additional dwelling requirement. This is a trend projection and a variety of factors could also inform future decisions on the size mix of new dwellings, including any worsening affordability position, or the need for London and the South East to make the best use of land to meet housing need.

15 NPPF and Planning Practice Guidance indicate that market signals should be taken into account when producing an OAN. These include land prices; house prices; rents; affordability; rates of development and overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. From a detailed review of trends in these indicators, our conclusion is that there is no strong evidence to suggest an addition to OAN is required as a result of market signals, except possibly in the case of Elmbridge, where we build in a 'trigger' mechanism to prompt a review of the OAN and a possible uplift. However, across all authorities, the evidence strongly suggests that there is a need for affordable housing provision and this is taken into account in the assessment of that requirement.

Affordable housing requirements

16 The annual requirement for affordable homes to meet housing need is a key element of an SHMA. Official Planning Practice Guidance sets out the framework of the approach.

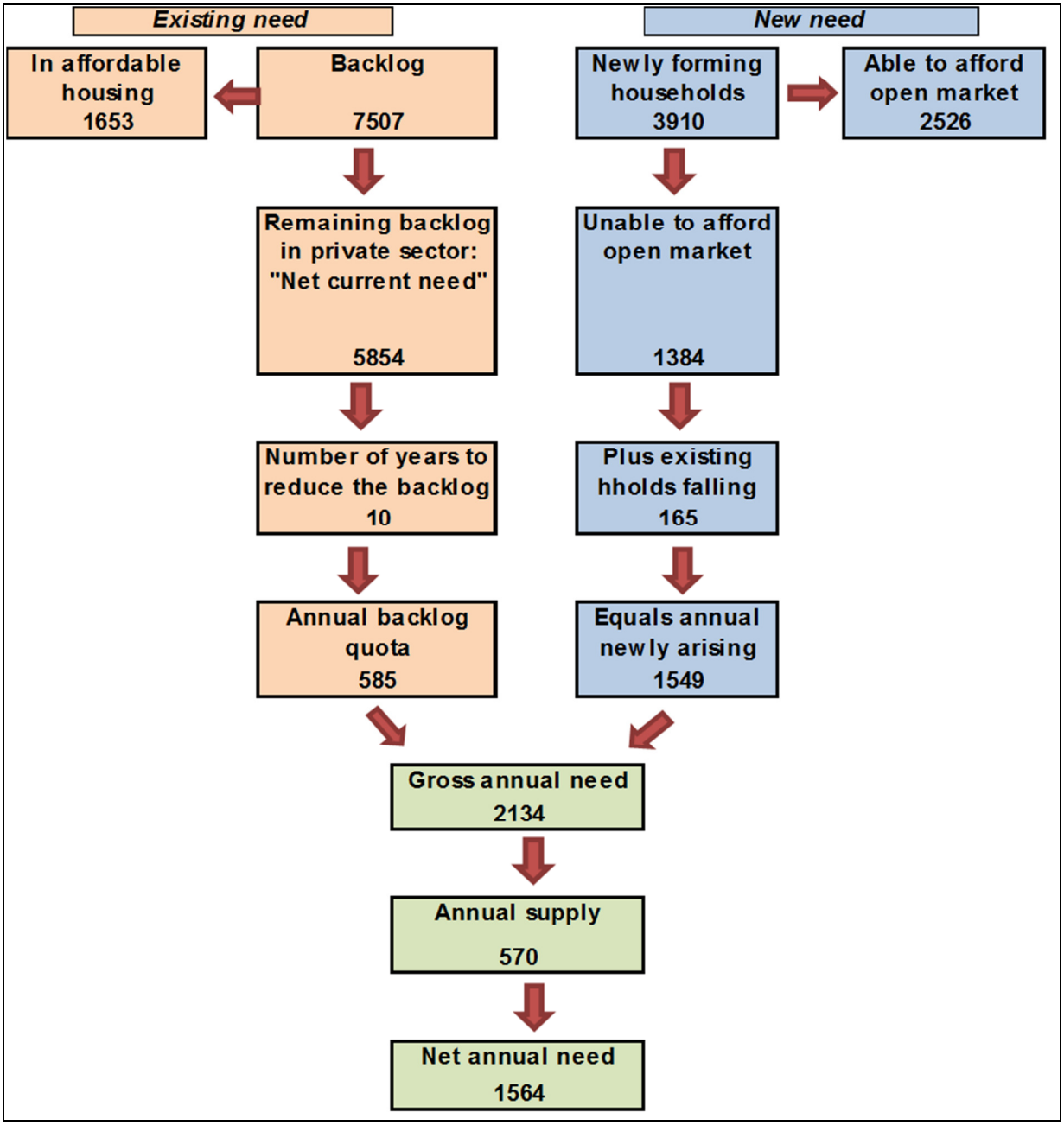
17 The estimation of affordable housing need involved the following steps:

- The backlog of households in need at the baseline year were estimated from data on homeless households, concealed households and overcrowded households and their ability to afford housing in the private sector.
- Newly arising need in the future was estimated by calculating the number of newly forming households aged under 45 each year over the period 2015-35 and obtaining an annual average. The ability of these households to afford housing in the private sector was estimated from data on the distribution of their incomes, which were compared to minimum market housing cost thresholds. Separate thresholds were identified for market housing, intermediate tenure housing and affordable rented housing, and within each category for dwelling size. It was assumed that a maximum of 25% of gross household income should be applied to housing costs.
- Backlog housing need was added to annual newly arising need to provide an annual estimate of gross affordable need. As it would be unrealistic to meet all of the backlog in one year, it was assumed that the backlog of affordable need would be met over a ten year period.
- The estimated supply of each type of affordable housing was deducted from gross affordable housing need to produce an estimate of net affordable housing need. This represents the amount of additional housing (broken down by each local authority, by each type of affordable provision and by the required dwelling size mixture) required to meet affordable housing need each year.

18 The table below summarises the results aggregated for the whole HMA. The net annual need for affordable housing is 1,564 units. This differs from the OAN established in Chapter 6. The OAN is the net need for additional units of housing across all tenures. Affordable need represents the net amount of additional affordable housing. This could be provided by both new build and by transfers between tenures.

19 Across the whole HMA, over 80% of future annual demand is for housing at social rented sector levels, with about 5% of demand for affordable rents, and 15% for intermediate tenures. In terms of dwelling size, the largest demand was for 2-bedroomed units, and the smallest shortages generally occurred for 1 bed and 4+ bed units. If measures were taken to address over-crowding and under occupation in the affordable housing sector, there would be shift in requirements towards 1-bed and 4-bed units.

20 Although PPG indicates that private rented provision should not be considered as affordable housing, the sector can play a part in meeting affordable housing need, supported by benefits based on Local Housing Allowance assistance with rents.



The housing needs of specific groups

21 As required by PPG, the housing requirements of specific groups identified in NPPF and PPG were examined in greater detail.

Older people

- As a proportion of the overall population, the percentage of those aged 65 or over is forecast to increase by 4-7 percentage points by 2037 across the HMA. This represents a 75% increase on current numbers of households with older people in them.
- There are forecast to be 28,000 people aged over 85 in the HMA, an increase of 133% on current numbers.

- 70% of single older people and 84% of older couples own their own homes outright, implying there is considerable equity available to meet housing needs. However 26% single older people and 9% of older couples are in the social or private rented sectors and will not have these assets.
- Older people tend to under-occupy housing, implying that if they downsize this would free up more family-sized accommodation in all sectors.
- Across the HMA there is a surplus of sheltered accommodation, but a deficit of enhanced sheltered and extra care. However, to ensure future demand is met, 235 additional units per annum of all types of specialist accommodation will be required until 2035.

Households with disabilities and wheelchair requirements

- A steady increase in the number of households with physical disabilities is forecast between now and 2030, particularly of those aged 65 plus.
- Around 815 households have unmet wheelchair accessible accommodation requirements.
- There is a mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock.
- There are a number of reasons for this including the need to minimise void periods and mismatches between locational preferences and the available stock.

Students

- There are 31,000 students resident in the HMA during term time, with the greatest concentration in Kingston (16,000), where the main Higher Education institutions in the HMA are based.
- 10% of students live in halls of residence or similar, all of which are in Kingston. 55% live with their parents though this number includes older school pupils and college students. The rest are reliant on the private rented sector, especially in Kingston.
- There is a rough balance between numbers studying in the HMA and students living in the HMA; however the HMA is heavily reliant on Kingston both to provide educational facilities and to house students.

Families

- The proportion of younger people in the HMA is forecast to decline over the next twenty years, and hence the proportion of families with younger children will decline proportionately. However, there will still be an absolute growth in the number of younger people, concentrated in Kingston.
- There are a lower proportion of lone parents in the HMA than average and these households are more reliant on social housing than other groups (30% live in the sector compared to 11% of all households).

- Other households with children are concentrated in the owner-occupied sector, where 75% have at least one spare bedroom.
- In the social rented sector around 20% are overcrowded, but a similar proportion under occupy.

Armed forces households

- Authorities are making adequate arrangements for the housing needs of this group, and there do not seem to be any unmet requirements

Self-builders

- There is currently little evidence of demand from potential self-builders. New requirements for recording and monitoring interest have been in force since April 2016, and authorities will need to assemble and analyse this data to develop future policy.

Gypsies, Travellers and Travelling Showpeople

- In the context of the new requirements of the 2015 Planning Policy for Traveller Sites, this HMA has not specifically and separately considered the needs of these groups. However, authorities will need to ensure that relevant accommodation assessments are put in place in conformity with the new policies.

Conclusions

22 The area covered by this SHMA is characterised by a high level of economic prosperity, matched by high dwelling and land values and an attractive environment. Planning policies for housing need to address the challenges which are posed by the need for housing to support economic growth whilst at the same time addressing the impact of high housing costs through an adequate supply of affordable housing. The level of required new housing provision, whilst above previous targets, is not inconsistent with past trends in provision or with past demographic trends. It is also sufficient to support the HMA economy.

23 The three Surrey authorities have a good track record of delivery at or above targets. Kingston faces a greater challenge but the OAN arrived at in this SHMA is close to that identified in the London Plan and subjected to Public Examination. It should be borne in mind that targets have been in the past constrained by land availability.

24 New housing provision and affordable housing are closely linked because the former provides an important source for the latter. Given the high prices in the area, it is essential that the provision of additional affordable housing should be maximised, especially if the authorities are going to be able stave off potential increases in homelessness in the future. It will also be important to make the maximum use of the private rented sector for households who cannot access the owner occupied market, though there are concerns about the ability of the sector to continue to cater for lower-income households.

25 The ageing of the population, although not as advanced as in more traditional retirement areas or areas losing population through economic decline, presents both opportunities and challenges. More attractive new housing provision for older people in the owner occupied sector, and in social rented housing, could facilitate downsizing where people want this, and release more larger dwellings for use by families and larger households.

Chapter 1

Introduction

Key Messages

Cobweb Consulting was commissioned in 2015 by Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District Council and the Royal Borough of Kingston upon Thames to prepare a Strategic Housing Market Assessment (SHMA). The SHMA forms part of the evidence base that allows authorities to set planning and strategic housing policies. It provides an Objective Assessment of Need (OAN) and an assessment of the requirement for affordable housing to inform the development of Local Plans and Housing Strategies.

The first stage of the work was to undertake a thorough review of existing research and new evidence to determine the appropriate boundaries of a housing market area or areas covering the four local authorities.

The second stage was to prepare an SHMA fully compliant with the requirements of the National Planning Policy Framework (NPPF), Planning Practice Guidance (PPG), and taking account of associated advice such as that prepared by the Planning Advisory Service (PAS).

As part of the Duty to Cooperate extensive consultation was undertaken with neighbouring local authorities, the Greater London Authority, Surrey County Council and other relevant organisations, initially over the definition of HMAs and subsequently over the evidence assembled and the study findings. The comments made by consultees have been carefully considered and taken into account.

In addition to the Executive Summary, key messages are provided at the beginning of each chapter in the report to highlight the main issues and findings, and Chapter 10 draws out the main conclusions of the SHMA.

1.1 Cobweb Consulting was commissioned in 2015 by Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District Council and the Royal Borough of Kingston upon Thames to prepare a Strategic Housing Market Assessment (SHMA)[1].

1.2 The role of a Strategic Housing Market Assessment is to assess the future requirement for affordable and market housing. This is done over a suitable planning period, in this case the twenty years from 2015 to 2035. It needs to explore the underlying dynamics of a housing market area (HMA) including the different factors that impact on housing requirements – demographic and economic change, prices and incomes, supply of and demand for different types of housing, and to assess the characteristics and needs of particular groups. It should explore the impact of, and interrelationship with, neighbouring HMAs.

[1] To save space we refer to the authorities as Elmbridge, Epsom & Ewell, Kingston and Mole Valley

1.3 The SHMA forms part of the evidence base that allows authorities to set planning and strategic housing policies. In itself, it does not provide targets for the provision of either affordable or market housing. Instead it should provide an Objective Assessment of Need (OAN) and an assessment of the requirement for affordable housing that authorities should use to develop policies and targets, including Local Plans and Housing Strategies.

1.4 The first stage of the work was to undertake a thorough review of existing research and new evidence to determine the appropriate boundaries of an HMA or areas covering the four local authorities.

1.5 The second stage was to prepare an SHMA including an OAN fully compliant with the requirements of the National Planning Policy Framework (NPPF)[2], official Planning Practice Guidance (PPG)[3], and taking account of associated advice such as that prepared by the Planning Advisory Service (PAS)[4].

1.6 As part of the Duty to Cooperate which the Localism Act 2011 places on local councils, extensive consultation was undertaken with neighbouring local authorities, the Greater London Authority, Surrey County Council and other relevant organisations, initially over the definition of HMAs and subsequently over the evidence assembled and the study findings. The comments made by consultees have been carefully considered and taken into account.

1.7 The remainder of this report is structured as follows:

- Chapter 2 reviews the evidence relating to HMAs in and around the commissioning authorities using the approach recommended in PPG[5]. No case was identified for departing from the recommended approach, other than to take account of the findings of the 2013 Greater London SHMA, since in the case of Kingston the SHMA is required to be in conformity with the Further Alterations to the London Plan, approved in 2015. The review was undertaken with no preconception as to appropriate HMA boundaries, and focussed on the four commissioning authorities together with adjoining authorities and other nearby areas.
- Chapter 3 considers the key national, regional and local policies and requirements relating to the preparation of an SHMA.
- Chapter 4 provides brief profiles of the population, the housing stock and the local economy in the four commissioning authorities, identifying trends over time, and highlighting key differences. This is set in the context of their socio-economic characteristics, tenure composition, dwelling size/type breakdown, condition, under and over-occupation, house prices, private sector and social sector rent levels and

[2] National Planning Policy Framework, DCLG, 2012 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdfNPPF
[3] Planning Practice Guidance, DCLG, 2015 http://planningguidance.communities.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/PPG
[4] Objectively Assessed Need and Housing Targets – technical note, Planning Advisory Service, 2015 (2nd Edition)
[5] Para 011, Planning Practice Guidance, DCLG, 2015

housing supply trajectories, turnover/flows in the private market and the social rented sector, and key features of the local labour market.

- Chapter 5 reviews trends in past population and household change and the various demographic, economic and aspirational factors driving the amount and nature of household formation and housing market change in the study area over the last two decades. The two key long-term drivers of housing market demand considered in detail are demography (including population composition and migration and household characteristics) and the strength of the economy (including both the level and type of employment available and economic opportunities in adjacent areas) which determines households' ability to exercise demand in the market or otherwise.
- Chapter 6 provides an assessment of the future number of households in each of the commissioning authorities and for the HMA as a whole, drawing on official household projections as a starting point, but also on projections prepared by the Greater London authority covering London and outside. It considers the factors which might lead to alternative demographic scenarios, especially those affecting migration and household formation. It examines alternative economic and employment forecasts and assumptions relating to labour force participation and employment rates to develop employment-led household forecasts for comparison with demographic forecasts, in order to identify issues relating to the future under or over-supply of labour and the implications for migration, household formation and/or travel to work.
- Chapter 7 draws together evidence on market signals, which PPG emphasises must form a key component of an SHMA. The main signals considered are house prices and sales turnover, private sector rents, housing supply, overcrowding and homelessness. Drawing on the evidence from Chapters 6 and 7, the Objectively Assessed Need for the HMA and individual authorities is derived. This is set in the context of the future supply and deliverability of development.
- Chapter 8 assesses affordable and intermediate housing needs, following the framework set by Planning Practice Guidance, and specifically the guidance on Assessment of Housing and Economic Development Needs. It uses a spreadsheet-based model using secondary data sources which has enabled a range of alternative assumptions to be examined before arriving at preferred estimates.
- Chapter 9 highlights the housing needs of a range of specific groups which the commissioning authorities considered to be of particular importance and which may not be fully identified elsewhere.
- Chapter 10 draws together some conclusions, based on the broader strategic trends identified in the SHMA.

Each chapter is preceded by a summary of the key points covered within it.

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This report was researched and written by Cobweb Consulting. Danny Friedman and Philip Leather were the authors, and Sheila Mackintosh undertook the interviews.

Chapter 2

Defining Housing Market Area(s) including Kingston and North East Surrey

Key Messages

The four authorities of Elmbridge, Epsom & Ewell, Kingston and Mole Valley form a coherent and self-contained housing market area (HMA), as identified from strong migration linkages and supported by evidence on house price patterns and commuting links. Detailed consultation with surrounding authorities and other bodies confirmed that this was viewed as an appropriate boundary.

Previous research has shown that there is no unique set of HMAs covering the country. In London and surrounding areas it is particularly difficult to identify unique HMAs because of the strong network of linkages between the urban area and areas around it. This was recognised by the Greater London Authority in the preparation of the Further Alterations to the London Plan (FALP), which prepared an SHMA covering Greater London, whilst recognising linkages with areas outside London. Subsequent draft Supplementary Planning Guidance prepared by GLA provides support for sub-regional SHMAs covering individual London Boroughs together with other authorities outside London. The four authorities which commissioned this SHMA felt that this was the appropriate approach to take given the nature of housing market in the area.

The authorities fully recognise that there are strong linkages with surrounding authorities, particularly to the south of the HMA, but also in other directions, which will need to be taken into account in developing policy.

2.1 The Royal Borough of Kingston upon Thames in London, and the Boroughs of Elmbridge, and Epsom & Ewell, and the District of Mole Valley in Surrey, have commissioned Cobweb Consulting to carry out a Strategic Housing Market Assessment, or Assessments, covering their areas. The first stage in this work was for the consultants to identify the boundaries of the HMA or areas covering the four commissioning authorities. This chapter sets out those findings. As an important part of the Duty to Cooperate, the four authorities have obtained the views of other local authorities, with whom housing market linkages may be present, on the conclusions drawn by the consultants over appropriate HMA boundaries. A number of prescribed bodies such as the GLA were also engaged.

Approach to HMA identification

2.2 The NPPF requires planning authorities to assess their full housing needs through the preparation of a Strategic Housing Market Assessment (SHMA), working with neighbouring authorities where "*housing market areas cross administrative boundaries*".

2.3 PPG defines an HMA as 'an area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work.'[6] As the guidance goes on to indicate, HMAs will often differ from the areas covered by individual local planning authorities, so authorities may need to work with others under the Duty to Cooperate. In ideal circumstances, authorities would co-ordinate their plan preparation processes over a single HMA, but 'where Local Plans are at different stages of production, local planning authorities can build upon the existing evidence base of partner local authorities in their HMA'[7] whilst seeking to co-ordinate future housing reviews so they take place over the same timescale.

2.4 Following PPG[8] and additional technical advice prepared by the Planning Advisory Service (PAS)[9], three sources of information were examined, as follows:

- House prices and rates of change in house prices;
- Household migration and search patterns;
- Contextual data on travel to work area boundaries.

2.5 PPG indicates that no single source of information will be comprehensive in identifying the appropriate assessment area. Careful consideration has therefore been given to each source and to how these sources relate to one another. In line with PPG, careful consideration has also been given to previous work on identifying HMAs in and around the area of the four commissioning authorities.

2.6 When seeking to identify HMAs in and around London, it is necessary to take account of the complex set of inter-relationships between localities both within and outside London. Several studies, including most recently work by Nathaniel Lichfield and Partners for a developer making representations to the FALP[10], have shown that there is strong evidence for the existence of a large SHMA covering the Greater London area and other areas outside London in the South East, but there is no definitive boundary to this area. In its guidance on Objectively Assessed Need, the PAS[11] pointed out that in many areas, and especially London, the analysis of the evidence suggests several different sets of HMAs, with differing boundaries, depending on the chosen focus, rather than one unique set of areas. This means that the identification of areas must be approached pragmatically, in order to highlight sensible HMAs supported by objective evidence, whilst at the same time recognising the overlapping and multiple linkages between areas which are found in and around London.

[6] CLG online Planning Practice Guidance, Housing and economic development needs assessments, para 010, updated 06-03-2015.
[7] CLG guidance para 007, updated 06-03-2015.
[8] CLG guidance para 011, updated 06-03-2015.
[9] Objectively Assessed Need and Housing Targets, Technical advice note, June 2014, Planning Advisory Service, available at www.pas.gov.uk
[10] Nathaniel Lichfield and Partners (2014) Further Alterations to the London Plan (FALP), Representations on behalf of Gladman Developments.
[11] Objectively Assessed Need and Housing Targets, Technical advice note (edition 2), 2015, Planning Advisory Service, available at www.pas.gov.uk

2.7 In an ideal world, planning authorities over a larger area would consider and agree HMA boundaries and coordinate SHMA work but, differences in plan preparation timescales and ongoing work on the preparation of SHMAs often make this impractical. Accordingly, this piece of work has been commissioned independently, but with a clear requirement that the work will take full account of evidence on housing need from other relevant planning authorities and in turn share its findings with these authorities. Provided that different evidence sources are combined to give a coherent and robust picture of the OAN for housing to inform plan preparation, this will meet NPPF requirements.

Previous work on HMA identification

2.9 A number of national and local research studies have considered the potential boundaries of HMAs in and around the area covered by the four commissioning authorities.

2.10 The most significant national level study was commissioned by the former National Housing and Planning Advice Unit (NHPAU) from Newcastle University and published by CLG in 2010. This attempted to identify HMAs covering the whole of Great Britain[12]. The study clearly identified the difficulties referred to above in defining unique and non-overlapping HMAs both in general and especially in and around London with its complex pattern of internal linkages and population movement, and so produced a correspondingly complex set of outputs. A 'gold standard' analysis was undertaken at 2001 Census ward level and produced:

- a two tier system of strategic and local HMAs, the latter nested within the former. Boundaries in both tiers were based on wards and were not aligned to local authority boundaries. With the exception of two wards in the south of Mole Valley, all four commissioning authorities, and the surrounding authorities, were included in a large London Strategic HMA covering the London-wide area and parts of some surrounding local authorities (Map 1). The picture for the local HMAs was more complex, with Kingston split between a London West HMA (covering Kingston upon Thames itself and Surbiton) and a London South West HMA (wards in the south and south east of the borough). Elmbridge was largely within a Guildford HMA but two wards were included in the London West HMA. Epsom & Ewell was located wholly in London South West and Mole Valley was largely within this HMA. This suggests that there were strong links between Kingston and Richmond; between Elmbridge and Guildford; and between Mole Valley and Epsom & Ewell and Sutton/Reigate and Banstead.
- an alternative 'single tier' of HMAs, also based on wards. Under this, almost all wards in the four authorities were included in a very large London-wide HMA with the exception of two wards in the south of Mole Valley, one of which was assigned to a Crawley HMA. All of the local authorities surrounding the four commissioning

[12] C Jones, M Coombes and C Wong, Geography of housing market areas, Final report, November 2010, Department for Communities and Local Government, available at www.ncl.ac.uk/curds/assets/documents/1.pdf

authorities were also assigned to this area, with the exception of Runnymede, Woking, Guildford and Waverley which were assigned to the Guildford HMA.

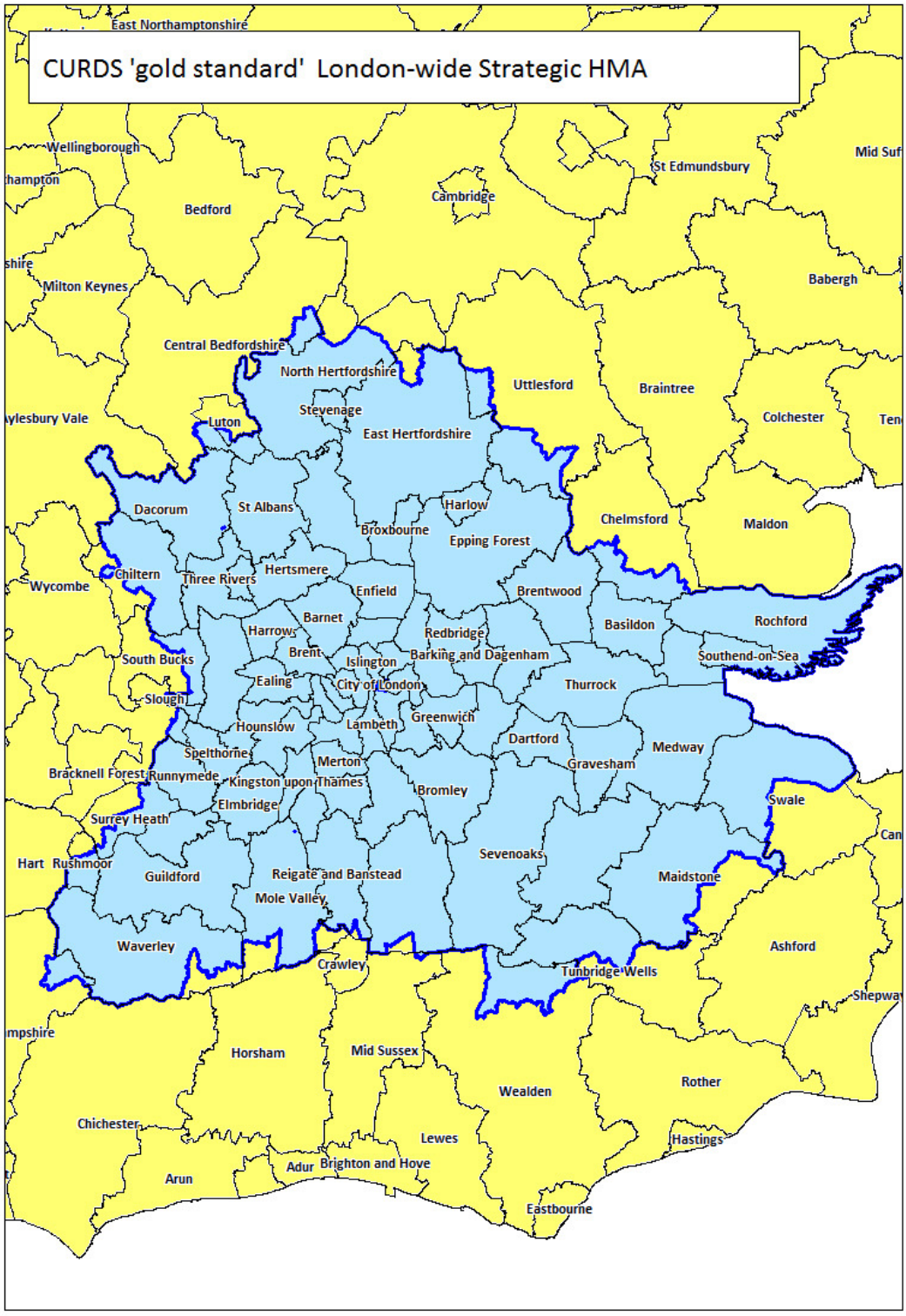
2.11 From the 'single tier' network of HMAs, Newcastle University also produced a 'silver standard' set of HMAs by realigning the single tier HMA boundaries to local authority boundaries on a 'best fit' basis. This assigned all the commissioning authorities to a large London-wide HMA extending beyond the Greater London area. Most of the surrounding authorities were also included within this area, except for Runnymede, Woking, Guildford and Waverley, which were assigned to a Guildford HMA and those in northern West Sussex which were assigned to a Brighton SHMA (Map 2). This London HMA thus extended across the whole of Greater London and into areas beyond its boundaries.

2.12 The NHPAU study concluded (pp 34-35) that the two-tier system of HMAs consisting of local areas nested within larger strategic areas formed the best approach. However, subsequent PAS guidance[13] considered the 'silver standard' single tier system to be more useful and practical for the identification of housing need, as have several other recently prepared SHMAs, and we concur. The advantage of this approach is that the HMA boundaries do not fragment planning authorities, facilitating the assembly and analysis of housing market data and especially of population and household projections which play an important part in identifying OAN.

2.13 Furthermore, the NHPAU study was based on 2001 data, and Planning Practice Guidance is clear that any findings need to be based on the most recent data. In particular, the finer grained 'Gold standard' HMAs were based on wards in use for the Census 2001 which are likely to have changed substantially and for which up to date data is unlikely to be available. This suggests that the evidence from the study should be used only as a starting point in considering HMA boundaries.

[13] See note 5 above.

Map 1 CURDS 'gold standard' London-wide Strategic HMA



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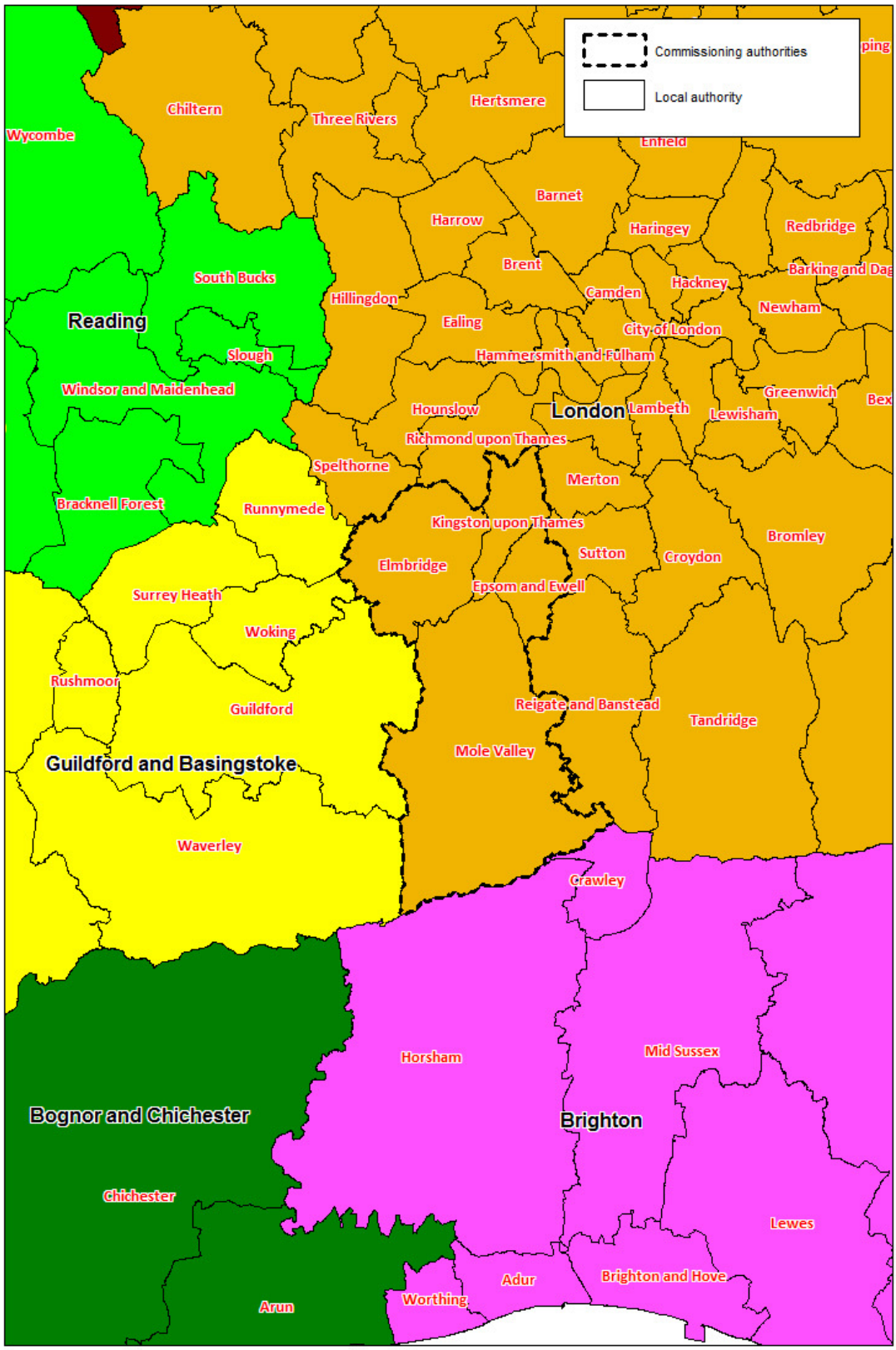
Map 2 NHPAU 'Silver standard' HMAs



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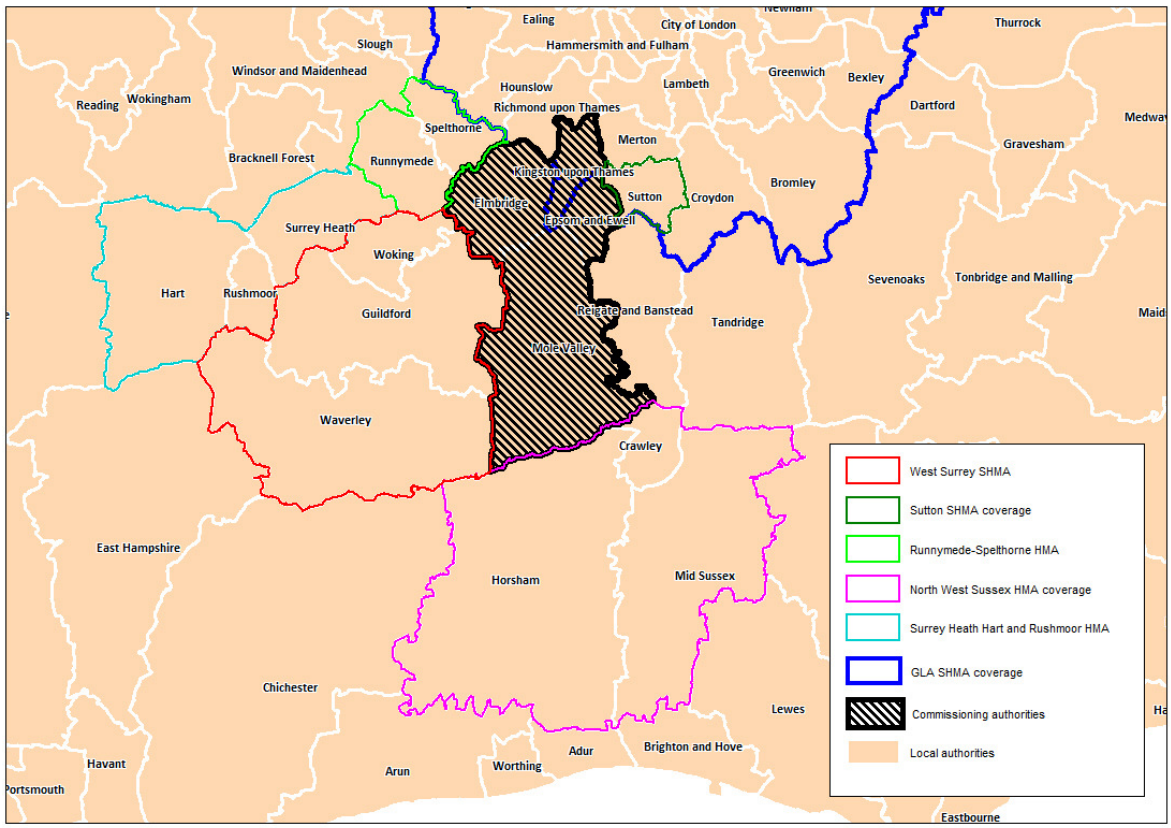
2.14 At a more local scale, a large number of SHMA or housing need studies have been carried out in the area covering or adjacent to the four commissioning authorities (map 3), but only the more recent studies have given detailed attention, in line with changing guidance, to HMA boundaries. No single study has been carried out covering all of the four commissioning authorities.

Map 3 Study boundaries



Source: Cobweb Consulting. Crown copyright

2.15 Work by the GLA including the recent London-wide SHMA 2013[14] utilised the Greater London area as its HMA. The GLA argued that 'while the London housing market is accepted to cross the regional boundary, practical considerations including data availability and the precise identification of the market area favour limiting the study to the Greater London area, in line with previous such studies and with common practice both within London and in neighbouring areas' (Table 5, p 9). The study refers to the NHPAU analysis described above, but points out that the self-containment thresholds used produce significant variations in HMA boundaries in the case of London and surrounding districts.

2.16 The 2011 South West London SHMA covered Sutton, Croydon, Kingston, Lambeth, Merton, Richmond and Wandsworth. This study did not contain a detailed justification for the boundaries used, and focussed on types of sub-market within the study area.

[14] The 2013 London Strategic Housing Market Assessment: Part of the evidence base for the Mayor's London Plan available from www.london.gov.uk

2.17 The 2007 East Surrey SHMA[15] covered Elmbridge, Epsom & Ewell, and Mole Valley, together with Reigate and Banstead and Tandridge. The study analysed migration and travel to work patterns and house prices, but is now considerably out of date as it pre-dated the 2011 Census and the impact of the 2007 Credit Crunch on housing markets.

2.18 The London Borough of Sutton completed a SHMA in June 2015[16]. This contains a detailed examination of previous research and uses the most up to date (2011 Census) data in line with current CLG guidance to determine appropriate HMA boundaries. The SHMA refers to work carried out by the GLA for the FALP, and to the work by Nathaniel Lichfield and Partners referred to above. It concludes (in line with the GLA) that there is strong evidence for the existence of a large SHMA covering the GLA area and other areas outside in the South East, but there is no definitive boundary to this area. It notes that in terms of house prices there are strong links with Croydon and parts of Merton; in terms of migration, links with Merton and to a lesser extent Reigate and Banstead and Croydon; and in terms of commuting, links with Croydon and Merton. Therefore, the authority has concluded, it sits within the wider London HMA and has particularly strong associations with Croydon and Merton, and to a lesser extent with Reigate and Banstead, and Epsom & Ewell.

2.19 The West Surrey SHMA was completed in 2014 and covers Guildford, Woking and Waverley[17]. This also contains a detailed examination of previous research and the most up to date (2011 Census) data in line with current CLG guidance to determine appropriate HMA boundaries. The study concludes that there is a core West Surrey HMA which comprises the local authorities of Guildford, Waverley and Woking. There are strong migration and commuting links between the three authorities and they have similar housing market characteristics. The study concludes that for practical reasons a HMA aligned with local authority boundaries is most appropriate as the demographic data which an OAN must take into account is only available at the local authority level. The SHMA identifies other interactions between the HMA and Rushmoor, East Hampshire and Runnymede which suggests that engagement with these authorities is essential to meet the requirements of the Duty to Cooperate. Outside of the study area, the study also identified a strong degree of linkage between the two authorities of Elmbridge and Kingston.

2.20 The Northern West Sussex SHMA was prepared in 2009 and partially updated in 2012[18]. The study also contains a detailed examination of evidence to determine HMA boundaries, although the data on migration and travel to work mainly dates from the 2001 Census and so is less up to date. The study concludes that it is not possible to draw firm HMA boundaries on a map, and the areas shown are schematic. Two main housing markets

[15] East Surrey Strategic Housing Market Assessment, 2007 available from (for example) www.mole-valley.gov.uk

[16] Strategic Housing Market Assessment, London Borough of Sutton, June 2015, Prepared by GL Hearn Limited. See Chapters 3 and 10.

[17] West Surrey Strategic Housing Market Assessment, Guildford, Waverley and Woking Borough Councils, Draft Report, December 2014, Prepared by GL Hearn Limited, available at www.guildford.gov.uk. See Chapter 2.

[18] Northern West Sussex Strategic Housing Market Assessment, Final Report: May 2009, GVA Grimley, available at www.crawley.gov.uk (also updated 2012).

are identified in West Sussex, the northern of which is centred on Crawley and Horsham. Following the principle of utilising local authority boundaries, this is aligned to the authorities of Crawley, Horsham and Mid Sussex. However the study draws attention to important inter-relationships between this Northern West Sussex Housing Market Area and Brighton and East Sussex to the south/south-east; to a Coastal West Sussex Housing Market Area (particularly for Horsham); to areas of Surrey to the north; and to London. In particular, the 'pull' of the area comprising the Gatwick Diamond should not be underestimated. This will be the case regardless of whether a runway extension is eventually built at Gatwick (or not), as capacity and therefore demand for services, jobs and therefore housing is likely to increase anyway. Mole Valley is a signatory and endorsing authority of the Gatwick Diamond partnership, and its southern areas will undoubtedly be impacted by housing markets in Horsham, Crawley, Reigate and Banstead.

2.21 In November 2015 an SHMA was published covering the two local authority areas of Runnymede and Spelthorne. This contained a detailed examination of previous research and used the most up to date (Census 2011) data in line with current CLG guidance to determine appropriate HMA boundaries. The data identified strong migration, commuting and house price linkages between the two authorities with secondary linkages to other neighbouring areas within Berkshire, London and Surrey. The study recognised London's economic influence, extending beyond Greater London's boundaries; however, it acknowledged the difficulties of developing a SHMA covering London and a significant proportion of the Home Counties.

2.22 To complete the Surrey picture, Reigate and Banstead updated their SHMA in 2012. And, although not directly adjacent to the areas covered by the commissioning authorities, Surrey Heath Borough undertook a joint SHMA with Hart and Rushmoor in 2014. Both the HMA and the SHMA were consulted on, and have now been adopted by the authorities, which also comprise a Functional Economic Area.

Key findings from previous SHMA Research

A number of previous studies have examined potential HMA boundaries covering the areas of Kingston, Elmbridge, Epsom & Ewell and Mole Valley, but none has considered these areas as part of the same study.

Work commissioned in 2010 by the NHPAU to identify HMAs across the whole country produced complex results. A 'single tier' approach which constrained boundaries to align with local authority boundaries assigned the four commissioning authorities to a large London-wide HMA. A 'two-tier' system of HMAs aligned to ward boundaries produced a different picture with a large number of lower tier HMAs covering London, with Kingston more closely aligned to Richmond and the remaining authorities within a London South West HMA which also included Sutton and Reigate and Banstead. This assessment is based on 2001 data which must now be considered out of date, and in addition results differed significantly depending on the spatial scale of analysis and the self-containment thresholds used.

The GLA has prepared a SHMA covering the London-wide area including Kingston. Whilst the GLA recognised that the London housing market could extend outside this area, practical considerations were felt to require a London-wide focus. Studies of West Surrey (2014) and Northern West Sussex (2009, updated 2012) have identified HMAs covering Woking-Guildford-Waverley, and Horsham-Crawley-Mid Sussex respectively. These studies provide evidenced HMAs, although both point out that there are linkages between the HMAs which they identify and other areas including the four commissioning authorities.

The East Surrey SHMA (2007), whilst containing analysis of migration, travel to work patterns and house prices, is based on substantially out of date evidence and does not provide an authoritative justification for an HMA matching the five local authority areas covered by the SHMA (Elmbridge, Epsom & Ewell, Mole Valley, Reigate and Banstead and Tandridge).

A SHMA prepared for Sutton in 2015 identifies strong linkages between Sutton, Merton, and Croydon, and to a lesser extent with Reigate and Banstead, and Epsom & Ewell. It opts for an approach recognising these linkages, but which focuses on the Borough of Sutton alone within the context of the FALP. A recent SHMA covering Runnymede and Spelthorne identified strong linkages between the two authorities, secondary linkages elsewhere, and considers the two authorities to constitute an HMA.

This body of previous work provides support for three HMAs, covering Woking-Guildford-Waverley, Horsham-Crawley-Mid Sussex, and Runnymede-Spelthorne respectively and adjoining the area covered by the four commissioning authorities to the west and south, as well as the Sutton-centred study.

The absence of conclusive findings on appropriate HMAs covering the commissioning authorities and their surroundings suggests that it is now necessary to undertake a thorough analysis of up to date data sources.

New evidence on HMAs

2.23 This section examines evidence on house prices, migration and other contextual indicators to assist in the identification of HMA boundaries following CLG Planning Practice Guidance (PPG).

House prices

2.24 CLG Guidance indicates that patterns of house prices and of changes in prices provide evidence of the relationship between housing demand and supply in different locations and the identification of areas which have different price levels, market 'hotspots', low demand areas and areas of price volatility.

2.25 Table 2.1 shows median house prices in 2007, 2010 and 2015 and rates of change over the 2007-2015 period for the commissioning authorities and surrounding authorities. Authorities are ranked in descending order of price in 2014. Elmbridge appears at the upper end of the price spectrum, with median prices more than double the national average. Prices in the other three commissioning authorities are somewhat lower, but still high in comparison to many surrounding authorities and the national average. The neighbouring HMA of Guildford-Woking-Waverley shows a similar variety of prices, though a little lower on average, whilst the Crawley-Horsham-Mid Sussex area also shows a range but at a significantly lower level as it lies further from London. Prices in Elmbridge have also shown the highest rate of increase since 2007. The recent Runnymede and Spelthorne SHMA shows both these areas falling within the lowest price band, with relatively low rates of price increase since 2007, and close linkages to Woking. Authorities with the highest median prices in 2015 have tended to experience the highest rates of increase in median prices since 2007.

Table 2. 1 Median house prices and house price change

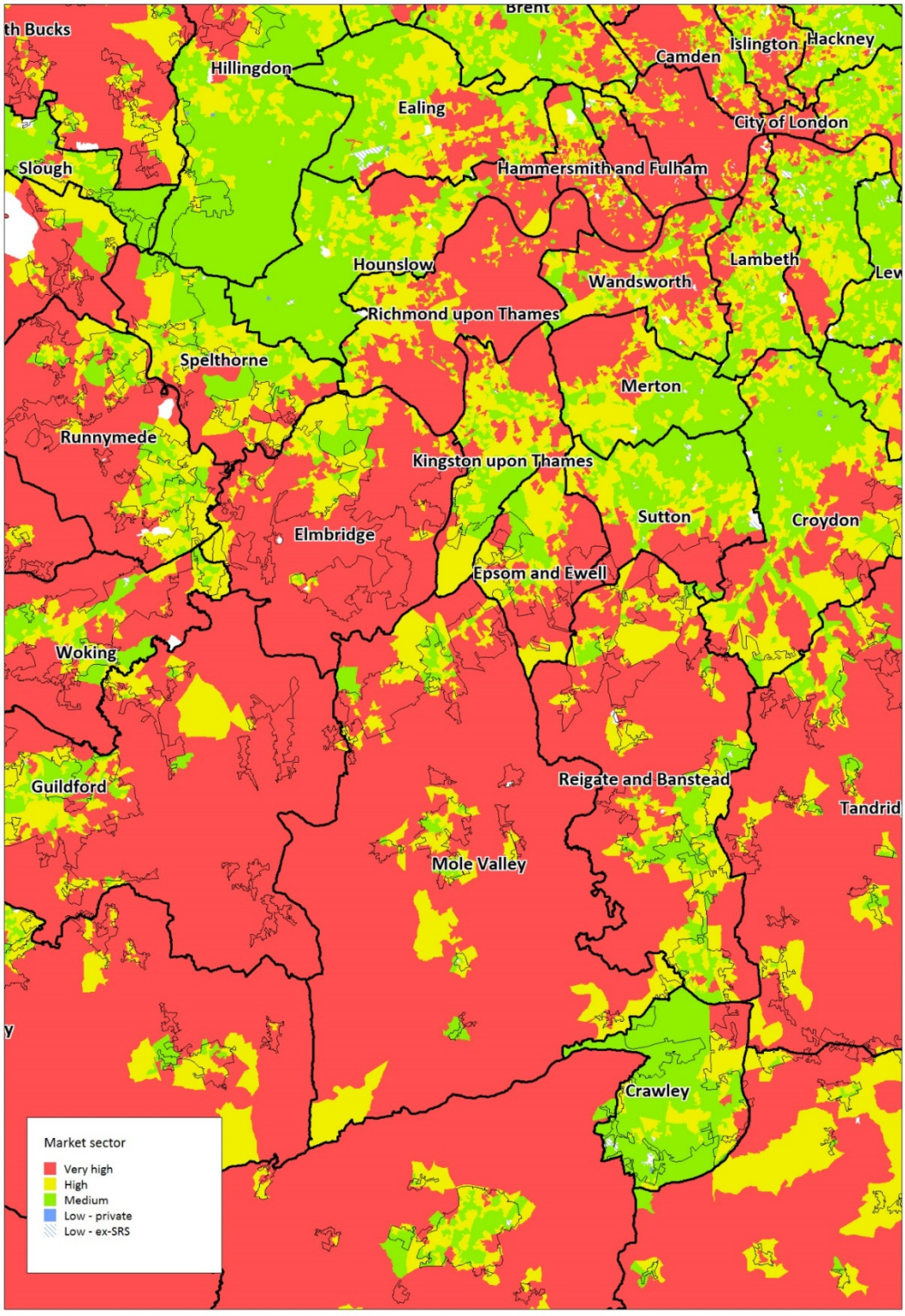
	Median			Change 2007-15
	2007	2010	2015	
Richmond upon Thames	345,000	400,000	585,000	70%
Wandsworth	339,950	380,000	550,000	62%
Elmbridge	310,000	395,000	505,000	63%
Mole Valley	295,000	349,950	450,000	53%
Epsom & Ewell	290,000	317,000	420,000	45%
Kingston upon Thames	285,000	300,000	415,000	46%
Merton	250,000	288,750	415,000	66%
Waverley	285,000	325,000	400,000	40%
Guildford	270,000	306,975	375,000	39%
Tandridge	270,000	305,000	378,500	40%
Reigate and Banstead	250,000	285,000	350,000	40%
Runnymede	250,000	265,000	350,000	40%
Surrey Heath	266,000	275,000	350,000	32%
Woking	249,950	265,000	335,000	34%
Horsham	249,950	260,000	332,000	33%
Spelthorne	244,600	245,000	327,000	34%
Sutton	232,000	235,000	320,000	38%
Mid Sussex	249,500	249,995	319,950	28%
Crawley	199,950	185,000	249,950	25%
England and Wales	170,000	182,500	202,000	19%

Source: HM Land Registry Price Paid Data, Crown copyright.

2.26 Map 4 examines prices at a finer grain[19]. The pattern which it reveals is of high prices in central London, surrounded by lower (though still significant on a national scale) prices in inner and outer suburban London, with high prices in the more rural areas beyond, interrupted by somewhat lower prices in the main settlements such as Dorking, Leatherhead, Guildford, Reigate, Redhill and Horley. No low price areas are revealed, even at this very fine spatial scale. Richmond represents an anomalous band of higher prices continuing out from central London whereas Kingston fits into the more normal London pattern. This suggests that there is a strongly sectoral pattern to London housing markets. This provides an approach to breaking the wider London HMA area into sub-areas which more realistically reflect household search behaviour and transport network patterns than a large London HMA. The pattern does not reflect local authority boundaries or the wider Greater London boundary, with parts of Epsom & Ewell and even areas within Elmbridge included in the lower-priced outer suburban zone of London. It provides a case for viewing the four commissioning authorities as a sectoral HMA within and adjoining South West London.

[19] This map draws on HM Land Registry Price Paid data over an extended period (1997-2006) to produce a fine-grained picture of average dwelling prices (at 2011 Census output area level). This period was chosen as it represents a 'normal' house price cycle, before the onset of the post-2007 market recession and subsequent reduction in market turnover levels. It identifies five market sectors ranging from very high to low, with the later distinguishing former social rented housing from other private housing.

Map 4 Housing market sectors



Source: HM Land Registry Price Paid Data, Crown copyright.

Migration patterns

2.27 CLG Planning Practice Guidance indicates that migration patterns demonstrate the aggregate effect of household location choices and preferences as modified by housing opportunities. They can be used to highlight areas within which a relatively high proportion of household moves (typically 70 per cent nationally) are contained. In the London context with the strong draw of employment in central London and generally better transport links, it may be necessary to accept a lower self-containment threshold.

2.28 Table 2.2 shows the main migration flows between all authorities in the study area in the year prior to the 2011 Census. Movements between each pair of authorities have been summed to produce gross flows (that is, comprising both movements into and out of each from one to the other) and to discount the effect of population size, scaled against the combined population of each pair. The table shows all linkages in excess of 3 persons per 1,000[20]. At this stage, gross flows between authorities are examined because the overall strength of the linkages between authorities is of importance in determining the scope of the HMA. The SHMA itself will examine directional flows and net change due to migration in greater detail.

2.29 The linkages can be sub-divided into three groups by breaks in the rate of migration per 1,000 usual residents. The strongest linkages in the table are between Wandsworth, Merton and Sutton, confirming a strong sectoral pattern of migration which continues outward into Reigate and Banstead, although less strongly. There is a strong linkage between Guildford and Waverley (both included within the West Surrey HMA area referred to above); and between Runnymede and Spelthorne (5.6 per 1,000). Finally there is a strong linkage between Kingston and Elmbridge, which for each authority represents the strongest migrational relationship with any other authority.

[20] This level of linkage forms a natural cut off point below which the number of linkages increase rapidly and clear patterns are more difficult to distinguish because linkages become progressively weaker.

Table 2.2 Migration linkages, 2011

Authority 1	Authority 2	Gross migration per 1,000 usual residents	Gross migration
Merton	Wandsworth	10.4	5,259
Guildford	Waverley	7.7	1,997
Merton	Sutton	6.0	2,354
Runnymede	Spelthorne	5.6	983
Elmbridge	Kingston upon Thames	5.5	1,599
Kingston upon Thames	Richmond upon Thames	5.1	1,760
Guildford	Woking	5.1	1,194
Runnymede	Woking	5.0	895
Kingston upon Thames	Merton	4.8	1,716
Epsom & Ewell	Kingston upon Thames	4.5	1,060
Richmond upon Thames	Wandsworth	4.4	2,152
Epsom & Ewell	Sutton	4.1	1,077
Epsom & Ewell	Reigate and Banstead	4.1	874
Mole Valley	Reigate and Banstead	4.1	909
Reigate and Banstead	Tandridge	4.1	960
Surrey Heath	Woking	3.9	718
Crawley	Mid Sussex	3.9	968
Epsom & Ewell	Mole Valley	3.7	592
Reigate and Banstead	Sutton	3.6	1,197
Elmbridge	Runnymede	3.4	717
Kingston upon Thames	Wandsworth	3.2	1488
Crawley	Horsham	3.1	749

Source: ONS, 2011 Census Table MM01CUK_ALL - Origin and destination of migrants, via NOMIS

2.30 The next group of linkages, from 4.4-5.1 moves per 1,000, shows further links between Kingston, Elmbridge and Epsom & Ewell. For Epsom & Ewell, its strongest linkage is with another of the commissioning authorities – Kingston. This section of the table also shows linkages between Kingston and both Merton and Richmond, but not with Sutton. The other linkages in this group involve Guildford, Woking and Runnymede and suggest that these authorities form a distinct group with weaker connections to other areas, except Elmbridge and Runnymede where there are stronger migratory links. Richmond and Wandsworth also have significant migration linkages with one another.

2.31 The third group of linkages, from 3.1 per 1,000 to 4.1 per 1,000, shows a mainly sectoral pattern of migration linkage between Sutton, Epsom & Ewell, Reigate and Banstead and Mole Valley, together with a further link between Reigate and Banstead and Tandridge. However, there is a stronger linkage between Epsom & Ewell and Kingston than between Epsom & Ewell and Sutton. Nevertheless this suggests that the position of Epsom & Ewell relative to Sutton needs to be taken into account, as do its linkages to Reigate and Banstead and Mole Valley. Mole Valley's strongest link is with Reigate and Banstead, an indicator of its Gatwick Diamond orientation and there is only a relatively weak degree of linkage (2.4) with Elmbridge. However, since both authorities perform the function of higher value

destinations for migrants from Kingston, this is not unexpected. Finally the table shows that Crawley's strongest linkages are with other Sussex authorities, notably Mid Sussex.

2.32 The migration data supports the findings of other studies that linkages between the four commissioning authorities and authorities in the west of Surrey are less strong than the internal relationships in that area. They also confirm the findings of the Northern West Sussex study relating to Crawley, Horsham and Mid Sussex. The data suggests a strong sectoral pattern of linkage between Kingston and both Elmbridge and Epsom & Ewell. The linkage between Kingston and Mole Valley is weaker because the latter extends much further southwards. There are also significant levels of linkage between Epsom & Ewell and Mole Valley. Two other important sets of linkages also need to be taken into account. These are the links between Kingston and the London Boroughs of Merton, Wandsworth and Richmond which are also relatively strong; and the weaker sectoral flows between the suburban areas of Sutton and Epsom & Ewell and the more rural areas of Reigate and Banstead and Mole Valley. These links are not, however, extensive or comprehensive enough to justify the identification of a large HMA embracing all these authorities. Doing so would risk creating the problem, referred to by PAS, of an 'indefinite chain' of overlapping HMAs, or one large area lacking internal coherence. However these linkages will certainly need to be taken into account in the preparation of an SHMA.

Commuting patterns

2.33 As PPG indicates, commuting patterns provide information about the spatial structure of the labour market, which will influence household location decisions. Commuting flows also provide information about the areas within which people are likely to move without changing employment.

2.34 The Office of National Statistics uses commuting data to produce travel to work areas (TTWAs) where a high proportion of the resident population also works within the same area. The most recent network of TTWAs was produced in 2015 using 2011 Census data. For the 2011 Census-based TTWAs, the defining criteria were that at least 75% of an area's resident workforce should work in the area, and at least 75% of the people who work in the area should also live there. The area should also have a working population of at least 3,500. For areas with a working population in excess of 25,000, lower self-containment rates of 66.7% were necessary.

2.35 TTWAs have tended to change significantly over time, and the areas to be identified from 2011 Census data differ substantially from those identified in 2001, especially in and around London. Changes to TTWA boundaries result from the interplay of many different shifts in the complex patterns of commuter flows, rather than exclusively from changes in the number and location of jobs. The trend in successive Censuses has been for TTWAs to become larger as the volume of longer distance commuting increases. In 2011 there were 228 TTWAs across the UK, compared to 243 in 2001 (a reduction of 6%). There were 308 TTWAs in 1991 and 344 in 1981. However between 2001 and 2011 the London TTWA

contracted by over 20% in terms of land area[21]. This resulted mainly from the emergence of a large Slough and Heathrow TTWA in the west, and in TTWAs in Essex, offset by extensions of the London TTWA into Hertfordshire. Although smaller TTWA than in 2001, the 2011 London TTWA extends outside Greater London into parts of Berkshire, Essex, Hertfordshire, Kent and Surrey. The new 2011 TTWA boundaries divide the commissioning authorities into four TTWAs, with Elmbridge divided between the Slough and Heathrow and Guildford and Aldershot TTWAs. Epsom & Ewell exclusively within the London TTWA, Kingston split between the Slough and Heathrow and London TTWAs, and Mole Valley split into three within the London, Crawley, and Guildford and Aldershot TTWAs. In contrast in 2001 Kingston, Elmbridge and Epsom & Ewell fell within the London TTWA, whilst Mole Valley was split between London and Crawley, with the boundary running south of Leatherhead and north of Dorking.

2.36 The volatility of these TTWA boundaries, and the large size of the TTWAs in and around London thus limits their value as a key source of evidence in determining HMA boundaries. In 2011, the pattern of employment centres in and around London was highly complex and travel to work patterns were correspondingly diffuse. Within the area covered by the four commissioning authorities and the authorities surrounding them, there are major employment concentrations attracting inward commuting in Wandsworth, Guildford, Crawley, Kingston, Richmond and Merton, and, of course, high levels of commuting from much of the area into central London. This explains the large travel to work area required across London to achieve a significant level of self-containment.

2.37 Table 2.3 shows the main commuting relationships between authorities in the area covered by the four commissioning authorities and surrounding authorities. The strength of linkage is determined by combining inflows and outflows and standardising against the size of the combined workforce in each set of authorities. As with migration, the four commissioning authority areas do not feature amongst the strongest linkages. These are between the West Surrey authorities (Guildford-Waverley; Runnymede-Spelthorne; Runnymede-Woking), northern West Sussex (Crawley-Mid Sussex-Horsham), and Merton-Sutton. As with migration, the strongest linkage involving the commissioning authorities is between Kingston and Elmbridge, followed by Epsom & Ewell and Mole Valley. Other strong linkages are those between Mole Valley and Reigate and Banstead (again, indicating a southern orientation of Mole Valley's more southern markets) , Elmbridge and Runnymede, Epsom & Ewell and Sutton, and Kingston and Richmond. It should also be noted that Richmond's Tenancy Strategy describes important links between the higher-earning central London employees that characterise London's position in the global economy, and the attractiveness of more expensive properties in Richmond for this group.[22] Research by Cambridge Centre for Housing & Planning Research into the private rented sector in

[21] The significant changes to TTWAs in and around London are described in detail in a paper produced by ONS, *Changes in Travel to work areas from 2001 to 2011* (8th December 2015) available at http://www.ons.gov.uk/ons/rel/lmac/commuting-to-work/changes-to-travel-to-work-areas-2001-to-2011/art-commuting-to-work.html?format=print

[22] Evidence base for Tenancy Strategy Richmond on Thames, DTZ, 2012

Richmond also notes its 'top end' nature, and the prevalence of corporate lets, further reinforcing the concept that Richmond's HMA is oriented north and towards central London rather than South and into Surrey[23]. This was further reasserted during the stakeholder consultations.

Table 2.3 Travel to work linkages, 2011

Authority 1	Authority 2	Gross commuting per 1,000 workers	Gross commuting (inflow and outflow combined)
Guildford	Waverley	11.5%	11452
Crawley	Mid Sussex	9.3%	9770
Runnymede	Spelthorne	8.9%	6559
Crawley	Horsham	8.7%	8597
Merton	Sutton	6.8%	11046
Runnymede	Woking	6.8%	4994
Mole Valley	Reigate and Banstead	6.7%	5918
Reigate and Banstead	Tandridge	6.4%	5648
Kingston upon Thames	Elmbridge	6.1%	7092
Elmbridge	Runnymede	6.1%	4985
Merton	Wandsworth	5.8%	13566
Epsom & Ewell	Mole Valley	5.7%	3527
Sutton	Epsom & Ewell	5.2%	5724
Kingston upon Thames	Richmond upon Thames	5.0%	7234

Source: ONS, 2011 Census Table WU02UK - Location of usual residence and place of work by age, via NOMIS

2.38 Overall, the evidence on commuting flows shows a more complex picture than that revealed by the analysis of migration patterns, with generally weaker linkages between all the authorities examined, reflecting the complexity of London/South East labour markets and increased/longer distance commuting levels. There are significant flows to central London in common with many other areas in outer London and adjacent to it. However within this generally more diffuse picture, the data confirms the findings of the migration analysis that Crawley, Horsham and Mid Sussex on the one hand and western Surrey on the other form relatively self-contained areas focussed on Crawley and Guildford respectively. Kingston-Elmbridge and Epsom & Ewell-Mole Valley also have strong linkages. However there are also linkages between Kingston and adjacent London Boroughs, between Elmbridge and Surrey authorities to the north and west, and between Epsom & Ewell and Mole Valley and the Boroughs of Sutton and Merton, with Reigate and Banstead in Surrey. These patterns echo the additional migration linkages identified above.

Implications for housing market area definition

2.39 All the main sources of guidance, and all recent up to date studies determining HMA boundaries opt for areas corresponding to individual local authorities or groups of authorities rather than areas which cross administrative boundaries. We consider that this is

[23] Analysis of the Private Rented Sector in Richmond on Thames and the surrounding area, Cambridge CHPR, 2012

the best approach, whilst recognising that markets may not always follow these boundaries precisely.

2.40 Following PPG, we have examined previous research and the most up to date evidence available on key data sources - house prices, migration patterns and commuting flows, to assess the pattern of HMAs covering the four commissioning authorities and their surroundings. We have explicitly sought to avoid an analysis which is focussed solely on the four commissioning authorities. As Guidance stresses and previous research demonstrates, there is no definitive pattern of non-overlapping HMAs covering the country, and in areas such as London and its hinterland, the complex settlement and travel to work patterns make the definition of such areas an even greater challenge. Accordingly, it is essential to take a pragmatic approach to the definition of HMAs, and having arrived at a definition, to continue to bear in mind linkages with other areas.

2.41 Recent work using up to date data sources has identified HMAs covering Guildford-Waverley-Woking, Crawley-Horsham-Mid Sussex, and Runnymede-Spelthorne, and it is appropriate to recognise these HMAs alongside the area covered by the four commissioning authorities and their surroundings. To the east of the commissioning authorities, an SHMA has also been prepared for Sutton. Although this focusses on a single local authority, it identifies strong sectoral linkages between Sutton and Lambeth, Wandsworth, Merton, Croydon, and Reigate and Banstead, and weaker, although still important, linkages with the four commissioning authorities.

2.42 Moving beyond this, the analysis of migration data in this paper demonstrates a significant set of linkages between the four study authorities. There is a strong sectoral pattern of linkage between Kingston and both Elmbridge and Epsom & Ewell, and beyond this to Mole Valley. This makes a case for treating them as a single HMA. The same evidence source identifies other interactions with the adjacent London Boroughs of Merton, Wandsworth and Richmond (and to a lesser extent with Sutton), and weaker sectoral flows between the suburban areas of Sutton and Epsom & Ewell and the more rural areas of Reigate and Banstead and Mole Valley which also need to be borne in mind. The analysis of migration data undertaken also suggests close linkages between Spelthorne and Runnymede, although the latter also has significant linkages with Elmbridge. This suggests that Spelthorne and Runnymede can be considered as being distinct from the four commissioning authorities, a finding that appears to emerge from their SHMA.

2.43 Finally there are migration linkages between both Kingston and Elmbridge and the Borough of Richmond, and somewhat weaker commuting linkages between Kingston and Richmond. However, Richmond also has linkages to Hounslow on its northern side, and to Wandsworth to the east. This is an illustration of the potential, raised by PAS in their guidance, for identifying overlapping HMAs which simply reflect adjacency. Both Kingston and Richmond are important employment centres, whilst Richmond has notably high house values on the same level of central London authorities such as Wandsworth, and this

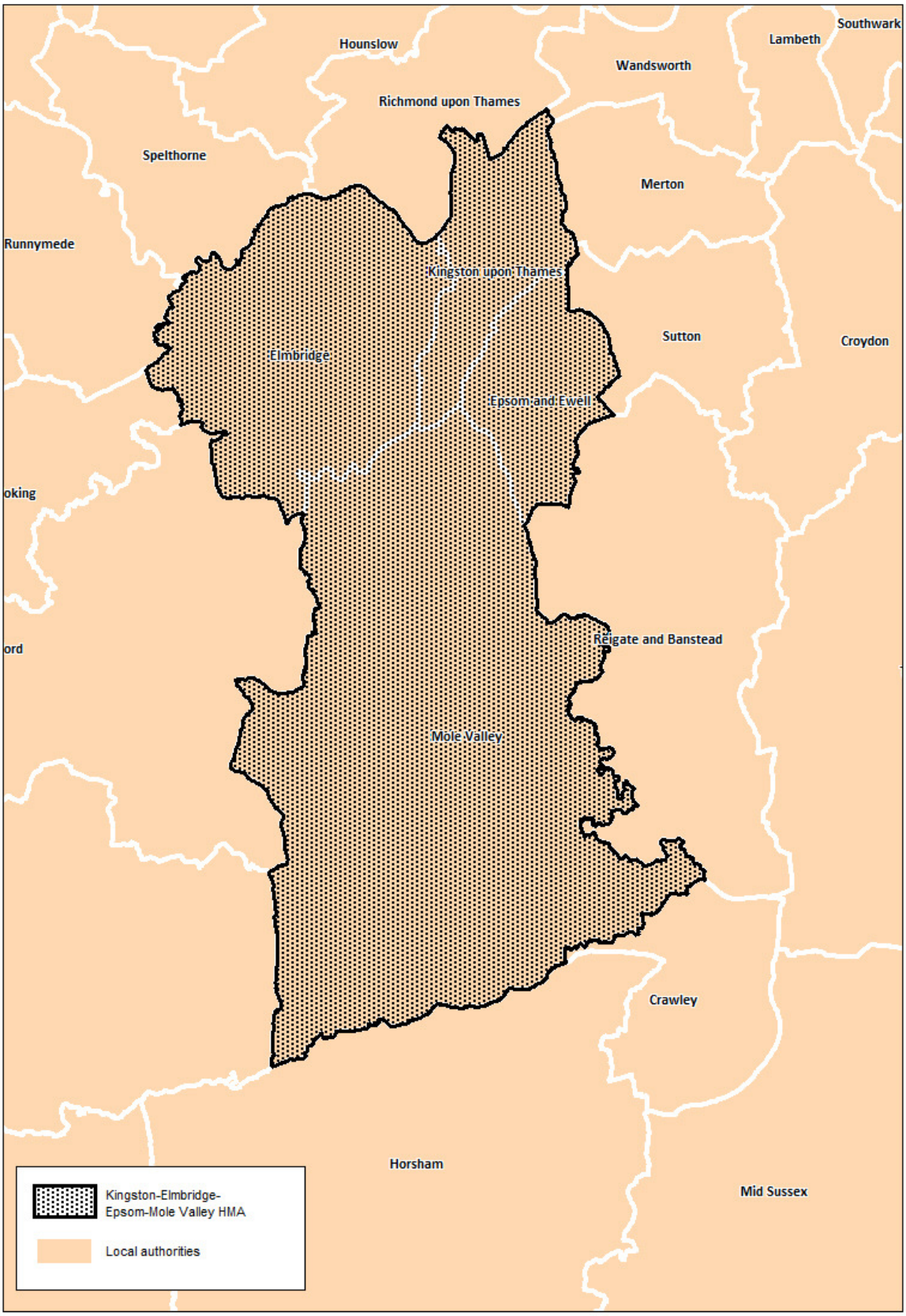
provides a further argument for considering them as the basis for different, although related, housing markets.

2.44 For these reasons we conclude that the SHMA should treat the four commissioning authorities as a single HMA, but with full recognition of the strength of linkages to adjoining areas outside the HMA. The need to do this is not unique – it would apply to many if not all HMAs within the wider strategic London HMA.

2.45 In particular, we would suggest that Mole Valley also needs to consider the housing market linkages of its southern portions to the south and east. While these areas around Dorking and beyond will continue to be attractive to migrants from Kingston and other parts of London, they will equally feel the 'pull' from the HMAs associated with economic development in the Gatwick Diamond area – the Mid Sussex HMA and the Reigate-Banstead HMA.

2.46 Migration data suggests that the strongest relationships beyond the proposed HMA area are with Richmond and Merton, and to a lesser extent with Sutton, Reigate and Banstead, and Runnymede. Commuting data supports this. Under the Duty to Cooperate, the views of these surrounding authorities (and others) were sought as part of the process of defining the HMA, and they are reflected in this chapter and other parts of this study.

Map 5 Kingston – Elmbridge – Epsom & Ewell - Mole Valley HMA



Chapter 3

The policy context

Key messages

National planning policies require local authorities to base their planning policies on the full Objectively Assessed Need (OAN) for market and affordable housing identified through the preparation of a Strategic Housing Market Assessment (SHMA). SHMAs should focus on Housing Market Areas, defined in relation to evidence on house prices, migration, travel to work patterns and other factors. Constraints on provision such as land availability or infrastructure should not be taken into account in the OAN, although they are of course relevant in the subsequent development of policy and plans.

Official Planning Practice Guidance (PPG) sets out the approach to identifying the objectively assessed need for housing which this SHMA follows. The starting point is official demographic projections, but these may be adjusted to take account of alternative projections or alternative assumptions relating to migration levels and household formation rates, and of any identified need to support economic growth, or to respond to market signals. The total OAN should be broken down by age group, type of household, size of household, tenure, and any special requirements (such as those of disabled people).

A separate and detailed approach to assessing the need for affordable housing is also set out in PPG which this SHMA follows.

The 2013 SHMA prepared for London by the Greater London Authority has established an initial OAN for Kingston, but not for the other three authorities in the HMA. This is fully taken into account in this SHMA to ensure conformity with the London Plan where required.

3.1 This chapter highlights the most important features of national and sub-national planning policy and guidance which this SHMA has taken into account. The National Planning Policy Framework (NPPF) published in 2012 sets out the government's principles and policies relating to planning.

The National Planning Policy Framework

3.2 The NPPF sets out a clear presumption in favour of sustainable development (para 14), and establishes the government's intention to significantly boost the supply of housing. To determine how much additional housing is required, local planning authorities are required to make objective assessments of the needs for market and affordable housing, working across HMAs (para 159). Local planning authorities, through the preparation of their local plans should seek to meet identified needs in full unless this would have adverse impacts which outweigh the benefits, or conflict with other policies within NPPF including policies relating to the Green Belt and to the conservation and enhancement of the natural

and historic environments. Where this is not practicable, local authorities must work in partnership with neighbouring authorities to ensure that need is met (para 179).

3.3 More specifically, para 159 of NPPF requires that 'Local planning authorities should have a clear understanding of housing needs in their area. They should…prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where HMAs cross administrative boundaries.

The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that 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 (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and
- caters for housing demand and the scale of housing supply necessary to meet this demand.'

Regional and cross-boundary planning

3.4 The government has abolished Regional Spatial Strategies and responsibility for cross-boundary planning issues lies with local authorities. The 2011 Localism Act imposed a 'Duty to Cooperate' on local authorities, requiring them to engage constructively, actively and on an on-going basis with neighbouring local authorities and a range of other relevant bodies on strategic matters that relate to sustainable development or the use of land that has or would have a significant impact on at least two planning areas. Compliance with the Duty to Cooperate has become prominent amongst the factors against which the soundness of development plans are assessed, and housing supply has emerged as an area where co-operation is of importance, especially where HMAs cross local authority boundaries.

3.5 In Greater London, the Mayor of London has responsibility for developing the strategic framework for planning across the capital, through the London Plan, within which housing supply is a prominent issue. Each authority's local statutory plan includes both the London Plan and its own local plan, and the local plan must be in broad conformity with the London Plan.

Planning Practice Guidance

3.6 Official Planning Practice Guidance (PPG) was issued by CLG in 2014, with updates made online at intervals. The section on 'Housing and economic development needs assessments' provides greater detail on the government's expectations in relation to SHMAs, building on NPPF para 159. Four key points stress that:

- An SHMA should provide *an objective assessment of need* based on facts and unbiased evidence. An SHMA should not apply constraints to the overall assessment

of need. If relevant, these should be taken into account when developing policies at a subsequent stage.

- Local planning authorities are strongly recommended to use the standard method set out in the Guidance and any departures from this method should be justified by local circumstances.
- SHMAs should be thorough but proportionate, building where possible on existing secondary information sources rather than primary survey. The range of future scenarios considered should be limited to what could reasonably be expected to occur.
- The basis for an SHMA should be the relevant HMA, 'a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work'[24]. HMAs do not necessarily coincide with local authority administrative boundaries. HMA boundaries are not prescribed by the Guidance and their identification forms an important part of an SHMA. PAS guidance considers (although official guidance does not explicitly state this) that an assessment carried out by a single local authority for part of an HMA is acceptable where plan timetables for authorities within the area do not coincide, provided that each authority draws on the evidence bases of other authorities covered by the HMA and that future reviews are coordinated.

3.7 PPG also sets out the approach to identifying HMAs (which was discussed in greater detail in Chapter 2); and the methodology for need assessment. The key features of the specified methodology which have guided this SHMA are:

- The most up to date official demographic and household forecasts should be the starting point for assessing future housing need, but other relevant data sources should also be considered. The SHMA should particularly consider whether there are factors affecting local demography and household formation rates which are not captured in past trends.
- Adjustments to forecasts must be justified on the basis of robust evidence.
- Demographic factors may not be the only influences on housing demand. Likely future changes in job numbers based on economic forecasts must be assessed against likely changes in the working age population in the HMA to identify any potential need for additional housing to support economic growth (or a shortfall in employment), or potential changes in commuting patterns and their impact on sustainability.
- Market signals should be taken into account as they may indicate undersupply relative to demand and the need to modify projections based on past trends. The

[24] Para 010

main signals referred to in guidance are land prices, house prices, rents, affordability, rates of development and overcrowding.

- Total housing need should be broken down by age group, type of household, size of household, tenure, and any special requirements (such as those of disabled people). The impact of changes in student numbers is also emphasised.
- Affordable housing need should be calculated by estimating the backlog of need from people who currently occupy unsuitable housing (or who cannot form separate households) and are unable to afford market housing, together with an estimate of the future numbers in affordable need, both new households and existing households falling into need. From this should be deducted the *current and future supply* of affordable housing. Affordable housing need may be disaggregated into categories based on the ability to afford different types of housing such as social rented housing or intermediate housing.

The London context

3.8 One of the commissioning authorities for this SHMA, Kingston upon Thames, lies within Greater London and the three other authorities are aware of their proximity to London and its impact on their housing markets, and the importance of taking this into account. In 2013 the GLA prepared an SHMA for an HMA which covered Greater London. This excluded areas outside London although the SHMA acknowledged that many areas outside London but adjacent to it had strong linkages with London which needed to be taken into account at a more local level. The SHMA identified an overall OAN for London, and the subsequent London Plan established a minimum target for additional housing provision in Kingston over the London Plan period. Subsequent Supplementary Planning Guidance on Housing[25] has emphasised the need for local assessments to complement the strategic assessment made by GLA. The Guidance refers to sub-regional and local assessments, without specifying a framework of appropriate geographical areas or indicating that these assessments should exclude areas outside Greater London. This degree of flexibility is sensible, given the complexity of markets within London, the pattern of existing assessments, the different working relationships between boroughs and groups of boroughs (in some cases including authorities outside the GLA area), and the different stages of plan preparation within authorities.

3.9 The examination of data to determine HMA boundaries in the previous chapter showed that the Borough of Kingston had strong linkages with Elmbridge, Epsom & Ewell and Mole Valley which formed a coherent HMA, so it is appropriate for this assessment to cover the four authorities. However it will be essential for conformity with the London Plan for the SHMA to take account of the findings of the 2013 GLA SHMA and the housing targets set for Kingston in the London Plan.

[25] See for example Mayor of London (2015) *Draft Interim Housing Supplementary Planning Guidance May 2015*, para 1.1.5. The final version of the Housing Supplementary Planning Guidance was published in March 2016.

The Surrey context

3.10 In the absence of a regional or sub-regional planning framework, the Surrey authorities of Elmbridge, Epsom & Ewell and Mole Valley take on the responsibility of assessing their own housing needs and establishing objectively assessed housing targets. Chapter 2 examined the arrangements which adjoining authorities in Surrey had developed for SHMAs. Different authorities are at different stages in the development or review of planning policies relating to housing. The Duty to Cooperate applies between the three Surrey authorities covered by this SHMA and the remaining authorities in Surrey (as well as with and between relevant London authorities inside and outside the HMA), and this needs to be taken into account in the process of preparing this SHMA to ensure that market linkages with these authorities are taken into account.

Chapter 4

Area profile

Key messages

This chapter provides a concise profile of the composition of the existing dwelling stock in the HMA, including the supply, tenure profile, dwelling type and size breakdown, age, physical condition and occupancy levels.

Dwelling stock

There were just over 190,000 dwellings in the HMA in 2014. The rate of increase in the stock has fluctuated in the last decade as a result of economic circumstances. Vacancy rates are generally low, and tend to be highest in the private sector. Owner-occupation is the predominant tenure (71% of households in 2011), but since 2000 there has been a substantial increase in private renting (18% in 2011). The social rented sector is smaller than average (11% in 2011). Houses are the main type of dwelling (72%), with most being detached or semi-detached. Only Kingston has a substantial proportion of flats. The HMA has a greater proportion of homes with four or more bedrooms (27%) than the national average. There are significant proportions of older housing stock (pre 1945) but little indication of stock condition problems.

Although considered in Chapter 2 as a factor in determining HMA boundaries, prices and rents are the most important feature of the dwelling stock. Prices were exceptionally high across the whole HMA, especially in Elmbridge where the median sale price in 2014 was approaching £500,000. As Chapter 8 will show in detail, the lower quartile threshold prices for dwelling purchase and private sector rent levels were also accordingly very high. As a result, affordability has been and remains a key problem in the HMA. Stakeholders in particular stressed this issue, and commented that there was a need for cheaper products for first time buyers, including studio-type units, particularly in town centres.

Population profile

The three Surrey authorities are among the 20 least deprived areas in England, and Kingston is the second least deprived London Borough. Residents in the HMA are more likely to be economically active than the Surrey or London averages, but the number of jobs based in the area has fallen by 9% since 2000, so there is an increasing level of net outward commuting. Occupations and industry are dominated by higher–end activities such as financial and professional occupations, with high proportions of managers, directors, and professional and technical roles. Manual, skilled and unskilled occupations are under-represented among HMA residents. The relatively skilled workforce is characterised by higher than average educational levels and earnings.

4.1 This chapter provides a profile of the composition of the existing dwelling stock in the HMA area, including the supply, tenure profile, dwelling type and size breakdown, age, physical condition and occupancy levels. It focusses on key characteristics which are of significance in assessing current housing requirements, and trends over time which will impact on supply and demand into the future.

4.2 It then goes on to examine the current socio-economic profile of the HMA, including outline age demographics (covered in more detail in Chapter 6), deprivation, economic activity rates, occupations, businesses, jobs, earnings, and educational qualifications. Other population characteristics (disability, mobility impairment, support needs, and the characteristics of specific groups) are considered in Chapter 9.

Profile of stock

Number of dwellings

4.3 DCLG Live Tables data (table 4.1 and 4.2) indicate that there were 191,520 dwellings in the HMA in 2014, with Kingston having the largest stock (65,890; 34%) and Epsom & Ewell the smallest (31,580; 16%).

4.4 The average rate of increase across the HMA was over 1,000 homes in the early 2000s, falling to 870 in 2010-11. In percentage terms this represented a 0.3% annual rate of increase (compared to 0.78% in 2004-2005). Although there have been signs of recovery since 2009, with 1050 (2011-12) and 1140 (2012-13) additional dwellings, performance has slipped back in 2013-14, seeing 890 new dwellings (0.47% growth rate).

Table 4.1 Dwelling stock numbers over last five years

	Dwelling stock					
	2009	2010	2011	2012	2013	2014
Elmbridge	55,210	55,400	55,730	56,030	56,280	56,540
Epsom & Ewell	30,110	30,250	30,540	30,830	31,340	31,580
Kingston	64,970	65,090	65,200	65,420	65,630	65,890
Mole Valley	36,690	36,830	36,970	37,210	37,380	37,510
HMA	186,980	187,570	188,440	189,490	190,630	191,520
London	3,308,000	3,336,360	3,358,180	3,383,020	3,404,090	3,427,650
Surrey	469,150	471,220	473,160	475,670	478,590	480,920
England	22,694,000	22,839,000	22,976,000	23,111,000	23,236,000	23,372,000

Source: DCLG Live Tables 100, 122,123

Table 4.2 Percentage additions to dwelling stock

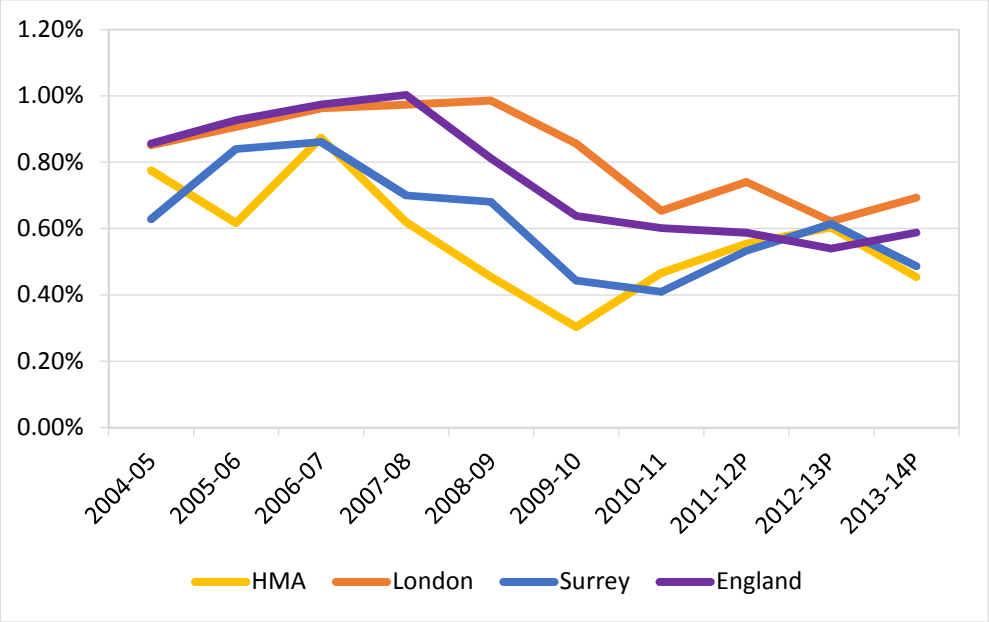
	% addition to dwelling stock per annum					
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-2014
Elmbridge	0.34	0.60	0.54	0.45	0.46	2.41%
Epsom & Ewell	0.46	0.96	0.95	1.65	0.77	4.88%
Kingston	0.18	0.17	0.34	0.32	0.40	1.42%
Mole Valley	0.38	0.38	0.65	0.46	0.35	2.23%
HMA	0.32	0.46	0.56	0.60	0.47	2.43%
London	0.86	0.65	0.74	0.62	0.69	3.62%
Surrey	0.44	0.41	0.53	0.61	0.49	2.51%
England	0.64	0.60	0.59	0.54	0.59	2.99%

Source: DCLG Live Tables 100, 122,123

4.5 All told there has been a 2.43% increase in the quantity of the dwelling stock between 2009 and 2014. There are some significant variations in the rates of addition between authorities, with Epsom & Ewell seeing an increase of 4.88%, while Kingston only saw 1.42% growth; and there is a certain amount of fluctuation across the last five years, across the authorities.

4.6 Looking back over the last ten years, (figure 4.1) it can be seen that the rate of growth of the housing stock in the HMA has been below that of London, Surrey (in most years), and England as a whole. Stakeholders in the development sectors commented on a range of issues behind this: land shortage, increasing land and build costs, and increasing competition were the prime barriers to development. The increasingly risk-laden environment for Registered Providers (RPs) was referred to, as were viability issues (though other commentators considered that the viability argument was being used by developers 'long after the recession had ended').

Figure 4.1 Trends in development rates



Source: DCLG Live Table 122

Vacant dwellings and second homes

4.7 Vacancy rates are generally low in London and the South East as a result of the pressure on demand. Table 4.3 shows voids as a proportion of stock (the clearest way to assess the position) and Figure 4.2 shows actual numbers of vacants. This data is based on the Council Tax base, and is the most accurate and up to date measure of empty homes.

4.8 Although concerns about 'Buy to Leave'[26] in London by institutional investors have been growing, there is little indication at least from the 2014 figures of its impact in the HMA. Between 2009 and 2014 the proportion of empty homes in both the social and private sectors fell steadily in most HMA authorities, though progress in Mole Valley has been slower. However, it should be noted that Elmbridge's rate is higher than the Surrey and England average, and Kingston's is marginally higher than the London average (and looks to be heading upwards again since 2013). Stakeholders did note that increased Buy to Let was driving up prices, though this would not exacerbate the vacancy rate.

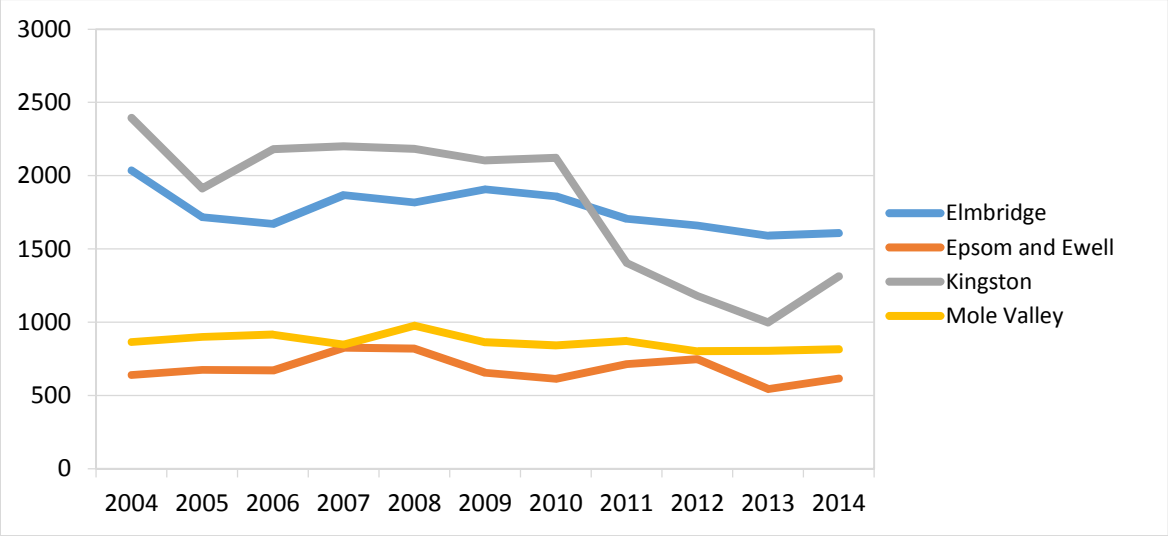
[26] 'Buy to Leave' – a term used to describe properties bought as assets, intentionally and permanently left unoccupied until they appreciate, and are sold at some later date.

Table 4.3 Vacant dwellings rates

	All vacant		Long term vacant		Social rented		Private sector	
	2009	2014	2009	2014	2009	2014	2009	2014
	%		%		%		%	
Elmbridge	3.45	2.84	1.20	0.94	2.65	0.74	3.54	3.04
Epsom & Ewell	2.18	1.95	0.85	0.66	0.43	0.16	2.34	1.81
Kingston	3.24	1.99	1.89	0.31	1.50	0.73	3.45	1.46
Mole Valley	2.35	2.18	0.61	0.65	1.23	1.24	2.52	2.35
Total HMA	2.96	2.27	1.27	0.62	1.63	0.77	3.12	2.16
London	2.57	1.65	1.11	0.64	1.89	1.45	2.79	1.81
Surrey	2.64	2.21	0.96	0.74	1.35	0.84	2.83	2.46
England	3.40	2.61	1.39	0.88	1.66	1.32	3.78	3.02

Source: DCLG Live Tables 100,125, 615. Excludes other public sector and supported housing vacants. Social and private sector vacants are % of the stock in the respective sectors

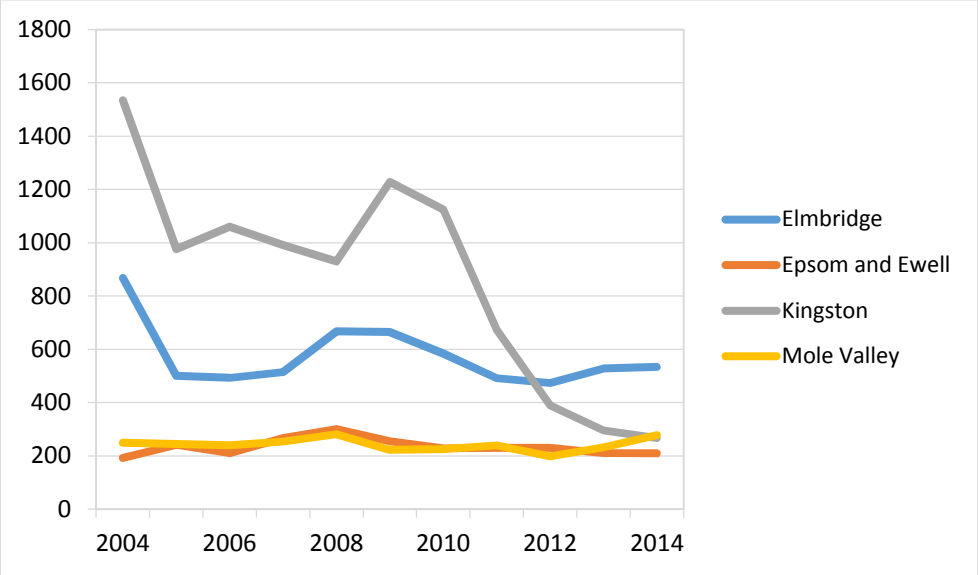
Figure 4.2 All vacant dwellings 2004-2014



Source: DCLG Live Table 615

4.9 The vacancy rate across the HMA in 2014 was substantially higher in the private sector (2.16%) than the social sector (0.77%), but in both sectors it was below the Surrey average, and Kingston's figures were below the London average. Elmbridge had the highest private sector rate (3.04%), and Mole Valley the highest social sector rate (1.24%). Regarding long-term voids – defined as those empty for over six months – the proportion across the HMA has halved since 2009, and is running below Surrey, London and England levels. In terms of individual authorities, the only outlier is Elmbridge, with nearly 1% of its stock long-term vacant. Kingston has been particularly successful in reducing the number and proportion of long terms vacants (Figure 4.3)

Figure 4.3 Long-term vacant dwellings 2004-2014



Source: HSSA, LAHS, and DCLG Live Table 615

Second homes

4.10 The 2014 Council Tax Base assesses the number (and proportion) of homes classified as second homes by local authority. In the HMA the 2014 base showed:

Table 4.4 Second homes

	Number 2nd homes	Proportion 2nd homes (% stock)	Rank
Elmbridge	403	0.7	132
Epsom & Ewell	1	0	331
Kingston	824	1.3	69
Mole Valley	337	0.9	96

Source: Council Tax Base 2014, analysis by Cobweb Consulting

4.11 'Rank' is the order in which the local authority appears in terms of proportion of second homes among England authorities, the higher the rank, the greater the proportion. The overall England average is 1.1% stock. Epsom & Ewell has the fewest number of second homes in England according to Council Tax records, though there must be some doubt about the identification of only a single such residence.

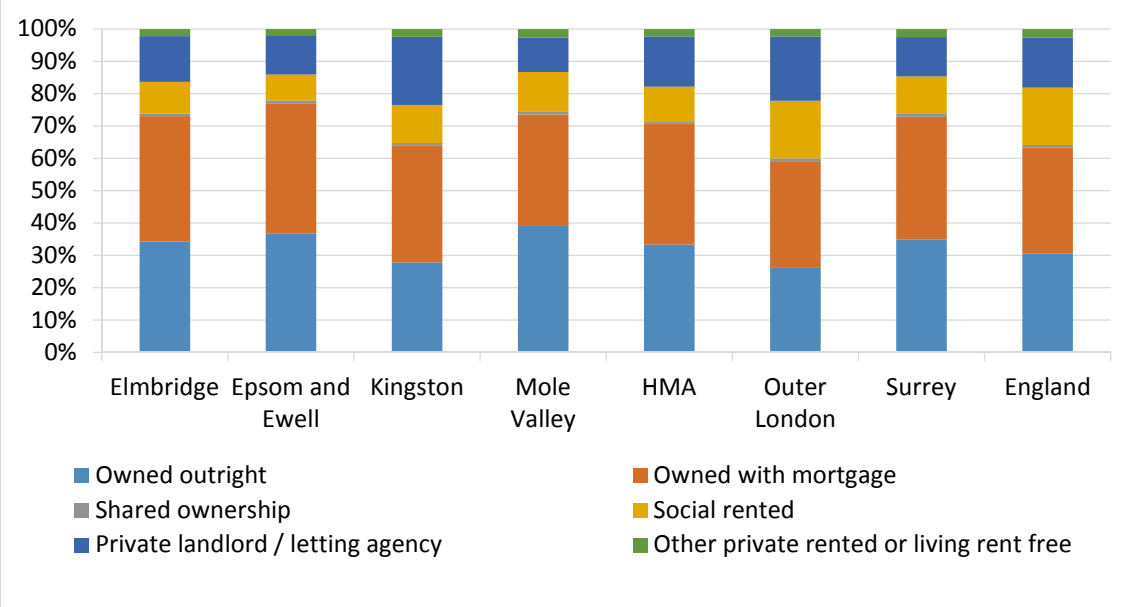
4.12 In terms of the impact of second homes on the housing market, these figures do not point at a pattern that would have a heavily distortionary affect.

Tenure

4.13 There are no data sources providing a detailed up-to-date breakdown of housing tenure since the Census 2011. Across the HMA as a whole, 11% dwellings were in the social rented sector, and 89% were in the private sector (owned, rented, and in shared

ownership). This was a lower proportion of social renting than across England (18%) and Outer London[27] (18%), but a similar proportion to Surrey as a whole (11%). Epsom & Ewell had the lowest proportion of social renters (8%). The predominant tenure is owner-occupation, with 37% dwellings owned with a mortgage, and 33% owned outright. A further 1% are in shared ownership. These figures are higher than the England average (64%). Epsom & Ewell has the highest proportion of owners (77%) and Kingston the lowest (64%). Private renting was more prevalent than social renting, with 18% across the HMA, the highest proportion being in Kingston (23%), and the lowest in Mole Valley and Epsom & Ewell (both 14%). However, it should be noted that the private renting figures are likely to be an underestimation, and the owner-occupier figures an overestimation. This is discussed further below.

Figure 4.4 Proportion of dwellings by tenure



Source: Census 2011 Table QS202EW

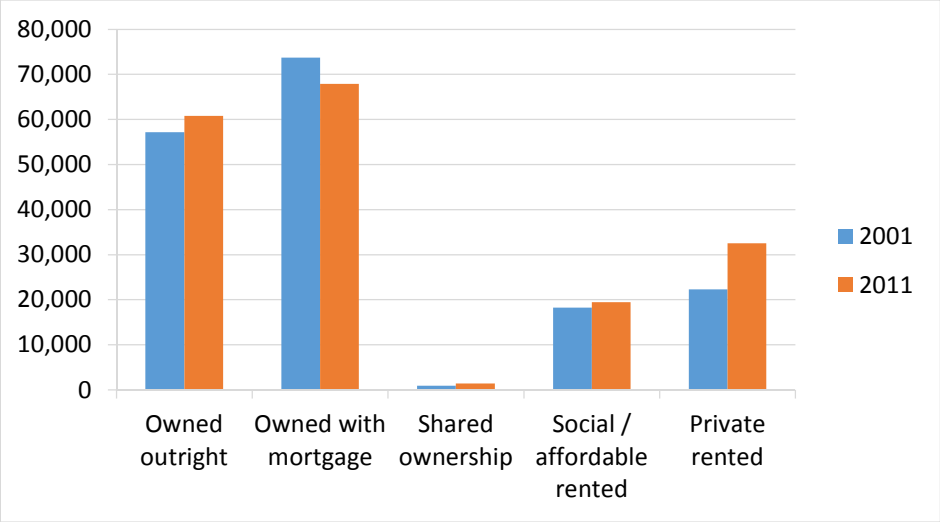
4.14 The Census provides detailed tenure data every ten years. This relates to households rather than dwelling stock as empty properties are not counted. While most commentators consider the 2011 Census to be the most accurate to date, there were concerns about undercounting in the 2001 Census. Although this was redressed in some measure by ONS Mid-Year projections, this does mean that assumptions about the rate of change between 2001 and 2011 should be treated with a degree of caution. Figure 4.5 shows the shift in tenure that occurred between 2001 and 2011. Overall the number of households in owner-occupation fell slightly (by around 2,200), due to a significant (8%) fall in the number of households owning with a mortgage. This was counterbalanced to a certain extent by an increase in those owning outright. This reflects both the ageing of longer standing owner-

[27] Census 2011 analysis identifies the following authorities as comprising Outer London:
Barking and Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Greenwich, Harrow, Havering, Hillingdon, Hounslow, Kingston upon Thames, Merton, Redbridge, Richmond upon Thames, Sutton, Waltham Forest

occupiers (who have paid off their mortgage) and a substantial reduction in the number of cohorts of younger owners (especially first-time buyers) coming into the sector, most of whom would have had a mortgage. Those in shared ownership made up less than 1% of the total in 2011.

4.15 The most significant growth concerns the number of households in the private rented sector (including those renting from relatives or living "rent free"). This was 22,329 in 2001 (13% of all households) and rose to 32,560 in 2011 (18% of all households), which represents an 46% increase. At a local level, nearly a quarter (23%) of Kingston households were privately renting in 2011. These changes reflect the impact of the credit squeeze in the early part of the 2008 recession, the deteriorating affordability of owner-occupation, and the knock on increase in private renting as an alternative. They are in line with trends in most parts of England. Stakeholders commented that 'renting is the new normal', both as a lifestyle choice for some, but a necessity for most, due to lack of options, affordability and problems with the mortgage market. High housing costs in Elmbridge were particularly singled out.

Figure 4.5 Tenure of households 2001 and 2011: HMA

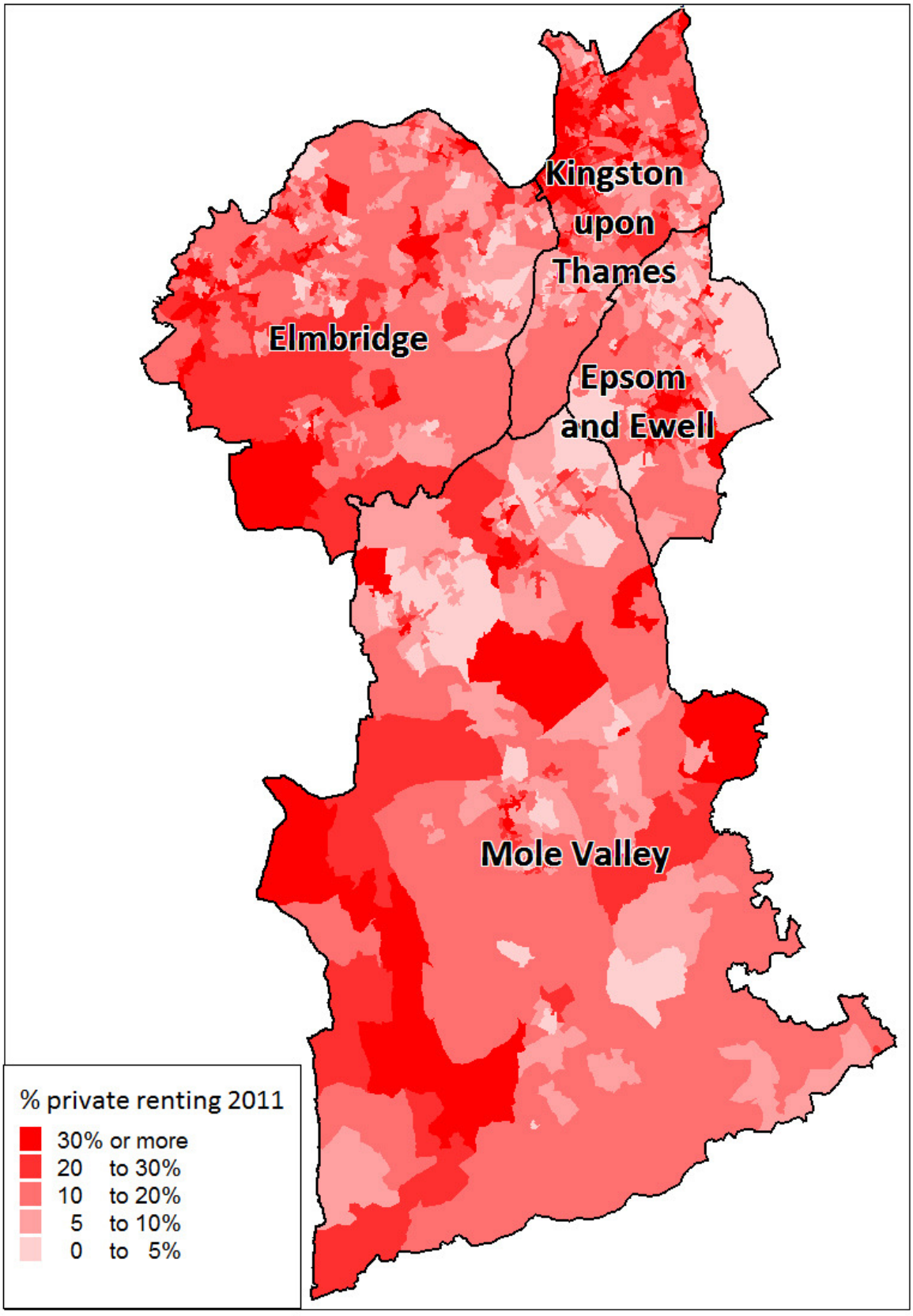


Source: Census 2001 and Census 2011 Table KS 402EW

4.16 As noted earlier, there are indications that the figures for private renting and owner-occupation may be respectively higher and lower now, in 2015. The drivers of increased private renting and reduced access to owner-occupation are likely to have continued since the Census, all other things being equal. There had been only 269 Help to Buy sales (equity loans and mortgage guarantees)[28] up to March 2015, which is unlikely to have swung the balance back towards owner-occupation. If the trend apparent over the last decade has continued the proportion of private rented dwellings in the HMA is now likely to be around 21%.

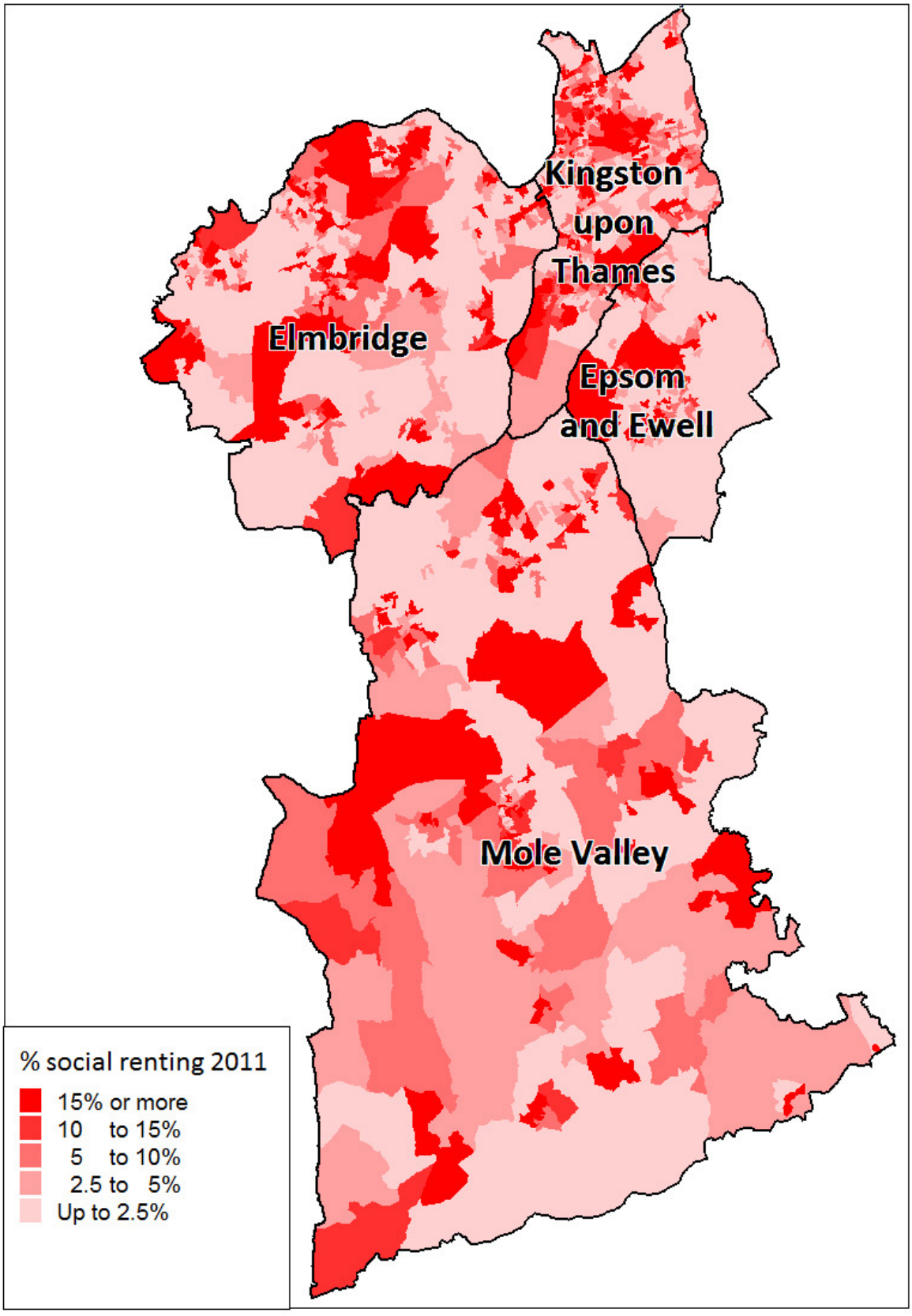
[28] http://opendatacommunities.org/def/concept/folders/themes/housing-market

Map 4.1 Private renting density



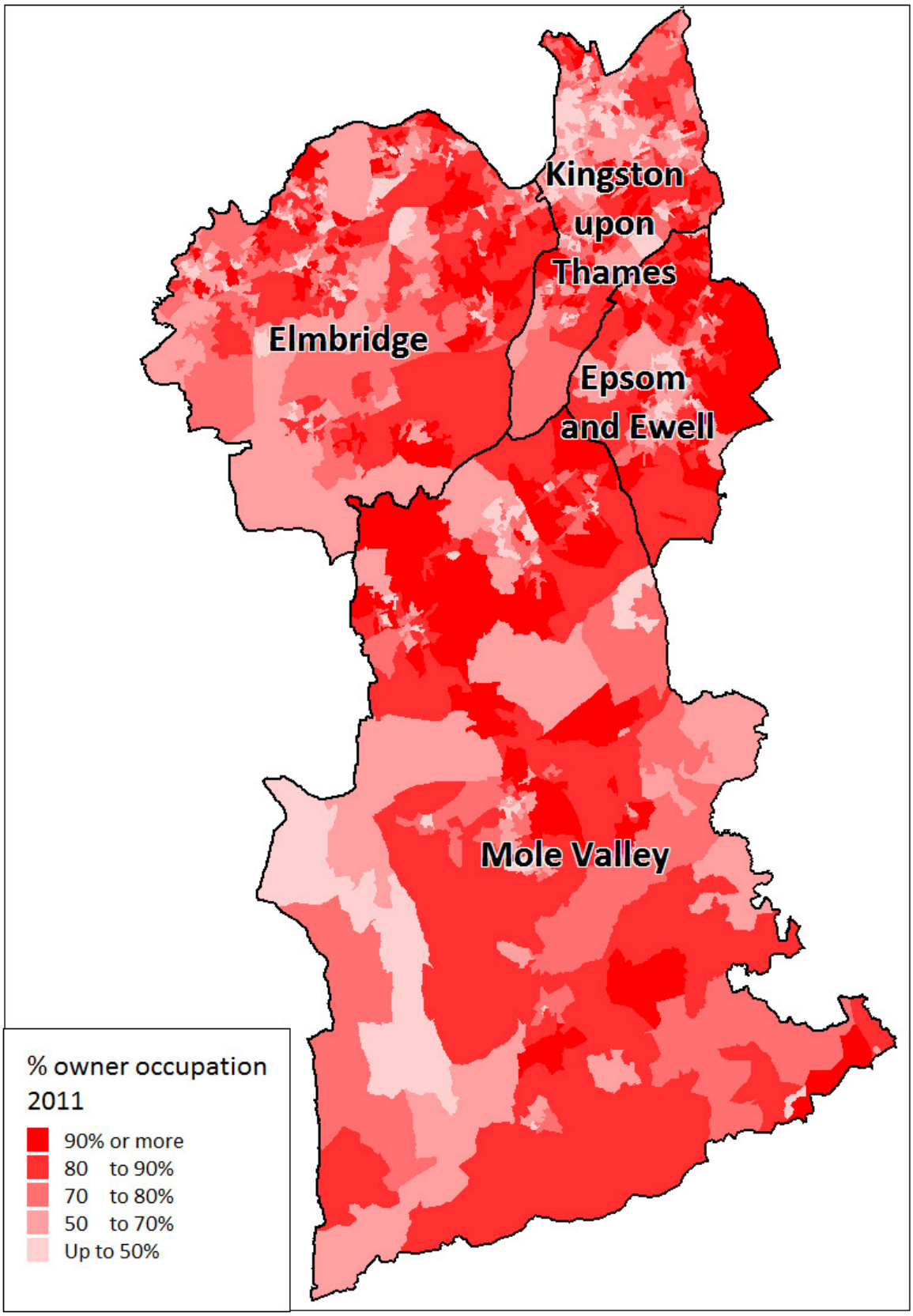
Source: ONS, 2011 Census

Map 4.2 Social renting density



Source: ONS, 2011 Census

Map 4.3 Owner-occupation density

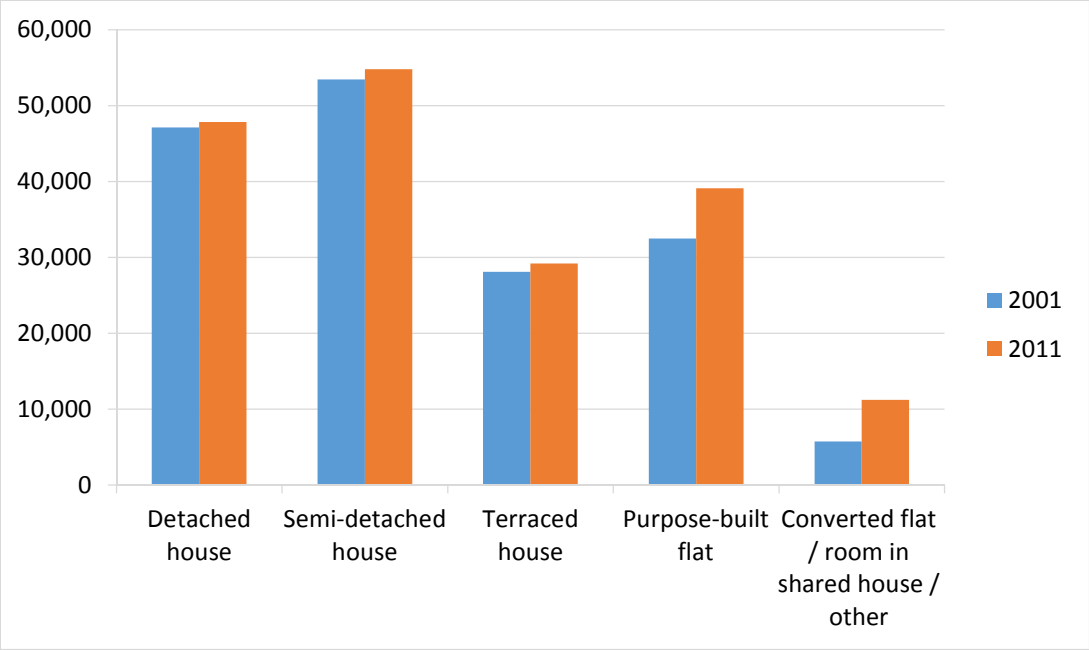


Source: ONS, 2011 Census

Type of dwelling

4.17 Comparing 2001 and 2011 Census data, Figure 4.6 shows the number of dwellings of each type in the HMA. Semi-detached houses are the most common type of dwelling in the HMA, making up 30% of the total in 2011, followed by detached houses (26%) and purpose-built flats (21%). According to the Census data the stock grew by 15,284 in the ten year inter-census period and almost 80% of this growth was of (or conversions into) shared houses (46%) or of purpose built flats (43%).

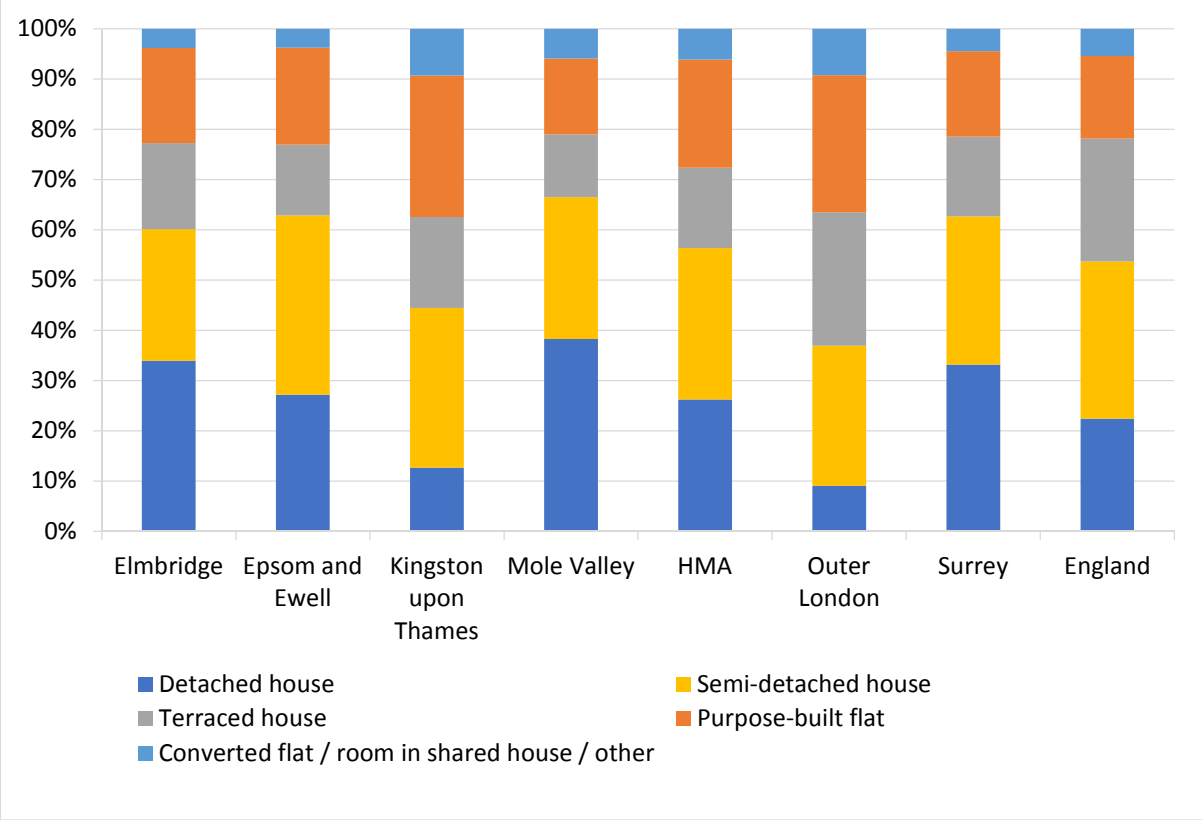
Figure 4.6 Dwelling type HMA 2001 and 2011



Source: Census 2001 and 2011 Table QS402EW

4.18 When comparing the make-up of stock within the HMA authorities (Figure 4.7), perhaps unsurprisingly the profile of the three Surrey authorities differs from that of Kingston. In particular the Surrey authorities have substantially higher proportions of detached houses (the largest single property type in Elmbridge and Mole Valley). Detached and semi-detached houses make up between 60% and 70% of the stock in the Surrey authorities, while Kingston has 44% of the joint category. Conversely, Kingston has significantly more purpose-built flats (28%) and converted flats / shared houses (9%) than elsewhere. Flats made up 70% of the small number of new build sales across the HMA in 2014. Across all authorities, terraced housing forms a lower (16%) proportion than the England average (24%).

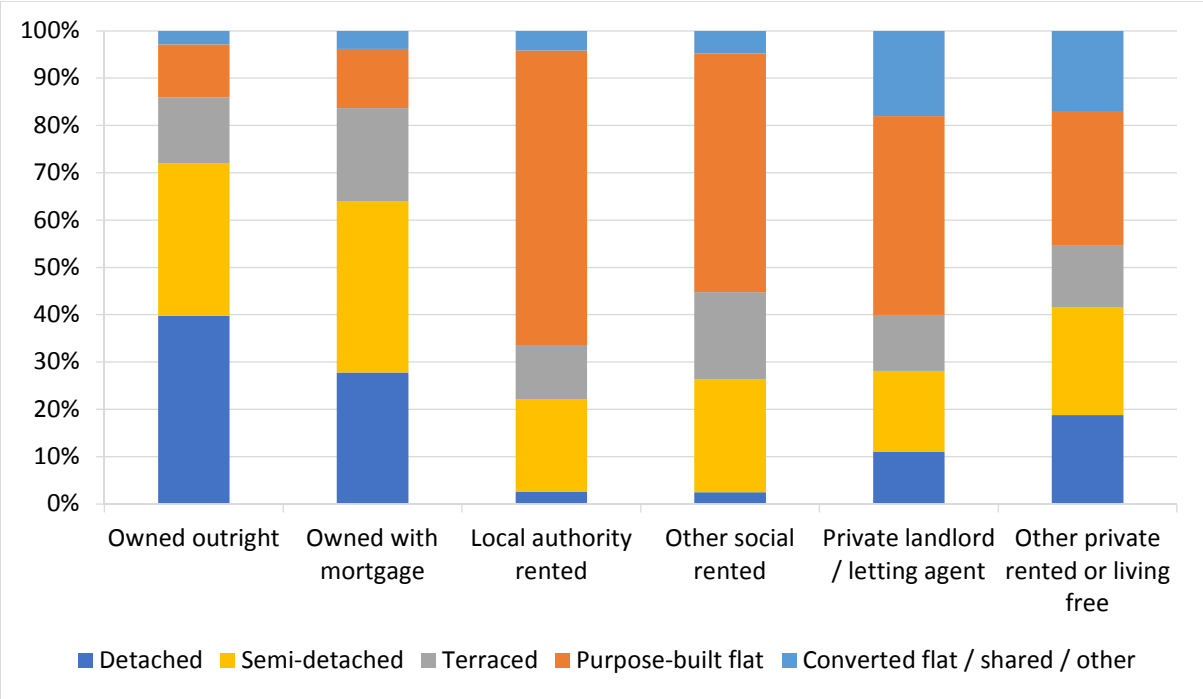
Figure 4.7 Dwelling type by authority 2011



Source: Census 2011 Table QS 402EW

4.19 There are significant differences in dwelling type by tenure. In 2011, detached and semi-detached houses in the HMA were predominantly owner-occupied (86%). Over three-quarters (76%) of terraced dwellings were also owner-occupied, with the remainder mainly split between 'other social landlords' – that is, Registered Providers, and private tenants. 61% of purpose-built flats were rented, fairly evenly split between private and social tenants. About 60% of converted flats were rented, (over 50% from private landlords), but nearly 40% were owner-occupied, with the majority of owners having a mortgage, demonstrating the importance of this dwelling sector in the lower cost market. Figure 4.8 shows the same picture from the viewpoint of tenure. It reveals that the owner- occupied and local authority rented sectors have relatively mixed profiles in terms of dwelling stock whereas the Registered Provider rented ('other social rented') are dominated by purpose-built flats, as is the private rented sector, though to a lesser extent.

Figure 4.8 Dwelling type by tenure 2011

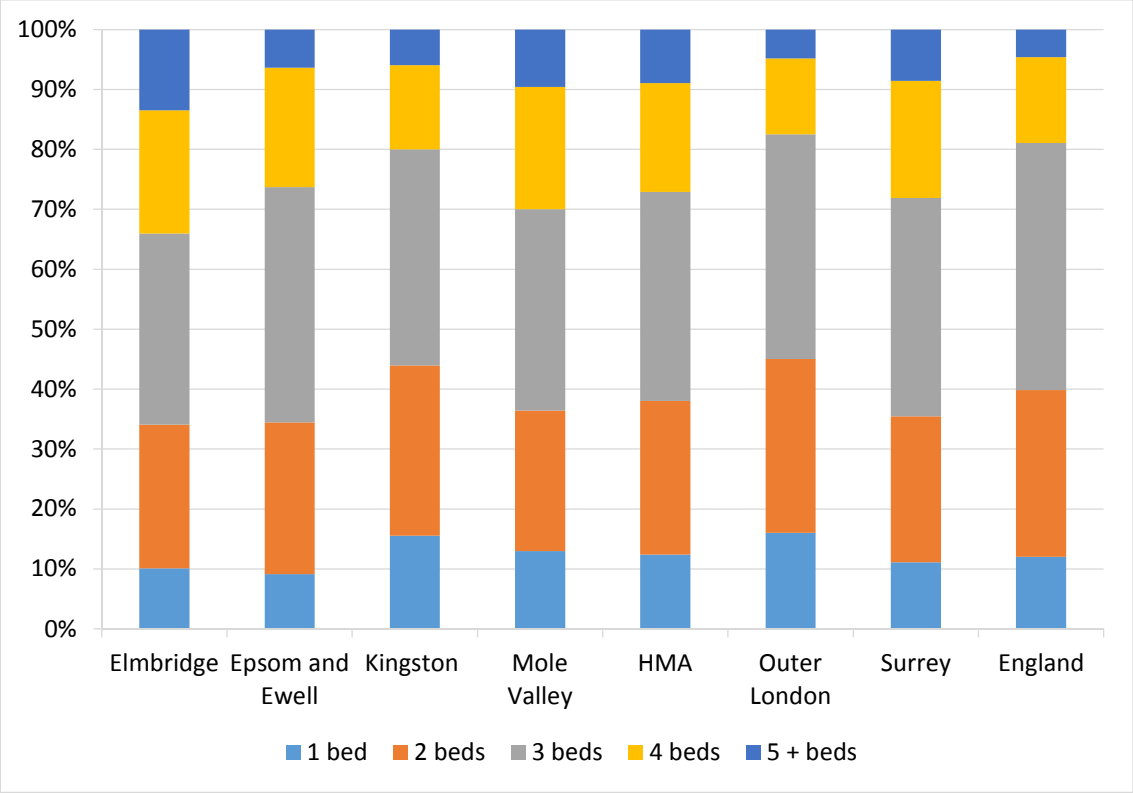


Source: Census 2011 LC 4407EW

Dwelling size

4.20 As Figure 4.9 shows, the HMA has a higher proportion of larger homes (27% four beds or more) than the England average (19%). This is particularly pronounced in Elmbridge (35%) and Mole Valley (30%), dropping to 20% in Kingston – though this is still higher than the Outer London average (18%). Three bedroom homes form the largest (35%) individual property type. As regards to the smaller property sizes, the proportions of one and two bedroom homes are comparable to the relevant Surrey and Outer London figures. Stakeholders commented that the need for cheaper products for first time buyers was an incentive to build studio-type units, particularly in town centres.

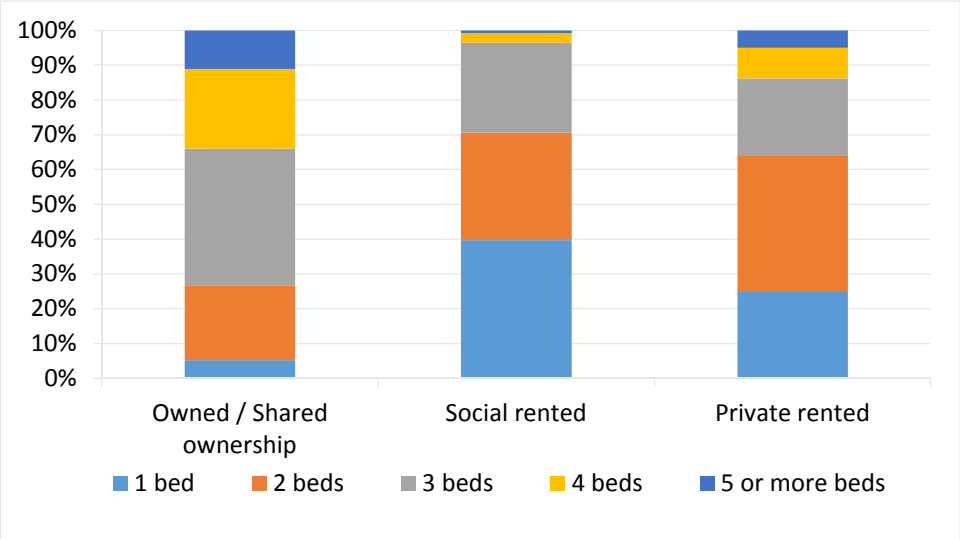
Figure 4.9 Dwelling size by authority 2011



Source: Census 2011 DC4405EW

4.21 There are major differences in dwelling size by tenure (Figure 4.10). In the owner occupied sector 73% of dwellings are three-bed or larger, with 11% being five-bed plus. By contrast, in the social rented sector, 71% are one- or two bed (40% one-bed, 31% two-bed). The private rented sector is more similar to the social rented sector, except with a greater proportion of two-beds than one-beds.

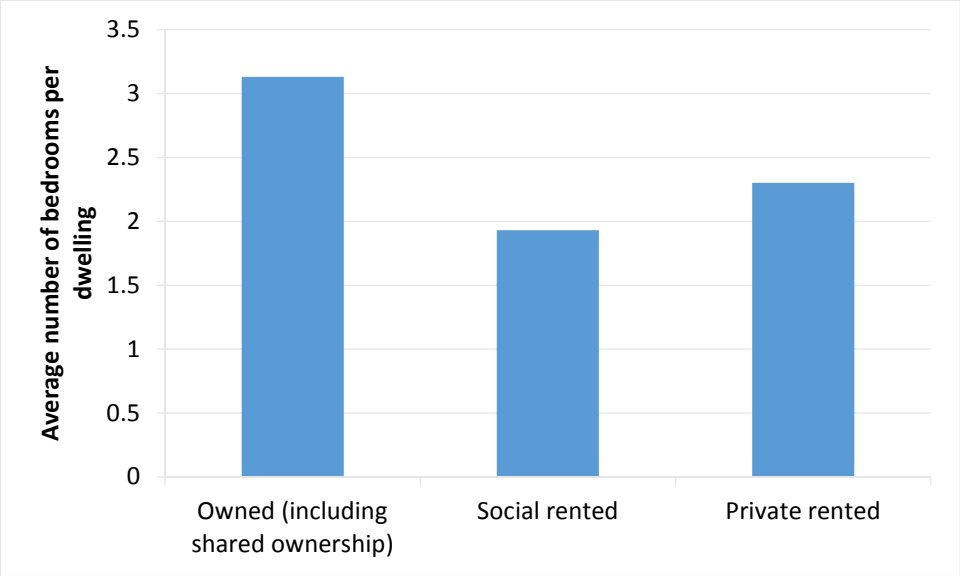
Figure 4.10 Dwelling size by main tenure 2011



Source: Census 2011 DC4405EW

4.22 This point is further illustrated in Figure 4.11, which shows the average number of bedrooms for each of the three main tenures

Figure 4.11 Average number bedrooms by main tenure, HMA 2011

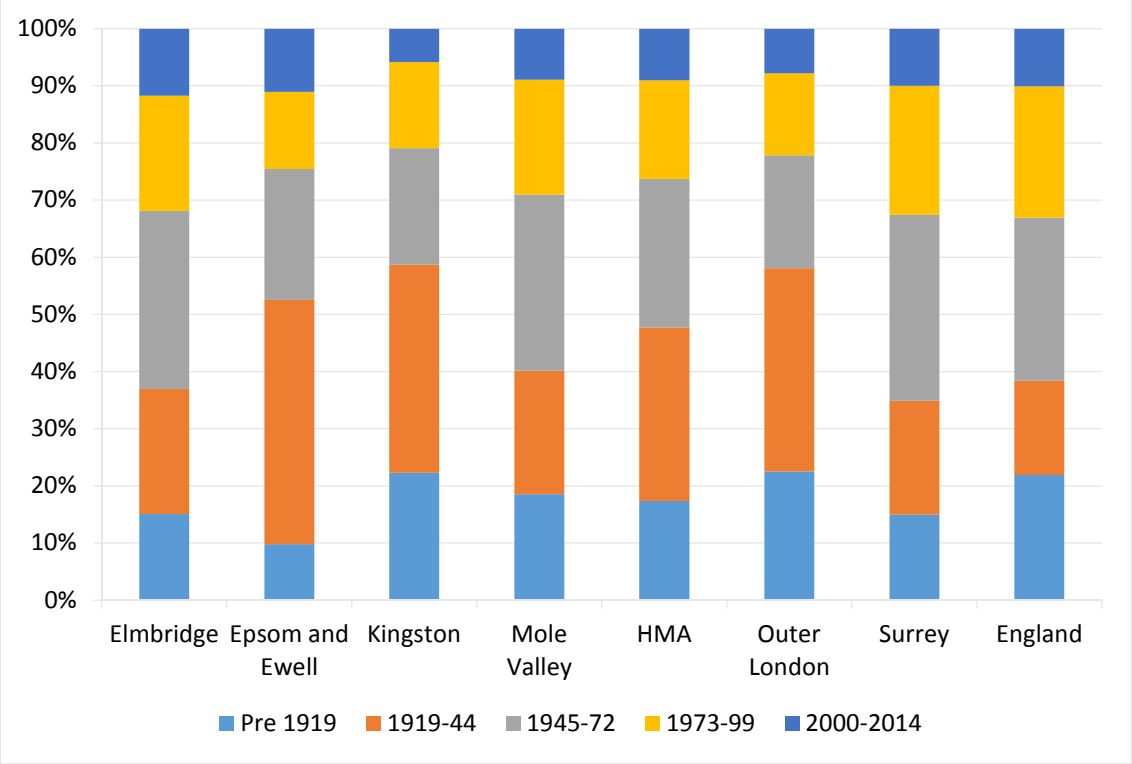


Source: Census 2011 DC4405EW with calculations by Cobweb Consulting. It is assumed that all dwellings categorised as having five beds or more have exactly five beds

Dwelling age

4.23 The age profile of the stock is a significant indicator of potential dwelling conditions, and the need for investment in repairs, maintenance and improvements to the stock. The Valuation Office Agency provides estimates of the age of the dwelling stock (Figure 4.12). The picture is fairly complex, with Epsom & Ewell and Kingston having the greatest proportion of older (pre 1945) properties (53% and 58% respectively), and Elmbridge and Mole Valley having the greatest proportions of newer (post 1973 properties) – 32% and 29% respectively. In particular, Epsom & Ewell has seen less post-1945 development than the Surrey average, though this has picked up since 2000. Kingston has seen the lowest levels of post-2000 development: at 6% of stock, this is 2 percentage points below the Outer London average.

Figure 4.12 Age of dwelling stock



Source: Valuation Office Agency

Stock condition

4.24 There is a limited amount of detailed stock condition data across all tenures available in the HMA area. Elmbridge carried out a full private sector stock condition survey (SCS) in 2009; Kingston undertook a local authority SCS in the same year. The most recent data available for Epsom & Ewell is over ten years old. Mole Valley undertook a SCS on its own stock at the time of stock transfer in 2007 and, while some local housing associations such as Mount Green have carried out more recent surveys, there is little additional data available.

Socio-economic profile of population

Deprivation

4.25 The English Indices of Deprivation have recently been revised. They act as a useful benchmark that brings together a range of socio-economic characteristics at a local authority and smaller scale geographical level, so that the relative extent and spread of deprivation can be assessed. As well as income and employment (shown below), it also covers barriers to housing and access to services; health and disability; education, skills and training; crime and the living environment. All these are summarised and then ranked, by Output Area, Ward, and local authority. There are 326 local authorities covered, and the lower the rank, the less deprived. It will be immediately apparent from Table 4.5 below that

the HMA authorities are not among those most deprived in England. Indeed, Elmbridge is the 5th least deprived, Mole Valley the 18th, and Epsom & Ewell the 16th least deprived. Kingston is the 74th least deprived – but in London only Richmond is less deprived than Kingston. In comparison with the 2010 Indices, Epsom & Ewell and Elmbridge have become marginally and relatively less deprived, whereas Kingston and Mole Valley have become marginally and relatively more deprived.

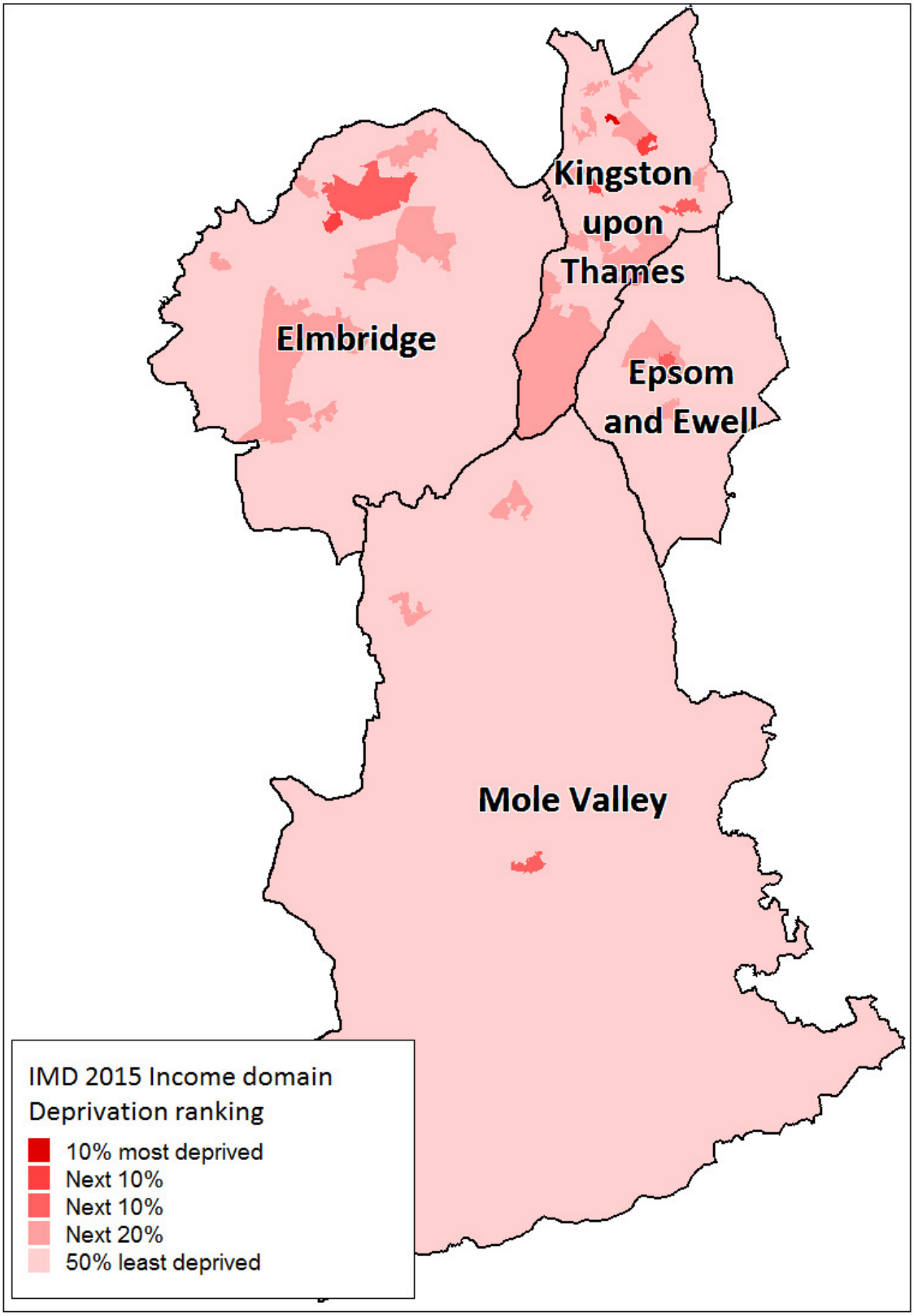
4.26 This is not to suggest that there is no deprivation in the HMA area, but only that it is limited and localised, as illustrated in Maps 4.4 – 4.5, which show income and employment deprivation. There are no LSOAs (Lower Super Output Areas) in any of the authorities that fall within the 10% most deprived LSOAs in England, indicating the relative lack of concentration of deprivation in the HMA.

Table 4.5 Extract from English Indices of Deprivation 2010 and 2015

	Rank of Income Scale	Rank of Employment Scale	Rank of Average Score	
	2015	2015	2010	2015
Epsom & Ewell	314	306	307	310
Elmbridge	262	279	320	322
Kingston	160	193	255	252
Mole Valley	310	310	310	308

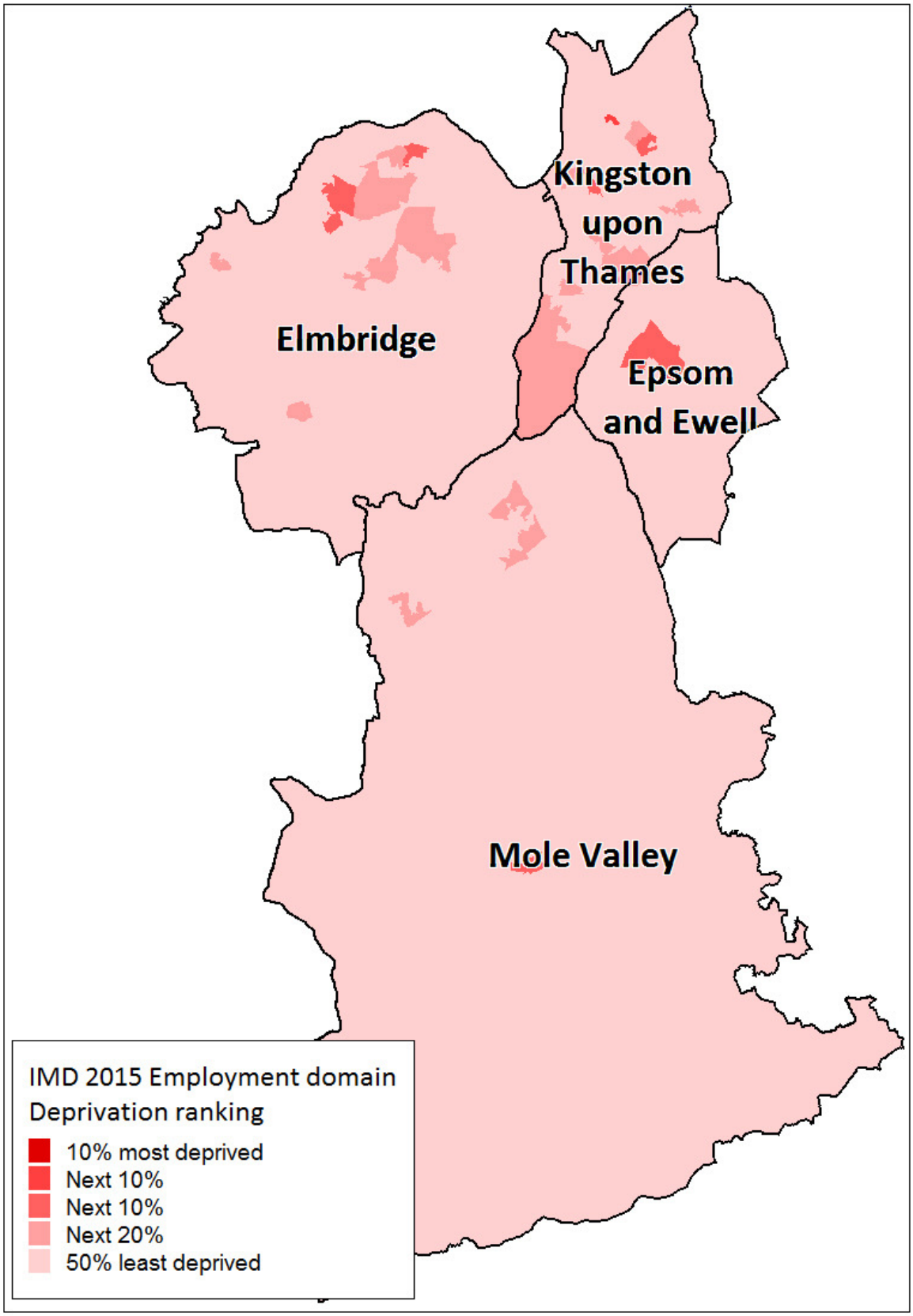
Source: English Indices of Deprivation 2010 and 2015

Map 4.4 Income deprivation



Source: English Indices of Deprivation 2015

Map 4.5 Employment deprivation



Source: English Indices of Deprivation 2015

Economic activity

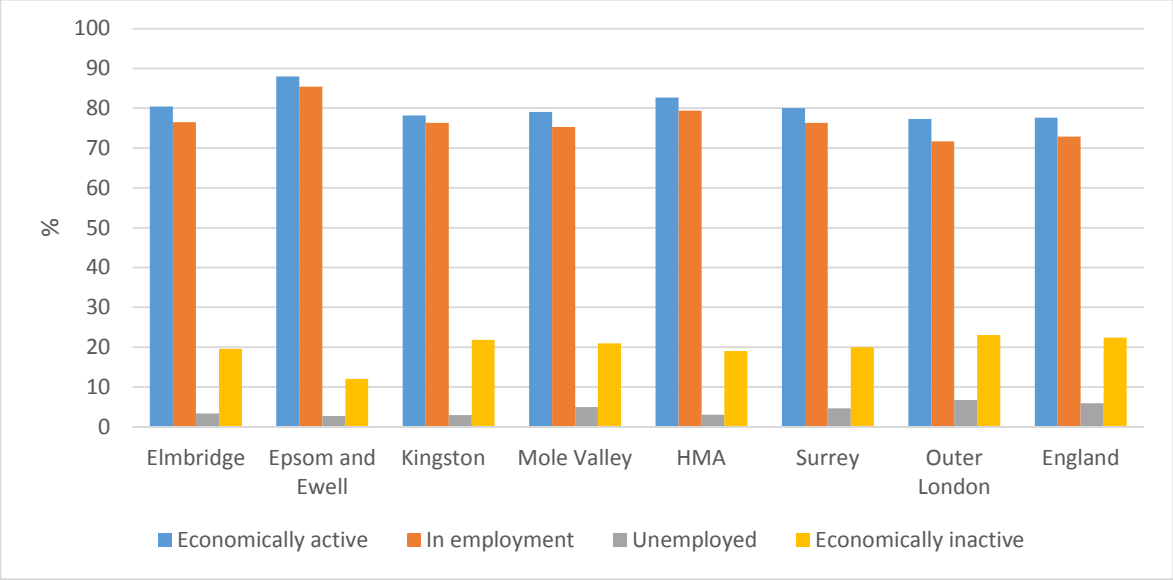
4.27 The levels of economic activity in the HMA compare positively to those in Surrey, Outer London, and across England. In particular, Epsom & Ewell has approaching 90% of the working age population in economic activity, with under 3% unemployment, and 12% economic inactivity. Kingston and Mole Valley have the greatest proportion of inactive residents, the former partly driven by the 7,900 students (some classed as economically inactive) and the latter probably because of the large proportion of retired residents.

Table 4.6: Economic activity and inactivity rates, 2015 (% working age population)

	Elmbridge	Epsom & Ewell	Mole Valley	Kingston	HMA	Surrey	Outer London	England
	%							
Economically active	80.4	88	79.1	78.2	82.7	80	77.3	77.6
In employment	76.5	85.4	75.3	76.3	79.4	76.3	71.7	72.9
Unemployed	3.3	2.7	4.9	2.9	3.0	4.6	6.7	5.9
Economically inactive	19.6	12	20.9	21.8	19.0	20	23	22.4

Source: Annual Population Survey

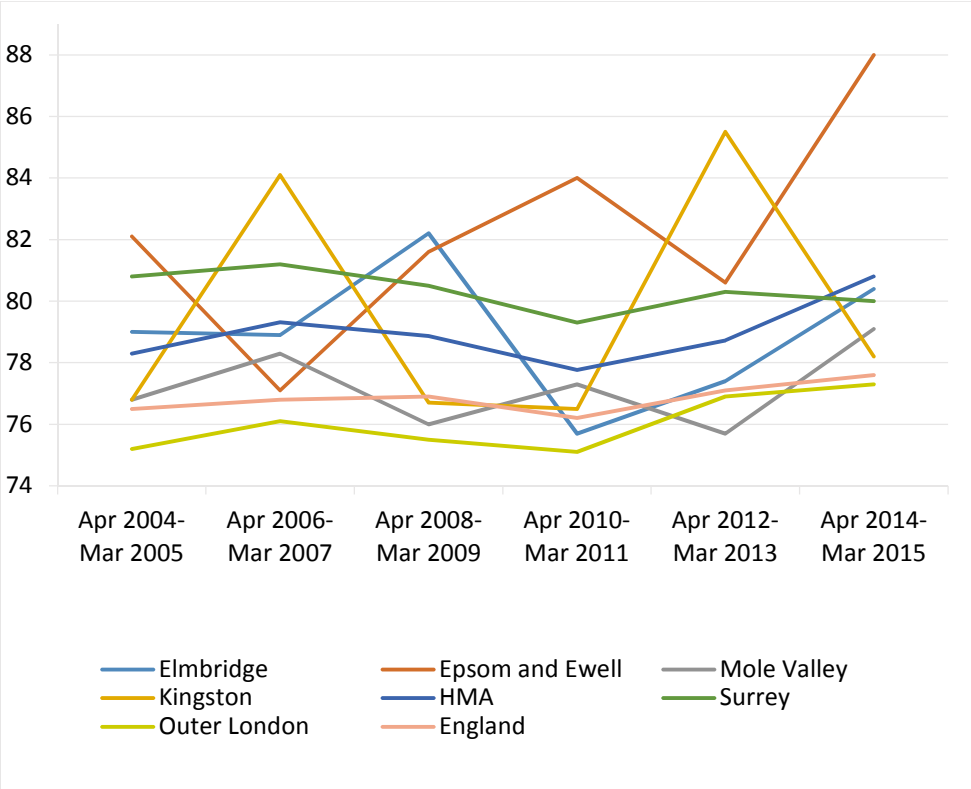
Figure 4.13: Economic activity and inactivity rates (% working age population)



Source: Annual Population Survey

4.28 When we examine economic activity over time, we can see that since 2004 across Surrey as a whole, economic activity has remained fairly flat, and indeed has dipped slightly. By contrast all three HMA Surrey authorities have improved their activity rates, fairly consistently, with Epsom & Ewell as noted making substantial strides. Kingston's pattern has been more variable, with a peak in 2012-13 followed by a decline in 2014 – 2015; however, activity rates are still higher than 2004. And as noted, all are outperforming the England figures as a whole.

Figure 4.14: Economic activity rates over time (% working age population)



Source: Annual Population Survey

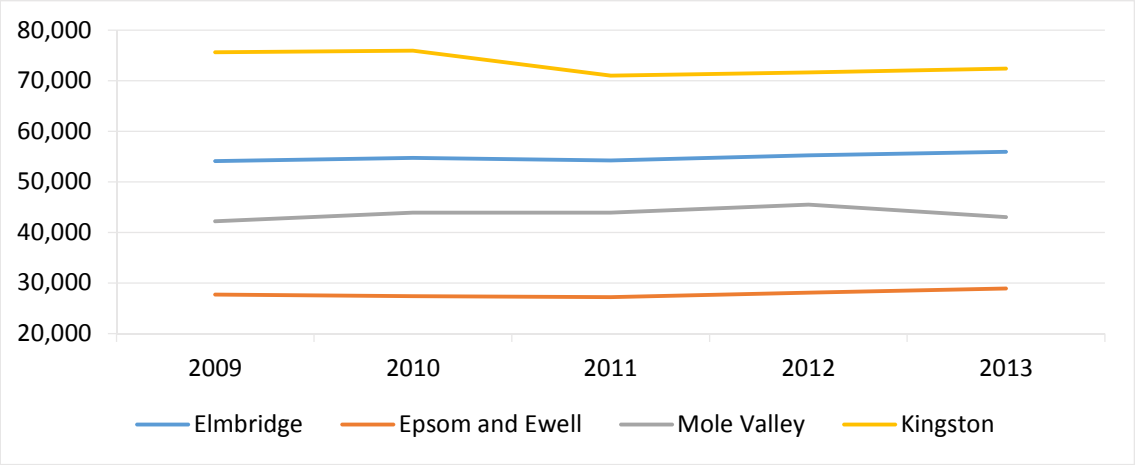
Occupation, industry and businesses

4.29 To a certain extent, patterns of economic activity have matched the pattern of business start-up and development. Figure 4.15 below tracks the number of businesses recorded by the ONS Business Register and Employment Survey annually since 2009. Note that the survey only covers VAT registered firms and those with PAYE arrangements, and therefore will exclude many self-employed sole traders and small scale enterprises. Stakeholders particularly noticed the increased number of business start-ups by small scale entrepreneurs in Kingston, and the relative lack of appropriate affordable 'work / live' space in the area – which was forcing many to relocate outside the borough. Across the HMA, at the latest date available there were an estimated 200,200 of these businesses in operation. This is very marginally higher than the 2009 figure of 199,600.

4.30 Most HMA authorities have seen the number of businesses gradually start to increase since the deepest years of the recession, albeit fairly unsteadily, with Elmbridge and Epsom & Ewell making most headway. Although all Surrey HMA authorities now register more businesses than in 2009, Mole Valley's current trajectory seems to be downwards. As regards to Kingston, the local business community has contracted since 2009 by some 3000 firms, though there now seems to be signs of recovery (especially among small businesses, as noted above). However, while the number of businesses seems

to be stabilising, this is not reflected in the number of jobs, which shows a downwards trajectory (see below). This implies a developing pattern of smaller businesses, employing fewer people, as well as an increase in the workforce in the HMA commuting to other areas to work (see Chapter 5).

Figure 4.15 Businesses in operation

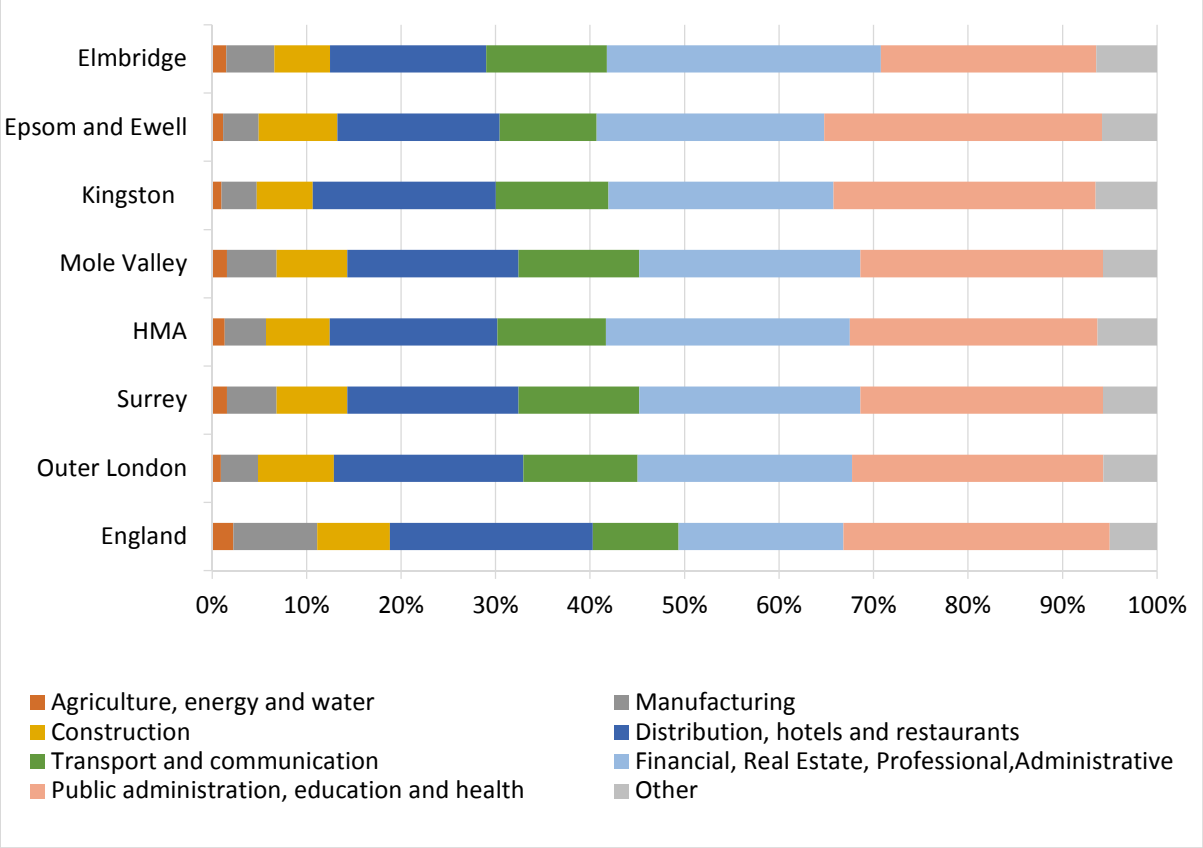


Source: Business Register and Employment survey

4.31 In terms of the make-up of economic activities (Figure 4.16), the HMA area is dominated by occupations in the two industrial categories of 'Public administration, education and health' (26.2%) and 'Financial, real estate, professional and administrative activities' (25.8%). The latter category, where most highly-paid jobs will be concentrated is substantially above the England average (17.5%), as well as the Surrey and Outer London averages. Elmbridge has 29% of its jobs in this category. There are marginally above average numbers in the transport and communication industries, and below average numbers in distribution, hotels and restaurants sectors. Current and future developments around Heathrow Airport and Gatwick Airport will impact on economic activity in the north and south of the HMA, respectively.

4.32 In Mole Valley the dominant industry is financial, real estate and professional activities, similar to Elmbridge. In Epsom & Ewell the strongest sector is in public administration, education and health, as it is in Kingston.

Figure 4.16 Occupations by industry

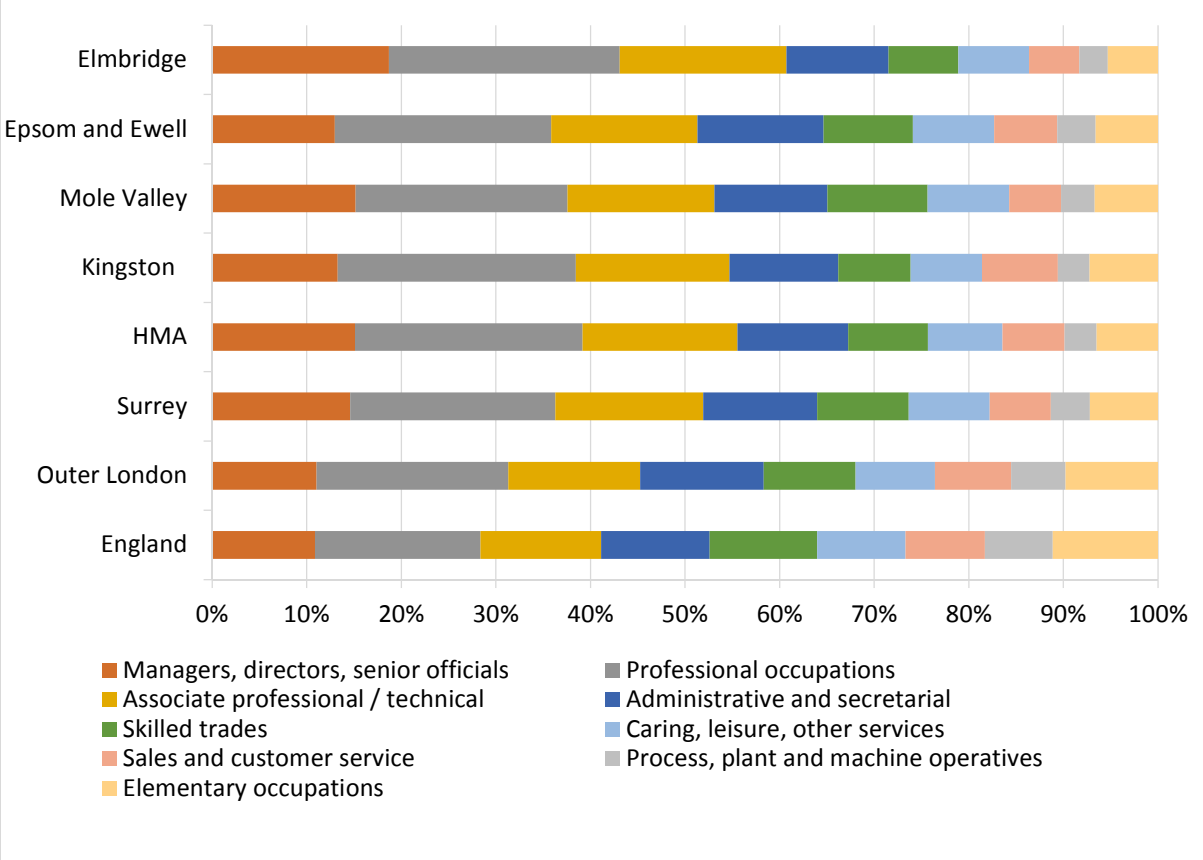


Source: Census 2011 table DC6604EW

4.33 As regards to types of occupations (Figure 4.17), 56% of the HMA workforce are in the three most senior categories of occupation – managers, directors and senior officials; professional occupations; and associate professional and technical occupations. This is higher than both the Surrey and Outer London averages (and the national average). This applies to over 60% of the Elmbridge workforce. Elmbridge also has the highest proportion of managers and directors (19%). The professional category is the largest single component (24%) across the HMA, with Kingston having the highest proportion (25%).

4.34 While there are nationally comparable proportions of administrative and secretarial occupations in the HMA, all the other occupation categories, including skilled and unskilled manual, caring, sales and customer service are under-represented among HMA residents. This must imply a degree of travel and commuting among those providing these lower classification services – including personal and caring services – to HMA residents.

Figure 4.17 Occupation by type



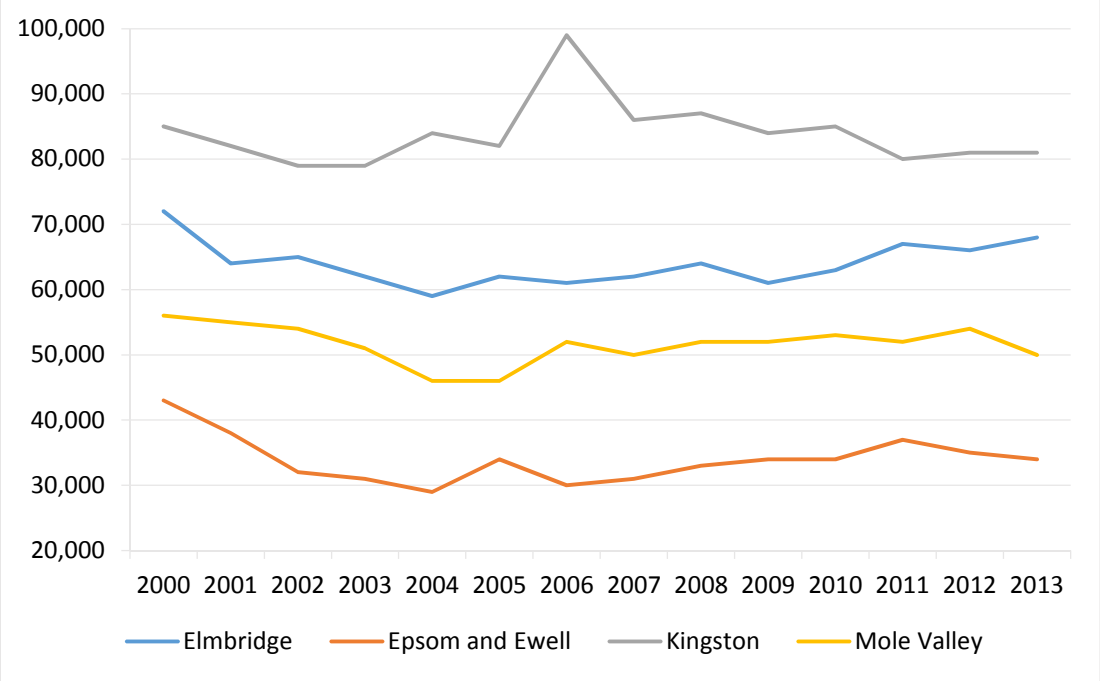
Source: Census 2011 table DC6604EW

Jobs

4.35 The number of jobs in the HMA fell from 256,000 in 2000 to 233,000 in 2013 (-9%). The biggest apparent fall was in Epsom & Ewell which saw the 'loss' of 9,000 jobs over the period (-21%). However, over half of this loss (5,000 jobs) can be put down to the relocation of a major regional employer whose HQ had been in Epsom Town Centre. As ONS local classifications are based on registered offices, these 5,000 jobs would have been located all over the South East, and their apparent 'loss' from Epsom & Ewell cannot be interpreted as a sign of local employment decline. Putting this aside, Mole Valley saw an 11% decline (5,000 jobs). Even discounting the Epsom & Ewell anomaly, the overall figures indicate a gradual shift from job supply within the HMA to employment outside it, associated with increased commuting (see Chapter 5).

4.36 This is illustrated in Figure 4.18, which is a workplace measure of jobs, including employees, the self-employed, trainees, and HM armed forces. As a work-place measure, it includes in-commuters into the authorities, and excludes those commuting out: though as noted in Chapter 5, there is a substantial element of commuting between the HMA authorities.

Figure 4.18 Jobs in HMA authorities



Source: Nomis, ONS Local Authority Profiles

Earnings

4.37 The higher end industrial and occupational profile of HMA residents is reflected in the higher earnings the resident workforce receives. In all authorities, earnings are higher than the South East, London and England averages, with the Elmbridge workforce earning the most (Table 4.7 and Figure 4.19). Since 2002 earnings have increased relatively steadily, with a few dips in 2007 to 2008 for Kingston workers, in 2008 to 2010 and 2011 to 2013 for Elmbridge, from 2008 to 2010 and since 2011 for Epsom & Ewell workers, and from 2010 to 2011 for Mole Valley workers. With the exception of Mole Valley, residents' earnings have increased by between 35% and 38% since 2002, a rate higher than London, the South East and England (29%-31%). Earnings in Mole Valley have only increased by 17% over the period.

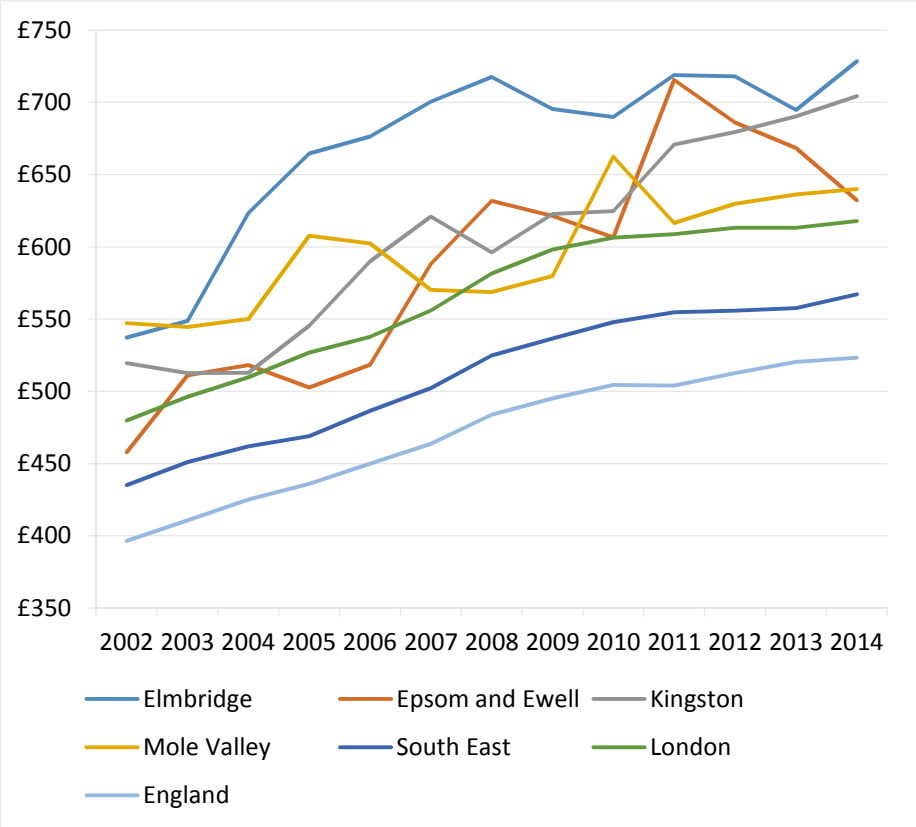
4.38 It should be noted that these figures are not the ones used when affordability is considered in Chapter 8. The figures here are based only on earnings, and exclude other forms of income, such as benefits and savings, which are considered later. It should also be noted that these figures are based on the earnings of those who live in the HMA. While some will both live and work in the area, other residents will commute elsewhere for employment. And these figures exclude those that work in the HMA but reside elsewhere.

Table 4.7 Weekly gross earnings over time (residents)

	Elmbridge	Epsom & Ewell	Kingston	Mole Valley	South East	London	England
2002	£537	£458	£520	£547	£435	£480	£397
2003	£549	£511	£513	£545	£451	£496	£411
2004	£623	£518	£513	£550	£462	£510	£425
2005	£665	£503	£545	£608	£469	£527	£436
2006	£676	£518	£590	£602	£487	£538	£450
2007	£700	£588	£621	£570	£502	£556	£464
2008	£718	£632	£596	£569	£525	£582	£484
2009	£695	£621	£623	£580	£537	£598	£495
2010	£690	£607	£625	£662	£548	£606	£505
2011	£719	£716	£671	£617	£555	£609	£504
2012	£718	£686	£680	£630	£556	£613	£513
2013	£695	£668	£690	£636	£558	£613	£520
2014	£728	£632	£704	£640	£567	£618	£523

Source: Annual Survey of Hours and Earnings

Figure 4.19 Weekly gross earnings over time (residents)



Source: Annual Survey of Hours and Earnings

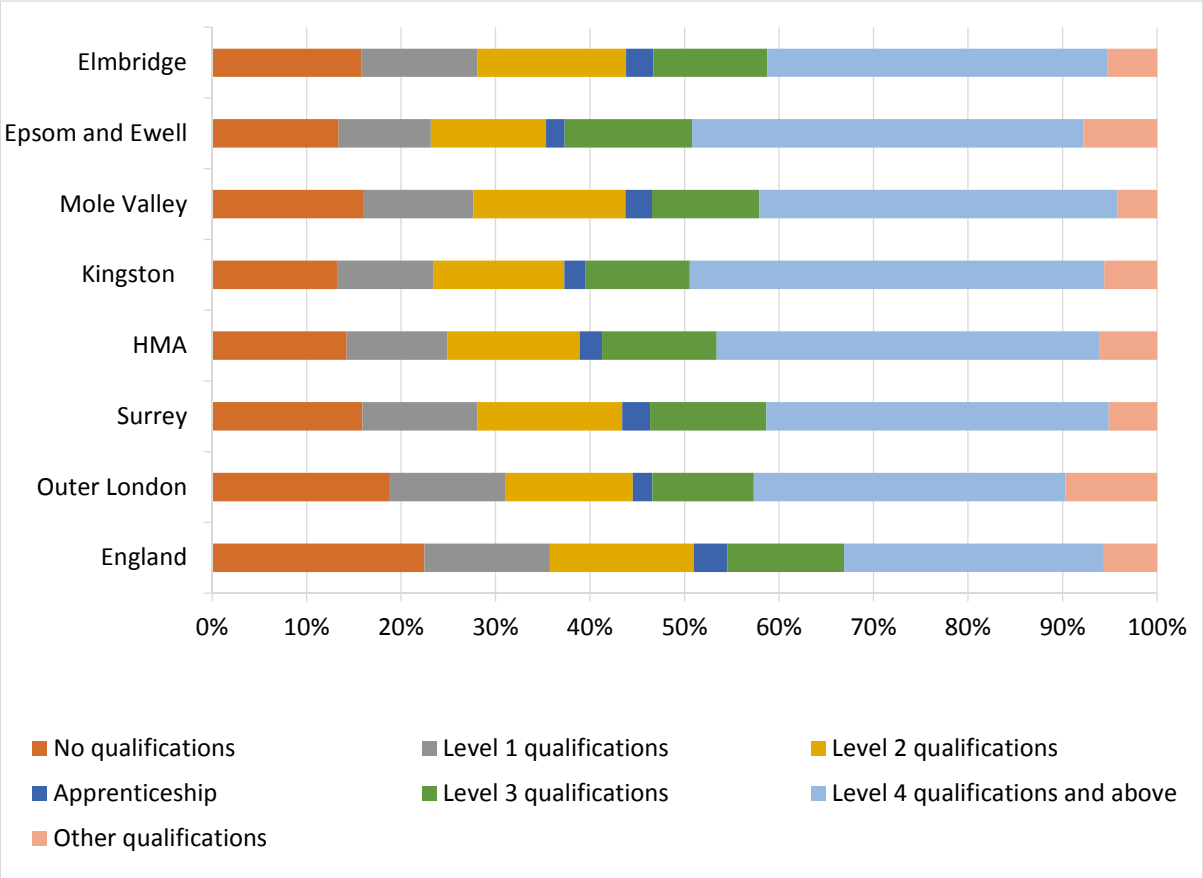
Educational qualifications

4.39 Underpinning the earnings, occupational and industrial profile is a workforce with a high level of educational attainment. As Figure 4.20 indicates, 41% of the workforce have level 4 or higher (a University degree, HND, HMC or higher) qualifications. This is a higher proportion than that found in Surrey, Outer London or England (36%, 33%, and 27%) respectively. 20% also have professional qualifications (e.g. teaching, nursing, accountancy).

4.40 Conversely, there are lower levels of those with no qualifications than the comparator areas, and relatively low levels of Level 1 – Level 3 highest qualifications (for example, GCSE O levels to A levels).

4.41 Again, Elmbridge shows the highest level of educational qualification, mirroring the high incomes and higher status occupations enjoyed by their workforce. Mole Valley shows a similar profile, with Epsom & Ewell and Kingston having a marginally less-qualified workforce – but both still at or above the comparator geographies.

Figure 4.20 Highest educational qualification



Source: Census 2011 Tables QS501EW and QS502EW

Chapter 5

Drivers of demand

Key messages

After slow growth up to 1996, the rate of population growth across the HMA has accelerated to 1% per annum over the 2011-2014 period. Kingston and Epsom & Ewell have the highest growth rates. In Elmbridge and Mole Valley rates are much lower. The factors generating growth differ between local authorities. In Kingston, natural increase and international migration are important. In Elmbridge, natural change and net internal migration (dominated by outward movement from south and west London) are the main components. In Epsom & Ewell, natural change and migration are both significant. In Mole Valley, there is little natural growth and change is driven mainly by net in-migration from within the UK, again mainly from adjacent areas and out from south London.

In terms of age structure, Kingston has a high proportion of people aged 15-34. The other authorities have smaller proportions in this age group. Elmbridge has a higher than average proportion of people aged 35-54 and of children aged 0-14. Epsom & Ewell tends towards this pattern but to a lesser extent. Mole Valley has an older population profile.

In Kingston, the working age population has grown substantially in recent years (22%), driven in part by student numbers. The working age population is also growing in Epsom & Ewell (13%) but only slowly in Mole Valley (6%) and Elmbridge (3%). Outside Kingston the proportion of students aged 18 and over was 3-4%.

Growth in the number of households (as distinct from population) has been highest in Kingston and Epsom & Ewell, and lowest in Mole Valley. Average household sizes declined from 1991-2001, but after 2001, the decline reversed until 2010, since when they have remained static. Mole Valley was an exception with a lower average household size than the other authorities throughout the period, reflecting the older age profile of its population.

In terms of household size and type, the HMA has fewer 1-2 person and more 3-4 person households than the national average, although fewer households with 5 or more members. In Kingston, there are more small households than average and these are more likely to be younger people. In Mole Valley there are also more small households but they are more likely to be older. Elmbridge and Epsom & Ewell have more families with children. The HMA has fewer other household type such as groups of adults living together (including students) than average, except in Kingston where the proportions of students and of multi-adult households are high. In Elmbridge and Epsom & Ewell the strongest demand is thus for family-sized housing, in Mole Valley the ageing of the population and inflow of smaller households may be increasing the demand for smaller units, and in Kingston the younger population and the growth in student numbers has increased the demand for smaller units or for sharing accommodation.

The economy of the area and its surroundings helps to create demand for housing. The authorities in the HMA all have high levels of economic activity and employment, and households living in the authorities within the HMA have relatively high earnings. The area benefits from the presence of centres of economic activity and employment nearby (especially central London). Between 2000 and 2013, the HMA became increasingly focussed on higher paid employment, some of which was outside the HMA and this has been as much a driver of economic prosperity in the area as employment within it. The average earnings of people living in the area are much higher than those of people working there, and commuting levels are high.

5.1 This chapter reviews trends in past population and household change and the demographic, economic and aspirational factors driving the amount and nature of household formation and housing market change in the HMA over the last two decades. Two key long-term drivers of housing market demand are demography (including population composition and migration and household characteristics) and the strength of the economy (including both the level and type of employment available and economic opportunities in adjacent areas) which determines households' ability to exercise demand in the market or otherwise.

Population

5.2 In 2014 ONS estimated that the population of the HMA was 467,300. Kingston was the largest authority (Table 5.1), accounting for 36% of the total, followed by Elmbridge (28%), Mole Valley (18%) and Epsom & Ewell (17%). After slight decline in the early 1980s, and low growth up to 1996, the rate of population growth across the HMA has accelerated steadily to reach an average of 1% per annum over the 2011-2014 period. In recent years, Kingston and Epsom & Ewell have shown the highest growth rates, with rates in Elmbridge and Mole Valley much lower.

Table 5.1 Mid-year population 2014 and rates of change 1981-2014

	Population	Rate of change						
	2014	81-86	86-91	91-96	96-01	01-06	06-11	11-14
Elmbridge	132,800	1.0%	0.2%	3.7%	4.1%	5.0%	2.0%	1.1%
Epsom & Ewell	78,300	-3.6%	0.7%	-1.2%	0.9%	4.3%	7.4%	4.1%
Kingston	170,000	-1.7%	3.0%	2.3%	7.0%	3.2%	4.4%	6.0%
Mole Valley	86,200	2.1%	0.1%	0.3%	1.1%	2.5%	4.0%	0.7%
Total	467,300	-0.5%	1.2%	1.7%	4.0%	3.7%	4.1%	3.2%

Source: ONS mid-year estimates via NOMIS

Components of population change

5.3 A detailed picture of the components of population change at local authority level from 2001-2014 is provided by ONS and the results are shown in Figures 5.1 a-d. ONS estimates of change distinguish four elements: natural change (births less deaths); internal migration; international migration; and other change. These estimates draw on a range of data sources with varying degrees of uncertainty. Data on migration generally, and international migration in particular, is subject to error, especially in the earlier part of the period before ONS implemented a series of measures to provide a more accurate and detailed picture of international migration. The degree of uncertainty is also much greater at local authority levels than at national or regional level. The periodic Population Censuses provide points against which estimates can be checked, assuming that the Census results are themselves accurate. 'Other change' represents population change which ONS are unable to attribute to either natural change or migration. It is probable, but cannot be established with certainty, that much of this is international migration.

5.4 Each of the authorities in the HMA has a different profile in terms of the components of population change. In Kingston, natural change has accounted for growth of on average 1,000 per annum, and the level of natural change is increasing. Net international in migration has also been important, averaging just under 2,000 per annum, and remains important despite being at a lower level than its peak in 2009-10. Net internal migration has been more variable, though mostly negative, with an average net loss of 200 people to other parts of the country. In comparison to the other authorities in the HMA, the level of unattributed 'other change' is very high in Kingston, averaging over 1,100. Some commentators consider that this component is unrecorded international in-migration but ONS do not do so.

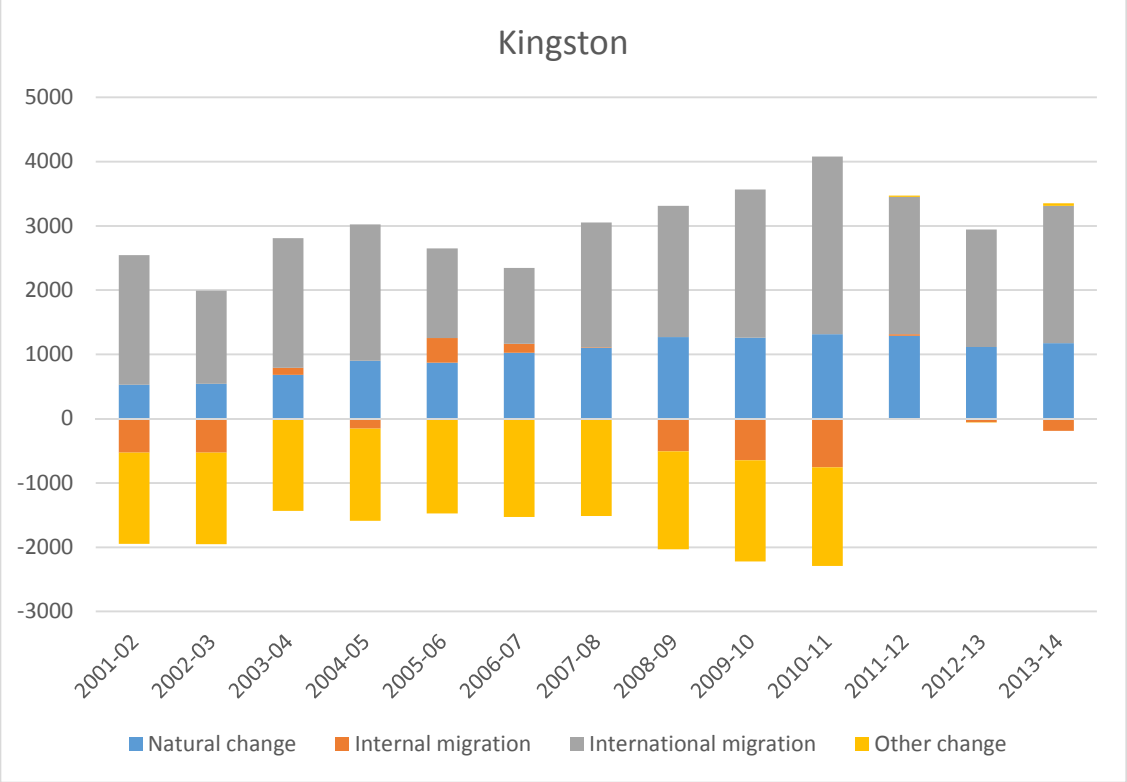
5.5 In Elmbridge, natural change is also positive and accounts for around 60% of growth on average. After losing population through internal migration in the early 2000s, Elmbridge has subsequently been a net importer from elsewhere in the UK, and this accounts for 40% of growth on average. International migration contributed to growth up to 2006, but subsequently, Elmbridge has lost population through international migration, slightly offsetting some of the internal migration gain. There is very little 'other change'.

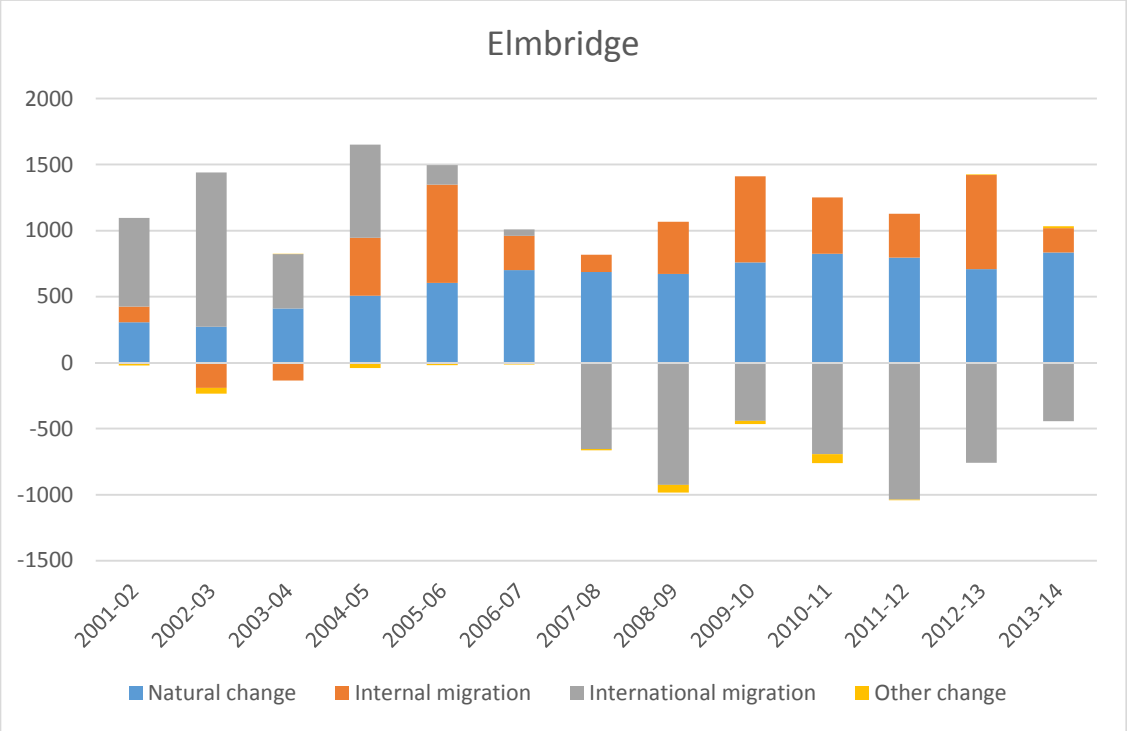
5.6 In Epsom & Ewell, natural change and internal in-migration have also generally been positive, averaging 275 and 300 per annum respectively. International migration has averaged 200 per annum so migration from all sources accounts for more growth than natural change. There is a high level of unattributed 'other change' in Epsom & Ewell, especially in the early 2000s, although less than in Kingston.

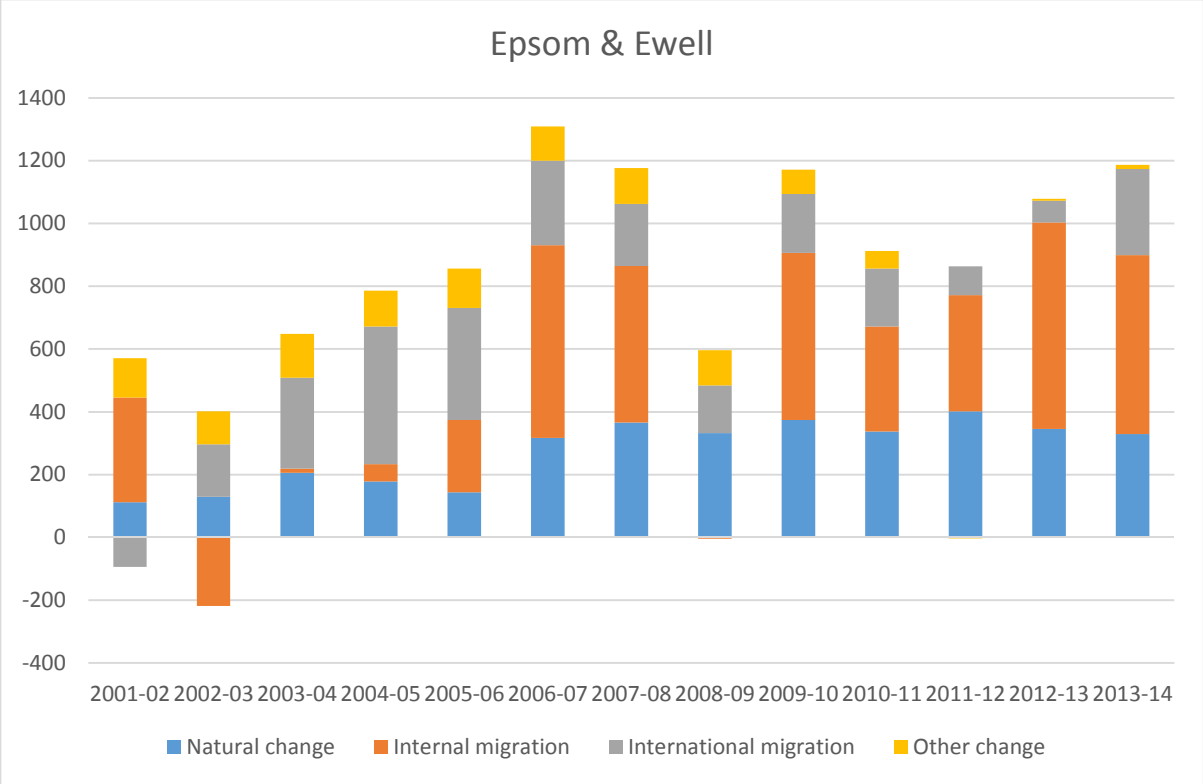
5.7 Mole Valley is distinctly different from the other authorities in the HMA with little natural growth and in some years natural decline, as a result of its older population structure and smaller proportion of people in the child-bearing stages of the life cycle. International migration has also generally been insignificant and in recent years has mainly resulted in a net loss of population. Net internal in-migration represents the main

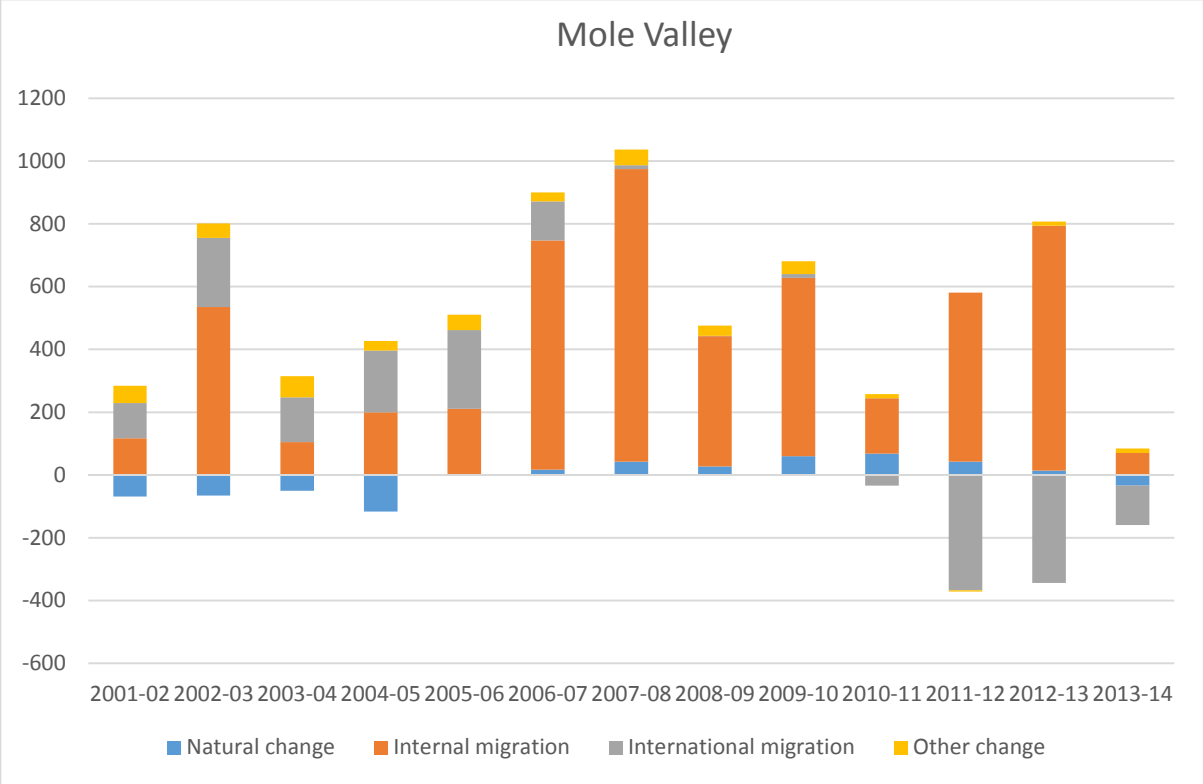
component of growth in Mole Valley, mainly from adjacent authorities and London. This suggests a function within the HMA of reception for migrants from the more urbanised areas, often people in the later stages of the life-cycle including retirees. Stakeholders commented on a pattern of aging parents moving into Mole Valley to move closer to their grown families.

Figure 5.1 a-d Components of population change 2001-2014









Source: ONS mid-year estimates via NOMIS

Migration

5.8 Table 5.2 shows the main sources of internal migration from within the UK and the main destinations within the UK for out migrants from the four authorities within the HMA in the 12 months preceding April 2011. In each case the main migration linkages are with adjacent authorities.

Table 5.2 Internal migration

From	Elmbridge		Epsom & Ewell		Kingston		Mole Valley	
To	Kingston	605	R&B	481	Elmbridge	994	R&B	462
	Runnymede	428	Sutton	474	Merton	750	Guildford	304
	Woking	407	Mole Valley	374	Epsom & Ewell	702	Horsham	240
	Mole Valley	350	Kingston	358	Richmond	699	Epsom & Ewell	218
To	**Elmbridge**		**Epsom & Ewell**		**Kingston**		**Mole Valley**	
From	Kingston	994	Kingston	702	Richmond	1061	R&B	447
	Richmond	604	Sutton	603	Merton	966	Epsom & Ewell	374
	Wandsworth	558	R&B	393	Wandsworth	959	Elmbridge	350
	Merton	335	Merton	292	Elmbridge	605	Guildford	300

ONS, 2011 Census Table DC4404EW; R&B = Reigate and Banstead

Ethnic profile

5.9 The ethnic profile of the HMA is similar to the average for England as a whole with 85% of people of White origin. Amongst non-white ethnic groups, the largest are Other Asian (4%) and Indian and Mixed (3% each). Kingston has the largest non-white population (26%), and Mole Valley the smallest (5%).

Table 5.3 Ethnic origin, 2011

	White	Mixed	Indian	Pakistani/ Bangladeshi	Chinese	Other Asian	Blac k	Other
Elmbridge	90%	3%	2%	1%	1%	2%	1%	1%
Epsom & Ewell	86%	3%	2%	1%	1%	4%	2%	1%
Kingston	75%	4%	4%	2%	2%	8%	3%	3%
Mole Valley	95%	2%	1%	0%	0%	1%	1%	0%
HMA	85%	3%	3%	1%	1%	4%	1%	2%
England	85%	2%	3%	3%	1%	2%	3%	1%

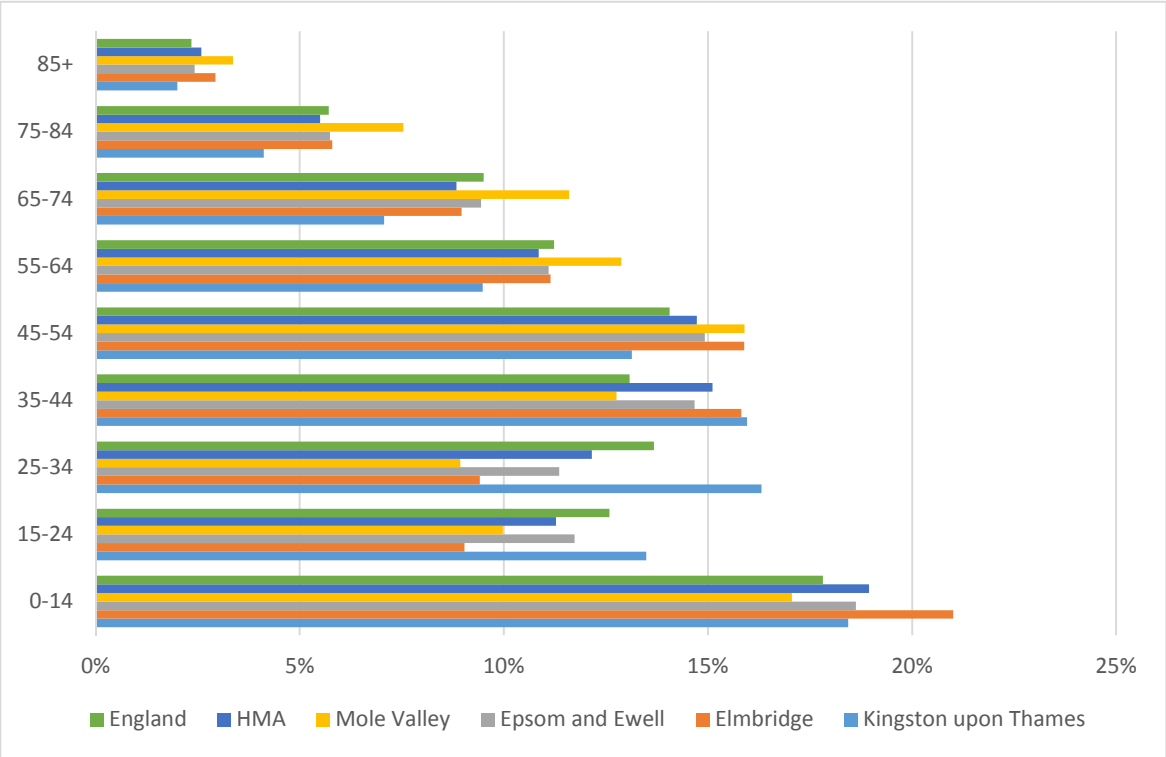
Source: ONS, 2011 Census, Table QS201EW

Age structure

5.10 There are significant differences in age structure between the four authorities in the HMA (Figure 5.2). Kingston, reflecting its student population and employment opportunities, has a high proportion of people aged 15-24 and 25-34. The other authorities, especially Elmbridge, have relatively small proportions of those aged 15-24 when compared to Kingston and to the national average. Elmbridge has a correspondingly higher than

average proportion of people aged 35-54 and an especially high proportion of children aged 0-14, suggesting a high proportion of families. The Epsom & Ewell age profile tends towards this pattern too, but to a lesser extent, with the second highest proportion of 15-24s after Kingston. Mole Valley has the lowest proportions of people within the HMA for all age groups under 45 and the highest proportions for those above this age, with the margin increasing for those over 55. Within the HMA it is the area which has made the most progress towards an ageing population.

Figure 5.2 Population age structure 2014



Source: ONS mid-year estimates via NOMIS

Working age population

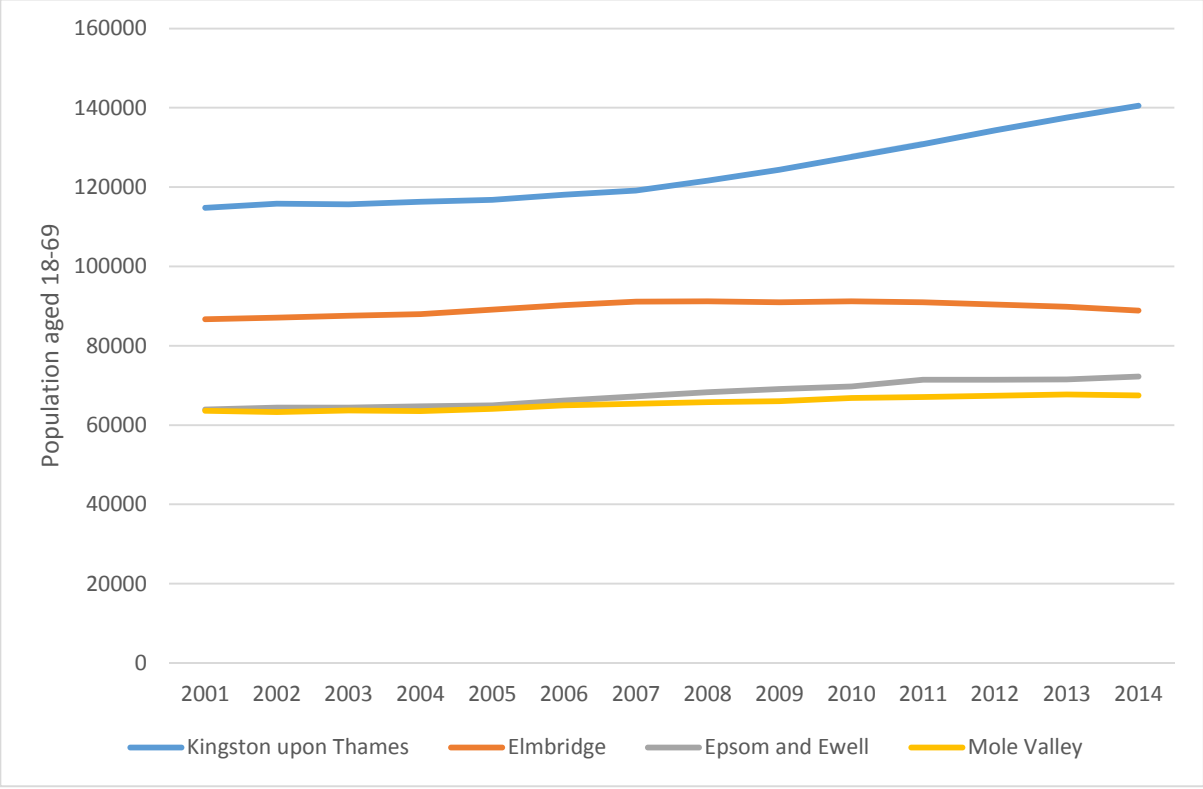
5.11 The size of the working age population is significant as it has a strong influence on the local economy and on levels of commuting. In many areas of England the ageing of the population has had the effect of reducing the size of the working age population, but this has not yet happened in the HMA, even in Mole Valley where the age profile is somewhat older.

5.12 Offsetting changes to the working age population are occurring at the two ends of the age scale. Increased rates of participation in further and higher education by young people are reducing labour supply, but the absence of a formal retirement age for older people and a tendency for some to seek to remain in employment longer are increasing labour supply. Benefits from private and occupational pension schemes are becoming less generous and the State Pension Age is in the process of changing, with the age at which people become eligible for the state retirement pension being equalised for men and women at 65 in 2018, increased for both genders to 66 by 2020 and raised again to 67 by

2028. At present, a further increase to 68 is planned for 2044-2046, but this will be reconsidered in a review to be completed by 2017 with every likelihood that the date will be brought forward. These changes are likely to exert some pressure on older people to remain in work longer, but against this, increasing longevity is not always associated with good health, and some employers are still reluctant to employ or retain older people.

5.13 Figure 5.3 shows the changes in the number of people aged 18-69 in each authority within the HMA over the 2001-14 period. In Kingston, the working age population has grown substantially by 22% over this period. This is double the national rate of growth. However a significant driver of growth in Kingston is the increase in the number of students. According to the Census, in 2011 there were just over 13,000 students aged 18 and over living in Kingston, or 10% of the 18-69 population. Elsewhere in the HMA, in Epsom & Ewell the working age population growth rate was 13%, but there were lower than average rates in Mole Valley (6%) and Elmbridge (only 3%). Outside Kingston the proportion of students aged 18 and over was 3-4%.

Figure 5.3 Population aged 18-69 2001-2014



Source: ONS mid-year estimates via NOMIS; Census of Population Table DC6108EW

Economic drivers

5.14 Chapter 4 looked at jobs, economic activity, employment and the composition of employment within the HMA. The level of economic activity in the HMA is generally high in comparison to London and the South East, especially in Epsom & Ewell, suggesting a strong economic base. The lowest rate of economic activity is in Mole Valley, reflecting its older population profile. Economic activity rates have held up well or recovered since the post-

2007 recession/low growth period. The number of people in employment (employees and self-employed) has increased by 8% since 2004, with the highest growth rates in Epsom & Ewell (22%) and Kingston (11%). The higher end industrial and occupational profiles are reflected in higher average earnings levels than the South East, London and England as a whole. Since 2002 earnings have increased steadily.

5.15 However, between 2009 and 2013 there was a 3% reduction in the number of full time employees, offset by a rise in part time employment and a sharp increase in the level of self-employment. The number of jobs also fell by 9% between 2000 and 2013, suggesting a shift from dependence on work within the HMA to employment outside it, associated with increased commuting. Table 5.4 below reinforces this conclusion. Between 2002-2014, the earnings of people working full-time in Kingston increased by 22%, but the earnings of people living in Kingston increased by more than double this amount. There is a similar large differential for the other authorities in the HMA. Notably, workplace-based earnings in Epsom & Ewell (the earnings of those working there) rose by only 1% whereas residence based earnings (the earnings of those living there) rose by 34%. So over this period, the HMA has become increasingly focussed on higher paid employment, some of which is likely to be outside the HMA. Employment outside the HMA, or employment in other parts of the HMA, has been the driver of economic prosperity in the area as much as employment growth within it. The same is likely to be true, of course, for many areas close to but outside London.

Table 5.4 Change in workplace and residence based full-time earnings 2002-2014

	Workplace based	Residence based
Elmbridge	28%	59%
Epsom & Ewell	1%	34%
Kingston	22%	46%
Mole Valley	10%	25%
Surrey	18%	39%
South East	28%	34%
London	44%	33%
United Kingdom	34%	34%

Source: ONS, Annual Survey of Hours and Earnings. Incomes not adjusted for inflation.

Commuting

5.16 Some degree of commuting is a feature of all modern societies and in Britain both the volume of longer distance travel to work and the distances travelled have been steadily increasing over time. The position of the HMA relatively close to Central London and to other important employment locations such as Heathrow and Gatwick Airports, and the well-developed transport networks (which will include Crossrail in the future) result in high

levels of both inward and outward commuting, as Table 5.5 confirms. In 2011, 75% of people living in Epsom & Ewell who were working commuted to work outside the Borough. Kingston and Elmbridge also had high rates of outward commuting, with Mole Valley lower but still relatively high (62%). In all cases the proportion commuting out has increased since 2001, with the biggest increases in Mole Valley and in Epsom & Ewell. Looking at workers within each area, 67% of those working in Epsom & Ewell travelled in from outside, with similar proportions in the other authorities. Again the proportion travelling in had risen sharply since 2001 with Mole Valley experiencing the greatest increase. In terms of distance travelled (including travel to work within each authority) Kingston has the lowest average (12.6 km), on a par with the Outer London average. The remaining authorities have higher average distances, though below the average for the South East. Mole Valley and Elmbridge have the highest average distances (just over 15km). Patterns of commuting in the future (and levels of housing demand) will depend on patterns of employment growth in and outside each local authority, but are likely to remain high. Stakeholders commented that there were particular transport difficulties between Epsom and Kingston.

Table 5.5 Commuting levels 2001 and 2011[29]

	2011			*2001*	2011			*2001*
	Usual resident 16+ in employment	Of which working outside LA	% working outside	*% working outside*	All 16+ working in LA	Of which living outside LA	% workers living outside LA	*% workers living outside LA*
Elmbridge	49,554	35,150	71%	*56%*	41,455	27,051	65%	*50%*
Epsom & Ewell	30,464	22,960	75%	*61%*	22,739	15,235	67%	*53%*
Kingston	66,117	45,135	68%	*55%*	56,946	35,964	63%	*50%*
Mole Valley	31,816	19,632	62%	*48%*	35,993	23,809	66%	*49%*

Source: ONS 2011 Census Table WU01UK and 2001 Census UK Travel Flows Data via NOMIS

Households

5.17 Table 5.6 shows changes in the number of households in each local authority within the HMA over the period from 1991-2014. The number of households increased significantly in each authority, but the level of growth was highest in Kingston and Epsom & Ewell, and lower in Mole Valley, mirroring the pattern of population change over the period. CLG household projections suggest that average household sizes declined over the period from 1991-2001, but after 2001, this decline reversed and average household sizes rose again

[29] The working population figures in this table in the Census are different from those used in table 4.6 and Figure 5.3 because they exclude those working from home or mainly at home, and those with no fixed workplace. There are also differences in the age bands that are covered, and methodological differences (for example, the Annual Population Survey used in able 4.6 is a sample survey, rather than stemming from the Census)

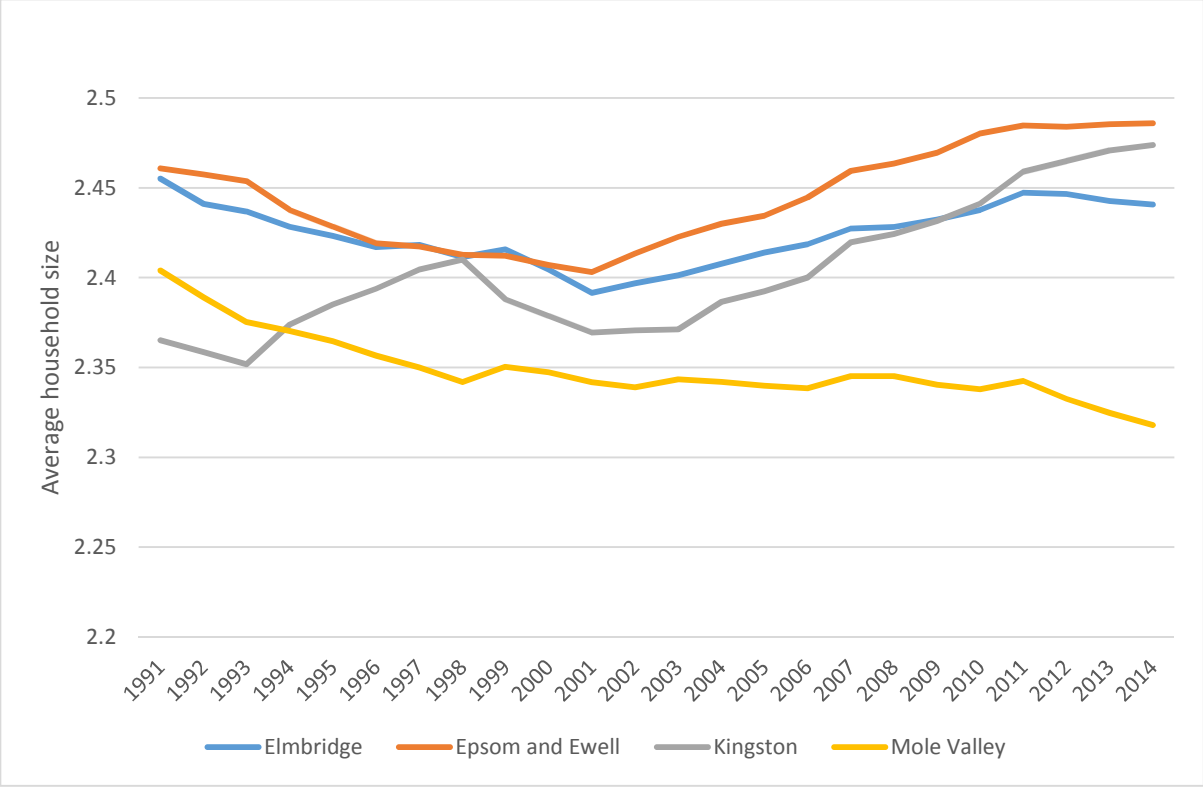
before peaking in about 2010, since when they have remained static (Figure 5.4). In Kingston, CLG estimates of average household size have shown more volatility, and we consider this issue in more detail when looking at forward projections. Mole Valley was an exception to the general picture, with relative stability in the average household size after 2001 rather than a reduction, and a return to continued decline in average size after about 2010.

Table 5. 6 Number of households and household change 1991-2014

	1991	1996	2001	2006	2011	2014	Change	% change
Elmbridge	45,740	48,163	50,649	52,627	53,127	53,630	7,890	17%
Epsom & Ewell	25,954	26,544	27,414	28,186	29,828	30,849	4,895	19%
Kingston	56,511	56,988	61,508	62,561	63,740	67,100	10,589	19%
Mole Valley	32,372	33,090	33,667	34,601	35,959	36,763	4,391	14%

Source: CLG 2012-based household projections

Figure 5.4 Average household size 1991-2014



Source: CLG 2012-based household projections

5.18 The profile of households by size in 2011 is shown in Table 5.7. 28% of households consisted of one person living alone, and 33% were made up of two people. At the other end of the scale 7% had 5 or more members. Mole Valley had a higher proportion of one and two person households than average, whilst Kingston had a higher proportion of larger

households. There were fewer small and larger households in the HMA than the national average, and more 3 or 4 person households.

Table 5.7 Household size profile

	No of persons in household					
	1	2	3	4	5	6+
Elmbridge	27.5%	33.0%	15.5%	17.2%	5.2%	1.6%
Epsom & Ewell	26.0%	33.0%	16.7%	17.4%	5.2%	1.7%
Kingston upon Thames	28.6%	31.1%	17.2%	15.3%	5.5%	2.3%
Mole Valley	29.2%	35.5%	14.8%	14.3%	4.6%	1.5%
HMA	28.0%	32.8%	16.2%	16.0%	5.2%	1.8%
England	30.2%	34.2%	15.6%	13.0%	4.7%	2.4%

Source: ONS, 2011 Census Table DC4404EW

Household composition

5.19 2011 Census data provides the most up to date profile of households by type (Table 5.8). One person households were split between those under 65 (16% across the HMA) and those aged 65 or more (12%). Mole Valley, with its ageing population, stands out with 15% of all households being single people over 65, compared to only 11% in Kingston. A further 8% of households in the HMA were multi-person with all aged 65 or more (including older couples), with Mole Valley having a much higher proportion (12%) and Kingston only about half this proportion (6%). One family couple households with dependent children account for just under a quarter of the total, with Elmbridge and Epsom & Ewell having higher than average proportions of this household type. A further 6% of households were one family couples with non-dependent (adult) children, and 19% were couples without dependent children, with at least one member aged under 65. 5% were lone parents with dependent children and 3% lone parents with adult children, with little variation between the authorities in the HMA. Only about 8% of households fell outside these categories. Less than 1% were all-student households, but the proportion was higher (although still only 2%) in Kingston. 5% were other multi-person households (such as groups of non-student adults living together), with a higher proportion in Kingston (7%) and the lowest proportion (3%) in Mole Valley.

Table 5.8 Household composition

	One person under 65	One person 65+	One family, couple no depch	One family, Couple with depch	One family, couple all child non-dep	Lone parent no depch	Lone parent with depch	Other type, all stud-ent	Other type with depch	One family or other, all 65+	Other com-plex
Elmbridge	14.8%	12.7%	17.9%	26.5%	5.8%	3.0%	4.7%	0.0%	2.1%	8.9%	3.6%
Epsom & Ewell	13.4%	12.6%	16.9%	24.6%	7.3%	3.6%	5.0%	0.6%	2.3%	9.5%	4.3%
Kingston	18.0%	10.6%	16.9%	22.3%	6.0%	3.2%	5.6%	2.0%	3.0%	5.9%	6.5%
Mole Valley	14.6%	14.7%	18.9%	22.3%	6.3%	2.8%	4.2%	0.0%	1.6%	11.5%	3.2%
HMA	15.6%	12.4%	17.6%	23.9%	6.2%	3.1%	5.0%	0.8%	2.4%	8.4%	4.6%
England	17.9%	12.4%	17.6%	19.3%	6.1%	3.5%	7.1%	0.6%	2.6%	8.4%	4.5%

Source: ONS, 2011 Census, Table KS105EW. Note: depch= dependent child(ren)

5.20 Stakeholders noted that household size demographics were impacting particularly on RP's development plans. They commented that they had seen a rise in older people (30-40 years old) buying one-bedroom shared ownership homes as a first property and were building more 'studio' units (including for students).

Chapter 6

Population and household projections, and Objective Assessment of Need

Key messages

This chapter provides an objective assessment of need (OAN) for the HMA and the four authorities within it. Affordable housing requirements (discussed in Chapter 8) should not be thought of necessarily as a sub-set of the OAN, as they could, in theory, be met by purchasing market housing for use as affordable housing.

Its starting point is the 2012-based CLG household projections and the 2012- based ONS population projections on which these are based, are the most up to date official projections. The CLG 2012-based household projections indicate household growth of 54,000 across the whole HMA over the period 2012-2037, an increase of 30%, or on average 2,160 households per annum.

There are considerable differences between authorities in the projected factors driving future growth. In Elmbridge, a steady net loss through international migration is projected, more than offset by natural growth and internal in-migration. In Epsom & Ewell, the projections assume contributions to growth from natural change, internal migration and to a much lesser extent from net international in-migration. In Kingston, natural change is consistently high, together with net international migration, offset by an assumed increase in the rate of net out-migration to the rest of the country. In Mole Valley, the projections assume a gradually increasing decline in population through natural change and through net international out-migration, but these are more than offset by the projected increase in net migration from within the UK, especially from London and nearby areas.

The Greater London Authority has also produced population and household projections for Kingston, which do not cover the three authorities in Surrey. Its most recent projections provide two scenarios based on alternative assumptions about migration trends. Both scenarios suggest a lower level of household growth for Kingston than the CLG 2012 -based projection. We consider that the GLA projections provide a better basis for calculating OAN in Kingston than the CLG 2012-based projection, as the projections and the assumptions underlying them are not constrained to national totals and so can take particular account of London's circumstances. The Inspector's report on the FALP supported the use of GLA projections for the London Plan. We consider that GLA's long-term migration scenario provides a more realistic picture than the short-term migration scenario, which gives too much emphasis to recent trends.

Surrey County Council has also produced population and household projections but these are constrained to projected land supply so do not estimate objective housing need. Hence the official CLG projections provide the best basis for OAN for Elmbridge, Epsom & Ewell and Mole Valley. The use of the GLA projections for Kingston could suggest lower levels of

internal migration to the three Surrey authorities within the HMA. This would reduce household growth by around 20% over the 2015-2035 period.

In addition to demographic trends, PPG recommends the consideration of projections of employment growth when considering the objective need for housing. Drawing on employment projections prepared by GLA and for Surrey County Council, we have examined four scenarios which seek to demonstrate the potential impact of changes in age structure, labour market participation rates and commuting on the balance between projected employment and population in the HMA. In most cases, the projected shortfalls or surpluses of labour are small and cannot be considered significant given the uncertainty inherent in both employment and population projections. The process of population ageing has the most substantial impact, although this will be mitigated if there are increases in rates of economic activity rates amongst older people. Relatively slight changes in commuting will also eliminate any shortfalls or surpluses in supply. Hence there is no strong evidence to suggest the need for any increase in OAN for housing as a result of projected employment change.

Drawing on the evidence outlined above, the OAN for housing in the HMA and each constituent authority is as shown in the table below. Across the HMA as a whole, the annual OAN is 2,000 dwellings per annum. Kingston's share of the OAN, 717 dwellings per annum, is above the target set for new provision in the London Plan, but relatively close to that target.

Source		Backlog need		New hhd form-ation	Allowance for vacancies		Allowance for second homes		Total
		Home-less	Con-cealed	Net new house-holds	% allow-ance	Number	% allow-ance	Number	
Elmbridge	2015-2035	5	606	8,565	2.84	243	0.71	61	9,480
	Per annum	0	30	428		12		3	474
Epsom and Ewell	2015-2035	62	514	7,627	1.95	149	0.00	0	8,352
	Per annum	3	26	381		7		0	418
Kingston	2015-2035	186	1,053	12,696	1.99	253	1.26	160	14,348
	Per annum	9	53	635		13		8	717
Mole Valley	2015-2035	6	419	7,168	2.18	156	0.90	65	7,814
	Per annum	0	21	358		8		3	391
Total	2015-2035	259	2,593	36,056	2.22	801	0.82	296	40,005
	Per annum	13	130	1,803		40		15	2,000

In terms of the breakdown of requirements by dwelling size, in Kingston, the future pattern of requirements shows a reduction in the proportion of small (one bedroom) units required in 2035, and an increase in the proportion of larger units. In Elmbridge, the majority of the

additional requirement is for smaller (1-2 bedroom) units. In Epsom & Ewell and in Mole Valley, 2-3 bedroom units form the majority of the additional dwelling requirement.

This is a trend projection. In the private sector, a worsening affordability position could increase the demand for smaller units, despite the current preference of many owners to occupy larger dwellings if they can afford to. In the social rented sector, measures to make a deduction from housing benefit where households have bedrooms deemed to be in excess of their requirements may lead to even closer matching of bedroom requirements and actual occupancy. The need for London and the South East to make the best use of land to meet housing need could also suggest the provision of more small units.

6.1 This section considers the overall objectively assessed need for housing in the HMA and in the constituent authorities. Objective Assessment of Need (OAN) involves determining the requirement for future additional housing development, of all types, sizes and tenures, over a period of time. The affordable housing requirement is not necessarily a sub-set of OAN, as the affordable housing requirement may include an element of backlog housing need additional to the requirements of the OAN. This need could, in theory, be met by purchase of existing private stock for affordable housing. Producing an objective assessment of housing need requires the development of estimates of the future number of households. CLG PPG is clear that official population and household projections should be the starting point for this exercise[30].

6.2 The most recent official household projections produced by CLG are the 2012-based projections, which make use of the official ONS 2012-based sub-national population projections[31]. The methodologies for these two sets of projections are described in the documentation which accompanies them. The 2012-based projections replaced the previous 2010-based projections, and a set of interim 2011-based projections. The former used assumptions which predated the 2011 Census results and the latter made only partial use of these results. The 2012-based projections represent a full update of sub-national population projections based on the latest data including the 2011 Census and so at the time of writing provide the most recent and up to date set of official projections.

6.3 The official projections cover the period from 2012 to 2037. Results are examined for this whole period, but as with all projections, the degree of uncertainty increases moving forward over time.

6.4 Official projections are based on recent trends in births, deaths, migration and household formation rates, projected forward into the future. The projections use a transparent methodology which is subject to regular review and which uses the most recent

[30] CLG Planning Practice Guidance*, Housing and economic development needs assessments*, para 15.
[31] For the 2012-based household projections, see https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections and onward links. For ONS 2012-based SNPP, see http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html and onward links.

data sources available. Data for up to six preceding years are used to determine trends, so for the 2012-based projections this means data from 2007 to 2012 were used. As with all projections, their accuracy is determined by the accuracy of the data sources on which they rely. The most uncertain of these sources are migration and household formation rates. Fuller discussion of the uncertainties surrounding these inputs can be found in the official reports on each set of projections. In addition, the projections are based on past trends and are not *forecasts*. They do not attempt to predict the impact of future policies, changing economic circumstances, or other factors. They show the number of households which would result if previous trends were to continue. Finally, for official projections, the methodology ensures that local authority level projections are controlled so that they sum, in aggregate, to national projections. The pattern of recent local trends in demographic and household change is frequently obscured by this adjustment process. For these reasons, the projections need to be examined carefully to consider whether they provide the best basis for an objective assessment of future housing need.

Population projections

6.5 Table 6.1 summarises the ONS 2012-based population projections for each of the authorities in the HMA. All the authorities are projected to experience population growth, with Kingston having the highest projected rates throughout, and especially high projected growth (9%) over the first five year period of the projections from 2012-2017. Epsom & Ewell has the next highest rate of growth, based on recent trends, but the achievement of this may be constrained by land supply. Both authorities are consistently projected to grow at rates above the national average. Rates of growth in Elmbridge and Mole Valley are much lower (2-3% in the 2012-17 period) and consistently below or at about the national average. In the later years of the projection period rates tend to converge but the level of uncertainty is much higher by that stage.

Table 6.1 ONS, 2012-based sub-national population projections

Population 000s	2012	2017	2022	2027	2032	2037
Elmbridge	132	134	139	142	146	149
Epsom & Ewell	76	80	85	89	93	96
Kingston upon Thames	164	178	190	201	211	218
Mole Valley	86	88	91	94	97	100
Percentage change		2012-17	2017-22	2022-27	2027-32	2032-37
Elmbridge		2%	3%	3%	2%	2%
Epsom & Ewell		6%	6%	5%	4%	3%
Kingston upon Thames		9%	7%	6%	5%	4%
Mole Valley		3%	3%	4%	3%	3%
England		4%	3%	3%	3%	2%

Source: ONS, 2012-based sub-national population projections

6.6 A separate 2014 mid-year estimate of population produced by ONS suggests that the populations of Kingston, Elmbridge and Epsom & Ewell had all grown slightly faster than the 2012-based projections suggest, by an average of 0.25% per annum over the two year period. No firm conclusions can be drawn from such a short time period, and it should be borne in mind that the mid-year estimates of population are (as the name indicates) estimates rather than firm counts, which are themselves dependent on the accuracy of the input data on migration, but this suggests there is a need to monitor growth against projections. In Mole Valley the population had grown by 0.25% *less* than the projection suggests.

Components of change

6.7 The components of population change in each authority are shown in Figure 6.1 a - d for selected points in the projection period. There are considerable differences between authorities reflecting their different characteristics and functions within the HMA. In Kingston, the projections assume growth of 1,000-1,500 through natural change through the period to 2037, which represents a steady increase over the rate of recent years. Likewise, net international migration of around 1,900 per annum, is forecast, a slightly lower level than in recent years but not significantly different. Finally, the projection assumes net out-migration from Kingston to the rest of the country, increasing from 200 in 2012-13 to over 1,500 per annum by the end of the period. This represents a considerable stepping up in the rate of loss compared to the recent picture.

6.8 In Elmbridge, the relatively low level of projected net population conceals an assumed net loss of 900-1,000 people per year through international out-migration,

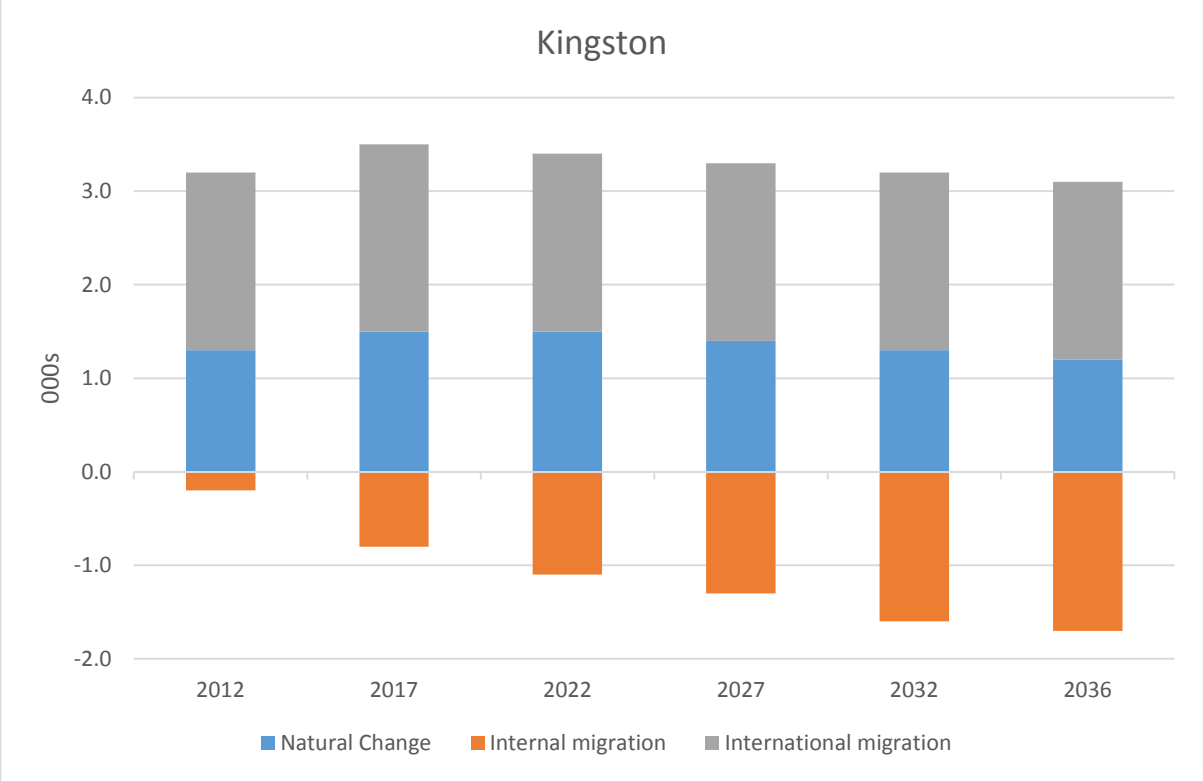
although this is more than offset by natural growth and internal in-migration, which peaks around 1,200 per annum in the middle of the projection period. The projected level of net loss through international migration is higher than the estimated average over the period since 2007 (730 per annum) shown in Figure 5.1, so the projection may underestimate growth slightly.

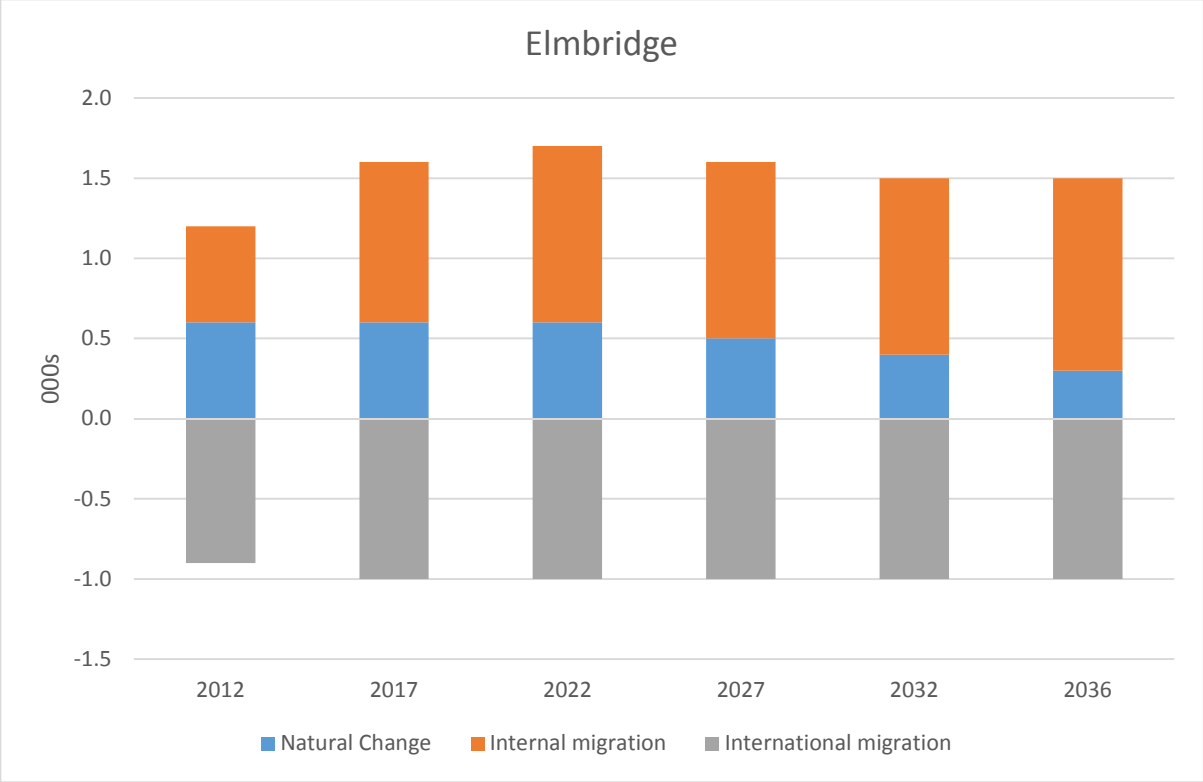
6.9 In Epsom & Ewell, the projections assume contributions to growth from natural change, internal migration and international migration, although the contribution of the last of these is relatively small. This follows the pattern of recent years, but at slightly lower levels, leading to a smaller overall growth rate than in recent years.

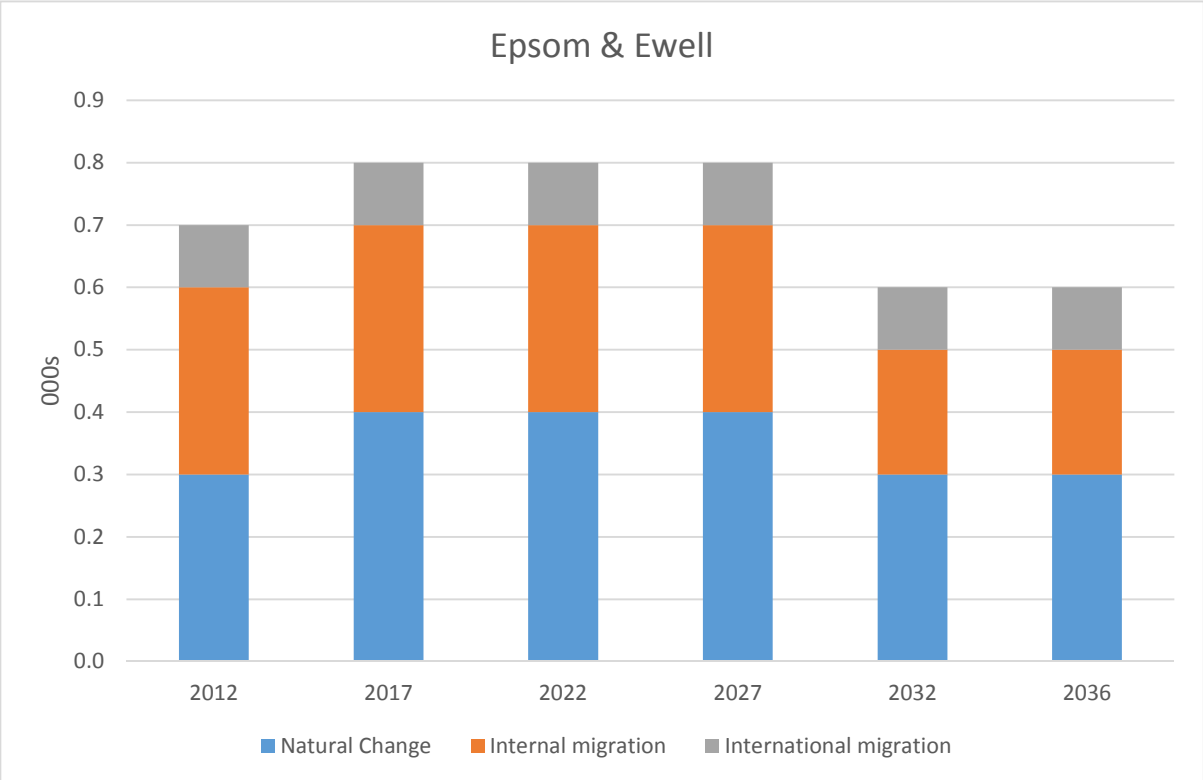
6.10 Finally in Mole Valley, in the context of lower levels of growth overall, the projections assume a gradually increasing surplus of deaths over births, reflecting the age structure, but a substantial increase in net migration from the rest of the country, offset by an increase in net international out-migration.

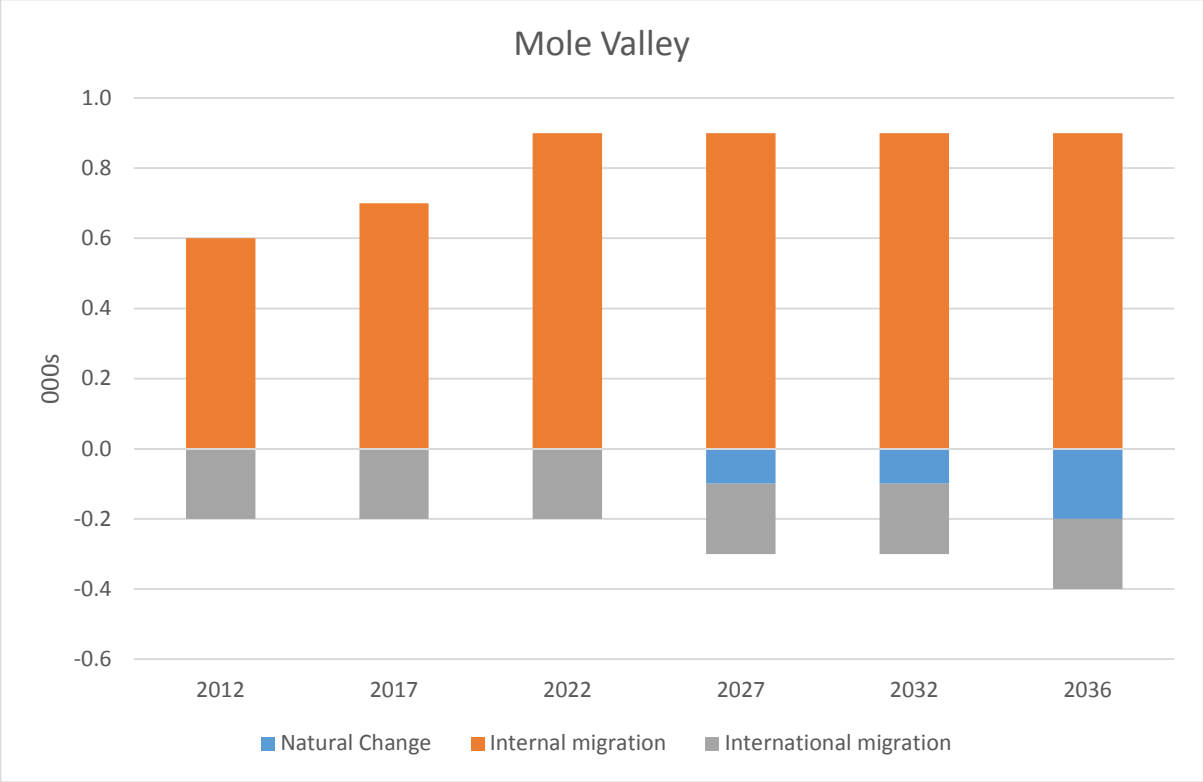
6.11 Broadly these assumptions appear reasonable when set in the context of recent change, although the picture in Kingston shows the greatest divergence. This is of greater significance because Kingston has the largest population of the four authorities in the HMA.

Figure 6.1 a–d 2012-based SNPP: components of population change




Elmbridge
2.0
1.5
1.0
0.5
0.0
-0.5
-1.0
-1.5
000s
2012
2017
2022
2027
2032
2036
Natural Change
Internal migration
International migration


Epsom & Ewell
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0.0
000s
2012
2017
2022
2027
2032
2036
Natural Change
Internal migration
International migration



Source: ONS 2102-based sub-national population projections

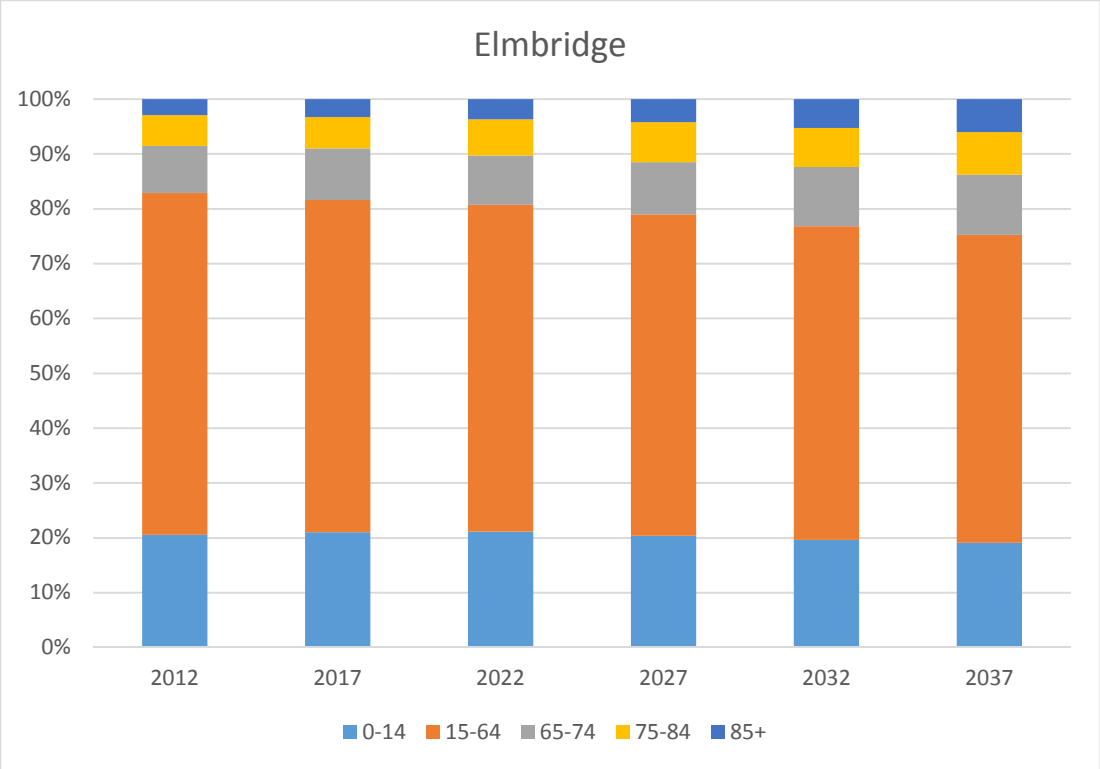
Age structure

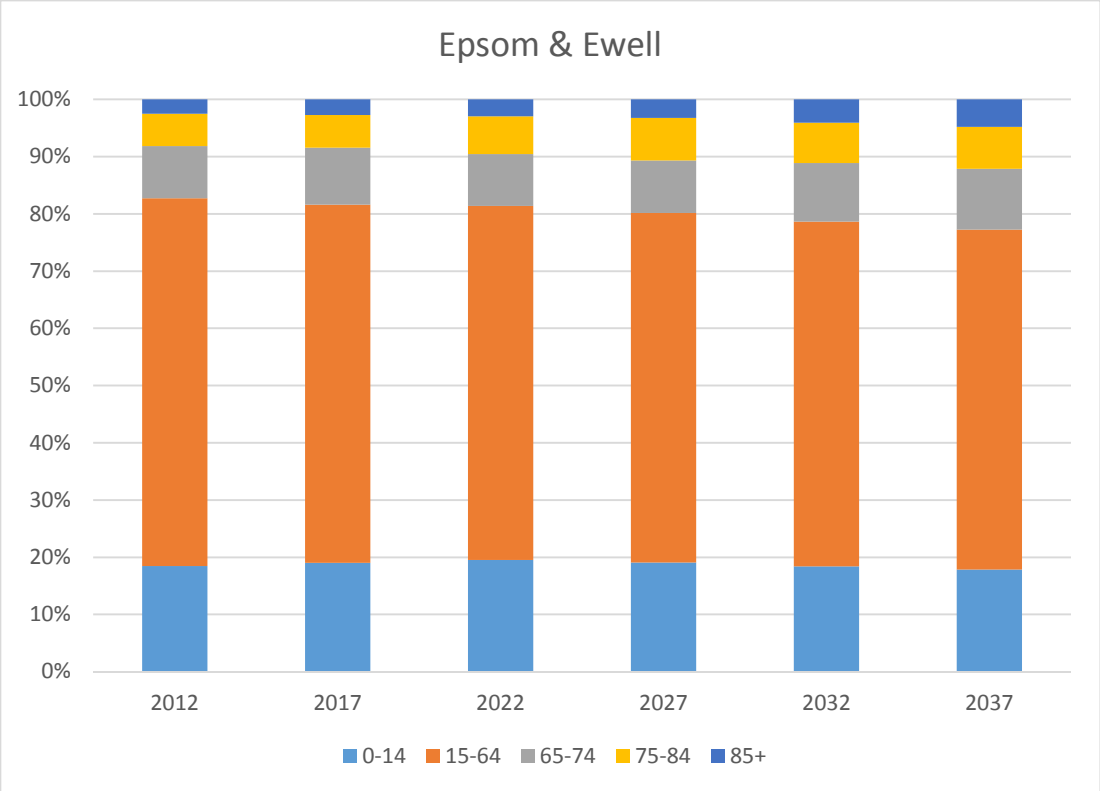
6.12 The projected age structure of each authority is shown in Figure 6.2 a-d. The differences in age structure noted above persist over the projection period to a considerable degree, with Kingston having the largest proportion of people aged 15-64 in 2012 and in 2037, and correspondingly fewer people aged 65 and over; and Mole Valley having a higher proportion of older people than the other authorities throughout the period. However, the proportion of people in the 15-64 age band is projected to decline across all the authorities by 4-7 percentage points, whilst at the same time there is a corresponding increase in the proportion of older people (aged 65 or more). In Kingston the increase is 5 percentage points, below the national average, whilst in Elmbridge and Mole Valley an 8-9 percentage point increase is projected. Within the older population, in Elmbridge and Mole Valley the highest rate of increase is projected for the 85+ age group, whereas in Kingston and Epsom & Ewell the rates are higher amongst younger old people. In 2012 there were 12,000 people aged 85 or more in the HMA; by 2037 this is projected to increase to 28,000, an increase of 133%.

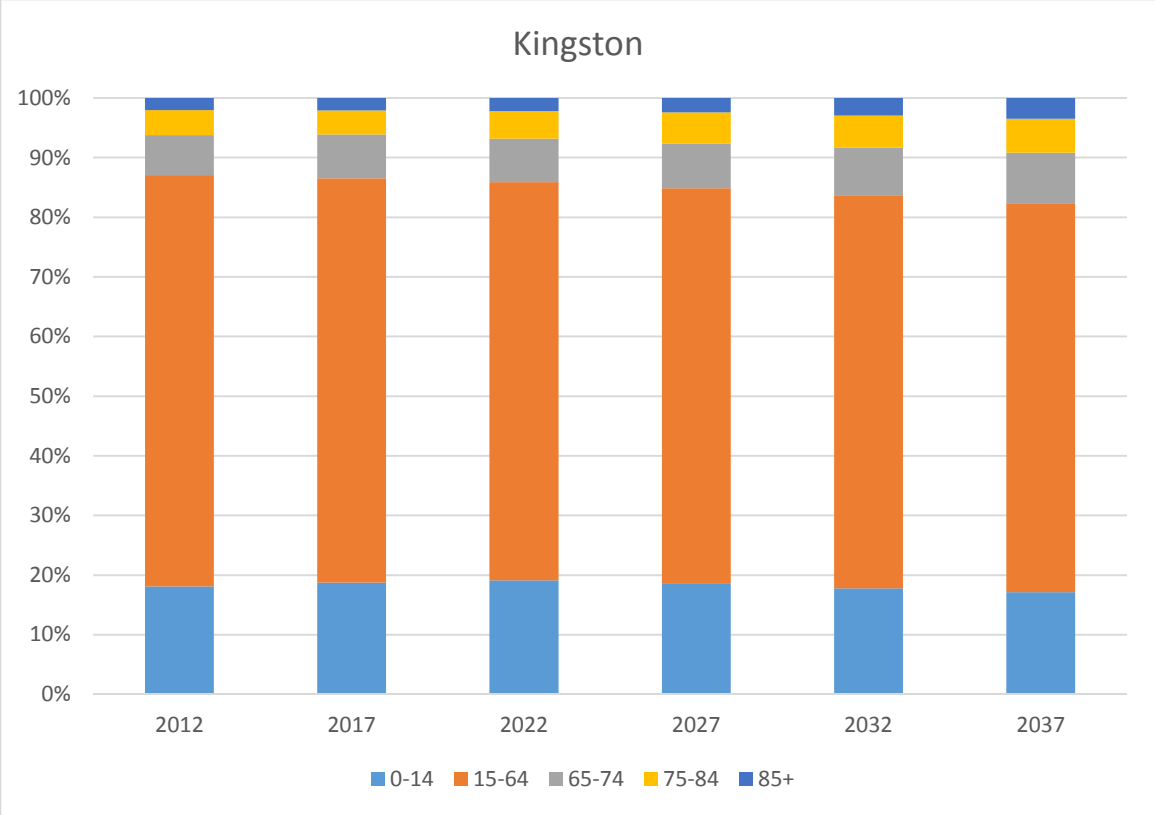
6.13 People aged 18-69 will form the core of the working age population over much of the projection period, taking account of changes in participation in education and assumed later retirement. Numbers in this group across the HMA will increase from 304,000 to 346,000, a rise of only 14%. Almost three quarters of this increase is projected to take place in Kingston, with 19% in Epsom & Ewell and only 5% in Elmbridge and Mole Valley. This

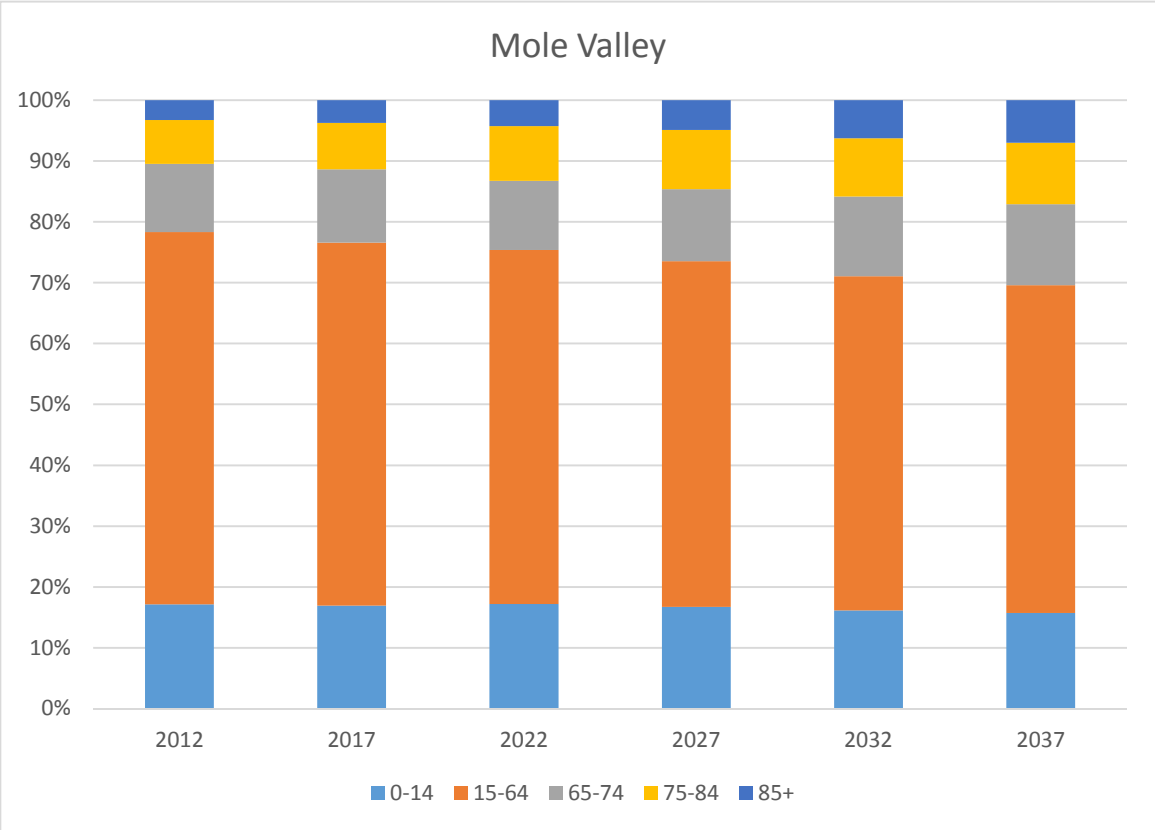
certainly has implications for the future labour supply in these areas and/or participation by older people in the workforce which are examined further below.

Figure 6.2 a-d 2012-based SNPP: changing age structure







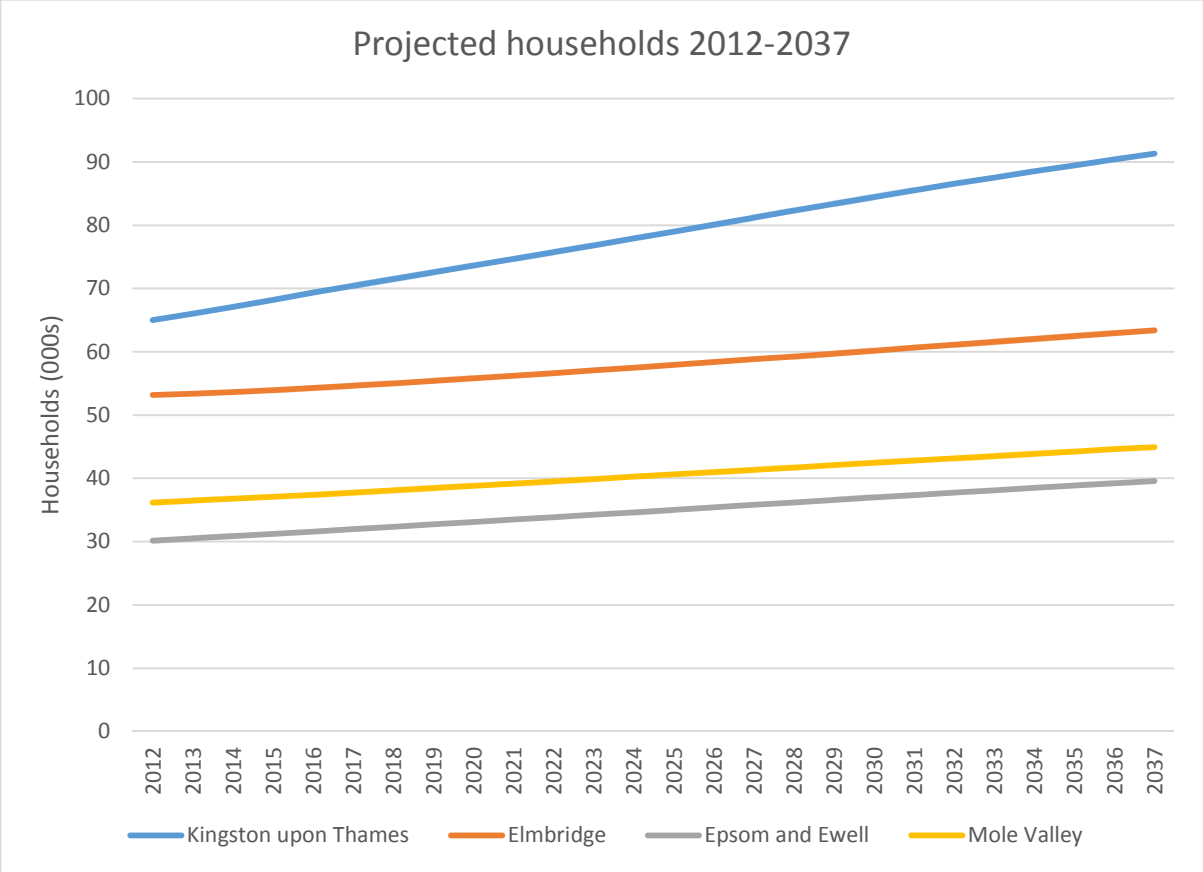


Source: ONS 2102-based sub-national population projections

Household projections

6.14 Turning to household projections, Figure 6.3 shows projected change in household numbers over the 2012-2037 period, whilst Tables 6.2 and 6.3 examine trends in more detail and provide a comparison with the projections for England as a whole. All of the authorities in the HMA are expected to experience an increase in household numbers. For the HMA as a whole from 2012-37 the percentage growth (30%) is considerably greater than the national average (24%). Kingston has the highest projected rate of growth (40% from 2012-2037), followed by Epsom & Ewell (31%) and Mole Valley (24%). Only Elmbridge (19%) has projected growth below the national average. Annual growth increments for the three Surrey authorities are similar (around 400) from 2016 onward up to 2037. In Kingston there is more projected fluctuation within the range 1,000-1,150 households per annum, with a sharper decline after 2032. Across the twenty year period 2015-2035, growth across the HMA amounts to over 44,600 households at a rate of 2,231 per annum of which 1,063 is projected to occur in Kingston.

Figure 6.3 CLG 2012-based Household projections



Source: CLG 2012-based household projections

Table 6.2 CLG 2012-based household projections

	Households (000s)			Percentage change					
	2012	2037	Per annum	2012-37	2012-17	2017-22	2022-27	2027-32	2032-37
Elmbridge	53	63	0.41	19%	3%	4%	4%	4%	4%
Epsom & Ewell	30	40	0.38	31%	6%	6%	6%	5%	5%
Kingston	65	91	1.05	40%	8%	8%	7%	7%	6%
Mole Valley	36	45	0.35	24%	4%	5%	5%	4%	4%
HMA	185	239	2.19	30%	5%	5%	5%	5%	4%
England	22,305	27,548	209.74	24%	5%	5%	4%	4%	4%

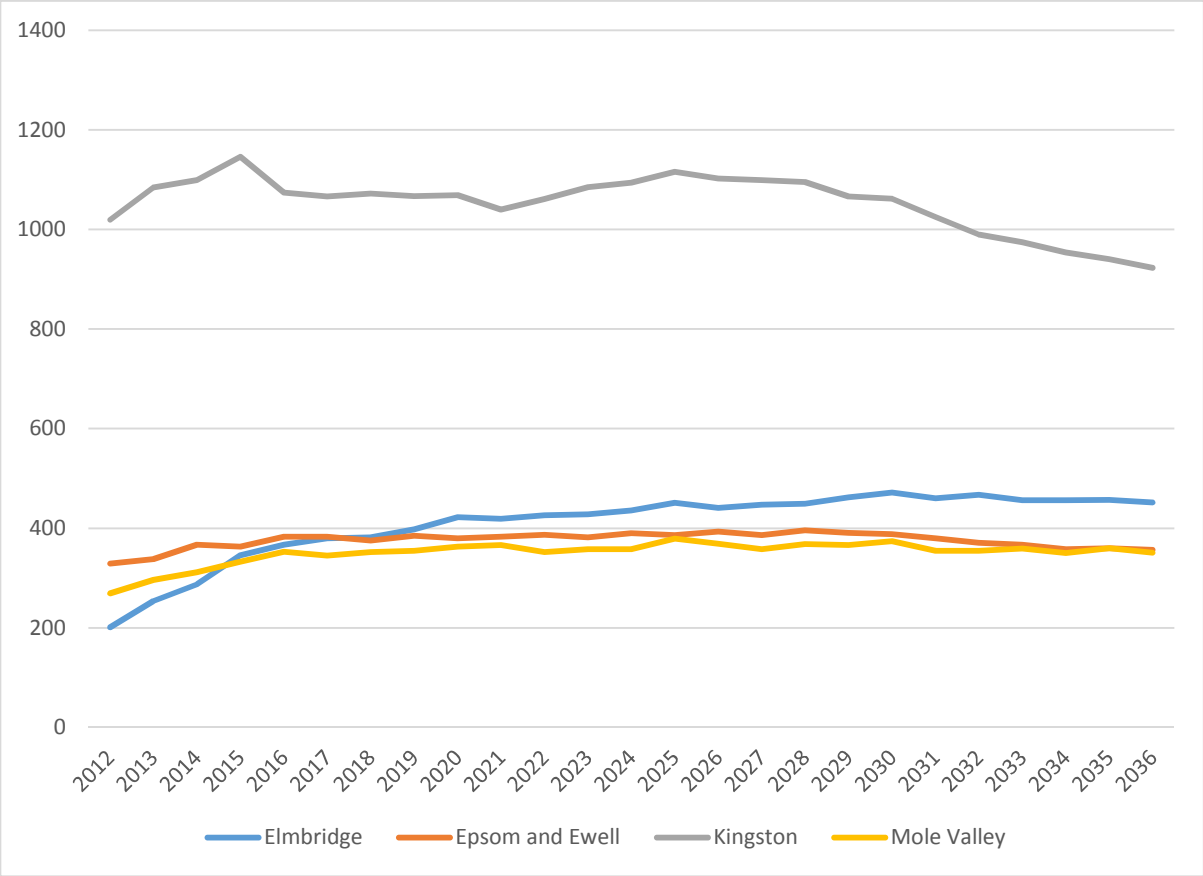
Source: CLG 2012-based household projections

Table 6.3 CLG 2012-based household projections: rates of change

	2012-2037		2012-2015		2015-2035	
	Total change	Average change per annum	Total change	Average change per annum	Total change	Average change per annum
Elmbridge	10,216	464	742	247	8,565	428
Epsom & Ewell	9,378	426	1,034	345	7,627	381
Kingston	26,322	1,196	3,202	1,067	21,257	1,063
Mole Valley	8,756	398	877	292	7,168	358
HMA	54,672	2,485	5,855	1,952	44,617	2,231

Source: CLG 2012-based household projections

Figure 6.4 CLG 2012-based household projections: annual change



Source: CLG 2012-based household projections

6.15 Household projections are determined by applying household representative rates (HRRs) to the projected population. For household projections purposes each household has a single 'representative' (formerly referred to as the 'head of household'). HRRs are the assumed proportion of people (broken down by age group, gender, marital status and other factors) who will be household representatives. Applying these rates to the population produces an estimate of the number of households. HRRs are derived from past Census data and projected forward on the basis of assumptions about the aspiration and ability of each group in the population to form a separate household. For some groups such as middle aged and older people, household formation patterns are relatively stable, as they tend to have established their living arrangements, although even amongst these groups, higher separation and divorce rates and the formation of new relationships add a layer of complexity.

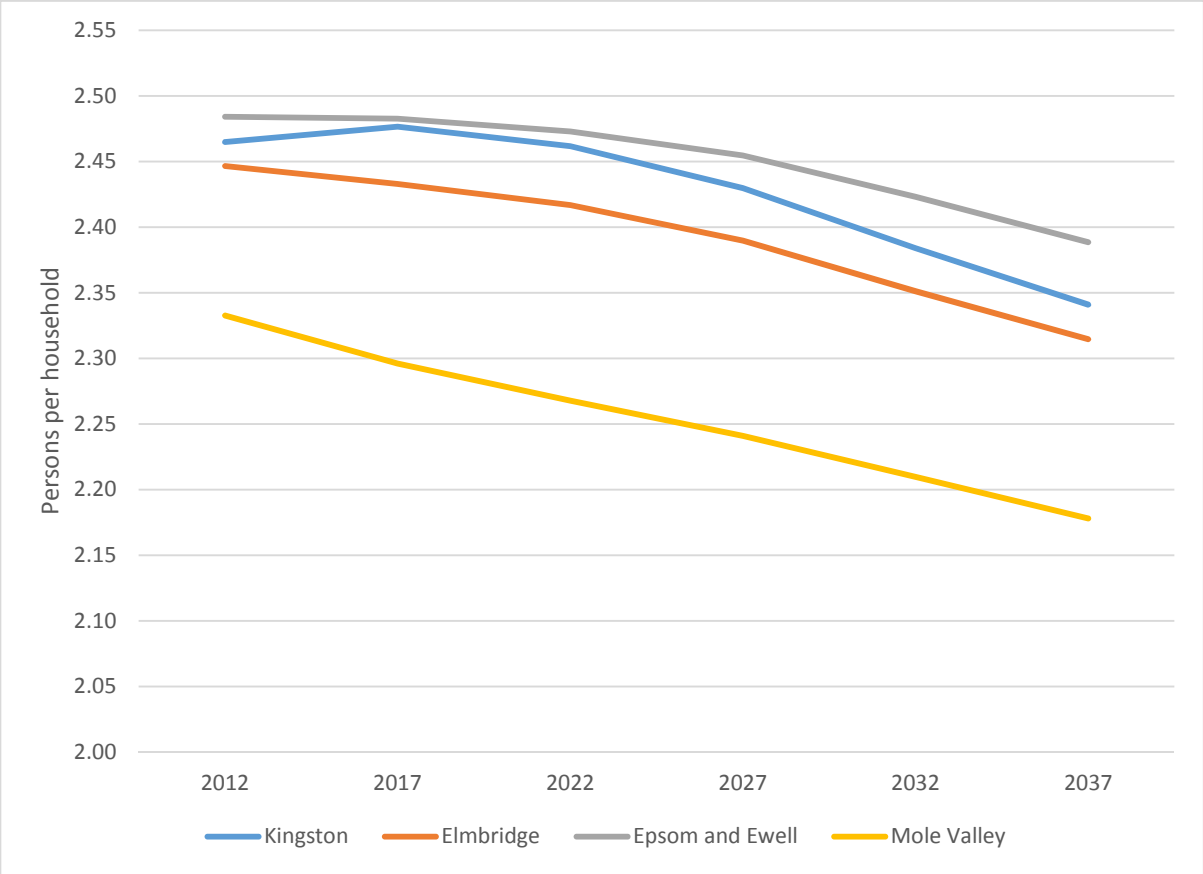
6.16 For younger people HRRs are harder to project because their living arrangements are less settled. For some decades, there was a tendency for HRRs to increase amongst younger people (as a result of adult children leaving the parental home and living independently – for example as students) but since the turn of the century, these trends have become less clear. The global financial crisis of 2007 and subsequent recessions and economic setbacks in the UK economy led to a reduction or even a reversal in these trends. Housing

affordability problems (both in terms of house prices and rents relative to incomes) are thought to have suppressed HRRs for some groups even prior to 2007, leading to the formation of more households made up of groups of unrelated adults sharing, or increasing numbers of adult offspring remaining in the parental home for example. Stakeholders commented that rising prices were leading to reduced choices for young families (and therefore continuing reliance on parental accommodation). A key question for household forecasts is whether the trends will resume and at what rate.

6.17 Changes to the projected number of households can also come about as a result of changes in the numbers of people in the individual age/gender groups of the population to which the HRRs are applied. Older people tend to have higher rates (that is they are more likely to be household representatives) so the process of population ageing contributes to the level of household growth. An individual household (for example a couple) ageing over time will not generate additional households until the last household member ceases to live (or live independently) and the household is said to have dissolved, unless the couple separates into two households, but the fact that more people are living longer reduces the rate of dissolution and produces an increase in household numbers.

6.18 Examining HRRs for individual groups in the population is complex, but the impact of the assumptions can be examined (and comparisons can be made between forecasts) by looking at the resulting average household size (Figure 6.5). Mole Valley (with a higher proportion of older person households and fewer families) has a smaller average household size than the other three authorities in the HMA. Average household size is projected to resume its decline across the whole HMA, most sharply in Mole Valley. In Kingston, the projections assume a continuing increase in average household size from 2012-17, before the resumption of the longer term trend of decline.

Figure 6.5 CLG 2012-based household projections: average household size 2012-2037



Source: CLG 2012-based household projections

Other demographic scenarios

6.19 The GLA produces annually-updated trend-based population and household projections covering Greater London including Kingston. The 2013 London-wide SHMA, and the subsequent Further Alterations to the London Plan (FALP), compare the ONS/CLG projections and GLA projections available at the time the FALP was prepared and make a case for preferring the use of GLA projections in London. The Inspector who conducted the Examination in Public for the FALP accepted this conclusion. Both ONS/CLG and GLA projections use the cohort component approach to population projection, and a similar methodology for household projections, but make different assumptions relating to the inputs of natural change and migration. Perhaps the most important difference is that ONS population projections are constrained to match national projections in term of births, deaths, the different elements of migration, and the resulting population totals. GLA projections are not subject to this constraint. More recently, GLA has argued that its own population projections have, so far, proved more accurate than ONS projections when measured against ONS mid-year estimates[32]. The most recent set of GLA projections

[32] Mayor of London, Draft Interim Housing Supplementary Planning Guidance, May 2015, para 3.1.7

available (for both population and households) is the 2014-round[33]. Two categories of projections were produced for this round: trend projections based on assumptions relating to births, deaths and migrations; and development-based projections which are constrained by land availability. The latter are not appropriate for the estimation of objectively assessed need. The exact nature of the trend-based projections has evolved from year to year. For 2014, two variants were produced. These used similar assumptions relating to births and deaths but differed in the assumptions relating to migration.

6.20 The **short-term migration scenario** based migration flows on estimates of migration over the period mid-2009 to mid-2013. The **long-term migration scenario** based its assumptions on migration estimates for the period mid-2001 to mid-2013. As the name suggests, GLA consider that the short term-migration projections are best for short term purposes because they consider it unlikely that the migration patterns shown in 2009-2013 data will persist in the medium to longer term. Over the longer term GLA considers that the use of migration assumptions based on 2001-2013 data is likely to provide more realistic results.

6.21 GLA have prepared household projections from each set of population projections. These use the same household representative rates, which in turn are based on those in the Department of Communities and Local Government's (CLG) 2012-based household projections. Table 6.4 below compares the two sets of GLA projections and those derived from the ONS 2012-based projections for Kingston (the GLA projections are not available for the other authorities in the HMA). Both sets of projections produced by GLA lead to population and household growth levels for Kingston which are lower than those derived from the ONS/CLG 2012-based projections.

6.22 In the case of population projections, the difference between ONS and the long-term migration GLA projection arises because the former used migration assumptions based on 2007-2012 trends whilst the latter used 2001-2013 trends. Over the 2007-2012 period, the level of net migration into London increased because out-migration from the capital to surrounding areas decreased. If projected forward, this leads to higher population levels than assumptions derived from migration trends over a longer period (including from 2007 trends) such as 2001-2013. GLA's short-term migration projection, based on migration over the 2009-13 period, produces population estimates which are closer to the ONS estimates, though the GLA projection is still somewhat lower because of additional adjustments made by ONS to control results to national totals.

[33] Full details, including access to current and historical datasets of projections and explanatory reports, are provided on the GLA website.

Table 6.4 Comparison of GLA and ONS population and household projections: Kingston

Population	2012	2015	2022	2027	2035	2037	2015-2035
ONS-2012-based	163,906	172,517	190,248	201,225	215,194	218,155	42,677
GLA short-term	163,906	170,899	183,568	191,430	201626	203,778	30,727
GLA long-term	163,906	168,532	175,116	179,811	186,344	187,779	17,812
Households							
CLG-2012-based	64,998	68,199	75,734	81,192	89,456	91,319	21,257
GLA short-term	64,934	67,711	73,506	77,468	83,344	84,635	15,633
GLA long-term	vv	66,652	69,874	72,391	76411	77,308	9,759

Sources: GLA London Datastore, ONS 2012-based SNPP, CLG 2012-based household projections

6.23 These differences are carried through to the household projections, although as GLA used similar assumptions on household formation to CLG there are no major additional causes of divergence. In household terms the difference between CLG and the GLA long-term migration projection is small in the early part of the projection period (4% in 2017) but increases to 13% in the latter part of the projection period. The GLA long-term projection indicates total household growth for Kingston over the 2015-2035 period of 9,759 (average 488 per annum) and the short-term projection 15,633 (782 per annum), compared to 21,257 (1,063 per annum) from the CLG 2012-based household forecast.

6.24 We cannot conclude that any of these scenarios is 'correct', as they are merely projections reflecting different underlying assumptions. For Kingston, however, the arguments in favour of GLA's forecasts are more persuasive. They have the advantage of being based on London-level trends without being controlled to national totals and this seems likely to deliver a more accurate picture. They also have the advantage of being in conformity with the London Plan, in that they are derived from similar assumptions to the projections used in the Plan, subject to subsequent updating. Our recommended approach is to accept that the long-term and short-term migration forecasts provide a spectrum of outcomes lying between migration assumptions representing on the one hand a permanent shift to post-2007 patterns and on the other a return to longer term trends. An assumption of household growth midway between these extremes, for example, would represent a compromise between the two positions, indicating net additional household growth of 12,696 over the 2015-2035 period, or 635 per annum.

6.25 Surrey County Council has not produced population or household projections, other than a set of population and household projections using the same assumptions as the 2012-based CLG projections but constrained by planning permissions and land supply. The projections go forward to 2030, and at that stage suggest reductions in the number of households of 10,600 (8%) when compared to the 2012-based CLG forecasts, with

reductions for Elmbridge of 3,600 households, Epsom & Ewell (4,000) and Mole Valley (3,000). This projection is not considered further at this stage, as the use of capacity constraints in projections will obscure objectively assessed need.

6.26 Accepting the use of GLA projections for Kingston raises the question of the impact of these differences on Elmbridge, Epsom & Ewell and Mole Valley, if any. In other words, if there is a lower level of household formation in Kingston, how might this affect its neighbours in the HMA? To assess this it is necessary to examine the components of the difference between ONS/CLG and GLA projections in more detail. Table 6.5 below compares the ONS and two GLA population projections in more detail, looking at the components of projected change over time. The table shows that the GLA Long Term projection assumes a substantially lower level of net international migration than either the GLA Short Term projection or the ONS 2012-based projection, amounting to a significant difference over the 2015-2035 period. This is not likely to have any impact on the other authorities in the HMA, where international migration is much less significant. The GLA Long Term projection also assumes a smaller net loss due to internal migration, brought about mainly by a lower level of internal out-migration. This could be expected to impact on the other authorities in the HMA and other things being equal to reduce population and hence household growth in those areas. The difference overall is just under 10,000 people, or 500 per year, spread across Elmbridge, Epsom & Ewell and Mole Valley. Assuming an average household size across the three authorities of 2.35, this is a reduction of approximately 210 households per annum. Both GLA projections assume a similar level of natural growth, but this is lower than that assumed by ONS.

Table 6.5 Comparison of 2012-based ONS population projections and GLA 2014 Round projections: Kingston

Component	Source	Population change 2015-2035 (000s)
Births	ONS	57.2
	GLA short-term	50.5
	GLA long-term	47.9
Deaths	ONS	25.0
	GLA short-term	24.4
	GLA long-term	23.5
Natural change	ONS	32.2
	GLA short-term	26.0
	GLA long-term	24.4
Internal in-migration	ONS	296.1
	GLA short-term	290.5
	GLA long-term	296.3
Internal out-migration	ONS	323.4
	GLA short-term	324.9
	GLA long-term	313.8
Net internal migration	ONS	-27.3
	GLA short-term	-34.4
	GLA long-term	-17.4
International in-migration	ONS	74.0
	GLA short-term	79.5
	GLA long-term	55.6
International out-migration	ONS	29.9
	GLA short-term	36.2
	GLA long-term	42.5
Net international migration	ONS	44.1
	GLA short-term	43.2
	GLA long-term	13.1
Total	ONS	49.0
	GLA short-term	34.9
	GLA long-term	20.1

Sources: GLA London Datastore, ONS 2012-based SNPP, CLG 2012-based household projections

Employment-led scenarios

6.27 In addition to demographic trends, PPG[34] recommends the consideration of the implications of economic forecasts and especially projections of employment growth when considering the objective need for housing. It suggests 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' (para 018).

[34] CLG Planning Practice Guidance *Housing and economic development needs assessments*

Demand for labour

6.28 A number of companies produce economic and employment forecasts nationally and for local areas on a commercial basis. Employment projections for Surrey were produced in 2010 by Cambridge Econometrics and SQW and updated in 2013.[35] These projections do not disaggregate results below the Surrey level. GLA produces forecasts of employment for London Boroughs, covering Kingston, which are published in the London Datastore. GLA forecasts form an input to the London Plan and this gives the benefit of consistency with the Plan. The most recent projections were published in 2015.

6.29 For the purposes of this SHMA, these projections in combination are used as the basis for examining the potential implications of employment change in the HMA, with assumptions made as to the breakdown of employment within Surrey.

6.30 As with population and household projections, economic and employment projections involve a range of assumptions and are subject to a range of uncertainty. The methodology used by GLA in preparing their projections is described fully in a working paper[36] and the Cambridge Econometrics/SQW reports cited above also give detail of methodology.

6.31 For Kingston, as Table 6.6 shows, the number of jobs is projected to increase by around 13,000 (16%) over the period from 2011-2036 after falling significantly between 2006 and 2011. Over the period 2015-2035, assuming linear growth, the increase is projected to be 8,000.

6.32 For the Surrey authorities, SQW report that the performance of the Surrey economy, has been strong in recent years, despite the economic downturns at the beginning of the current decade. The economy has outperformed the UK and the South East and under the SQW Baseline Scenario is expected to do so in the longer term (Figure 6.7). Surrey's firms are more productive than the UK average. But while productivity growth is projected to be very positive in both the short and longer term, employment growth in the short term is less positive. However, in the longer term, positive employment growth is projected for Surrey, driven by the construction sector, financial and business services, and managerial and higher-end occupations.

6.33 Two other scenarios were produced by SQW. These scenarios are 'policy-on' rather than trend-based. Scenario 1 was one of increased globalisation leading to an increase in the number of global companies located in the county. Under this Scenario, Surrey becomes a location of choice due to its high quality skills base, local environment, proximity to London and international transport gateways. Under Scenario 2, the global focus of the

[35] *Forecasts and future scenarios for the economy of Surrey: Final report to Surrey Economic Partnership and Surrey County Council*, Cambridge Econometrics and SQW, September 2010, and *Forecasts and future scenarios for the economy of Surrey: an update to the work done in 2010: A Final Report to Surrey County Council*, SQW June 2013

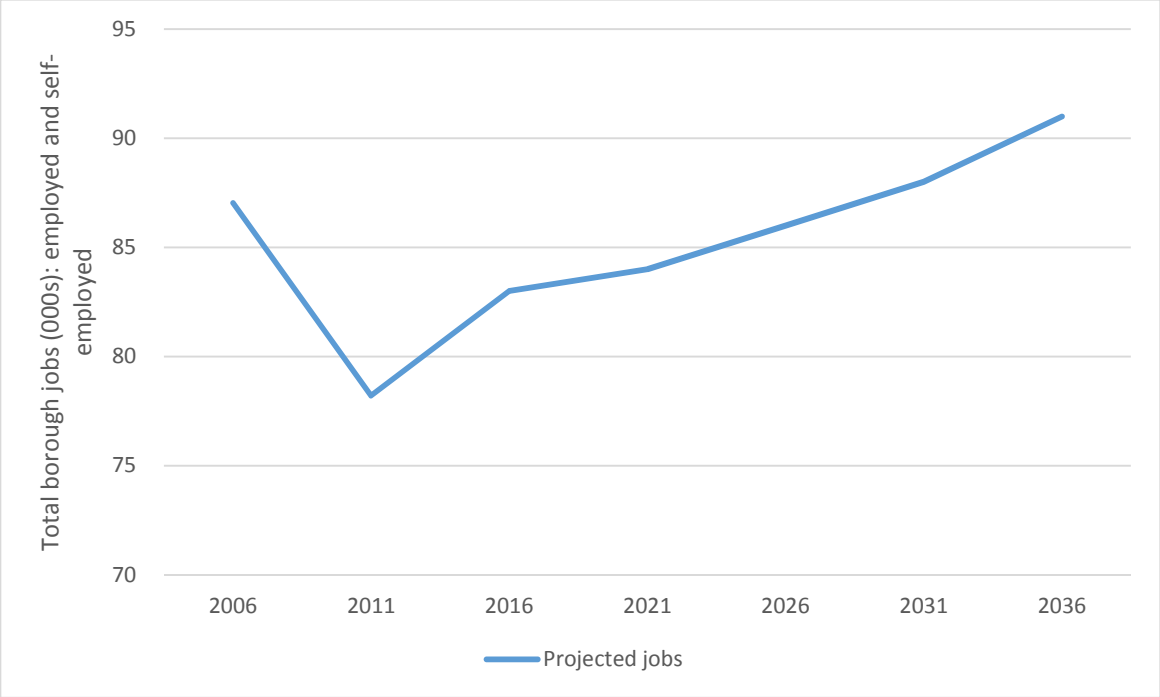
[36] GLA Economics, Working Paper 67 Updated employment projections for London by sector and trend-based projections by borough by Melissa Wickham, July2015.

Surrey economy diminishes as international firms move out of the county, due to congestion, restricted availability of employment land, and better offers elsewhere.

6.34 Assuming linear growth and projecting growth rates continuing at projected 2020-2030 rates, the level of employment growth under these three scenarios over the period 2015-2035 is: Baseline scenario: 89,000 (15%); Scenario 1: 116,000 (19%); Scenario 2: 66,000 (11%). The results from the Baseline scenario will be used to derive local projections rather than those from either of the policy-on scenarios. These project a level of employment growth similar to that for Kingston.

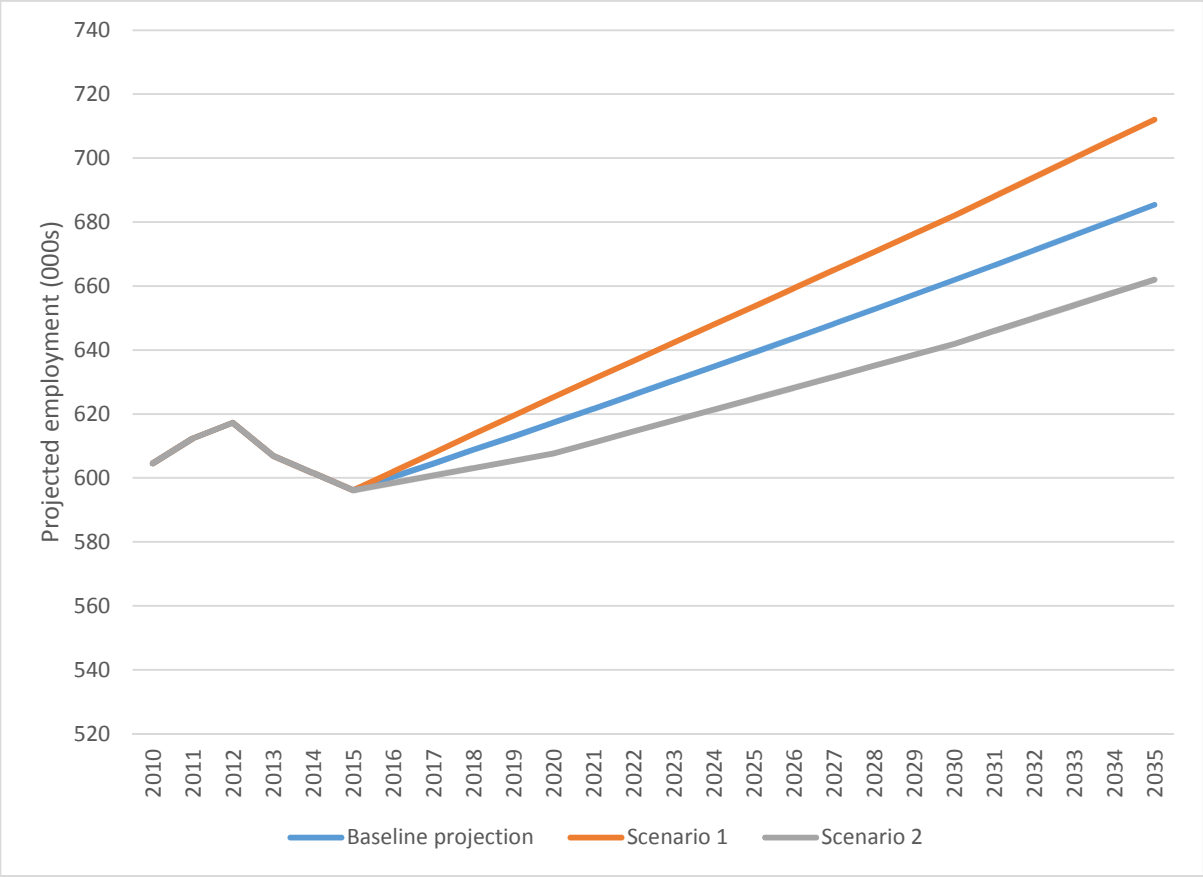
6.35 To attribute employment growth to Elmbridge, Epsom & Ewell and Mole Valley, employment shares in 2015 have been applied pro rata to the Surrey-wide projections. The SQW report indicates only that employment growth is expected to be distributed between East Surrey (including Epsom & Ewell and Mole Valley) and West Surrey (including Elmbridge). Table 6.6 below shows the results, including projections for Kingston for reference.

Figure 6.6 Past and projected jobs (000s, employed and self-employed): Kingston



Source: GLA Economics, 2015-based employment projections from London Datastore

Figure 6.7 Past and projected employment in Surrey



Source: Forecasts and future scenarios for the economy of Surrey: an update to the work done in 2010: A Final Report to Surrey County Council, SQW June 2013

Table 6.6 Projected employment 2015-2035 ('000 jobs)

	2015	2020	2025	2030	2035
Elmbridge	64	66	69	71	74
Epsom & Ewell	35	37	39	40	42
Kingston	82	83	85	87	90
Mole Valley	50	51	52	53	55

Sources: Derived from *Forecasts and future scenarios for the economy of Surrey: an update to the work done in 2010: A Final Report to Surrey County Council*, SQW June 2013 and GLA Economics, 2015-based employment projections from London Datastore

Labour supply

6.36 Estimating the potential supply of labour to meet demand involves examination of the number of people of working age living within the HMA, to which assumptions must be applied relating to the proportion who are economically active (in employment or self-employment or seeking employment), and the proportion who are working. Not all of those working in each authority have their place of work located within the authority where they live, and of course some of those working in each authority live outside it. The most recent

comprehensive data on employment and commuting patterns is provided by the 2011 Census.

6.37 Table 6.7 shows the usually resident population, the population aged 16-74, the number of people economically active, and the number in employment in each authority in the HMA. Overall, some 218,000 residents were in employment, representing around 48% of the HMA population in 2011, with little variation between authorities. The proportion of economically active people who were employed was high (91%), with only Kingston falling significantly below average. The most significant losses from the potential labour force were people aged 16-74 who were retired, students, people looking after their home or family, and people who were sick and disabled (about 88,000). A key set of assumptions relate to the extent to which these proportions will remain constant in the future.

Table 6.7 Usually resident population and economic activity 2011

	Elmbridge	Epsom & Ewell	Kingston	Mole Valley	HMA
Usually resident	130,875	75,102	160,060	85,375	451,412
Aged 16-74	92,027	54,170	119,673	60,778	326,648
% aged 16-74	70%	72%	75%	71%	72%
Economically active	67,522	39,844	87,348	44,170	238,884
% economically active	52%	53%	55%	52%	53%
In employment/self-employed	62,942	36,449	77,126	41,169	217,686
% in employment/self-employed	48%	49%	48%	48%	48%
% econ active in employment	93%	91%	88%	93%	91%

Source 2011 Census Table QS101EW and QS601EW

6.38 Commuting is an important feature of the employment market in the HMA, given its location relatively close to Central London. Table 6.8 indicates that in 2011, only about 27% of people working in each authority were living in that authority. The majority of those working in each authority were commuting in. On top of this there were significant numbers of people who worked mainly from home (averaging 15% of those working in each authority but only 12% in Kingston). Conversely there was also a significant flow of workers out of each authority, averaging 54% of those living in each authority who were working, but higher in Elmbridge and Epsom & Ewell. Kingston, Elmbridge and Epsom & Ewell had a net outflow of commuters, whilst Mole Valley had a small net inflow as a result of the weaker pull from Central London.

6.39 The 2011 Census estimate of the number of people working in the HMA (rounded to 202,000) compares with an estimate of 236,000 jobs derived from GLA and SQW

employment projections. This relatively large difference may in part be accounted for by people with more than one job – for example two part time jobs, or by errors in estimates of the numbers of jobs, or in the Census data on place of employment. An adjustment thus is required for each authority to align the estimates of jobs and workers.

Table 6.8 Commuting and place of work

	1	2	3	4	5	6	7	8
	Living and working in Borough	Living in Borough and working elsewhere* (outward commuters)	No fixed workplace	Working mainly at home	Living in Borough and working (1+2+3+4)	Working in Borough and living elsewhere* (inward commuters)	Working in Borough (1+3+4+6)	Net commuting into Borough (6-2)
Elmbridge	14,404	35,448	5,317	10,110	65,279	27,051	56,882	-8,397
Epsom & Ewell	7,504	23,048	3,524	4,197	38,273	15,235	30,460	-7,813
Kingston	20,982	45,424	6,934	9,094	82,434	35,964	72,974	-9,460
Mole Valley	12,184	19,754	3,917	6,930	42,785	23,809	46,840	4,055

Source: 2011 Census Table WU01UK. Elsewhere: includes rest of England, Wales, Scotland, Northern Ireland and abroad.

6.40 Table 6.9 compares projected labour demand with labour supply under a range of scenarios derived from variations in the assumptions described above for each authority within the HMA. An initial assessment of the labour supply available in the future can be derived by applying the 2011 proportion of the population in employment, the 2011 commuting rate and the 2011 adjustment between jobs and workers to projected population. This suggests a shortfall in the labour supply across the HMA of about 1,000 in 2015, replaced by a surplus from 2015 onwards, peaking at 11,000 in 2026. Kingston differs in having a consistent shortfall but this is counterbalanced by surpluses in the other authorities.

6.41 The second scenario (Age Structure) takes account of projected changes in the age composition of the population over the 2015-2035 period. Over this period, the proportion of people aged 16-74 in the population is expected to fall, and other things being equal this will reduce the size of the labour force in the HMA and its capacity to fill the available jobs. The assumptions relating to commuting and the adjustment to align jobs and workers are unchanged. There is a projected shortage of 14,000 in 2015, rising to 23,000 by 2036. All of the authorities in the HMA are affected, with Mole Valley most severely impacted because of its older age structure.

6.42 The third scenario (Improving Participation) looks separately at economic activity rates for the 16-59 and 60-74 age groups. Recent changes in the age at which people become eligible for the State Retirement Pension, including the alignment of genders and

planned future increases in rates are expected to increase rates of economic activity amongst older people. Other factors such as reduced returns on annuities and reductions in benefits from pension schemes (arising in part from increased longevity) may also add to pressures to remain in employment in old age. This scenario assumes an annual increase in the economic activity rate for the 60-74 age group of 0.05%. The scenario also assumes a small improvement in economic activity rates of 0.25% per annum. The same assumptions are applied to each authority. Assumptions relating to commuting and the adjustment to align jobs and workers are again unchanged. This scenario reduces the shortfall in labour supply to 5,000 in 2015 and 1,000 by 2035 as higher economic activity rates kick in. Small shortfalls in Kingston and Mole Valley are offset by surpluses in the other two authorities.

6.43 The fourth scenario (Increased Commuting) seeks to reflect the reality of steadily increasing rates of commuting. This assumption has been applied to the Improving Participation scenario described above. It leads to a surplus of labour supply of 8,000 in 2015, rising to 12,000 by 2035.

Table 6.9 Scenarios comparing labour demand and supply.

	000s							
	2011	2015	2016	2021	2026	2031	2035	2036
Projected demand (jobs)								
Elmbridge	66	64	64	67	69	72	74	74
Epsom & Ewell	36	35	36	37	39	41	42	42
Kingston	78	82	83	84	86	88	90	91
Mole Valley	51	50	50	51	52	54	55	55
Total for HMA	231	231	233	239	247	254	261	262
Projected surplus of labour (positive value=surplus)								
Basic scenario								
Elmbridge	3	7	7	7	7	6	5	6
Epsom & Ewell	0	2	2	3	3	3	3	3
Kingston	-3	-3	-3	-2	-2	-2	-3	-3
Mole Valley	-1	1	2	2	3	3	3	3
Total for HMA	-1	7	8	10	11	10	8	9
Age structure scenario								
Elmbridge	-3	-1	-1	-3	-4	-5	-6	-6
Epsom & Ewell	-4	-2	-2	-2	-3	-3	-3	-3
Kingston	-6	-6	-6	-6	-6	-5	-6	-7
Mole Valley	-7	-5	-5	-6	-6	-7	-8	-7
Total for HMA	-20	-14	-14	-17	-19	-20	-23	-23
Improving participation								
Elmbridge	1	3	4	2	1	1	0	0
Epsom & Ewell	0	-1	1	1	1	1	1	2
Kingston	-5	-5	-4	-3	-2	-1	-1	-1
Mole Valley	-2	-2	-1	-1	-2	-2	-2	-2
Total for HMA	-6	-5	0	-1	-2	-1	-2	-1
Increased commuting								
Elmbridge	5	7	7	6	5	4	4	4
Epsom & Ewell	1	1	3	3	3	4	3	4
Kingston	-2	-1	0	1	2	3	3	3
Mole Valley	0	1	2	1	1	1	1	1
Total for HMA	4	8	12	11	11	12	11	12

Note: 2015 and 2035 estimates are derived by assuming linear growth/change rates

6.44 These scenarios seek to demonstrate the potential impact of changes in age structure, participation rates and commuting on the balance between projected employment and population in the HMA. The process of population ageing has the most substantial impact on the supply of labour, other assumptions being equal. This will be mitigated significantly if there are increases in rates of economic activity amongst older people. A relatively slight increase in in-commuting will also eliminate any shortfall in supply. Under the least favourable scenario in supply terms, which assumes no adjustment to age-related activity rates and no increase in net in-commuting, there would be a shortfall of 23,000 against the demand for labour by 2035, but these assumptions seem unlikely. Under the other scenarios, the shortfalls or surpluses of labour are relatively small, and at levels which cannot be considered significant given the uncertainty inherent in both employment and population projections. Only a relatively small increase in-commuting is required to eliminate any shortfall and this would be a likely outcome.

6.45 The nature of the labour market is also impacting on the types and tenures of homes RPs are producing. Stakeholders commented that some are focusing on those in work rather than on benefits, to minimise risk. They are diversifying portfolios to meet the needs and budgets of the workforce, including more property for sale, shared ownership and market rent, with sales being used to subsidise what affordable and social rent was being produced. However, overall, there is no strong evidence to suggest the need for any substantial increase in OAN for housing as a result of projected employment change.

Annex 2 of GLA Draft Interim Housing SPG

6.46 In May 2015 the Mayor of London published Draft Interim Housing Supplementary Planning Guidance which included advice on local and sub-regional housing needs assessments. The draft was subsequently adopted in March 2016. Annex 2 of the Guidance (entitled Borough level indicative need benchmarks, affordability ratios, London Plan targets and completions) provided four 'indicative Borough level housing need benchmarks and Borough affordability ratios to demonstrate where extra supply may be needed to respond to market indicators' (para 3.1.4). This Guidance applies only to Kingston.

6.47 The Guidance stressed that the Annex figures were 'indicative headline benchmarks' to provide context and inform local/sub regional SHMAs, and to support the finer level detail required at Borough level on the tenure, size and type of housing provision. They should be considered in the context of Policy 3.11 of the London Plan relating to affordable housing targets. The indicators were not Borough level objectively assessed need figures or need targets. However the Annex provides additional useful data which can be taken into account in looking at the OAN for Kingston.

6.48 Table 6.10 below shows the relevant extract from Annex 2. The three household projections have been discussed in detail above. In addition, GLA have broken down the 2013 London-wide SHMA estimate of local housing need to Borough-level. As some data sources were not available at this level, the result is an estimate which is as close as

practicable. The level of need identified in Kingston is relatively low (745 out of a total for London of 46,885). This is made up of annual household growth of 653 per annum, backlog need of 78, and an addition to allow for vacancies and second homes of 14. The annual household growth of 653 per annum (averaged over the 2011-35 period) is derived from GLA 2013 round household projections. It is substantially higher than the GLA 2014 round long-term migration projection and closer to the GLA 2014 short-term migration projection, so must be considered relatively high. A simple substitution of the GLA's 2014 round long-term migration scenario annual average would reduce Kingston's need level to 579.

Table 6.10 Extract from Annex 2, GLA Housing Supplementary Planning Guidance 2016

	GLA Household Projections 2014 round Long term variant	GLA Household Projections 2014 round Short term variant	CLG 2012-based projected annualised household growth	Modelled local housing need using 2013 SHMA methodology	Ratio of lower quartile house prices to lower quartile earnings, 2013	2015 London Plan minimum target	Average annual net completions (2004-2013)
Kingston	487	781	1,063	745	12.66	643	320

Source: GLA, 2015, Draft Interim Housing Supplementary Planning Guidance, Annex 2

Calculation of OAN and additions for vacant dwellings

6.49 This section draws on the evidence above to establish the objective need for housing in the HMA, broken down by the authorities within it, based on the evidence from population, household and employment projections considered above. Chapter 7 reviews market signals and the case for revising OAN to take account of those signals. This assessment covers the period 2015-2035.Practice

Backlog of need at 2015

6.50 The first step in the determination of an OAN is to identify the backlog of unmet need at 2015. This comprises: (i) households unable to find housing at all and deemed to be in need (homeless households); and (ii) other potential households wishing to live independently but unable to do so (such as concealed households). Additional supply will be required to house these households. Some other groups of households in need such as overcrowded and under-occupying households and other households living in unsuitable accommodation are not counted, as they already occupy houses. Meeting their needs in a different dwelling will release the dwellings which they currently occupy, and thus does not require provision of additional dwellings.

Homelessness

6.51 At December 2015, there were 838 households accepted by the four authorities within the HMA as homeless and in accommodation arranged by the relevant local

authority[37]. These represent the backlog of homeless people for whom accommodation has been arranged by the local authority. Of these, the largest number (356 or 42%) were within private sector leased accommodation, but the majority of these were from Kingston (representing 59% of that authority's homeless cases). 193 households were in bed and breakfast or other nightly paid accommodation, 66 were within hostels and 187 within local authority or RP stock. As a minimum, 259 households were in temporary accommodation comprising B&Bs, nightly paid or hostel accommodation. Of the remainder, some were in accommodation that would otherwise be 'permanent' (e.g. accommodation leased within the private and RP sectors) either within each authority or elsewhere. Those housed elsewhere might wish to live in their 'source' authority but no estimate is available of the number of those in this category. The backlog of 259 homeless households in hostel, B&B and nightly paid accommodation thus represents a minimum.

Table 6.11 Homelessness and temporary accommodation

	All homeless house-holds	In private sector/RP leased accom-modation	In B and B or other nightly paid	Hostels	Directly by private landlord	Within own or RP stock	Other accom
Elmbridge	36	0	5	0	1	30	0
Epsom & Ewell	168	3	62	0	5	95	3
Kingston	599	353	120	66	0	34	26
Mole Valley	35	0	6	0	0	28	1
Total	838	356	193	66	6	187	30

Source: Statutory homelessness: detailed local authority responses, January-March 2015, Section 6. Available at https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness#detailed-local-authority-level-responses

Concealed households

6.52 The most recent data available on concealed households is from the 2011 Census of Population. Concealed *families* are identified in the 2011 Census as households where there is an additional family living with a primary family, such as a young couple living with a parent or parents of one member of the couple. There were 1,986 concealed families within households in the HMA in 2011. 71% of concealed households were couples, of which a majority (80%) did not have children. 29% were lone parent families. Two thirds of concealed families had a family reference person aged under 50. The breakdown of concealed families was similar across all four authorities within the HMA. Overall, concealed families represented 1.6% of all families. Kingston had the highest concealment rate (2.0%), closely followed by Epsom & Ewell (1.8%), with Elmbridge and Mole Valley each having 1.2% of concealed families.

[37] See Detailed local authority homelessness figures, October-December 2015, available at https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness, Section 6

6.53 The 2011 Census did not ask respondents whether they considered themselves to be within a concealed household or to have a concealed household living with them. Concealed households were identified from an analysis of the composition and structure of all households. The Census did not include single people living with others who *wished* to live separately as concealed because information on living preferences was not collected.

6.54 In order to update the 2011 Census data and to include some allowance for single person concealed households, data was obtained on concealed households at regional level for London and the South East from the English Housing Survey (EHS) 2012-13. The appropriate regional share of concealed households in each authority in 2011 was used as the basis for apportioning regional totals from EHS, and for estimating concealed households by type. This resulted in an overall estimate of 2,593 concealed households, an increase of 30% since 2011, reflecting sharply rising house prices and worsening affordability. Table 6.12 shows the breakdown by local authority.

Table 6.12 Concealed households

	Concealed family	Concealed lone parent	Concealed couple with children	Concealed couple without children	Other
Elmbridge	606	172	74	338	22
Epsom & Ewell	514	171	49	280	15
Kingston	1,053	295	161	550	48
Mole Valley	419	112	60	231	16
Total	2,593	749	344	1,399	101

Source: Cobweb Consulting estimates, ONS, 2011 Census, Table DC1110EWla Concealed family by family type by dependent children in family by age of Family Reference Person (FRP); English Housing Survey 2012-13.

6.55 The total of backlog need derived from these estimates is 2,852 broken down as shown in Table 6.13 below.

Newly arising need

6.56 The second element of OAN is need arising through future net household growth. Net growth is appropriate because households which dissolve will release accommodation for newly forming households. For reasons set out above, an average of the GLA long-term and short term migration scenario household forecasts provides the most realistic estimate of future household growth in Kingston. CLG 2012-based household forecasts provide the most realistic estimate for Elmbridge, Epsom & Ewell and Mole Valley. Table 6.13 summarises the number of net additional households over the 2015-2035 period, which amounts to 36,056 over the HMA as a whole, or 1,803 households per annum.

Vacant dwellings and second homes

6.57 At any one time, a small proportion of dwellings must be vacant to allow the normal processes of repair and renovation and household movement between dwellings to take place. Most dwellings will be vacant for these reasons at various stages in their existence, and the period of vacancy is usually relatively short. An addition must be made to OAN to

allow for these processes. This addition excludes cases where dwellings remain vacant for an extended period, which under normal market conditions is likely to arise from reasons not connected to renovation/mobility. A further allowance may also be necessary if it is anticipated that a significant proportion of new dwellings will become second homes.

6.58 Table 6.13 shows an addition to overall household growth to allow for vacancies, based on the overall proportion of dwellings vacant in each authority in 2014 (see Chapter 4). Across the HMA as a whole the vacancy rate on this basis was 2.2%, with the highest rate in Elmbridge (2.8%) and lowest rate in Epsom & Ewell (2.0%). A further allowance for second homes was derived from Council Tax data, which was 0.82% across the whole HMA, with the highest rate in Kingston (1.26%), and the lowest (zero) in Epsom & Ewell.

6.59 Table 6.13 below summarises these estimates. It suggests an OAN of 40,005 dwellings over the 2015-2035 period, or 2000 dwellings per annum. Kingston has the largest OAN (717 per annum), followed by Elmbridge (474), Epsom & Ewell, (418) and Mole Valley (391). These estimates take account of projected employment growth.

Table 6.13 Objective assessment of need derived from projected household and employment growth

Source		Backlog need		New household formation	Allowance for vacancies		Allowance for second homes		Total
		Home-less	Con-cealed	Net new households	% allow-ance	Number	% allow-ance	Number	
Kingston	2015-2035	186	1,053	12,696	1.99	253	1.26	160	14,348
	Per annum	9	53	635		13		8	717
Elmbridge	2015-2035	5	606	8,565	2.84	243	0.71	61	9,480
	Per annum	0	30	428		12		3	474
Epsom & Ewell	2015-2035	62	514	7,627	1.95	149	0.00	0	8,352
	Per annum	3	26	381		7		0	418
Mole Valley	2015-2035	6	419	7,168	2.18	156	0.90	65	7,814
	Per annum	0	21	358		8		3	391
Total	2015-2035	259	2,593	36,056	2.22	801	0.82	296	40,005
	Per annum	13	130	1,803		40		15	2,000

Source: Cobweb Consulting modelling

Dwelling size, type and tenure requirements

6.60 The National Planning Policy Framework (NPPF), supported by official guidance, indicates that a SHMA should estimate the size, type and tenure requirements for new housing provision. Chapter 8 considers the need for affordable housing and from this, the required tenure pattern in 2035, but this section looks at the overall dwelling size and type requirement within the OAN. If actual 2011 occupancy levels within the housing stock in the HMA are compared to a measure such as the bedroom standard, it is clear that the existing stock is significantly under-occupied. If a better fit with the bedroom standard were to be achieved in the HMA, there would be an overwhelming requirement for smaller dwellings.

6.61 However this approach is impractical, mainly because the bedroom standard plays no part in determining occupancy rates in the private sector, where occupancy levels are instead determined by the market. Households can consume the amount of space which they are willing and able to pay for. In the social rented sector, the match between actual occupancy and the bedroom standard is often closer, because at the point when households are allocated a dwelling, they are wherever possible allocated one which matches their assessed requirement. Even in the social rented sector, however, differences develop over time as households change size.

6.62 This suggests that existing patterns of occupancy in the private sector should be assumed going forward, as in the recent GLA SHMA. However cost concerns play an important part in influencing household space consumption decisions, especially in London and in areas around London, where affordability is so severely constrained. Some households do adjust their consumption, for example through the process of trading down. Over a longer time-scale, the market has also adjusted the housing stock in London to create smaller units in response to cost pressures, for example through the conversion of single family houses into flats. Further pressures on households to make adjustments to their consumption of housing, or adjustments to the existing housing stock, must be expected in the future, given the intensification of demand and resultant squeeze on affordability. However for the present, existing patterns of occupancy provide the best overall guide to future requirements.

6.63 To produce estimates of future dwelling size requirements, existing patterns of occupancy have been broken down by household type, as this provides a more detailed picture than simply profiling the existing size composition of the dwelling stock. Changes in the projected composition of household types in the future can then be taken into account in determining future size requirements. For example, an increase in the proportion of one person households would lead, other things being equal, to an increase in the demand for smaller dwellings. However, it cannot be assumed that all one person households require one bedroom. Instead, it is assumed that the current pattern of occupancy by households of this type will continue into the future. Any anticipated changes can then be taken into account at this stage.

6.64 Household projections identify 17 different household types, and dwelling size occupancy levels were examined separately for each of these household types before aggregation into the five categories shown in Tables 6.14 to 6.17, to take account in particular of numbers of dependent children. Data is not available from the 2011 Census at local level for occupancy rates broken down to this level of detail, so the appropriate regional level data was obtained from the English Housing Survey, combining the last three years of data to provide a robust sample. The table shows the breakdown of bedroom requirements in 2015 (that is, existing occupancy patterns), the breakdown in 2035 assuming that current patterns continue, but taking account of changes in the composition of households, and the difference between these. The table also includes estimates of the dwelling size requirement of the current backlog of households in need, and an allowance for vacant dwellings and second homes.

6.65 For Kingston, the future pattern of requirements shows a reduction in the proportion of small (one bedroom) units required in 2035, and an increase in the proportion of larger units. 72% of new provision to meet OAN would need to be of three or four bedroomed units, and only 5% one bedroom units.

6.66 It is important to bear in mind that this is a trend projection, which could be affected by a number of factors. As indicated above, a worsening affordability position might increase the demand for smaller units. Even with an increase in supply to meet OAN, affordability could worsen if the number of investors in the market increases, thereby raising the level of competition for housing. In the social rented sector, measures to make a deduction from housing benefit where households have bedrooms deemed to be in excess of their requirements may lead to even closer matching of bedroom requirements and actual occupancy. Conversely the proportion of social rented housing may fall as a result of the extension of the right to buy, disposals of higher-value council property and a continuing shortage of funding for new social housing (and a likely switch to Starter Homes and Self Build as elements of affordable supply).

6.67 This would lead to more owner occupation of former social rented homes, and this would tend to weaken the link between household size and occupancy levels. At the same time, occupancy levels in the private rented sector tend to match household size more closely than in the owner occupied sector. In the owner occupied sector, households generally might wish to occupy dwellings with more bedrooms, more bathrooms and other facilities, and spaces for home working or other leisure activities, if they can afford to. Conversely, more older people might seek to downsize to smaller units if purpose built housing for older people were to become more popular.

6.68 Lastly, the need for London and the South East to make the best use of land to meet housing need could require the provision of more small units, but this would be a policy decision.

6.69 These conflicting trends lead to a very complex picture, which is further constrained by the fact that the overall size profile of the dwelling stock can change only slowly over time as a result of new additions and conversions.

Table 6.14 Existing and projected dwelling size requirements: Kingston

	Household type							
		One person	Couple without dependent children	Couple or lone parent with dependent children	Other with dependent children	Other multi-adult	Total	Percent-age
Bedrooms occupied 2015	1	8,292	3,186	1,247	23	347	13,096	19%
	2	5,375	4,909	5,840	598	3,278	20,000	30%
	3	4,187	4,664	6,200	1,839	5,867	22,758	34%
	4+	839	2,232	3,337	1,571	3,349	11,328	17%
	Total	18,694	14,992	16,624	4,031	12,841	67,182	100%
Required 2035	1	8,676	3,481	1,374	23	427	13,981	17%
	2	5,774	5,647	6,806	635	4,441	23,303	29%
	3	4,529	5,708	7,518	2,245	8,992	28,992	36%
	4+	955	2,825	3,853	1,977	5,633	15,244	19%
	Total	19,933	17,661	19,552	4,880	19,492	81,519	100%
Difference (breakdown of OAN)	1	383	295	127	0	79	885	6%
	2	399	738	966	37	1,163	3,302	23%
	3	341	1,044	1,318	406	3,125	6,234	43%
	4+	116	593	516	407	2,284	3,916	27%
	Total	1,239	2,670	2,928	849	6,651	14,337	100%

Source: Cobweb Consulting estimates, derived from GLA 2014 round short and long term migration trend household projection (households); English Housing Survey 2010-11-2012-13 (occupancy rates); 2011 Census (concealed households); P1E returns (homelessness by household type).

6.70 Tables 6.15 to 6.17 show the same information for Elmbridge, Epsom & Ewell and Mole Valley. In Elmbridge, the majority of the additional requirement is for smaller (1-2 bedroom) units, although the overall profile of the stock is more towards larger units than in Kingston. In Epsom & Ewell and in Mole Valley, 2-3 bedroom units form the majority of the additional dwelling requirement.

Table 6.15 Existing and projected dwelling size requirements: Elmbridge

	Household type							
		One person	Couple without dependent children	Couple or lone parent with dependent children	Other with dependent children	Other multi-adult	Total	Percent-age
Bedrooms occupied 2015	1	4,346	1,193	233	0	72	5,844	11%
	2	5,425	3,793	3,050	39	1,105	13,411	25%
	3	4,863	5,965	7,608	665	3,035	22,137	41%
	4+	1,487	3,497	4,605	698	2,236	12,524	23%
	Total	16,122	14,448	15,496	1,403	6,448	53,917	100%
Required 2035	1	6,826	1,378	271	0	48	8,523	13%
	2	8,455	4,379	3,872	21	645	17,371	27%
	3	7,564	6,887	8,405	481	1,574	24,911	39%
	4+	2,328	4,038	4,711	412	1,109	12,598	20%
	Total	25,173	16,682	17,258	913	3,375	63,402	100%
Difference (breakdown of OAN)	1	2,480	185	38	0	-24	2,678	28%
	2	3,029	587	822	-19	-460	3,959	42%
	3	2,701	923	797	-184	-1,462	2,774	29%
	4+	840	541	105	-286	-1,127	74	1%
	Total	9,051	2,235	1,762	-489	-3,073	9,486	100%

Source: Cobweb Consulting estimates, derived from GLA 2014 round long term migration trend household projection (households); English Housing Survey 2010-11-2012-13 (occupancy rates); 2011 Census (concealed households); P1E returns (homelessness by household type).

Table 6.16 Existing and projected dwelling size requirements: Epsom & Ewell

	Household type							
		One person	Couple without dependent children	Couple or lone parent with dependent children	Other with dependent children	Other multi-adult	Total	Percent-age
Bedrooms occupied 2015	1	2,339	689	128	0	55	3,211	10%
	2	2,902	2,189	1,701	31	834	7,658	25%
	3	2,598	3,443	4,084	480	2,287	12,892	41%
	4+	798	2,019	2,413	543	1,683	7,456	24%
	Total	8,637	8,340	8,326	1,054	4,859	31,216	100%
Required 2035	1	3,512	975	182	0	45	4,713	12%
	2	4,289	3,097	2,617	26	616	10,646	27%
	3	3,824	4,871	5,187	442	1,539	15,862	40%
	4+	1,190	2,856	2,727	479	1,094	8,346	21%
	Total	12,815	11,800	10,712	947	3,294	39,567	100%
Difference (breakdown of OAN)	1	1,173	286	54	0	-10	1,503	18%
	2	1,387	908	916	-5	-218	2,988	36%
	3	1,226	1,428	1,103	-38	-748	2,971	36%
	4+	392	837	314	-64	-589	890	11%
	Total	4,178	3,460	2,386	-107	-1,565	8,351	100%

Source: Cobweb Consulting estimates, derived from GLA 2014 round long term migration trend household projection (households); English Housing Survey 2010-11-2012-13 (occupancy rates); 2011 Census (concealed households); P1E returns (homelessness by household type).

Table 6.17 Existing and projected dwelling size requirements: Mole Valley

	Household type							
		One person	Couple without dependent children	Couple or lone parent with dependent children	Other with dependent children	Other multi-adult	Total	Percent-age
Bedrooms occupied 2015	1	3,169	941	129	0	46	4,285	12%
	2	3,876	2,991	1,678	23	748	9,315	25%
	3	3,457	4,704	4,271	409	2,150	14,991	40%
	4+	1,074	2,758	2,631	412	1,608	8,484	23%
	Total	11,576	11,394	8,710	843	4,552	37,075	100%
Required 2035	1	4,850	1,240	124	0	34	6,248	14%
	2	5,797	3,942	1,823	9	496	12,068	27%
	3	5,141	6,199	4,526	251	1,301	17,419	39%
	4+	1,628	3,635	2,756	191	943	9,152	20%
	Total	17,415	15,017	9,229	452	2,774	44,887	100%
Difference (breakdown of OAN)	1	1,681	299	-5	0	-12	1,963	25%
	2	1,921	951	145	-13	-251	2,753	35%
	3	1,684	1,495	255	-157	-849	2,428	31%
	4+	553	877	125	-221	-665	668	9%
	Total	5,839	3,622	520	-392	-1,778	7,812	100%

Source: Cobweb Consulting estimates, derived from GLA 2014 round long term migration trend household projection (households); English Housing Survey 2010-11-2012-13 (occupancy rates); 2011 Census (concealed households); P1E returns (homelessness by household type).

Overcrowding and under-occupation

6.71 Both overcrowding and under occupation are present in the HMA, as in most areas. The level of under occupancy is much greater than overcrowding, and so provides ample potential for the alleviation of the latter without any additional new housing provision and hence no need for any addition to OAN. However the continuation of overcrowding especially in the affordable housing sector and private rented sectors demonstrates market mechanisms alone will probably not bring this about. As a result, any measures to address overcrowding will need to be undertaken through the rehousing of those affected in the affordable housing sector. This in turn will release the units occupied by those who are overcrowded for re-use. Chapter 7 considers the need for affordable housing generated by overcrowding further. Market mechanisms should be more effective in addressing overcrowding in the owner-occupied sector, where there will be options to move to

cheaper, larger properties inside or outside the HMA. Constraints here will be external – for example, employment, schools, family and friends etc, rather than being intrinsic to the housing market.

Dwelling type

6.72 The current mix of dwellings by *size* provides some guidance on the required mix in the future, because there is an obvious link between household size/type and dwelling size, albeit one which is overlain and blurred by incomes, aspirations and allocation policies. There is no similar determinant of the demand for dwellings of different *types*. The current mix of dwellings by type in the HMA was considered in Chapter 4 and this reflects a variety of historical factors, mainly past patterns of demand. Overall, the proportion of flats is high in Kingston, but lower in the three Surrey authorities. Since 2001 and 2011 there has been an increase in the proportion of purpose built flats, a small decline in the proportion of terraced houses, and a small increase in the proportion of converted flats. Rather than household preferences, these changes are likely to reflect the intensity of demand for housing in London and parts of the South East. They also reflect high land values, which are likely to continue over the period up to 2035. These as much as changing demand have led to reduced plot sizes for houses and pressures to increase the provision of apartments and flats. As noted earlier, stakeholders consider that this pressure towards producing smaller homes and studios is reflected in changing development programmes and profiles among private and RP providers.

Market signals

6.73 NPPF and PPG also require the consideration of market signals in the process of arriving at an objective assessment of need. Chapter 7 now considers market signals and the need for adjustment to the estimates of OAN in Table 6.13.

Chapter 7

Market signals

Key messages

NPPF and PPG indicate that market signals should be taken into account when producing an OAN. These include land prices; house prices; rents; affordability; rates of development and overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation.

House prices in the area are very high, so there are likely to be problems of affordability throughout the HMA. Except in Elmbridge, there is no indication of any long term widening of the gap in values between the HMA and London, the South East, or England and Wales as a whole. Although the gap has widened since 2007 this could be a cyclical effect similar to that of 1996-2006.

Authorities within the HMA experienced a relatively small fall in house sale volumes in 2007-08 and have shown a tendency towards recovery. There is no indication that the market in the HMA has experienced any atypical pattern in terms of sales volumes.

Private rents are variable across the HMA, but generally high, reflecting house prices. The highest rents are largely in areas within Elmbridge. Many commentators report strong upwards pressure on rents in 2015, but this is widespread across the South and Midlands rather than being confined to the HMA.

High prices and rents show that there are severe affordability problems within the HMA. Affordability ratios (such as the ratio of median house prices to median earnings) are extremely high, but the picture relative to other areas and the national average has not worsened in recent years, except in Elmbridge. This suggests that there is a strong need to maximise affordable housing provision, to ensure that it meets the requirements identified in Chapter 8.

Other than in Kingston, rates of dwelling supply over the period since 2007 have generally exceeded targets, at a time when economic constraints at national level have placed pressures on delivery. It should be noted however that targets themselves have been constrained primarily by land supply, and do not necessarily reflect housing need. In Kingston, progress has been below target even against the lower, now superseded, London Plan target and, would be far worse when set against the new target set through FALP. But there is an improving pipeline showing a move into surplus delivered through outstanding permissions, large opportunity sites, and non-conventional (mainly student) housing over the next five to seven years. There is a further need to identify new sources of supply to come on-stream from 2023-24.

Across the HMA the highest level of overcrowding is found in the social rented sector (10%) and the private rented sector (9%) with only 2% of owner occupier households overcrowded. Kingston had the highest rates of overcrowding. Under-occupation is found

predominantly in the owner-occupied stock where about half of owner occupiers had additional bedrooms beyond the requirements of the bedroom standard. Across all tenures, overcrowding could in theory be alleviated by the better matching of households to stock, but this is not always practical. As the London Plan concludes, the consumption of space by owner occupiers is a financial decision, but choices may in part be affected by supply and this needs to be taken into account when considering the size mix of additional dwelling supply in the future.

Statutory homelessness and temporary accommodation numbers are currently stabilising after a peak in 2013-2014. But many stakeholders were concerned that this is temporary, with a cluster of negative drivers ahead such as the roll-out of welfare reform measures, such as those reducing or removing housing benefit for younger people; Right to Buy and its proposed extension to housing association properties; the continued refocussing of private rented landlords towards the young professionals market rather than those on lower incomes; and a reduction in the supply of new affordable and social rented homes.

1.5% of households were concealed families in 2011, with Kingston having the highest proportion (just over 2%), but it is difficult to track trends. It will be important to take these households into account when assessing housing need.

Overall our conclusion is that there is no strong evidence to suggest an addition to OAN is required as a result of market signals in most of the HMA, but rather that policies should seek to maximise the amount of affordable housing required to meet affordable need.

In Elmbridge, there are signs that prices are rising even more rapidly than in London as a whole, and it is here that the case for an addition to the OAN to increase affordable supply is strongest. If and when the Elmbridge income to house price ratio becomes 2.10 times higher than the England ratio, we suggest that the OAN be uplifted by 10%. Assuming this happens imminently, this would imply a revised 2015-2035 OAN of 10,428, and an annual OAN of 521 for Elmbridge. The planning authority would need to ensure that its policies support this additional uplift in generating additional affordable homes, rather than simply enabling more market homes that would primarily benefit incoming households.

7.1 Paragraphs 17 and 158 of the NPPF indicate that local plans should take account of market signals, such as land prices and housing affordability, in addition to household projections. Planning Practice Guidance indicates that housing needs can be 'adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand'[38]. The indicators referred to are land prices; house prices; rents; affordability; rates of development and overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. Indicators should relate to both the price and

[38] CLG Planning Practice Guidance*, Housing and economic development needs assessments*, para 19.

the quantity of housing. PPG indicates that appropriate comparisons are needed to set market signals in context. This includes examination of longer term trends (both in absolute levels and rates of change) in the housing market area, nearby areas and nationally. However it is not expected that the precise increase in supply required to achieve a given improvement in an indicator should be calculated.

7.2 In examining market signals we assess trends over as long a period as practical given the available data sources and their frequency (some data for example is only available from the 2001 and 2011 Censuses).

Land values/prices

7.3 PPG asks that land value be taken account of as a market signal, in relation to differential pricing dependent on designation for different use. Commenting on land value across an HMA is bound to be highly speculative, as values will vary site by site, depending on a range of factors – remediation, infrastructure provision, labour and material costs, Section 106 contributions, Community Infrastructure Levy (CIL), the extent of overage, site size, planning policy, to name but a few. While the cost of land will be the underpinning determinant in the eventual prices for new-build homes (be they for sale or for private or social rent), all the factors above will impact on this bottom line, site by site and development by development. In discussions with stakeholders there was a general perception that the price of land in the HMA had risen considerably over the last five years, and there was increasing competition between private developers and RPs to access it. However, one RP noted that they had moved their development strategy away from inner London to outer areas because of rising prices, which were even more apparent in inner London.

7.4 There are also some fairly broad-brush and recent analyses that are relevant, though these are not always consistent, given that they are based on surveys carried out by residential research teams in large estate agents.

7.5 In their most recent reports on residential development land Savills[39] noted an increase of 0.5% for greenfield land and 1.6% for urban land in the first quarter of 2015 across the UK. Growth had been limited by increasing construction costs, scarcity of labour and materials, and fewer bids per site in parts of the UK.

7.6 London residential development land values had remained stable over the six months prior to March 2015, according to the Savills Survey, though a flattening out had been observed over the period. This followed periods of very strong increases in 2013 and 2014 (25.8% in the year to March 2014), perhaps reflecting concern about CIL, construction costs and nervousness around the then-impending election. The flattening of prices for residential development land in London is in contrast to that for hotel and office development land, which increased by around 4% over the six months to March 2015.

[39] UK Residential Development Land, Savills, May 2015
http://www.savills.co.uk/research_articles/141280/188301-0

7.7 According to Savills surveys, the South East (and Cambridge) have the highest value land markets, with the greatest activity around individual sites; in some areas values are now above their peak 2007/2008 values. Savills note that 'in high demand locations with strong links to London, where growth is constrained by Green Belt, land and development prices have exceeded their former peak', though the Surrey HMA authorities are not specifically referred to.

7.8 In contrast, Knight Frank's[40] most recent report (which is slightly more up to date than Savills) indicates that greenfield development land prices fell by 0.9% in the second quarter of 2015. Prices were 2.7% lower than at the beginning of 2015. As with Savills, Knight Frank note increasing development costs, and the fact that house builders are seeking to defend margins, forcing down land prices. The report does note however that 'the market remains localised with some areas around the Home Counties seeing a shortage of supply of consented greenfield land due to the planning system, and a resulting premium for sites that do come on the market'.

7.9 In London Knight Frank also note a 'normalisation' of the market, though with still an upward shift in prices – a 0.9% increase in Q2 2015. Interestingly for Kingston, they note that 'there is strong competition in areas which are considered to have real opportunities for growth, these include areas in Outer London and particularly for sites where completed units can be delivered for less than £1000 psf'.

House prices

7.10 Chapter 2 sets out data on trends in house prices across the HMA. It showed that in 2014 median house prices in Elmbridge were exceptionally high, amongst the highest in the country, and more than double the national average. Prices in Mole Valley, Kingston and Epsom & Ewell were also very high by national standards. Prices have risen steeply in recent years compared to the national average. Over the 2007-14 period, the median price in Elmbridge rose by 49%, in Mole Valley and Kingston by over 30%. In Epsom & Ewell prices rose by 27%, slightly below the national average increase of 29% but still a substantial increase. This might simply reflect the mix of dwellings on the market, including new dwelling supply.

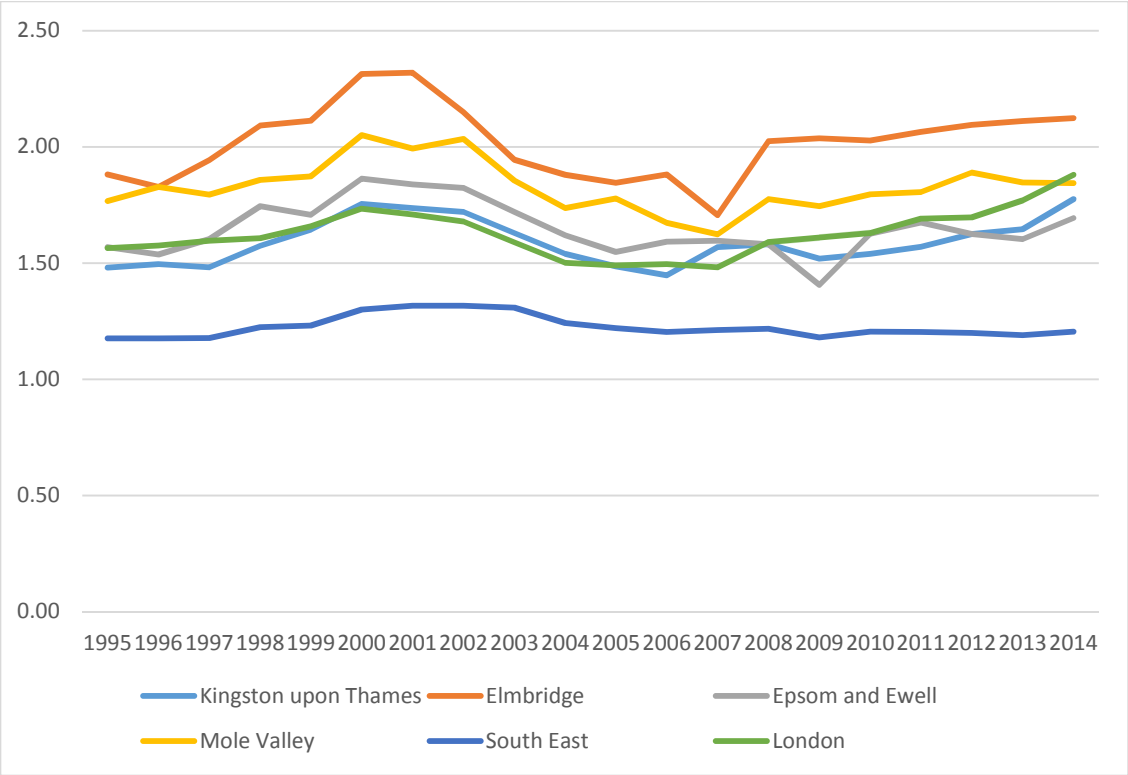
7.11 The whole HMA therefore lies in a generally high priced area, although there are local variations within this. As a result, it is highly likely that there will be problems of affordability for households on lower incomes, preventing lower income households living elsewhere from moving into the area and those living in the area from accessing home ownership. Stakeholders commented on the steadily rising prices they have witnessed, and noted that household incomes had to be well above national average to buy in the HMA. This issue is addressed further when examining the demand for affordable housing in Chapter 8.

[40] Residential Land Development Index, Knight Frank, Q2 2015
http://content.knightfrank.com/research/161/documents/en/q2-2015-3105.pdf

7.12 Differentiation in prices is an established feature of the housing market, and it would be unrealistic to expect to eliminate such differences as a result of changes to supply. Features such as the prosperity of the local economy, transport linkages to employment centres, the attractiveness of the local environment, local facilities and amenities, and intangibles such as reputation creates differences in demand which impact on prices. The key issue is whether there is evidence that prices in the HMA have changed relative to other areas.

7.13 Figure 7.1 below expands this analysis, looking at prices over the longer term from 1995-2014. This covers the market before the boom of the late 1990s/early 2000s and through the post-2007 recession and subsequent period. The figure shows the ratio of the median sale price in each authority within the HMA to the national median price. This provides a measure of the extent to which prices in each area have risen at a higher (or lower) rate than the national rate of change. The same ratio is also shown for London and the South East. A consistent pattern emerges. In all of the areas shown, the ratio increased during the late 1990s/early 2000s, then declined as prices elsewhere in England and Wales increased. After some volatility in 2007-2008, the ratio has again shown a tendency to increase as prices in the HMA and in London have recovered more rapidly than those elsewhere in England and Wales. There is no indication from the chart that any catching up process has yet begun in the rest of England and Wales. But over the longer term, the relationship of prices across the South East as a whole to the national median has been very consistent. London shows the most rapid rate of increase since 2007, and the ratio in 2014 was higher than in 1995. Within the HMA, the same is true, but this could be a repeat of the 1996-2006 pattern. None of the authorities shows any consistent sign that prices are rising relative to the England and Wales median over the long term. Although prices in the area are high, there is no clear indication of any established widening of the gap between the HMA and other areas, though the position should continue to be monitored carefully.

Figure 7.1 Ratio of median dwelling sale price to median sale price for England and Wales 1995-2014

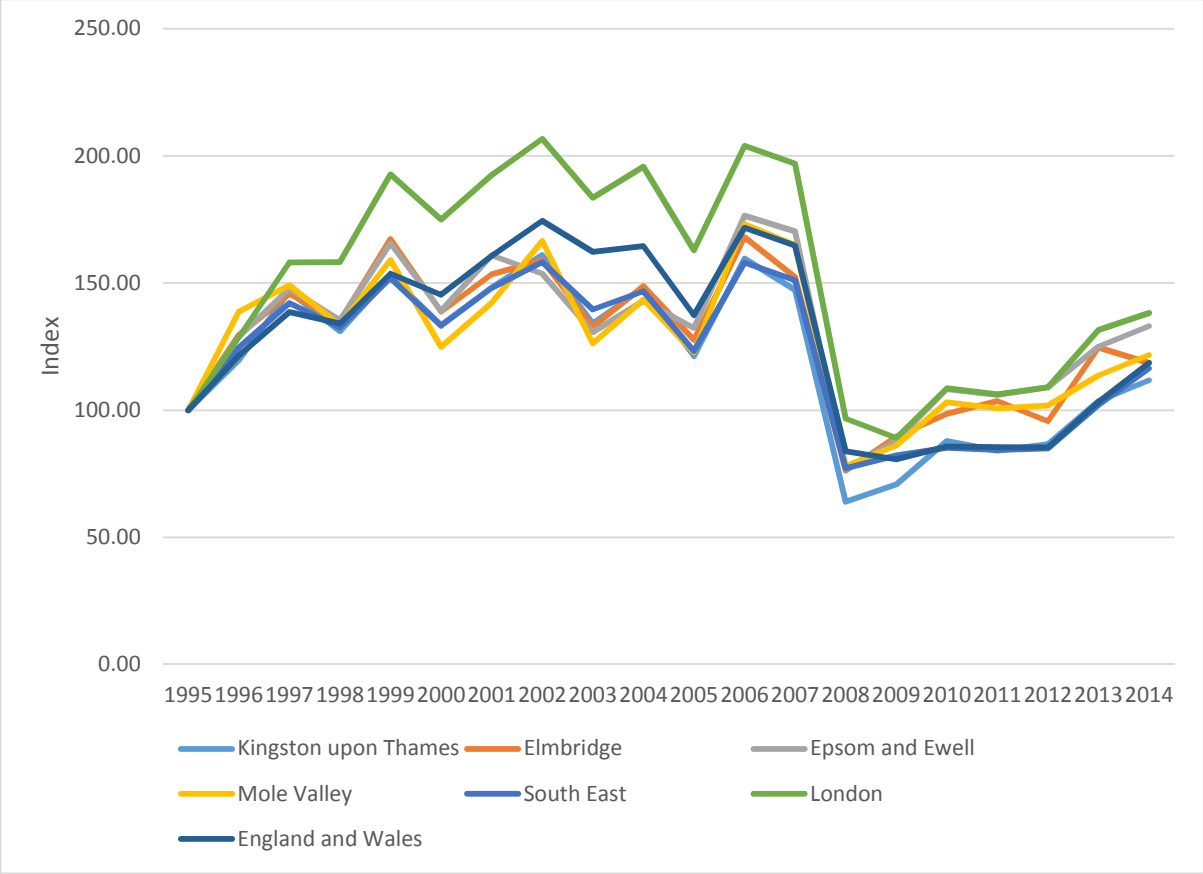


Source: HM Land Registry Price Paid data

Sales volumes

7.14 Figure 7.2 shows the indexed volume of sales over the 1995-2014 period for the HMA authorities, London, the South East and England and Wales as a whole. The chart tracks the increase in sales volumes over the 1996-2006 period, the collapse in the market in 2007-2008 and the partial recovery since then. The pattern is very similar for all the HMA authorities and comparator areas, although with some suggestion that London as a whole and the highest value authorities within the HMA suffered the smallest fall in volumes and have shown the greater tendency towards recovery. This does not provide any indication that the market in the HMA has experienced any atypical pattern in terms of sales volumes.

Figure 7.2 Indexed volume of sales 1995-2014



Source: HM Land Registry Price Paid data

Rents

7.15 There is no equivalent to H M Land Registry as a source of data on rental levels for private housing, but a number of web-sites provide information on current rent levels for local areas and/or publish periodic reports on rent levels. Many sites use electronic methods to gather data on rents sought, rather than on agreed rents as there are few sources for the latter. The difference may be substantial. Many also focus on London and the Home Counties because of the large private rented market there. Table 7.3 below shows rent data extracted from one of these sites for areas within the HMA[41]. To set these rents in context, average rents have been obtained from a second source, Homelet, which published less detailed local data but provides a time series[42].

7.16 Average reported rents are high throughout the HMA, with the overall average for the areas in Table 7.1 being £1,800 per calendar month (pcm). Areas within Kingston and Epsom & Ewell have average rents below this level, along with Dorking, although the

[41] The site used is home.co.uk which provides the facility to search for rent data in pre-determined settlements which are not defined in detail. The site does not provide data at local authority level, and the use of settlements does not facilitate the extraction of data for rural areas.
[42] See homelet.co.uk including links to summary property reports.

notable feature here is the limited supply. The highest rents – reflecting house prices – are largely found in areas within Elmbridge.

7.17 These rents compare with the average UK rent in the three months to July 2015 of £977 pcm reported by Homelet (£1538 pcm for London and £761 for the remainder of the UK). Rents in the South East were the next highest after London. Homelet report that nationally, rents in the three months to July 2015 increased by 12%, a much higher rate than in 2014 (8%) or 2013 (4%), but significant increases were found in several regions rather than being confined to London/the South East.

7.18 These rents can be compared with data for April 2014-March 2015 published by the Valuation Office Agency (VOA) at local authority level. The VOA rent officers collect rents data from landlords and agents in the course of a range of administrative activities and six-monthly reports are assembled from this data. Comparisons cannot easily be made due to the different geographical basis of each table. The VOA data excludes rents where the tenant is in receipt of housing benefit and so does not take account of this sector of the market, but despite this, the rents published by VOA appear to be around 20-30% lower than those from Homelet, with less steep differentials for larger lettings. This is probably because the VOA data is based on agreed rents rather than on asking rents. In addition, the VOA data is for local authorities as a whole and so does not pick differences such as those within Elmbridge, for example. Rents reported for England as a whole are also significantly lower.

7.19 VOA point out that comparisons of changing rents over time using this data should be treated with caution, as a result of changes in the nature and mix of lettings. Bearing this mind, Table 7.1 also shows the percentage change in the median rent for all types of letting combined over the period since June 2014. This suggests that rates of rent increase in all the authorities were substantially higher than those for England as a whole, and for London and the South East regions (each 4%). However, looking at rents for each letting size/type category, changes were considerably more volatile.

Table 7.1 Median rents, April 2014-March 2015 by local authority

Median	Letting type							% change 2014-15
	Room	Studio	1 bed	2 bed	3 bed	4+ bed	All	All
Kingston upon Thames	500	750	995	1,300	1,600	2,200	1,250	5%
Elmbridge	575	695	850	1,195	1,450	3,080	1,250	9%
Epsom & Ewell	460	650	850	1,125	1,500	1,995	1,185	8%
Mole Valley	-	653	790	1,100	1,413	2,500	1,100	13%
Surrey	425	625	800	1,075	1,350	2,250	1,100	11%
South East	390	500	625	780	925	1,500	779	4%
London	525	850	1,155	1,400	1,695	2,500	1,350	4%
England	347	500	525	595	675	1,175	600	1%

Source: VOA, Private Rental Market Statistics (May 2015)

7.20 The VOA is also responsible for setting the local levels which determine the maximum amounts payable to low income tenants in receipt of Local Housing Allowance (LHA). These are set across Broad Rental Market Areas (BRMAs) which frequently cover larger areas than local authorities and do not correspond closely with local authority boundaries. Kingston falls within the large Outer South West London and Outer South London BRMAs, along with large areas outside the HMA. The same two BRMAs cover Epsom & Ewell, although most of the authority's area falls within the latter.

7.21 Elmbridge falls mainly within the large Walton BRMA. This also includes large areas outside the HMA, and it is likely that a high proportion of private lettings in the BRMA are actually outside Elmbridge. Mole Valley is covered by the Walton BRMA in the north (Leatherhead and environs) and by the very large Crawley and Reigate BRMA, which also covers large areas outside the HMA. Table 7.2 shows LHA rates for these four BRMAs for two bedroom lettings. Separate rates are set for other sizes and types of letting. These rates are not actual rents – they represent the VOA estimate of the 30th percentile rent in each BRMA, and are significantly below average of median rates shown in Table 7.3. In the past, changes year on year reflected changes in the market. More recently, changes in rates have been determined by changes in government policy, and although these affect all authorities in the same way, so the data must be interpreted with caution. Accepting this, the table suggests that the greatest pressure on rents is found in Outer South West London, which is mainly represented in the HMA by the northern part of the Borough of Kingston, followed by Walton (Elmbridge and the north of Mole Valley) and Outer South London (the remainder of Kingston and Epsom & Ewell). The lowest pressure on rents is in Crawley and Reigate, covering the southern part of Mole Valley.

Table 7.2 Local housing allowance rates pcm, 2 bedroom letting

BRMA	2 Bedroom rate (£) 2011	2012	2013	2014	2015	% increase 2011-14
Crawley and Reigate	750	750	767	776	807	8%
Outer South London	800	850	869	880	915	14%
Outer South West London	1000	1100	1124	1172	1219	22%
Walton	850	895	915	926	963	13%

Source: VOA. Weekly rates converted to calendar month equivalent

7.22 It is not surprising that rents are high across much of the HMA. Although commentators noted an increase in renting as opposed to owner-occupation because of better affordability, they also noted that the lower, cheaper end of the private rented sector was being squeezed out, with it becoming much harder for those claiming Housing Benefit to obtain private rented sector (PRS) accommodation. They were in competition with young professionals wanting to be near work and transport links, and students, among other groups. House prices are high and high rents are necessary to generate the returns which investors require. In Mole Valley and Epsom & Ewell, the supply of private rented accommodation is also relatively small and this is also likely to contribute to high rents. In Kingston the supply of private rented accommodation is much greater, but demand is also high, partly as a result of the large student population. The picture is therefore consistent with that provided by house prices.

Table 7.3 Private rents in the HMA, August 2015

	Kings-ton	Sur-biton	Long Ditton	Chess-ington	Tol-worth	New Mal-den	Wal-ton	Wey-bridge	East Mole-sey	Esher	Ox-shott	Cob-ham	Lea-ther-head	Dor-king	Epsom	Ewell	Cheam
Total properties for rent	1,083	386	178	79	233	221	154	184	128	86	63	72	113	49	218	52	97
Properties for rent in the last 14 days:	251	100	49	16	56	52	20	27	22	20	17	17	32	16	44	11	26
Average property rents pcm	1,825	1,485	1,787	1,163	1,393	1,483	1,955	2,226	2,086	3,664	6,850	2,937	2,113	1,507	1,447	1,436	1,012
Median rent pcm	1,400	1,285	1,385	1,200	1,274	1,326	1,423	1,451	1,812	3,601	5,599	2,422	1,500	1,250	1,300	1,325	900
Average Time on Market (ToM) - days	60	54	48	51	50	45	65	77	65	64	73	57	67	120	84	51	56
Median rent																	
One bedroom	1,150	1,096	1,100	913	1,001	1,101	1,050	995	962	-	1,300	997	875	975	1,075	800	897
Two bedrooms	1,495	1,368	1,352	1,200	1,300	1,300	1,326	1,272	1,575	1,850	1,795	1,448	1,263	1,249	1,300	1,198	1,196
Three bedrooms	2,002	1,950	1,894	1,500	1,798	1,848	1,573	1,838	2,196	1,935	1,825	1,850	1,672	1,651	1,500	1,452	1,463
Four bedrooms	2,851	2,350	2,500	1,550	2,052	2,349	3,098	2,401	2,873	3,952	3,776	2,548	2,701	2,500	2,349	2,301	1,825
Five bedrooms	3,501	3,748	4,026	2,375	2,500	2,500	3,350	6,747	3,748	4,724	4,950	5,225	3,250	3,250	2,400	2,900	2,251
Room	625	610	650	598	550	550	600	600	588	775	550	588	550	500	585	520	550
Flat	1,352	1,300	1,300	1,200	1,200	1,261	1,250	1,148	1,474	1,898	1,748	1,300	1,200	1,324	1,250	1,150	1,049
House	2,700	2,676	2,851	1,550	2,102	2,201	2,750	2,401	2,895	4,000	5,750	2,994	2,496	1,426	1,798	2,100	1,625

Source: home.co.uk accessed 25-08-15. Settlements with less than 50 properties for rent have been excluded, with the exception of Dorking which is one of the major settlements in Mole Valley

Affordability

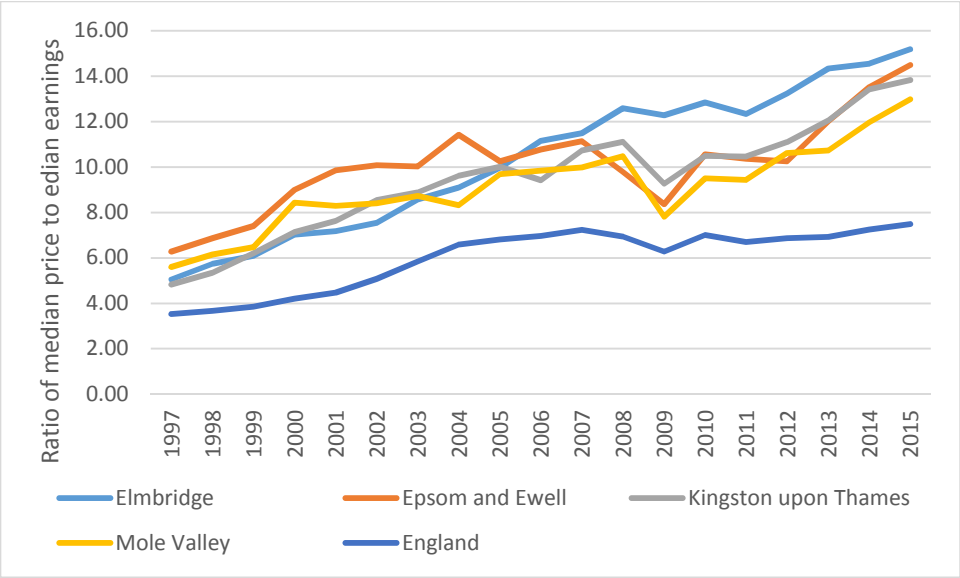
7.23 CLG has published a series of affordability ratios for local authorities in England covering the period 1997-2015. These compare lower quartile and median sale prices with lower quartile and median earnings[43]. Affordability ratios have increased consistently over the 1997-2015 period for all the authorities in the HMA, (Figure 7.3), although many areas experienced a dip in the ratio in 2007-2008 when prices fell relative to incomes. This differs from the picture for England as a whole, where the ratio stabilised after 2007-2008. Figure 7.3 shows that affordability is a serious issue throughout the HMA, but most especially in Elmbridge. With Elmbridge it is noticeable that ratios have increased in a near straight line since 1997, barely troubled by the 2008-2009 downturn that affected the other authorities. This issue is considered further in para 7.43 and 7.48.

7.24 Figure 7.4 shows the changing relationship between affordability in the HMA authorities and the national average level of affordability. It takes the annual ratio for each authority, and divides it by the relevant annual ratio for England as a whole. Although affordability has worsened generally, in the HMA authorities the affordability ratio is generally lower relative to the national average than it was in the early 2000s, except in Kingston to a certain extent, and Elmbridge where by 2015 the gap had surpassed its previous peak. Elsewhere the relationship to the national average has remained relatively stable since 2003. In other words except in Kingston and Elmbridge, the increase in affordability problems has matched the national pattern. As regards Elmbridge, as in Figure 7.3, its ratio compared to England ratios was untroubled by the downturn and recession.

7.25 In terms of the wider pattern, this suggests that across the HMA as a whole the local market is not functioning abnormally in comparison to the national market, but clearly markets in many areas of London and the South of England are experiencing problems because of the worsening of affordability. Greater affordability problems nationally undoubtedly stem from a shortfall in housing supply relative to the overall level of demand from investors and owner occupiers, as recognised by government in its NPPF objective of increasing supply more generally. Affordability is the most significant issue highlighted by market signals in the HMA.

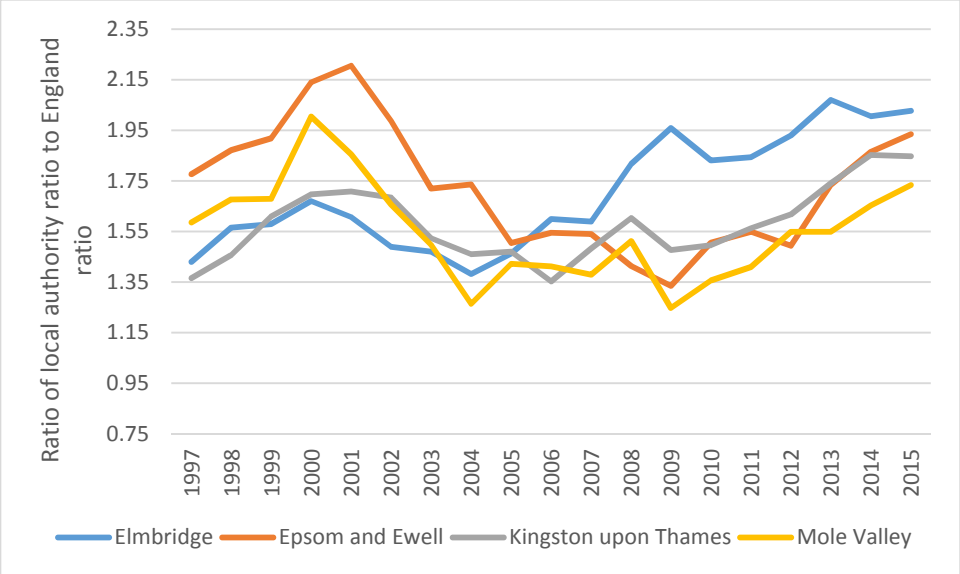
[43] Earnings data is taken from the Annual Survey of Hours and Earnings published by ONS. The survey covers employee jobs excluding self-employed and employees not paid during the survey period. It does not provide estimates of the incomes of people not in employment, nor of household as distinct from individual earnings. The survey is also based on a sample of earnings and estimates are subject to sampling error. The ratio derived from this data is therefore best viewed as a relative rather than an absolute indicator of affordably, enabling examination of changes of over time and comparisons between areas.

Figure 7.3 CLG Affordability ratio (ratio of median sale price to median personal earnings) 1997-2014



Source: CLG Live Table 577. Note: data for 1997-2012 derived from the discontinued version of Tale 577. Data for 2013-2015 derived from live version. Data for 2013 was revised in 2016 to take account of updated price and earnings data. County and regional level ratios are no longer included in the live version of Table 577.

Figure 7.4 Ratio of local authority to England affordability



Source: CLG Live Table 577. Note: the chart shows the affordability ratio for each local authority in Figure 7.3 divided by the ratio for England for each year 1997-2015 to provide a measure of the difference from the national average.

Rates of development

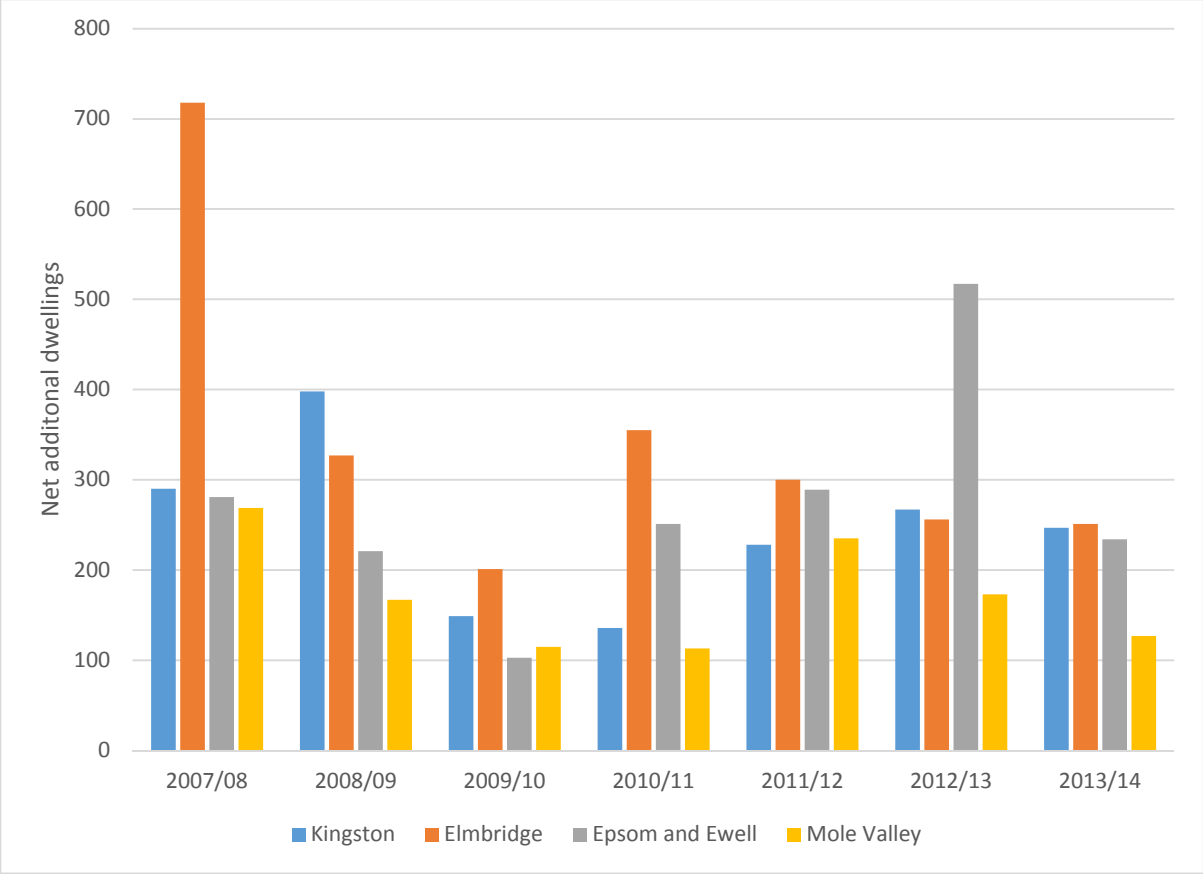
7.26 Figure 7.5 shows completions in each authority within the HMA over the period 2007-08 to 2013-14. Across the HMA, completions fell from over 1,558 in 2007-08 to 568 in 2009-10 (following the national trend following the global financial crisis of 2007), rose again to 1,213 in 2012-13, and fell again to 859 in 2013-14.

7.27 Completion levels and targets for each local authority are set out below:

- In Elmbridge, average completions since 2011-12 are 269, above the annual target in the Local Plan of 225 dwellings per annum up to 2025-26. Elmbridge has the highest average level of completions in the HMA over the 2007-08 to 2013-14 period (334).
- In Epsom & Ewell, average completions since 2006-07, the start of the Core Strategy extended plan period, are 275 per annum, above the 188 dwellings per annum target. The 2007-08 to 2013-14 average of 271 dwellings is the second highest in the HMA.
- In Kingston, the annual average since 2011-12 (245 net additional dwellings) is well below the London Plan target for that period of 375 dwellings per annum, now increased (from 375) to 643 dwellings per annum, and the third lowest in the HMA.
- In Mole Valley, average annual completions over the 2006-14 period (222 dwellings) are also above the target of 188. The annual average over the 2007-14 period of 171 dwellings is the lowest in the HMA, and the authority's performance against its targets is sustained by a very high level of completions early in its current plan period.
- In comparison to the overall dwelling stock in each authority, Epsom & Ewell has had the highest rate of addition over the 2007-14 period (0.9% per annum), followed by Elmbridge (0.6%pa), Mole Valley (0.5%) and Kingston (0.4%).

7.28 Other than in Kingston, therefore, dwelling supply over the period since 2007 has generally exceeded targets, over a period when severe economic constraints at national level have placed pressures on the capacity of developers to deliver and constraints on public spending have restricted new affordable supply, suggesting that the market outside Kingston has been responding adequately to overall demand. However, it should be recognised that targets are constrained, and do not necessarily meet the need or demand for housing – regardless of the economic situation. Stakeholder views highlight issues with land supply and price, increased competition, viability, and problems within the planning process as barriers to development (across the HMA, not specifically in Kingston). Kingston is the area where supply problems are greatest. Against the now superseded London Plan annual target of 375 dwellings, Kingston's 2013-14 AMR showed a move into surplus provision in 2014-15, with a cumulative surplus of over 2,000 dwellings by 2021-22. This will be delivered through a combination of the large pool of outstanding permissions, several large opportunity sites, and a significant amount of non-conventional (mainly student) housing in the next five to seven years. The increased target now enshrined in the London Plan places considerable new demands on the Borough, and against this, a cumulative surplus could be delayed until 2016, with a further need to identify new sources of supply to come on-stream from 2023-24. The shortfall does not appear to be reflected in house prices.

Figure 7.5 Net additional dwellings 2007-08 to 2012/14[44]



Source: Authority Monitoring Returns for each local planning authority 2013-14

Overcrowding and under-occupation

7.29 Linked to the size of the stock available are issues around overcrowding and under-occupation, and (potentially) the capacity of the stock to balance the two phenomena. Census data shows that across the HMA the highest level of overcrowding (one bedroom deficit or greater) is found in the social rented sector (10%) and the private rented sector (9%). In the owner occupied sector, only 2% of households were overcrowded. There were some differences between authorities in the HMA, with Kingston experiencing the most overcrowding (13% social, 11% private rented).

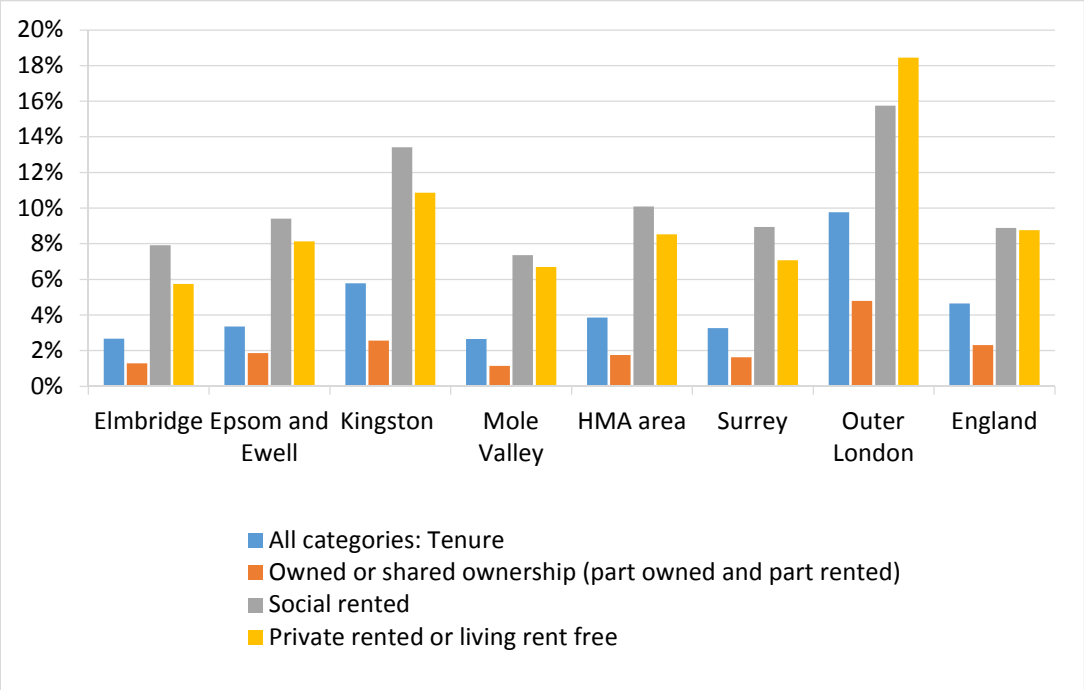
7.30 Conversely, under-occupation was found predominantly in the owner-occupied stock. This is consistent with the position in most other areas, showing that one of the prime benefits and incentives for owner-occupation is accessing additional living space. Nearly half (49%) of owner occupiers had two or more additional bedrooms beyond the requirement to be in line with the bedroom standard, compared with 9% (social rented) and 14% (PRS) tenants.

7.31 There was some variation between the HMA authorities, with Kingston experiencing the highest levels of overcrowding and lowest levels of under-occupation across all tenures,

[44] Elmbridge's completion of over 700 homes in 2007-2008 was due to the development of The Heart, Walton on Thames

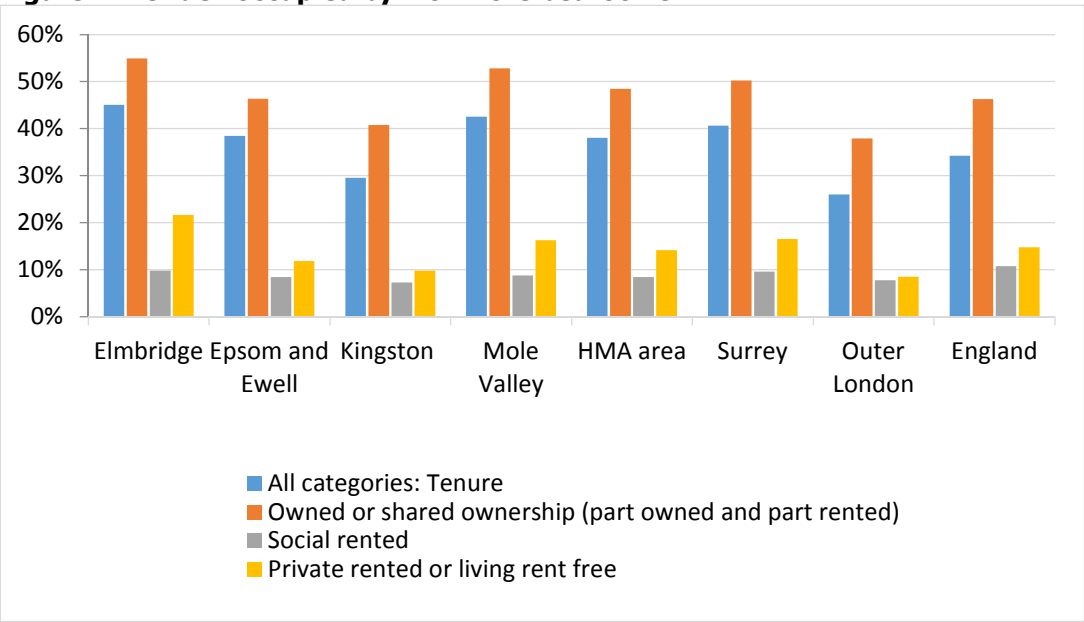
and with Elmbridge and Mole Valley experiencing the reverse, including over 50% of owner occupiers with two or more bedrooms above the bedroom standard.

Figure 7.6 Overcrowded by 1 or more bedrooms



Source: ONS 2011 Census , Table LC4108E

Figure 7.7 Under-occupied by 2 or more bedrooms



Source: ONS 2011 Census , Table LC4108EW

7.32 Any degree of overcrowding is problematic for those affected, and an increasing body of evidence is available to demonstrate the adverse impact of over-crowding on health. In the social rented sector, the presence of overcrowding is an indicator of a mismatch between the demand for housing of particular sizes and supply, and perhaps of a general shortfall of affordable housing, as social landlords have only limited opportunities to

adjust occupancy to improve size match. These include the greater use of fixed-term tenancies (which can deal with under-occupation at the end of the fixed term) and the use of incentive schemes to assist under-occupying tenants to downsize to make best use of existing stock. In the private sector, the market determines occupancy levels, and overcrowding is an indicator that households are probably unable to afford housing of the size they require (either to buy or to rent). The large level of under-occupation, especially in the owner occupied stock, provides the potential for adjustments to eliminate overcrowding. Some under-occupation may result from a shortfall in suitable or affordable smaller housing units (as for example when an older household cannot find a suitable dwelling to trade down to), and this can be addressed by changes to the overall size mix of the owner occupied stock. In reality though, a high proportion of under-occupation can be seen as an outcome of consumer choice taken in combination with the ability to pay. In addition, a proportion of under-occupation (and overcrowding) is a temporary phenomenon, where households have not adjusted to a recent or temporary change in size/composition. This market signal is therefore suggesting that there is a need for more affordable housing in the social rented sector to facilitate movement within the stock, an increase in the proportion of large units in the private rented sector, and an increase in the number of smaller units in the owner occupied sector.

Homelessness and temporary accommodation

7.33 In common with most other authorities in London and the South East, the combined impact of increasing house prices, private sector rents, reduction in benefit entitlement, and constrained wage levels have placed pressures on families' ability to afford to meet their housing needs. Nonetheless, in terms of the main indicators – acceptances of statutory homelessness and use of temporary accommodation, numbers appear to be stabilising, at least at present, after a post-recession peak in 2013-2014. Near the beginning of the current decade – 2005-2006 – numbers reached their highest levels in recent times, with over 950 in temporary accommodation, and with acceptances running at 320 the following year. Numbers in temporary accommodation dropped to 525 by 2011, but then started to increase – matched by falling acceptances until 2010, followed by a parallel increase. A sharp increase in acceptances (307) and numbers in temporary accommodation (790) in 2013-2014 was followed by a slight reduction or stabilisation in 2014-2015.

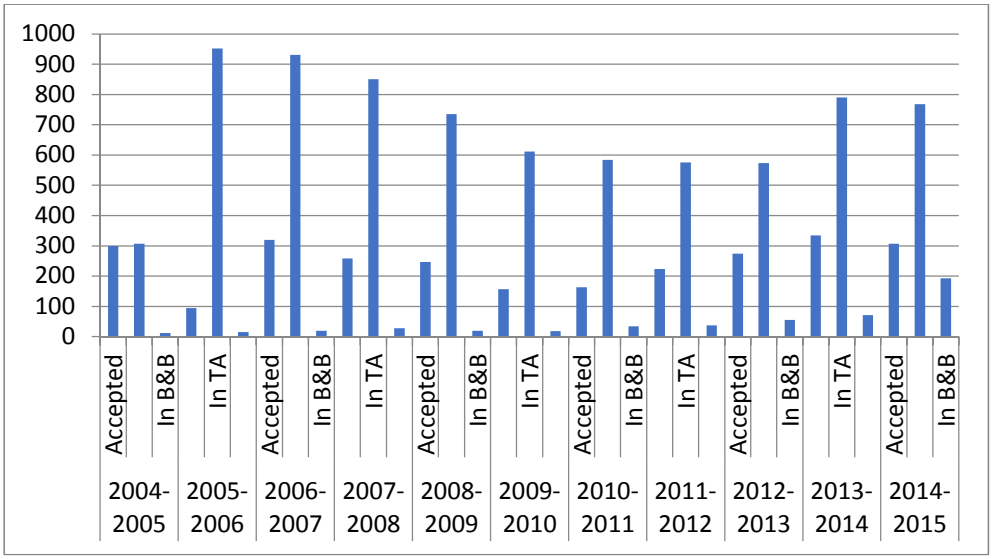
7.34 However, stakeholders are concerned that this is a temporary lull in demand, and point to a cluster of negative drivers on the horizon: the roll-out of further welfare reform measures, especially those that will reduce or remove housing benefit for younger people; the resurgence of Right to Buy and its extension to housing association properties leading to a reduction in relets; the continued refocussing of private rented landlords towards the young professionals market rather than those on lower incomes; and the longer-term drying up of the supply of new affordable and social rented homes heralded in current government policy to remove grant subsidy for rented homes and redirect policy towards Starter Homes for purchase, as well as the reduction in revenue streams brought about by the 1% pa rent reduction programme and the mandatory sales of higher value council homes. Shelter has

recently particularly highlighted the fact that within two years Local Housing Allowance will no longer be enough to covers the lowest third of private sector rents; that removing the link between the imposition of the Benefit Cap and average earnings is regressive and punitive; and the acute concern about the withdrawal of Housing Benefit for most 18 to 21 year olds[45]. Others have particularly commented on the impact of the 1% reduction on the supported housing sector; and, while the one year deferral of introduction has been welcomed, the sector's longer term future is uncertain[46]. The proposed reductions to the benefit cap in November 2016 is also a significant concern.. Finally, the roll out of Universal Credit (UC) is causing considerable problems, with the most recent research showing that nine out of ten local authority and Arm's Length Management Organisation (ALMO) tenants on UC are in arrears, three times the sector average, potentially leading to loss of tenancy and homelessness[47].

7.35 There are also specific local issues impacting on authorities' views of how homelessness impacts on the wider housing market. There are concerns about the cost of B&B and its equivalents, the use of which has been increasing since 2010 (and now stands at 193). Although relatively low compared to some larger authorities, as Mole Valley's Homelessness Strategy puts it 'the quest to reduce the use of B&B for families has been the biggest housing challenge'. It is notable that although, of the four authorities, Kingston has the highest number of acceptances and numbers in temporary accommodation by some way, it is not the largest user of B&B. Epsom & Ewell have been forced to house more families in B&B than the other authorities since 2008. Elmbridge noted the shrinking of the private rented sector as a 'safety valve' to meet the housing needs of those on lower incomes, and commented that the homelessness team were now proportionately seeing fewer vulnerable people, and more of those whose principal problem was low income.

[45] Welfare Reform and Work Bill Briefing, Shelter, May 2015
[46] Paying for supported housing, House of Commons Library, April 2016 NFA and ARCH 2015 Welfare Reform Survey Findings, Dec 2015, www,almos.org.uk
[47] NFA and ARCH 2015 Welfare Reform Survey Findings, Dec 2015, www,almos.org.uk

Figure 7.8 Homeless acceptances and temporary accommodation



Source: DCLG Live Table 784; 2014-2015 B&B figures from HMA authorities

Concealed and sharing households

7.36 Concealed families are identified in the 2011 Census as households where there is an additional family living with the primary family, such as a young couple living with one of their sets of parents. In the HMA, 1.5% of households fell into this category in 2011, with Kingston having the highest proportion (just over 2%). 71% of concealed households were couple-based concealed families, of which the substantial majority did not have children. Unfortunately, the 2001 Census does not hold comparable data, so it is difficult to track trends. Table 7.4 details numbers, as percentages are so low.

Table 7.4 Types of concealed family

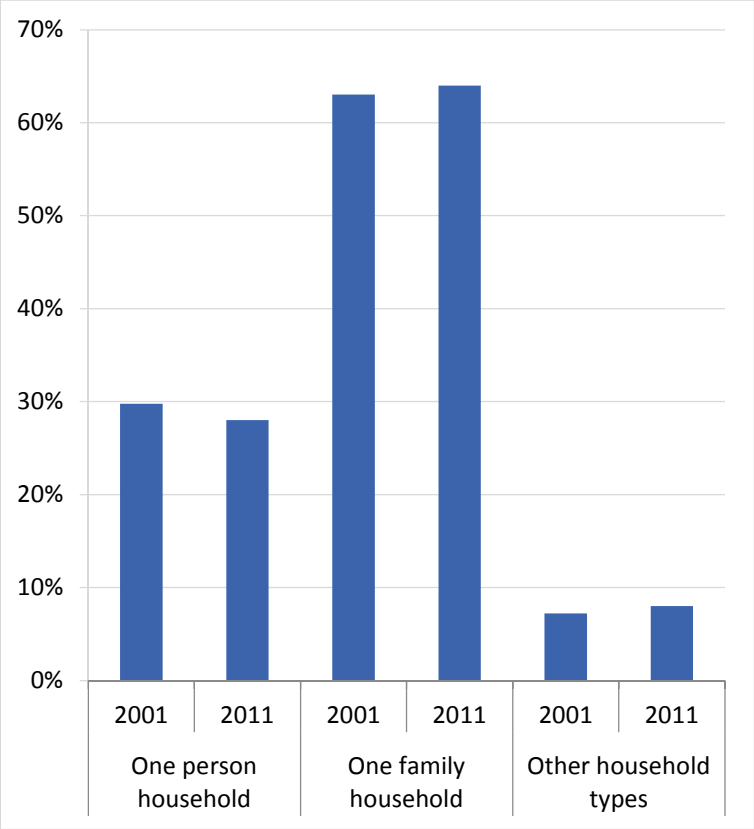
Family type	Elmbridge	Epsom & Ewell	Mole Valley	Kingston upon Thames	HMA
All categories: All families	37,618	21,500	24,972	42,276	126,366
Concealed family: Total	444	377	307	858	1,986
Concealed family: Lone parent family: Total	126	125	82	240	573
Concealed family: Lone parent family: Dependent children	97	82	67	171	417
Concealed family: Lone parent family: All children non-dependent	29	43	15	69	156
Concealed family: Couple family: Total	318	252	225	618	1,413
Concealed family: Couple family: No children	248	205	169	448	1,070
Concealed family: Couple family: Dependent children	54	36	44	131	265
Concealed family: Couple family: All children non-dependent	16	11	12	39	78
Unconcealed family: Total	37,174	21,123	24,665	41,418	124,380

Source: Census 2011 DC1110EWla

7.37 However, one of the features of demographic change noted in other SHMAs has been the relative increase in the proportion of multi-adult or multi-family households over the inter-census decade 2001 to 2011, and this can be tracked. This data includes single people, as well as groups of single sharers and other combinations. This is in contrast with the Census definition of 'concealed families' which excludes single people who may want independent accommodation but be unable to access it. For example, adult children not in partnerships but still living with their parents would be excluded from the definition of a concealed household.

7.38 Commentators have speculated that this is evidence of concealed or artificially constrained households, forced to remain together because of the absence of affordable options for independent accommodation. Comparing the household composition profiles for the HMA area for 2001 and 2011 we can discern minor changes – an increase by 2% in 'other household types', which would include multi-family households and single person concealed households, and a parallel decrease in independent one-person households. However, we could not argue that this is a significant indicator of an increase in concealed households.

Figure 7.9: Changes in underlying household composition



Source: Census 2011 KS105EW and Census 2001 via Nomis

Taking market signals into account in assessing OAN

7.39 NPPF indicates that housing needs can be adjusted to reflect market signals. The analysis of market signals in the HMA shows that house prices in the area are high, but there

is no indication of any long term widening of the gap in values between the HMA relative to other areas or with London, the South East or England and Wales as a whole, except in Elmbridge. In absolute terms the price gap has widened since 2007 and in 2014 was wider than in 1995, but this could be a cyclical effect similar to that of 1996-2006. After a relatively small fall in house sale volumes in 2007-08 the market has shown a tendency towards recovery but there is no indication that the HMA has an atypical pattern of transaction volumes. Private rents are generally high, reflecting house prices. There is evidence of current upwards pressure on rents, but this is widespread across the South and Midlands. There are undoubtedly severe affordability problems across the HMA, but the picture relative to other areas and the national average has improved in recent years, other than in Elmbridge.

7.40 Other than in Kingston, rates of dwelling supply since 2007 have generally exceeded targets, at a time when economic constraints at national level have placed pressures on delivery. In Kingston, though progress has been below targets there is an improving pipeline.

7.41 Levels of concealment, overcrowding and homelessness whilst significant are not extreme, and will be taken into account in assessing the need for affordable housing.

7.42 Overall, high prices and rents provide the strongest case for seeking to provide housing at levels above that indicated by demographic projections. But the case for an uplift is reduced by the fact that most of the HMA does not stand out, in terms of its affordability problems, from London and the South East more generally. In Elmbridge, affordability ratios have worsened in comparison to the London and regional position, so the case for an uplift in provision here is strongest. Making an addition to OAN would have the benefit of providing the potential to generate higher absolute numbers of affordable housing units, but depending on circumstances such as site viability, much or perhaps the majority of the additional housing created as a result of an uplift to OAN would not be affordable housing. For an increase in housing supply to impact significantly on prices, there would need to be a major uplift in supply rates across London and the South East – otherwise the HMA would simply attract demand from adjoining areas or further afield.

7.43 A more effective method of generating affordable housing would be to seek through planning policy and other housing policy mechanisms to generate the necessary amount of affordable housing, as examined in more detail in Chapter 8. Furthermore the level of uplift required to have a major downwards impact on prices is unlikely to be realistic given land constraints across the whole HMA. This suggests that any uplift which is considered in response to market signals should be relatively restricted. The strongest argument for making an uplift is in Elmbridge, where there is evidence that prices have risen more sharply in relation to incomes than nationally over a continuous and extended period.

7.44 Although NPPF encourages an adjustment to OAN to take account of market signals, it does not put forward a specific methodology for doing so. The most obvious impact of higher prices has been a shift towards higher levels of private renting, and this is apparent

from patterns of tenure change not just in the HMA but across the whole country. A more specific impact would have been on levels of household formation. Restrictions on household formation are apparent in the number of concealed households. Time series data on concealment is not available below regional level, as the definition of concealment is not consistent between the 2001 and 2011 Censuses, but regional data from EHS shows increases in concealment year on year. Between 2007 and 2013, the number of multi-family households in London increased by 13%, and in the South East by 31%, suggesting an increasing problem. However, the methodology for estimating OAN included an estimate of concealed household numbers, with an upwards adjustment to 2011 levels to take account of rising trends, so this issue has been addressed.

7.45 Some SHMAs have considered evidence on changes in household formation rates over time, as demonstrated in differences in household projections over time. Such approaches note that higher headship rates for some groups were assumed in past projections than in current projections, and conclude that the difference in formation rates is indicative of 'lost' household formation brought about by restricted supply. The weakness of this approach is that changes in household formation rates may have been caused by a range of factors unrelated to supply such as changing preferences, lower average incomes, higher levels of unemployment, or by unrelated supply factors such as restrictions on the availability of mortgage finance. For these reasons such comparisons may be misleading and may tend to over-estimate the impact of changes to supply.

7.46 The Local Plans Expert Group LPEG) report published in 2016[48] has commented on current approaches to taking account of market signals and made proposals of its own, although the Group's proposal shave no official status and have generated considerable controversy. Under the Group's proposals, uplifts to OAN should be made on the basis of house price and rental to income ratios, using data to be produced by CLG, but the uplifts proposed by the group are arbitrary and do not address the concerns set out in 7.42 above.

7.47 For this reasons we conclude that market signals do not, across the majority of the HMA, provide a case for an uplift to the level of Objectively Assessed Need. However, the market signals suggest that there is a strong need for the four authorities to maximise the level of affordable housing provision, the need for which is which is assessed in Chapter 8.

7.48 As regards Elmbridge, we have outlined the main features of its historic and continuous outlier status as regards affordability. The planning authority should continue to monitor prices, rents and affordability carefully and may wish to consider increasing the amount of land provided for housing to exceed that indicted by the OAN in Chapter 6.

7.49 In this context, we recommend that the authority use as a signal the relationship between their income / house price affordability ratio and the England ratio to trigger an increase in OAN. At the moment, on 2015 figure the ratio is 2.03 times the England average. If and when it reaches 2.10, we suggest that the OAN be uplifted by 10% (the lowest of the

[48] See Local Plans Expert Group (2016) *Local Plans: Report to the Communities Secretary and to the Minister of Housing and Planning.*

options suggested by the LPEG). Assuming this happens imminently, this would imply a revised 2015-2035 OAN of 10,428, and an annual OAN of 521 for Elmbridge.

7.50 As noted in 7.43 any uplift per se will not necessarily result in reducing house prices and more affordable housing coming on stream, and may simply result in additional market housing development, to be accessed by in-comers. The local planning authority will therefore need to ensure their policies support additional affordable home development, and not allow market development to solely benefit from OAN uplift.

Chapter 8

Affordable housing need

Key messages

The annual requirement for affordable homes to meet housing need is a key element of an SHMA. Official Planning Practice Guidance sets out the framework of the approach. In this SHMA affordable housing need is estimated from secondary data sources as these were considered sufficiently robust to obviate the need for a sample survey of local residents.

The estimation of affordable housing need involved the following steps:

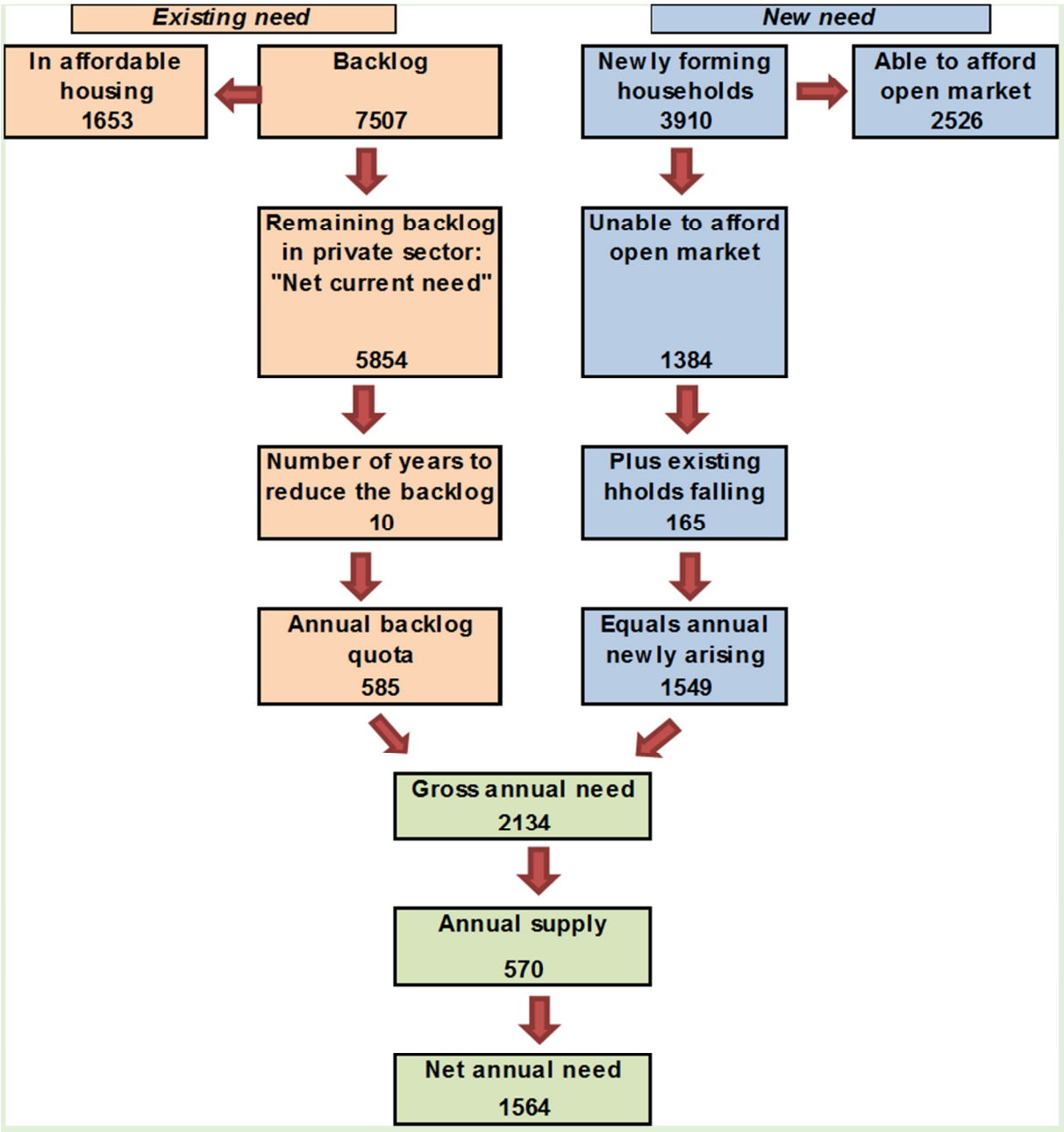
●The backlog of households in need at the baseline year were estimated from data on homeless households, concealed households and overcrowded households. All homeless and concealed households required affordable housing. Overcrowded households already living in the affordable housing sectors were deducted as it was assumed that meeting their need would release an affordable unit for re-use by another household. The incomes of overcrowded households, estimated from data on the income distribution of all households in the HMA, were compared to minimum market housing cost thresholds to determine how many required affordable housing. Separate thresholds were identified for market housing, intermediate tenure housing and affordable rented housing, and within each category for dwelling size. Assuming that a maximum of 25% of gross household income should be applied to housing costs provided an estimate of the number of overcrowded households needing each affordable housing type as a result of their inability to access the private market.

● Newly arising need in the future was estimated by calculating the number of newly forming households aged under 45 each year over the period 2015-35 and obtaining an annual average. The same approach as for backlog overcrowded households was used to estimate the number and proportion of the total who would require each type of affordable housing provision. In addition, to newly forming households an addition was made to allow for currently easing households falling into need in the future. This stage in the calculation provided an annual estimate of newly arising affordable housing need.

● Backlog housing need was added to annual newly arising need to provide an annual estimate of gross affordable need. As it would be unrealistic to meet all of the backlog in one year, it was assumed that the backlog of affordable need would be met over a ten year period.

● The estimated supply of each type of affordable housing was deducted from gross affordable housing need to produce an estimate of net affordable housing need. This represents the amount of additional housing (broken down by each local authority, by each type of affordable provision and by the required dwelling size mixture) required to meet affordable housing need each year.

The table below summarises the results aggregated for the whole HMA. The net annual need for affordable housing is 1,568 units. This differs from the OAN established in Chapter 6. The OAN is the net need for additional units of housing across all tenures. Affordable need represents the net amount of additional affordable housing. This could be provided by both new build and by transfers between tenures.



Across the whole HMA, over 80% of future annual demand for affordable housing is for housing at social rented sector levels, with about 5% of demand for affordable rents, and 15% for intermediate tenures. In terms of dwelling size, the largest demand was for 2-bedroomed units, and the smallest shortages generally occurred for 1 bed and 4+ bed units. If measures were taken to address over-crowding and under occupation in the affordable housing sector, there would be shift in requirements towards 1-bed and 4-bed units.

Although PPG indicates that private rented provision should not be considered as affordable housing, the sector can play a part in meeting affordable housing need, supported by benefits based on Local Housing Allowance assistance with rents.

8.1 This chapter concerns the requirement for affordable dwellings. Official Planning Practice Guidance sets out a framework for calculating the need for affordable housing. This involves adding together the current backlog of unmet need for affordable housing, and the projected future need for affordable housing, and subtracting the current supply of affordable housing stock. Cobweb Consulting has developed a spreadsheet-based model which follows the steps set out in official guidance to produce an assessment of affordable housing need. The spreadsheet is transparent and set up to facilitate changes in a range of basic input assumptions and the updating of input sources.

8.2 The need for affordable housing differs from the overall Objective Assessment of Need for Housing (OAN). The OAN is an assessment of the amount of additional housing stock required to cater for future household growth. It is a *net addition* to the dwelling stock of all tenures. The affordable housing requirement estimates the total amount of affordable housing required to meet the needs of households which cannot afford to access market housing. It assesses the ability to afford housing across all newly-forming households, not simply the net addition to household numbers. It adds in any current backlog, and offsets this against the supply of affordable housing in the current stock to produce an estimate of how much additional affordable housing is needed. The two estimates are not directly related, and the need for affordable housing could be met as effectively by the transfer of existing dwellings from the market (for example, through purchase by the local authority or an RP) to the affordable sector as by new build.

8.3 The model assumes that all households who cannot afford market housing require affordable housing. Affordable housing requirements are broken down into three sectors: social renting, affordable renting and intermediate housing, based on assumptions about threshold costs which are discussed further below. The model can be adapted to meet future changes in the provision of affordable housing, for example by the inclusion of Starter Homes, provided that appropriate entry cost thresholds can be identified.

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

8.5 A fundamental building block for the estimates of affordable housing need is data on household incomes. There are no suitable published sources of data on local authority level households incomes, so estimates were prepared for each authority. The starting points

were estimates of median household incomes in London and the South East prepared by the Greater London Authority for 2012-13 and earlier estimates for 2007-08 prepared by the Office of National Statistics. For all the authorities except Kingston (for which GLA estimates were available) regional estimates were converted to local level by adjusting them in relation to small area data on deprivation levels. This exercise uses the latest English Indices of Deprivation data published in 2015. The second stage was to convert median income estimates into distributions which provided the mean income, together with lower quartile and inter-quintile threshold incomes. Within the model, the incomes of sub-groups within the household population (such as newly forming or overcrowded households) were estimated by adjusting the overall income estimates using relative income levels determined from English Housing Survey at regional level.

Backlog need

8.6 The first stage of the calculation of affordable housing need concerns the current unmet need for affordable housing, or backlog need. Official guidance (in the National Planning Practice Guidance) does not prescribe in detail which types of need should be included, but the following are generally included:

- concealed households – people living within other households who wish to form an independent household, or who are deemed to need independent accommodation, but who cannot afford to do so.
- households who occupy a dwelling, but where there is a size mismatch between the housing needed and the actual dwelling. Affordable need assessments focus on households who are overcrowded when their need for space is assessed against a measure such as the Bedroom Standard.
- homeless households – these are generally considered to be in affordable need as by definition they cannot meet their need in the market.

8.7 Assessments may also take into account other groups such as households containing people with social or physical impairment or other specific needs living in unsuitable dwellings which cannot be made suitable in-situ; households which lack basic facilities (e.g. a bathroom or kitchen) and those in dwellings subject to major disrepair; and households containing people with particular social needs (e.g. those escaping harassment) which cannot be resolved except through a move. Sources providing data at local authority level are not available for some of the above categories, and there may be considerable overlap between them - for example households that are both overcrowded and in housing that is too expensive for them. To reduce the possibility of double-counting, an allowance for overlap has been included in the model. Housing waiting lists or registers have not been used directly to assess backlog need, because some households in need choose not to register, and because the criteria for registration vary from authority to authority and between landlords, introducing inconsistency within the HMA.

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

Concealed households

8.9 Concealed households can include several different categories, including single people, couples, couples with children, and lone parents. The groups included can vary between data sources, as discussed in Chapter 6. The 2011 Census provides local-level data on concealed households, but does not break this group down by bedroom requirements, and in addition, may need updating as suggested in official guidance. To provide an estimate of bedroom requirements, concealed households were identified from regional data from the English Housing Survey[49] and this information was applied to regional shares for each local authority within the HMA. To reflect the fact that some concealment by couples and by households with children is voluntary, a discount was applied to concealed household numbers. As 2011 Census data on concealed households excluded single people, an addition was made to include a proportion of such households. Overall the backlog of concealed households was estimated to be 2,593 compared to a total from the 2011 Census of 1,986. Some 330 concealed households are in social rented housing but meeting their needs will not release social housing units. It is assumed in the model that all concealed households will require affordable housing, as those who could afford market housing would already have formed independent households.

Overcrowding

8.10 Evidence of overcrowding was presented in Chapter 4. In 2011 there were 7,035 overcrowded households in the HMA. Of these, 1,966 were living in the social rented sector and have been deducted from gross backlog need. The bedroom requirement of these households was estimated from EHS regional data. Not all overcrowded households may require affordable housing. The proportions of overcrowded households able to afford market housing and each type of affordable housing were determined on the basis of regional EHS estimates of the incomes of this group, producing a gross requirement for affordable housing from overcrowded households of 4,117.

8.11 Evidence from the English Housing Survey demonstrates an overlap between overcrowded and concealed households – if concealed households were to be provided with their own home then many of the remaining households would no longer be

[49] In this and in other cases where EHS data has been used, data from the survey for the years 2010-11, 2011-12 and 2012-13 was aggregated to create a sufficiently robust sample. These were the three most recent years available at the time of writing. Data was extracted for both the London and South East regions and applied appropriately to each local authority within the HMA. In some cases where sample sizes were small, data for both regions was combined.

overcrowded. EHS suggests a reduction of 25% which was applied to the overcrowded household category.

Homeless households

8.12 Local authority administrative data on homelessness shows a backlog of 838 households. This includes all households accepted as homeless and requiring affordable housing, rather than those in temporary accommodation (and therefore requiring provision of an additional unit of housing) which form part of the OAN examined in Chapter 6. It is assumed in the model that all these households require affordable housing, with 95% requiring a social (as distinct from affordable) rent.

Other categories of backlog housing need

8.13 There are no secondary data sources providing a clear picture of other categories of potential backlog need at the local or sub-regional level. English Housing Survey data can be used to identify households in various categories including sharers, people accommodated in homes lacking basic facilities, non-homeless households in non-self-contained accommodation, and households suffering from harassment. As there is no way of apportioning these households within regions, these households have been excluded from the estimate of current unmet gross need for affordable housing. The figures shown in the table below are therefore considered to be a minimum baseline estimate.

Housing registers

8.14 As official guidance indicates, local housing registers provide another potential source of data on backlog housing need. As local authorities have a large degree of discretion as to who can access the register, and how they are prioritised, they are an inconsistent measure of need. However, they do provide useful context and a view from 'on the ground' of local housing pressures, and they can provide a more up to date snapshot than official data, which inevitably suffers from a time lag: for example, the most recent re-let data available on a consistent basis across all authorities (from CORE) is 2014-2015.

Elmbridge

Elmbridge, at February 2016, there were in the region of 1,600 applications on the housing register seeking rented affordable housing. These applications exclude tenants of the largest social landlord in Elmbridge, Paragon Community Housing, who if they require alternative social housing within Elmbridge, are encouraged to join Paragon's transfer register instead. In terms of demand, the largest group on the housing register comprises those requiring 1 bedroom accommodation (772 cases as at February 2016) followed by 2 bedrooms (595), 3 bedrooms (180) with the volumes seeking 4 or more bedrooms comprising 32 applications. In a typical year, there will be between 200–250 lettings made to households from the register. Whilst demand exceeds supply across the board for all general-needs accommodation, the greatest shortfalls in recent years exist around two-bedroom dwellings, especially as demand from homeless households in temporary accommodation is largely made up of those requiring two bedroom accommodation. The housing register also

controls access to tenancies within retirement housing schemes run by local housing associations, access to which is generally restricted to those aged 55 and over. Households registering for such accommodation have a much greater chance of being offered a tenancy within a reasonable timeframe, given that the supply of lets is relatively plentiful (given higher turnover rates) and the pool of applicants is relatively small. Households interested in local shared-ownership opportunities and other products under the Help to Buy banner are not required to join the Council's housing register in order to be considered for such properties. Data gathered from the regional Help to Buy Agent from www.helptobuyese.org.uk found that there were 246 households living and / or working in Elmbridge registered for shared-ownership opportunities in Elmbridge as at March 2016. Of these 167 (67%) required 1 or 2 bedrooms, 63 (26%) were registered for 2 or 3 bedrooms with the remaining 16 (7%) registered for larger accommodation. These figures suggest that the demand for shared-ownership remains concentrated amongst smaller households.

Epsom & Ewell

With around 2,211 applicants to the Housing Needs Register in need of affordable rented accommodation, and with an average of just 79affordable homes becoming available for letting either through re-lets of the existing affordable housing stock or through the availability of newly built affordable accommodation, demand for affordable rented accommodation in Epsom & Ewell is acute.

There are 1,085 applicants registered for 1 bed properties and of these 175 applicants have also expressed a need for sheltered housing. 753 applicants required 2 bedroom properties and 306 required 3 beds. Whilst the actual number of people in need of a 4 bed property is low (63) with only approximately 60 properties of this size in the existing affordable housing stock, households requiring a home of this size can an expect to wait a considerable number of years to stand any prospect of having their housing needs met. Unlike the other authorities within the Housing Market Area, demand for sheltered affordable accommodation remains high with some 175 households registering a current need for this type of accommodation. Although supply is relatively healthy when compared to general-needs rented accommodation at 18 units, In Epsom & Ewell the issues seen elsewhere of hard-to-let sheltered housing stock have not been observed and demand remains high.

The existing affordable housing stock turns over at roughly half the national average, telling us that once allocated an affordable home, tenants are reluctant or unable to move on to other forms or tenures of housing. During 2015-16 the Council only had a total of 79 social housing vacancies (16 x 1 beds, 18 x sheltered flats, 34 x2 beds, 10 x 3 beds, and 14 bed house). This low level of turnover coupled with a very limited overall stock of affordable rented accommodation in the Borough (approximately 2,500 units) further exacerbates demand.

There are over 500 households registered with the HomeBuy Agent in need of low cost home ownership housing options, the vast majority of whom require either 1 or 2

bedroomed homes. The supply of shared ownership accommodation in the Borough is high relative to demand and the planning pipeline continues to deliver a healthy supply of new shared ownership accommodation. However, the impact of the introduction of the proposed Starter Homes requirement may well reverse this trend.

Kingston

Kingston Council's housing register figures for 1 April 2016 are tabulated below. This shows that there were 8,542 households registered for affordable housing at that date. The breakdown of housing need by bedroom type is: 4,671 one bed, 2,460 two bed, 1,107 three bed, 259 four bed, 42 five bed, 2 six bed and 1 seven bed. These figures include 1,019 households living in affordable housing seeking a transfer. These numbers broken down by bedroom size are: 345 one beds, 297 two beds, 292 three beds, 71 four beds, 13 five beds, 0 six beds and 1 seven bed. The table below shows overall housing register numbers by bedroom type minus households in affordable housing awaiting a transfer, who will logically free up an affordable housing unit when moving.

Royal Borough of Kingston Housing Register - 1 April 2016

Priority	1 bed	2 bed	3 bed	4 bed	5 bed	6 bed	7 bed	Total
Band A	154	67	26	5	0	1	0	253
Band B	161	161	82	43	9	0	0	456
Band C	2,875	1,119	617	156	26	1	1	4,795
Band D	1,481	1,113	382	55	7	0	0	3,038
Total	4,671	2,460	1,107	259	42	2	1	8,542

Royal Borough of Kingston Housing Register (Minus Affordable Housing Transfer Applications) - 1 April 2016

Housing Register	1 bed	2 bed	3 bed	4 bed	5 bed	6 bed	7 bed	Total
No. of households minus transfer applicants	4,326	2,163	815	188	29	2	0	7,523

In parallel with this, data as of 31 March 2016 shows the number and make-up of households accepted as homeless and living in temporary accommodation. This indicates that Kingston has an increasing need for two bed social rented housing:

- 1 bed = 46
- 2 bed = 199
- 3 bed = 93
- 4 bed = 22
- 5 bed = 4

Over 2015-2016 Kingston experienced a 40% drop in re-lets. Concerns about further reductions on relet supply also stem from an assessment of the potential impact of local authority high value void sales will have on revenue and housing stock. Currently, the authority estimates it may have to sell between 40-60 local authority units per year. This will further reduce stock size and hence relet possibilities, though any potential stock replacement has not yet been factored into these figures.

Mole Valley

For many years the Housing Register for Mole Valley had approximately 1,200 applicants who needed an affordable rented home. Around seventy five per cent of these applicants needed either a one or two bedroom property.

In 2014, the Housing Allocations Scheme, which is the approved policy for the Housing Register, was thoroughly reviewed and can be found on the Council's website (http://www.molevalley.gov.uk/index.cfm?articleid=17534). Implementation of the new scheme has resulted in a significant reduction in the number of applicants to 467 that can be seen in the table below. The same trend continues in that the majority of applicants require one and two bedroom homes. While the number of applicants waiting for four and five bedroom homes (18) is relatively low, the last time an affordable rented four bedroom vacancy became available was 2013, which means that these applicants will have a significant wait.

Mole Valley District Council Number of Applicants on the Housing Register by Bedroom Size and Priority Band 31 March 2016

Priority Band	Number of Bedrooms Needed					
	1	2	3	4	5+	Total
1	22	13	5	1	0	41
2	28	91	22	9	4	154
3	160	61	47	4	0	272
Total	210	165	74	14	4	467

Source: Mole Valley District Council 31 March 2016

To qualify for the Housing Register applicants must have a housing need, a local connection to Mole Valley, not be an owner occupier (except those over 55), have income under £60,000 per year and savings of under £16,000 (there are exceptions for over 55's).

Applicants are prioritised by three bands. There are a limited number in the top band 1, as the criteria are for those: escaping violence; with urgent health needs; living in unfit housing and under occupiers. Band 2 is for those: who are accepted as legally homeless; who are overcrowded; and with health needs. Forty per cent of applicants are in band 3, which is for those with relatively low housing need. Where applicants meet several criteria in a band the cumulative need is recognised and the applicants are moved into a higher band.

The Mole Valley area has approximately 450 affordable rented sheltered housing units and many of these are difficult to let because they are small bedsits that don't meet the expectations of older people today. The main providers of sheltered housing, Mount Green Housing Association and Circle Housing Mole Valley, have ongoing reviews to address this problem. This has resulted in the decommissioning of one scheme and the refurbishment of others, including converting bedsits to one bedroom units where feasible.

The Council enables a new affordable housing programme of an average of 50 new homes per year. This programme includes a mix of affordable rented and shared ownership homes. Shared ownership is a popular option for first time buyers and on 20 April 2016, there were 206 applicants on the Help to Buy East and South East Register, who were looking to buy a shared ownership home in Mole Valley.

Total backlog need

8.15 Adding the backlog of concealed, overcrowded and homeless households together produces gross backlog need for affordable housing of 7,507 for the HMA as a whole. Some of these households are already occupying affordable housing units and this would become available if these households were to have their needs met. These households are in need through overcrowding, and the model assumes that their needs will be met through transfers within the social rented stock. Deducting these households creates a net backlog need of 5,854. Backlog need must be broken down by affordable sub-sector. To achieve this breakdown, separate estimates were made of the income distributions of concealed households and overcrowded households living in the private sector. These estimates were prepared by analysing the relationship between the incomes of each of these groups and the incomes of all households using appropriate regional EHS data, and applying this to households incomes in each local authority. The incomes of homeless households were not modelled as all were assumed to require social rented housing. Table 8.1 shows the resultant breakdown of net backlog need by affordable sub-sector.

8.16 Ideally, backlog need would be met as quickly as possible but official guidance recognises that it must be dealt with over a period of several years. The appropriate period is not specified, but in a context of high demand such as that in the HMA, an extended period is likely to be necessary for which a ten year period is considered to be realistic. This is taken into account at a later stage in the model.

Table 8.1 Net current (backlog) need for affordable housing

		Kingston	Elmbridge	Epsom and Ewell	Mole Valley		HMA
Social rented sector	1 bed	620	210	284	125		1,239
	2 bed	875	223	273	131		1,502
	3 bed	693	91	109	52		946
	4+ bed	528	149	172	85		933
	Total	2,717	674	837	393		4,621
Affordable rented sector	1 bed	56	35	22	32		144
	2 bed	84	65	21	52		223
	3 bed	64	40	8	29		142
	4+ bed	49	75	13	54		190
	Total	253	215	64	168		700
Intermediate sector	1 bed	42	36	22	33		134
	2 bed	67	49	23	42		181
	3 bed	45	24	8	19		97
	4+ bed	34	43	13	33		122
	Total	188	152	66	127		533
Total		3,158	1,041	968	687		5,854

Sources: Cobweb Consulting model, derived from data from Census 2011, English Housing Survey 2010-2013, Greater London authority income estimates, local authority P1E returns.

Newly arising need

8.17 The second component of affordable housing need identified in the NPPG is newly arising need. This will be generated in the future by newly forming households unable to afford access to market housing, and by some existing households whose needs change. Stakeholders have commented on the high levels of income required to buy across the HMA, and the reduction in choice that this means, especially for young families. The first element of need arising from newly forming households is estimated from the household projections examined in Chapter 6. However, unlike the estimate of OAN, which is based on *net* new household formation, the estimate of affordable housing need must be derived from *gross* new household formation (that is all new household formation without the deduction of households which dissolve). Affordable housing released by households which dissolve is taken into account later in the calculation as part of affordable supply. Household projections do not provide the required data directly, but the model uses an approach to estimating gross new household formation from published data on future household numbers set out in previous official guidance. The total number of newly forming households in the HMA over the period 2015-2035 is 78,191 or 3,910 per annum. The projections are broken down by household type, which provides the basis for the estimation of their dwelling size requirements.

8.18 In line with official guidance, an estimate is required of the proportion of these households able to afford market housing and those who cannot. Within the latter category, a breakdown is also required between those able to afford intermediate housing, affordable rented housing and those who can only afford social rents. In future years it may become necessary to factor in the affordability of Starter Homes, if they are to be incorporated in the 'family' of tenures defined by government as 'affordable'. At this stage we do not attempt to model the affordability of Starter Homes, as there is too little information available on how the scheme would actually operate.

8.19 Following official guidance, market entry price levels were determined from analysis of sale prices and rents for housing of different sizes. The thresholds were based on the lower quartile cost of either renting or buying on the open market, whichever was the cheaper, with mortgage costs converted to monthly costs on the basis of assumptions relating to deposit and interest rates. The thresholds used are shown in Table 8.2.

Table 8.2 Market threshold prices/rents

	Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
Buying: lower quartile threshold price						
1 bed	£238,650	£224,955	£207,450	£171,000		£210,514
2 bed	£266,900	£249,950	£230,500	£190,000		£234,338
3 bed	£403,200	£440,000	£395,950	£380,000		£404,788
4+ bed	£691,700	£730,400	£657,277	£630,800		£677,544
Renting: lower quartile threshold rent per month						
1 bed	£898	£762	£762	£709		£783
2 bed	£1,173	£1,072	£1,009	£987		£1,060
3 bed	£1,323	£1,192	£1,233	£1,162		£1,228
4+ bed	£1,819	£2,532	£1,640	£2,055		£2,012

Source: HM Land Registry, VOA and model estimates of price differentials by dwelling size, 2015

8.20 A key assumption in estimating the proportion of households able to afford each type of provision is the maximum which it is considered that any household should contribute to its housing costs. The Councils considered that housing should be considered unaffordable to a household if it needs to spend more than one quarter of its gross income (25%) to access it.

8.21 Table 8.3 shows the proportions of market entry thresholds used to determine entry thresholds for intermediate and affordable rented housing, which were determined by the examination of intermediate housing prices and affordable rents. As an example, the lower quartile market rent for a 4+ bedroom house in Kingston is estimated at £1,819 per month (£21,828 per annum), with a minimum income of £87,330 per annum required to make this affordable. The threshold annual cost of intermediate housing was estimated to be 83% of this, or £18,117 per annum, requiring a minimum income of £72,469 per annum. The

threshold annual cost of affordable rent housing is assumed to be 66% of the lower quartile market threshold, or £14,406 per annum, requiring a minimum income of £57,626 per annum. Households unable to meet affordable rents are assumed to require social rented housing, with the further assumption that housing benefit will meet any shortfall between rent and income in this sub-sector. Likewise, to buy a 4+ bedroom house at the lower quartile price in Kingston (£691,000) will incur annual costs of £46,577, requiring an income of £186,308 per annum. For each dwelling size category within each local authority, the lower of the cost of either buying or renting is taken as the appropriate threshold in calculating the number of households able to afford market or affordable housing, so in many cases a market solution is private renting rather than owner occupation.

Table 8.3 Affordability sector thresholds: percentage of market threshold

	Kingston	Elmbridge	Epsom & Ewell	Mole Valley
Intermediate threshold as % of market entry threshold				
1 bed	94%	93%	93%	86%
2 bed	93%	88%	92%	85%
3 bed	92%	94%	95%	87%
4+ bed	83%	72%	90%	72%
Affordable rent threshold as % of market entry threshold				
1 bed	88%	86%	85%	73%
2 bed	86%	76%	84%	69%
3 bed	85%	88%	89%	73%
4+ bed	66%	43%	81%	44%

Source: assumptions derived from Cobweb Consulting model

8.22 Following the application of the affordability test 1,384 newly forming households are estimated to be unable to afford open market housing. 1,059 households require social rented housing, 155 households require affordable rented housing, and 169 require intermediate housing.

8.23 The second component of newly arising need is derived from existing households who fall into need. Official guidance does not specify an approach to estimating this element of need. The approach adopted in the model uses CORE data on lettings in the social rented sector[50]. It identifies new lettings to existing households falling into need as a result of a change in circumstances such as eviction, inability to afford mortgage payments or rent. To smooth out annual fluctuations in need, the number of households affected has been derived from an average of three years CORE data. To allow for the possibility that local authorities cannot house all those experiencing such problems in any one year, numbers in need have been increased by 25%. The model estimates that 195 existing households will fall into need annually.

8.24 This excludes all households falling into need who were previously living in the social rented sector as meeting their needs would release the dwelling which they were previously occupying. The proportion of households requiring affordable housing has been derived

[50] CORE is the Continuous Recording System for local authority and RP lettings, that collects extensive data on the demographic, economic and social attributes of those allocated homes.

from estimates of their incomes following the same approach as for newly arising households, but the majority require affordable housing as would be expected. The need for affordable housing arising from this totals 165.

8.25 This number is added to the number of newly forming households in need to arrive at a total figure for annual newly arising need for affordable housing, 1,549 households. Table 8.4 summarises the results.

Table 8.4 Newly arising affordable housing need (per annum)

	Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
Newly forming households	1,519	1,072	681	637		3,910
% unable to afford in open market	39%	31%	36%	33%		35%
Number unable to afford	594	333	248	209		1,384
Existing households falling into need (net of those living in SRS	126	29	33	8		195
% unable to afford in open market	88%	75%	83%	77%		85%
Number unable to afford	110	21	27	6		165
Total newly arising affordable housing need	705	354	275	215		1,549

Total affordable need

8.26 Table 8.5 shows total affordable housing need, including both backlog need and newly arising need, broken down by type of provision and by bedroom requirement. The total affordable need per annum is 2,138 units. Annual affordable need in Kingston is 1,025, in Elmbridge 458, in Epsom & Ewell 372, and in Mole Valley 283.

8.27 As discussed above, it would not be realistic to add all of the current backlog of need to the annual total in the first year of the 2015-2035 period, as it would be impractical to seek to meet all backlog need in a single year. To meet need equally over each year of the 2015-2035 period would require adding 5% of the backlog each year to newly arising need, but this would result in the backlog reducing only slowly. In the model, it is assumed that the backlog of need will be met over a ten year period, so that annual backlog need is 589. Beyond the year 2025, the level of overall need will fall as the backlog will have been eliminated. The table below therefore shows overall affordable need over the first ten years of the 2015-2035 period.

Table 8.5 Overall annual affordable need by type and bedroom requirement 2015-2025

		Kingston	Elmbridge	Epsom and	Mole Valley	HMA
Social rent sector	1 Bed	223	92	87	48	451
	2 Beds	320	130	123	69	642
	3 Beds	205	70	67	36	378
	4+ Beds	105	38	39	21	203
	Total	854	330	316	174	1,674
Affordable rent sector	1 Bed	18	10	9	10	47
	2 Beds	34	27	9	22	93
	3 Beds	23	16	4	13	55
	4+ Beds	12	13	3	10	38
	Total	86	66	25	55	233
Intermediate (shared ownership) sector	1 Bed	16	10	9	11	46
	2 Beds	32	27	11	22	92
	3 Beds	21	16	6	13	57
	4+ Beds	11	10	4	8	33
	Total	80	63	30	54	227
All affordable sectors	1 Bed	257	112	105	70	544
	2 Beds	387	184	143	113	827
	3 Beds	249	101	77	62	490
	4+ Beds	127	62	46	39	274
	Total	1,020	458	372	284	2,134

Affordable supply

8.28 The next stage in the calculation of affordable housing need requires an estimate of the total affordable stock available. As with backlog need, there may be some backlog supply. This would include sources such as affordable dwellings available in 2015 as a result of the completion of programmes of improvement, and dwellings released as a result of improvements to current vacancy rates in affordable housing. As there is no evidence of additional supply from these sources, backlog supply has been assumed to be zero.

8.29 Committed affordable housing stock (for example homes under construction) is not included in backlog supply, though it should be taken into account in looking forward at the ways in which affordable need will be met in the future.

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

8.31 This supply consists of general needs lettings. Supported housing lettings are excluded due to the fact that these units are mainly let on a temporary basis or are units reserved for older people and/or specific vulnerable groups. CORE is the data source used for these estimates. Social rented housing and housing let at affordable rents are treated separately in the supply estimates. New affordable housing in the pipeline is also excluded

from this element of supply, as it is a one-off element of supply rather than part of the continuing flow provided by relets. If a major quantum of new affordable supply is anticipated (such as that to be provided through a partnership agreement with an RP), the impact of this on future relets would need to be factored into annual supply.

8.32 A further component of future housing supply is intermediate affordable housing. The model includes an estimate of the number of homes that come up for re-let or re-sale excluding new build properties. It is based on an average of data provided by local authorities from the last two years available currently (2012-13 and 2013-14).

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

8.34 Table 8.6 summarises the estimated future annual supply of affordable homes by type. Social rented sector relets form the largest source of supply in all four authorities except Mole Valley, where a relatively large proportion of relets are at affordable rents, Social rented relets dominate supply in Kingston. In Elmbridge there is a larger relative supply of affordable rent dwellings, whilst Epsom & Ewell has the largest supply of intermediate sector relet/resales.

Table 8.6 Future annual supply of affordable homes

	Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
Social re-lets	183	63	56	70		372
Affordable relets	11	56	11	77		154
Intermediate re-lets/re-sales	2	7	31	5		44
Total annual supply	195	126	98	151		570

Sources: CORE average of annual figures for 2012-13, 2013-14 and 2014-15; Local administrative data.

Finalising the calculation

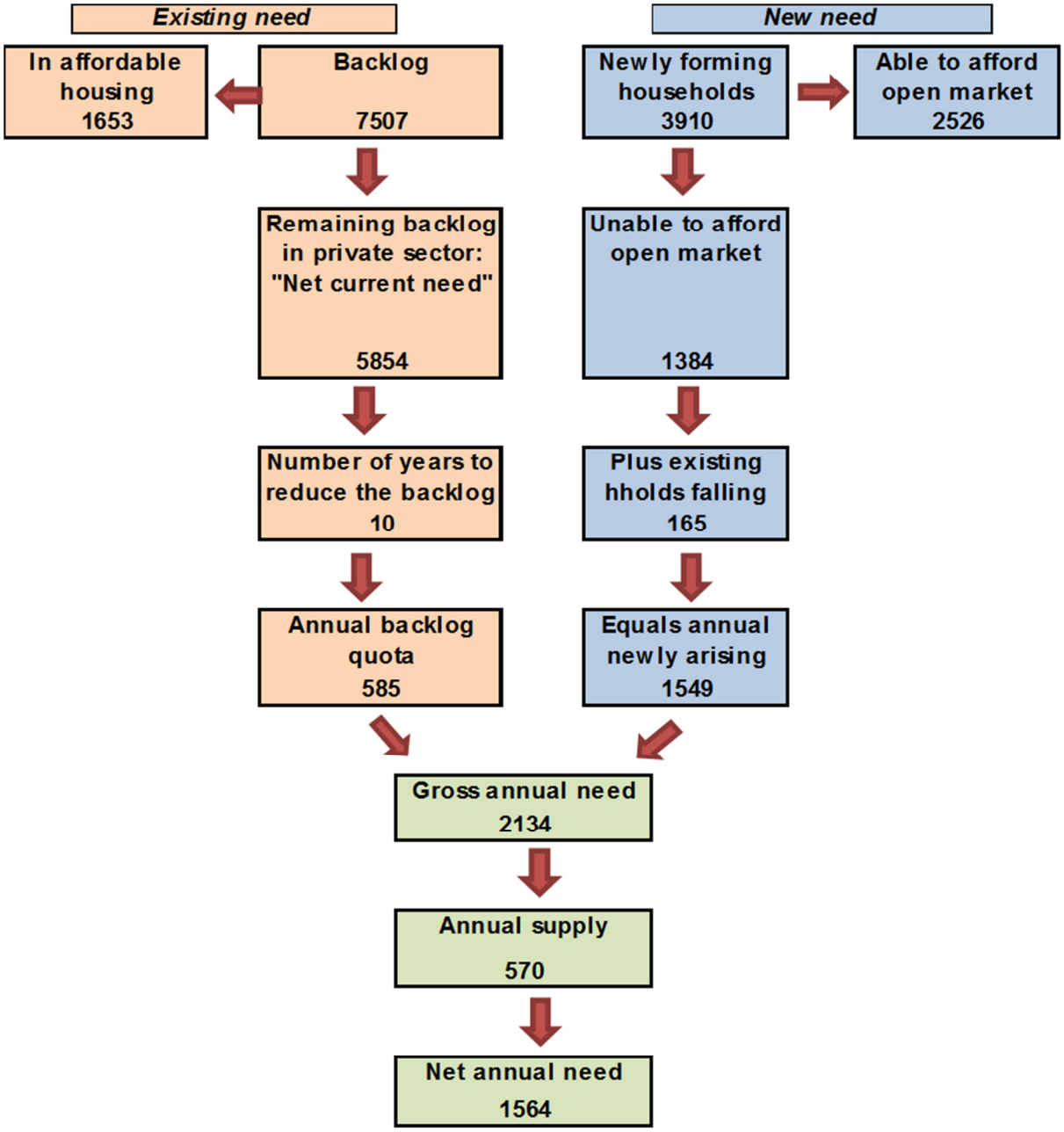
8.35 The next stage is to subtract affordable housing supply from affordable need. This results in an estimate of net annual need for affordable housing in the HMA of 1,568. Table 8.7 summarises each stage in the development of the model to arrive at this estimate. Net annual need ranges from 830 in Kingston to 332 in Elmbridge, 275 in Epsom & Ewell and 132 in Mole Valley.

Table 8.7 Steps in the calculation of the need for affordable housing

		Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
Backlog need	A:Gross backlog need	4070	1352	1158	927		7507
	B: Affordable stock included in A	912	311	190	240		1653
	C: Net current need (A-B)	3158	1041	968	687		5854
	D: Backlog reduction period (Years)	10	10	10	10		
	E: Annual backlog quota (C/D)	316	104	97	69		585
New need	F: Newly forming households	1519	1072	681	637		3910
	G: % unable to afford market	39%	31%	36%	33%		35%
	H: Newly forming hhds in need (F*G)	594	333	248	209		1384
	I: Existing hhds falling into need	126	29	33	8		195
	J: % unable to afford market	88%	75%	83%	77%		85%
	K: Existing hhds falling into need requiring affordable housing	110	21	27	6		165
	L: Annual newly arising need (H+K)	705	354	275	215		1549
	M: Gross annual need (E+L)	1020	458	372	284		2134
Supply	N: Annual supply	195	126	98	151		570
Result	O: Net annual need (M-N)	825	332	274	132		1564

8.36 Figure 8.1 provides a schematic overview of this calculation for the HMA as a whole.

Figure 8.1 Calculation of the need for affordable housing



Required size and tenure of affordable housing

8.37 In addition to estimating the overall magnitude of housing need the SHMA is also required to provide evidence about the size and tenure breakdown of affordable housing need, and this has been taken into account at each stage. The household profile of those in need of affordable housing was translated into the demand for various sized homes by applying the bedroom standard. As discussed above, the affordability test applied to households in need provides a breakdown of need between social and affordable rented tenures and intermediate housing. These figures are then compared to the annual supply of

affordable housing which is also broken down by size and tenure. Table 8.8 shows this requirement by local authority, by type of requirement and by bedroom requirement.

Table 8.8 Net annual affordable housing requirement

		Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
Social rented sector	1 Bed	161	63	64	5		292
	2 Beds	243	105	100	56		505
	3 Beds	168	60	57	25		311
	4+ Beds	99	38	39	19		194
	Total	671	267	260	105		1,302
Affordable rented sector	1 Bed	12	-4	2	-22		-12
	2 Beds	31	2	5	-8		30
	3 Beds	22	-1	4	0		25
	4+ Beds	11	12	3	9		35
	Total	76	9	15	-21		79
Intermediate (shared ownership) sector	1 Bed	16	8	1	8		33
	2 Beds	31	23	-9	20		65
	3 Beds	20	15	4	12		52
	4+ Beds	11	10	4	8		33
	Total	79	56	0	49		183
All affordable sector	1 Bed	189	67	67	-9		314
	2 Beds	305	131	96	68		600
	3 Beds	210	74	66	38		388
	4+ Beds	121	60	45	36		262
	Total	825	332	274	132		1,564

8.38 Across the whole HMA, over 80% of future annual demand is for housing at social rented sector levels, with about 5% of demand for affordable rents, and 15% for intermediate tenures. There was considerable stakeholder comment on the intermediate market, with many RPs reporting high levels of demand, and with a range of initial equity shares taken up (between 25% and 41%). There was also an increasing tendency for the average age of those buying shared ownership one bedroom properties as first properties increased (30 to 40 years old). There was also some innovation apparent, with one RP looking at their internal market to enable residents to trade up to larger intermediate tenure homes. In Kingston, the model indicates a shortfall of dwellings in all affordable sectors, with the greatest shortage in the 2 bedroom categories and the smallest shortages generally occurring for 1 bed and 4+ bed units. Kingston has the largest net demand for intermediate tenure affordable housing. Elmbridge has a lower shortfall in relation to affordable rent units, arising from its stronger supply position in this sector. Again 1 bed and 4 bed units tend to show the lowest shortfall in supply. In Epsom & Ewell the largest shortfall is in social rented supply with a similar tendency for smaller shortfalls in 1 bed and 4+ bed units. Mole Valley shows some letting surpluses in the affordable rent sub-sector. Its overall affordable requirement, while dominated by social rented housing, as with the other authorities, also has significant demand for intermediate tenure housing,

8.39 As is readily apparent from table 8.8, when looked at in terms of affordability, the substantially greatest requirement is for homes let at social rent levels, across each of the HMA authorities. We of course recognise the difficulties they face under the current policy and financing framework to deliver such a large proportion of social rented homes. And we recognise that these difficulties will be compounded by the classification of Starter Homes as 'affordable' and the precedence that planning policy will be giving them. However, in purely need-based terms, the data tells us that homes at social rents are required. Under the assumption that affordable housing need will be able to be met by future new build supply the outputs shown above can serve as the basis for recommendations regarding the mix of new affordable housing supply going forward where this is possible within policy constraints.

8.40 As noted in Chapter 4, there is both overcrowding and under-occupation within the social rented sector at present[51]. Across the HMA, 10% of social rented sector households were overcrowded in 2011, while 28% had bedrooms to spare if assessed against the bedroom standard. If this under- and over-occupation were to be eliminated through proactive policy interventions (such as those already in place) then this would result in a substantial shift in demand. Previously under-occupied homes would more than meet the need for overcrowding. This requirement has been modelled, and a shows a significant shift in the demand for social rented sector units away from two and three bedroom units towards one bedroom (catering substantially for older couples and single people currently under-occupying) and four bedroom units (catering for the most serious overcrowding amongst large and extended families).

8.41 This contrasts strongly with the picture in Table 8.8 above. The estimate cannot be broken down within the overall affordable housing sector, as the source data on overcrowding does not provide this breakdown. Assuming the mismatch to apply equally across all tenures, and allowing a ten year period of adjustment, Table 8.9 below shows a revised version of net annual affordable requirements. The overall total for each authority remains unchanged. This should be treated as indicative of the scale of change, as the base data from which it derived related to 2011, and some households might need housing which differs from that assigned to them under the bedroom standard.

Table 8.9 Net change in affordable housing supply if under-occupation and overcrowding in the social rented sector were addressed

	Kingston	Elmbridge	Epsom & Ewell	Mole Valley		HMA
1 bed	304	154	101	54		612
2 bed	244	91	79	38		450
3 bed	145	17	44	-3		203
4+bed	133	70	52	44		299
Total	825	332	274	132		1,564

8.42 The outputs of the model are sensitive to a number of assumptions over inputs and parameters. For these factors, it is not a case of a right or wrong approach but rather of

[51] The same is true of course for the private sector but occupancy levels are determined by the market.

a choice following the weighing up of the pros and cons of alternatives. These include the following factors:

- Percentage of gross household income devoted to housing costs: 25% is used in the model. The higher the percentage the lower the level of affordable need, although the reduction is not pro rata.
- Whether or not an adjustment should be made to annual supply, in anticipation of a change in the overall number and composition of lettings due to impending national policy changes.
- The impact of proactive policy to address overcrowding and under-occupation in the existing affordable stock.
- The period over which the backlog would be eliminated (ten years).
- Whether to include any longer-term supported housing lettings as well as general needs housing in the annual supply, and if so, what proportion to include.
- Affordable rent levels were determined from RP returns, and intermediate thresholds were set midway between affordable rents and market entry thresholds. However, affordable rents throughout the HMA are high relative to market thresholds, limiting the scope for intermediate products.

Starter Homes

8.43 We have mentioned Starter Homes several times in this chapter. Under the Housing and Planning Act 2016 Starter Homes are now to be treated as an affordable housing category on new developments. The underlying principle is that a Starter Home will be available to certain age groups of first time buyers, at a sum deemed to be 80% of market value, subject to caps of £450,000 in London, and £250,000 elsewhere. New developments will in most cases be expected to deliver 20% Starter Homes. At the date of production of this SHMA there are substantial details that require secondary legislation and are still unfinalised, including time restrictions on sale, age restrictions, site size thresholds and viability issues.

8.44 There has been widespread concern about the impact that Starter Homes will have on the production of other forms of affordable housing, particularly rented housing. Specific issues include the possibility that the 20% requirement will swallow up all or most of the affordable homes requirements in many authorities' schemes; that they will act to inflate market prices in lower priced areas; and most fundamentally, that they will have no impact on addressing the shortage of truly affordable rented housing available to those outside the home-ownership market: indeed, they will be detrimental to this aim. All the HMA authorities and many neighbouring authorities have expressed these concerns.

8.45 At this stage there is not enough hard information available on the final structure of the scheme to model the actual impact of a Starter Homes requirement on the calculations of affordable housing need in this SHMA. In some respects its impact is likely to be marginal,

in that it would involve top-slicing a segment of those in backlog or newly-arising need who would be able to afford a Starter Home. It will not affect (in the terms of the SHMA affordable housing calculations) the numbers requiring social or affordable rented housing, though there may be some overlap with those able to afford to access intermediate housing. However, in terms of changes to housing and planning policy that will result as Starter Homes are rolled out, there will clearly be a significant impact – particularly where the overall affordable homes requirement in Local Plans are at or close to 20%; as noted, in these circumstances the primacy of Starter Homes would in effect wipe out new provision of social and affordable rented homes. Once details are finalised and clear legislation and policies are in place, this SHMA (and many others) will need to be revisited and revised.

The role of the private rented sector in meeting affordable need

8.46 Although official guidance stresses than the assessment of net affordable housing need should be derived by comparing affordable need with affordable housing supply, the private rented sector already plays a part in meeting affordable housing need in most areas, supported by the availability of benefits based on Local Housing Allowance assistance with rents. In some cases, households meet their own needs by finding accommodation within the sector, but in others, they are housed through nomination arrangements between local authorities and private landlords. In mid-2015 there were 7,845 benefit claimants in the private rented sector in the HMA. Kingston had the largest share of claimants (49%) but Epsom & Ewell had the highest rate of claims (24%) relative to the estimated size of the sector in 2015, estimated by assuming growth of 20% since the 2011 Census. Across the HMA as a whole, about 21% of households in the sector were claiming Local Housing Allowance.

8.47 To assess the possible scale of the contribution which the PRS might be making to meeting affordable need, an estimate is required of the annual inflow of new claimants. EHS regional data indicates that 9% of PRS tenants in London and 11% of tenants in the South East (averaged over the three year period from 2010-13) were new entrants to the sector in the previous twelve months. Applied to the estimated numbers within the sector in 2015, this suggests that almost 3,700 households per annum enter the private rented sector from other tenures or as newly-forming households. Assuming that these have the same profile as tenants in the sector as a whole suggests that 788 new claimants per year enter the private rented sector. This represents around 50% of net annual affordable housing need, with little variation in the proportion between individual authorities.

8.4 Official guidance makes it clear that private rented housing is not affordable housing, and it is important to note that the private rented sector provides less security of tenure than the affordable sector (and indeed bears responsibility for a measure of homelessness applications, when Assured Shorthold Tenancies (ASTs) are not renewed). Standards of housing and of management are often lower than for affordable housing, Local Housing Allowance may not meet the full costs of rent, and many households with particular needs (for example for adaptations) may not find privately rented accommodation suitable.

Moreover, forthcoming further changes to the benefit regime, barring younger people from claiming Housing Benefit (or the housing element of Universal Credit), will further reduce the capacity of the PRS to meet affordable housing needs. Stakeholders have noted that already it is harder for people on Housing Benefit to access the PRS.

Table 8.10 Estimated impact of the private rented sector on housing need

	PRS HB claimants May 2015	Local authority share	Private renting 2011 (excluding rent free)	Private renting 2015 (estimated)	Claimant rate (claimants/units 2015)	Turnover (estimated % of PRS tenants entering sector in last year)	Number of new ent-rants	Estimated number of new HB claimants per annum
Kingston	3,820	49%	14,312	17,174	22%	9%	1628	362
Elmbridge	1,819	23%	8,006	9,607	19%	11%	1018	193
Epsom & Ewell	1,164	15%	3,962	4,754	24%	11%	504	123
Mole Valley	1,039	13%	4,270	5,124	20%	11%	543	110
Total	7,845	100%	30,550	36,660	21%	11%	3693	788

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

Conclusion

8.49 This chapter has presented the results of a model which assesses the requirement for affordable housing in the HMA and in its component local authorities, independently calculated using a methodology based on and consistent with official Planning Practice Guidance. The overall net annual need for affordable housing is estimated to be 1,568 units per annum. Net annual need ranges from 830 in Kingston to 332 in Elmbridge, 275 in Epsom & Ewell and 132 n Mole Valley.

8.50 Each authority will need to formulate a policy for affordable housing in response to this and other sources of evidence. Planning Practice Guidance contains the following instruction:

'The total affordable housing need should then 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[52].

[52] *Housing and economic development needs assessments*, CLG March 2014, Paragraph 029 Reference ID: 2a-030-20140306

8.51 These policies will need to evolve in response to future legislative and planning policy guidance change, particularly in the near future in relation to the delivery of a proportion of Starter Homes as part of the affordable housing component of new developments.

Chapter 9

The housing requirements of specific groups

Key messages

- This chapter examines the housing requirements of specific groups identified in NPPF and PPG in greater detail.

Older people

- As a proportion of the overall population, the percentage of those aged 65 or over is forecast to increase by 4-7 percentage points by 2037 across the HMA. This represents a 75% increase on current numbers of households with older people in them.
- There is forecast to be 28,000 people aged over 85 in the HMA, an increase of 133% on current numbers.
- 70% of single older people and 84% of older couples own their own homes outright, implying there is considerable equity available to meet housing needs. However 26% single older people and 9% of older couples are in the social or private rented sectors and will not have these assets.
- Older people tend to under-occupy housing, implying that if they downsize this would free up more family-sized accommodation in all sectors.
- Across the HMA there is a surplus of sheltered accommodation (particularly in the social sector), but a deficit of enhanced sheltered and extra care. However, to ensure future demand is met, 235 additional units per annum of all types of specialist accommodation will be required until 2035. This requirement is within the OAN, not in addition to it.
- In terms of tenure, across all types of specialist accommodation, an increase in the proportion of leasehold or owned accommodation is forecast. However, in spite of the relative affluence of older people in the HMA, it will be important to ensure that developments remain within reach of those on lower incomes, or with less equity.

Households with disabilities and wheelchair requirements

- A steady increase in the number of households with physical disabilities is forecast between now and 2030, particularly of those aged 65 plus.
- Around 815 households have unmet wheelchair accessible accommodation requirements.
- There is a mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock.
- There are a number of reasons for this including the need to minimise void periods and mismatches between locational preferences and the available stock.

Students

- There are 31,000 students resident in the HMA during term time, with the greatest concentration in Kingston (16,000), where the main Higher Education institutions in the HMA are based.

- 10% of students live in halls of residence or similar, all of which are in Kingston
- 55% live with their parents though this number includes older school pupils and college students. The rest are reliant on the private rented sector, especially in Kingston.
- There is a rough balance between numbers studying in the HMA and students living in the HMA; however the HMA is heavily reliant on Kingston both to provide educational facilities and to house students.

Families

- The proportion of younger people in the HMA is forecast to decline over the next twenty years, and hence the proportion of families with younger children will decline proportionately. However, there will still be an absolute growth in the number of younger people, concentrated in Kingston.
- There are a lower proportion of lone parents in the HMA than average and these households are more reliant on social housing that other groups (30% live in the sector compared to 11% of all households).
- Other households with children are concentrated in the owner-occupied sector, where 75% have at least one spare bedroom.
- In the social rented sector around 20% are overcrowded, but a similar proportion under occupy.

Armed forces households

- Authorities are making adequate arrangements for the housing needs of this group, and there do not seem to be any unmet requirements

People wishing to build their own homes

- There is currently little evidence of demand from potential self-builders. New requirements for recording and monitoring interest have been in force since April 2016, and authorities will need to assemble and analyse this data to develop future policy.

Gypsies, Travellers and Travelling Showpeople

- In the context of the new requirements of the 2015 Planning Policy for Traveller Sites, this HMA has not specifically and separately considered the needs of these groups. However, authorities will need to ensure that relevant accommodation assessments are put in place in conformity with the new policies.

Introduction

9.1 This chapter discusses the housing requirements of some specific groups: older households, households with members who have disabilities and wheelchair users, students, families, service families and those wishing to build their own homes. It should be noted that where we discuss figures for the need for certain types of specialist accommodation, these figures lie within the overall OAN, and are not in addition to it.

Older people

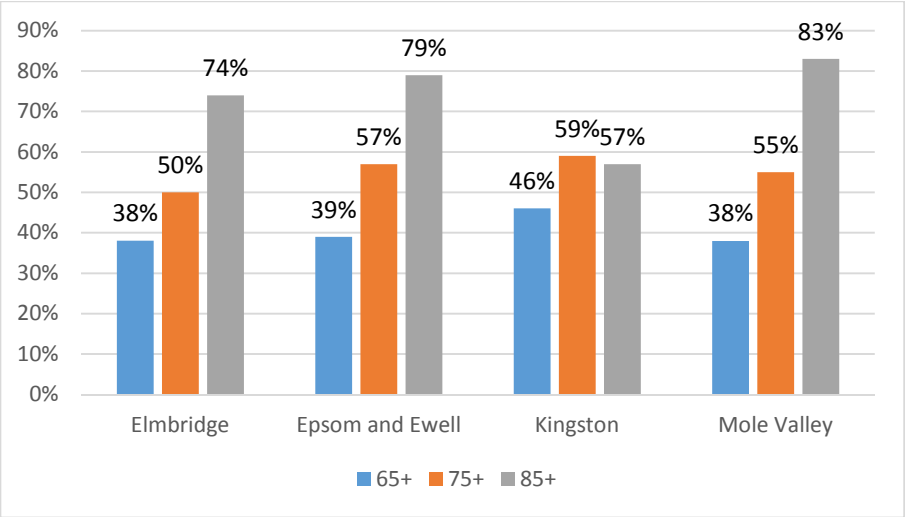
Population of older persons

9.2 As noted in Chapter 6, across the HMA the proportion of people aged 65 or more as a segment of the overall population is projected to increase by 4 to 7 percentage points, depending on local authority between 2015 and 2037. In Kingston, this increase (at 5 percentage points) is below the national average, whilst the highest rates of increase (between 8 and 9 percentage points) are seen in Elmbridge and Mole Valley. Elmbridge and Mole Valley also have the highest rates of increase for the 85 plus age group, whereas in Epsom & Ewell and Kingston, rates are highest among 'younger' old people. By 2037 it is projected that there will be 28,000 people aged 85 plus in the HMA, an increase of 133% on current numbers.

9.3 These figures relating to the proportion of the older population within the general population should not be confused with the overall rate of increase of the older community. In terms of the rate of increase within particular age groups Figure 9.1 shows the overall proportionate rate of growth of all those over 65 (the blue bars); and then within this respectively the growth rate for those 75 or more and those 85 or more. It should be clear that the 85+ cohort is increasing at the fastest rate, by some way, in all authorities except Kingston, where the 75 plus group is growing fastest.

9.4 Also discussed in Chapter 6 are the different age structures across the authorities, particularly in relation to the working age population. In summary those aged 18-69 are forecast to increase by only 14%, with most of the increase taking place in Kingston. There are multiple implications that stem from the balance between working age and non-working age populations, in terms of primary service provision (health, housing and care in particular) and labour supply. The prospect of an increasing proportion of older people remaining or re-entering the workforce is also discussed in Chapter 6

Figure 9.1 Ageing population profile, % increase 2014-2030



Source: POPPI (Projecting Older People Population Information system)

9.5 Numerically, ONS 2012 base projections forecast that by 2032 there will be increases in the population of over 65s as follows:

- Elmbridge – increase of 13,600
- Epsom & Ewell – increase of 8,200
- Kingston – increase of 16,400
- Mole Valley – increase of 10,600

Households containing older persons

9.6 In terms of the increase in the number of households that will hold this population[53], figures are:

Table 9.1 Projections of households aged 65 or over[54]

	2012 ('000)	2037 ('000)	Increase ('000)	% increase
Elmbridge	15	25	10	67%
Epsom & Ewell	9	15	6	70%
Kingston	15	29	14	95%
Mole Valley	12	21	8	66%
HMA	51	89	38	75%
Outer London	452	879	427	94%
Surrey	134	229	95	71%
England	6,188	10,233	4,045	65%

Source: DCLG 2012-based Live Table 414

[53] 'Household' in this sense is one categorised where the household reference person is aged 65 or more, or 85 or more, as appropriate

[54] The time base for household projections is currently different from that for population projections

9.7 What is apparent from Table 9.1 is that of the four authorities in the HMA, Kingston is projected to experience the sharpest increase in the proportion of households headed by over 65s (as well as the greatest numerical increase). This is in line with other Outer London authority projections. The Surrey authorities are projected to see household increases in line with or slightly below the county averages.

9.8 Between 2013 and 2037 the number of households headed by someone over 85 is projected to increase by one and a half times across the HMA, with a particularly high rate of increase in Mole Valley (Table 9.2). However, for the Surrey authorities, these increases are below county average projections, and Kingston's is slightly below the Outer London average.

Table 9.2 Projections of households aged 85 or over

	2012 ('000)	2037 ('000)	Increase ('000)	% increase
Elmbridge	3	7	4	146%
Epsom & Ewell	1	4	2	147%
Kingston	2	6	3	144%
Mole Valley	2	5	3	166%
HMA	9	21	13	150%
Outer London	68	167	99	146%
Surrey	21	58	36	170%
England	888	2,313	1,425	160%

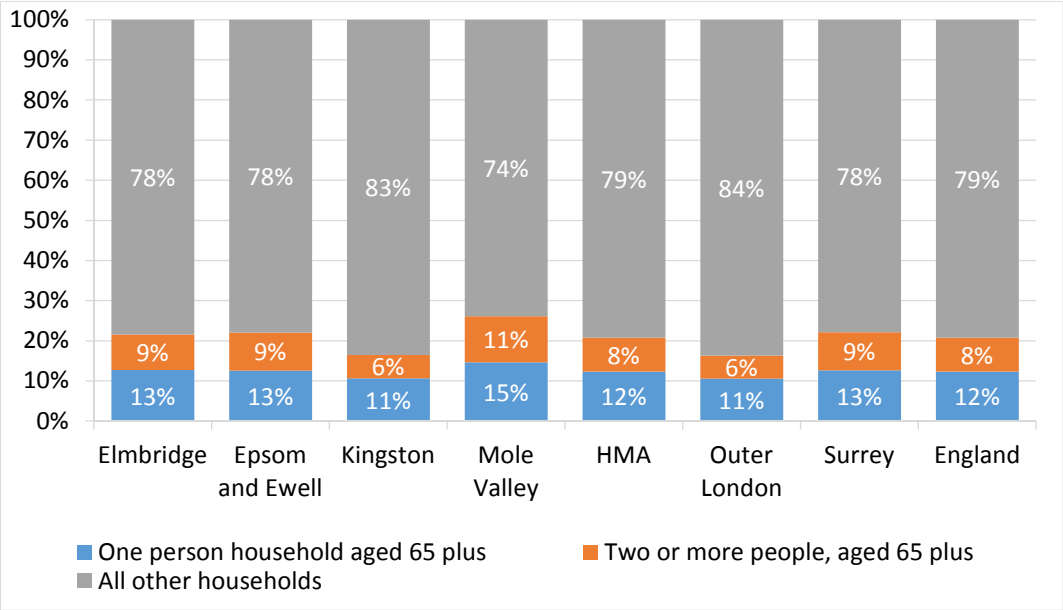
Source: DCLG 2012-based Live Table 414

Size of households with older people

9.9 The Census 2011 holds a certain amount of data on the number of household members in older person households. Figure 9.2 shows that as of 2011, 12% of all households in the HMA comprised single people aged 65+, and a further 8% were made up of more than one occupant aged 65 plus (the vast majority of these will be couples, though the Census does not differentiate exactly[55]). These figures are close to regional and national averages, though the higher proportion of older couple households in Mole Valley should be noted.

[55] As well as single member households aged 65+, the Census captures families who comprise two people aged 65+ (married or co-habiting couples, all members 65+). It also include another category encompassing households that are not families and comprise just residents 65 + - for example, brothers and sisters – but also students. This latter group is a small minority

Figure 9.2 Household type, 2011

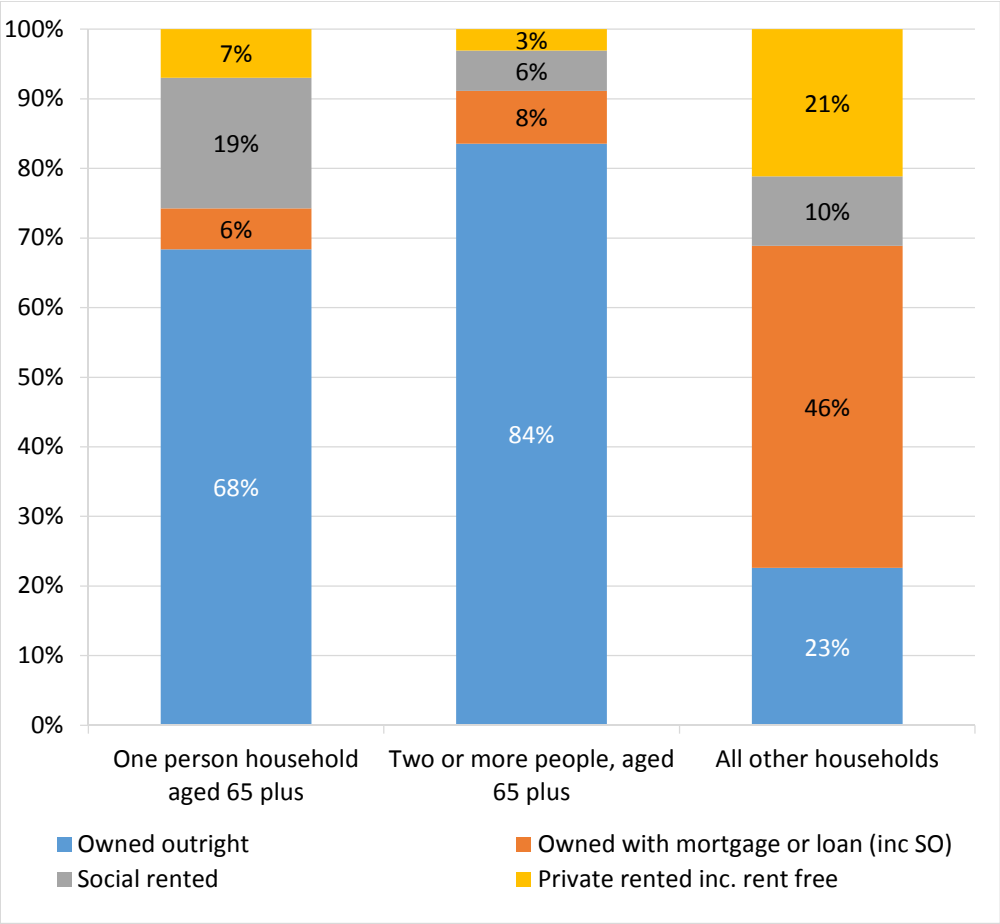


Source: Census 2011 Table DC 4105EWLa

Tenure of older households

9.10 We can look further at the current tenure of older households, as this will be an important indicator of likely ability to meet future housing needs. We can see from Figure 9.3 that nearly 70% of single person over 65 households own their homes outright, with a further 6% holding mortgages. For older couples, the number owning outright increases to 84%, with another 8% holding mortgages. This compares to the very different tenure profile of younger households, shown for comparison. Clearly, for some of the owner occupiers there will be substantial equity available to help meet future needs, given house prices in the HMA. However there are still 26% single older households and 9% couple older households in the social or private rented sectors, less likely to be able to command additional resources, and therefore there will still be considerable call for appropriate housing for lower income groups, as well as appropriate support services to maintain them in their homes.

Figure 9.3 Tenure of older households, all HMA

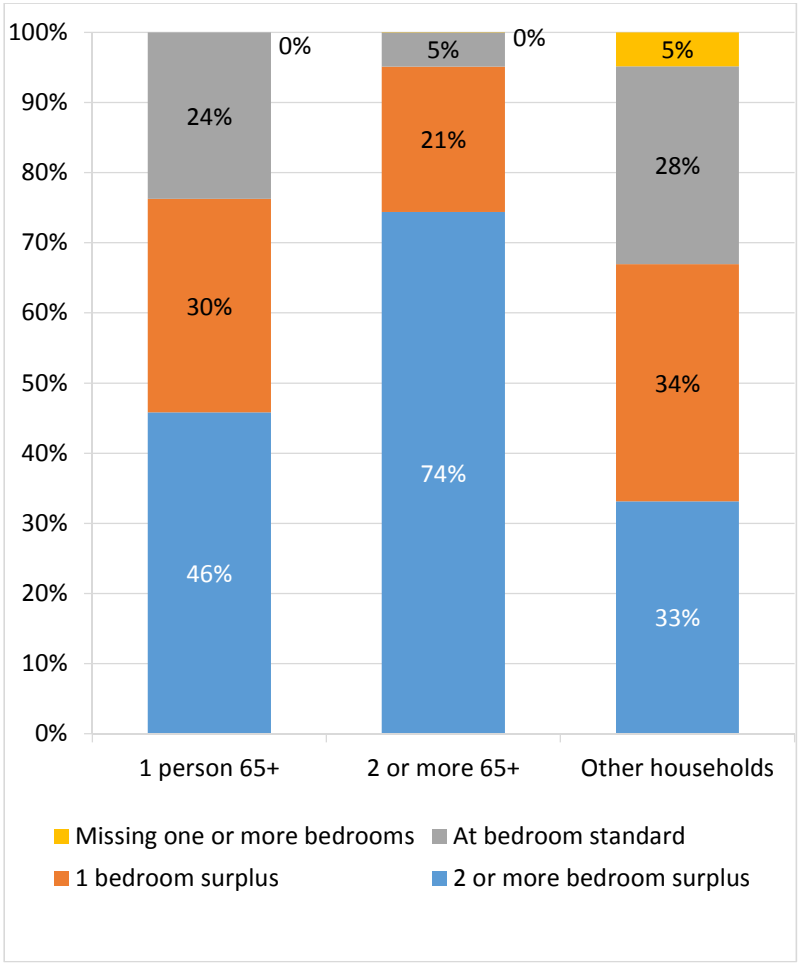


Source: Census 2011 Table DC 4105EWLa

Overcrowding and under-occupation

9.11 Another aspect of older people's ability to resolve their housing requirements is the degree of overcrowding or under-occupation that exists. Across all tenures, as can be seen from Figure 9.4, older households are proportionately much more likely than younger households to have at least one extra bedroom beyond their basic requirements, with 76% of single older households underoccupying, and 95% of two or more person households with surplus bedrooms, including 74% with two or more extra bedrooms. While there are many reasons that households may want or need spare bedrooms, nonetheless, these figures have to be considered in the context of owner-occupiers being able to meet their needs by downsizing; and for social renters, to understand if there is scope for making better use of stock.

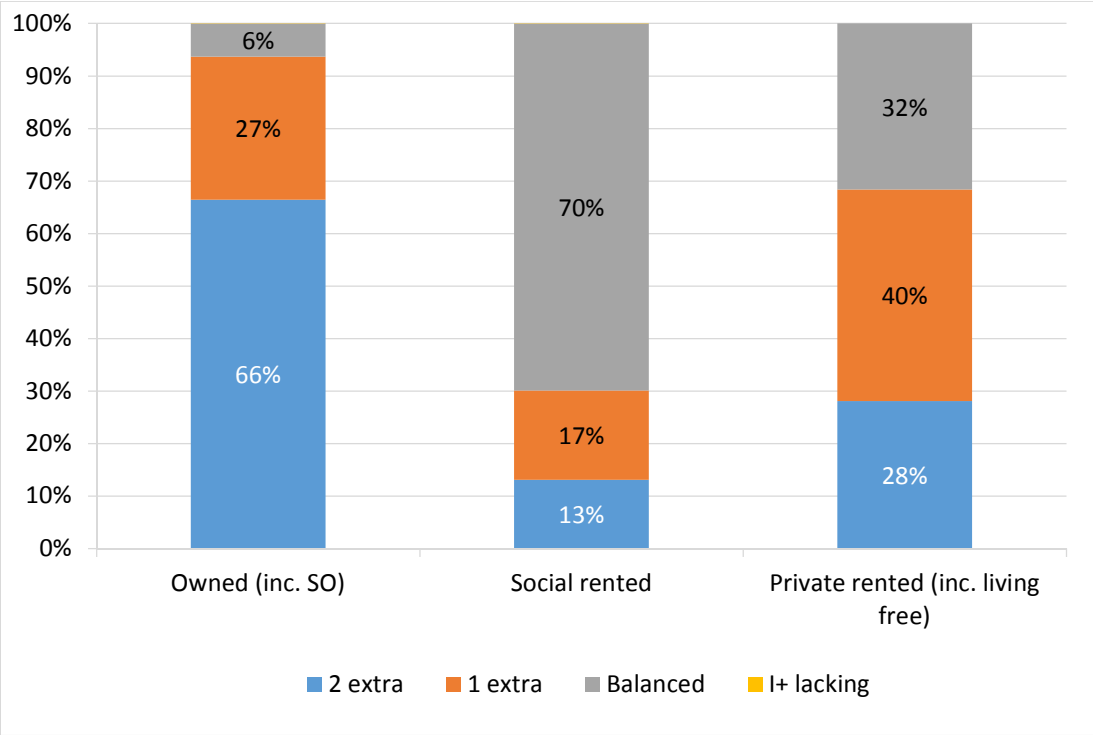
Figure 9.4 Older household occupancy levels



Source: Census 2011 Table LC4105EWla

9.12 Figure 9.5 indicates that over 65s living in the owner-occupied sector have considerable scope for downsizing, as over 90% under-occupy their homes, including 66% with two extra bedrooms or more. There is minimal indication of overcrowding. The scope is reduced in the social rented and private rented sectors, but nonetheless in the social rented sector, where the local authority will have some degree of control and influence, 30% of older households do under-occupy, 13% by two beds or more. As with the owner-occupied sector, the rented sectors show minimal indication of overcrowding. It should be noted that the bedroom tax / under-occupation charge does not apply in the social rented sector once an occupant reaches state pension age, reducing the incentive social landlords may have to encourage down-sizing.

Figure 9.5 Occupation levels, older people and tenure



Source: Census 2011 Table LC4105EWla

Supply of and demand for older persons' housing

9.13 When looking at supply of (and demand for) specialist accommodation for older people, this SHMA restricts itself to the forms of accommodation that would be normally termed 'housing', including sheltered, enhanced sheltered, and extra care. It therefore excludes accommodation that primarily caters for those with care, nursing and medical needs – residential and nursing care. It is noted however that the need for residential care may be reduced if there is provision of appropriate 'extra care' sheltered housing. Stakeholders particularly noted the value of extra care as an alternative to care homes, and suggested that planners need to be aware of the needs of all types of older people in new developments, not just those looking to downsize. This was linked to local authority responsibilities under the Care Act 2014, to provide a range of accommodation to help people remain independent for longer, and the consequent need for good liaison between planners and health / social care departments to deliver this alongside bricks and mortar accommodation.

9.14 Estimating supply is not a very precise science, particularly because of the move away from standard 'sheltered' schemes to more flexible and integrated housing and support options, as well as the development of extra care schemes that blur the boundaries between housing and care-based accommodation. There is no official data that summarises either social or private sector supply. The best source of data is the Elderly Accommodation Counsel[56] (EAC) statistical base. The associated SHOP (Strategic Housing for Older People

[56] http://www.eac.org.uk/

Analysis Tool)[57] modelling tool also summarises supply. The other source of supply and demand data for London authorities only is the GLA-commissioned study to update earlier estimates of housing demand and supply for older persons, following the availability of Census data[58].

9.15 Table 9.3 summarises the current supply position, based on the SHOP toolkit and EAC data for each HMA authority. We append a column showing the number of units of all types per 1,000 population. As can be seen, currently the most well-provided authorities are Elmbridge and Epsom & Ewell.

Table 9.3 Current supply of specialist elderly accommodation

	Sheltered	Enhanced sheltered [59]	Extra care	Total	Rented / affordable	Lease / for sale	Units per 1,000 pop.
Elmbridge	1,460	277	51	1,788	1,267	521	175
Epsom & Ewell	940	0	30	970	443	527	170
Kingston	1,512	27	0	1,539	1,220	319	149
Mole Valley	1,003	5	0	1,008	656	352	134
HMA	4,915	309	81	5,305	3,586	1,719	628

Source: Housing LIN Shop toolkit and EAC

9.16 The toolkit also compares current supply and demand. This is illustrated in Figure 9.6, which shows considerable variation across the authorities. In summary:

- Epsom & Ewell and Kingston have surpluses of traditional sheltered accommodation, but shortages of enhanced sheltered and extra care.
- Elmbridge has a small surplus of sheltered and enhanced sheltered accommodation, and a shortage of extra care.
- Mole Valley has shortages in all three categories.

It summary across the HMA there is:

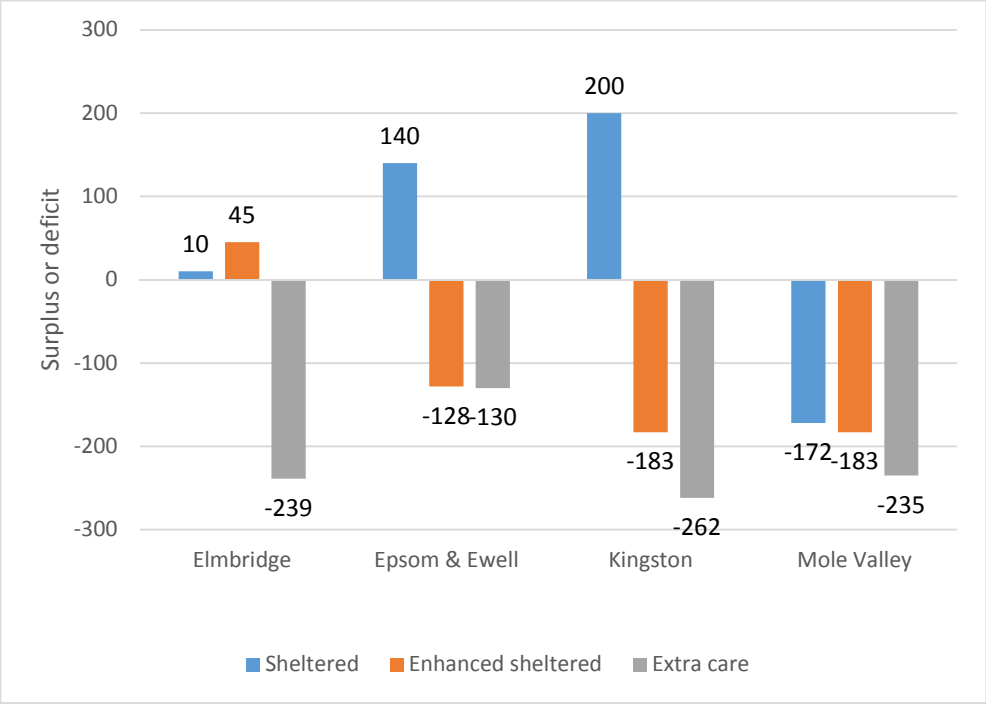
- Sheltered – 178 surplus
- Enhanced sheltered – 449 deficit
- Extra Care – 749 deficit

[57] http://www.housinglin.org.uk/Topics/browse/HousingExtraCare/ExtraCareStrategy/SHOP/SHOPAT/?

[58] *Assessing potential demand for older persons housing in London*, Three Dragons / Celandine Consulting / GLA, March 2014, updating *The role of the planning system in delivering housing choices for older Londoners,* CCHPR/ Three Dragons/Land Use Consultants / Heriot-Watt/GLA, December 2012

[59] Enhanced sheltered' is a term used in Housing LIN publications 'reflecting additional care and support needs of older residents in sheltered housing (but not high enough levels to require extra care housing)'

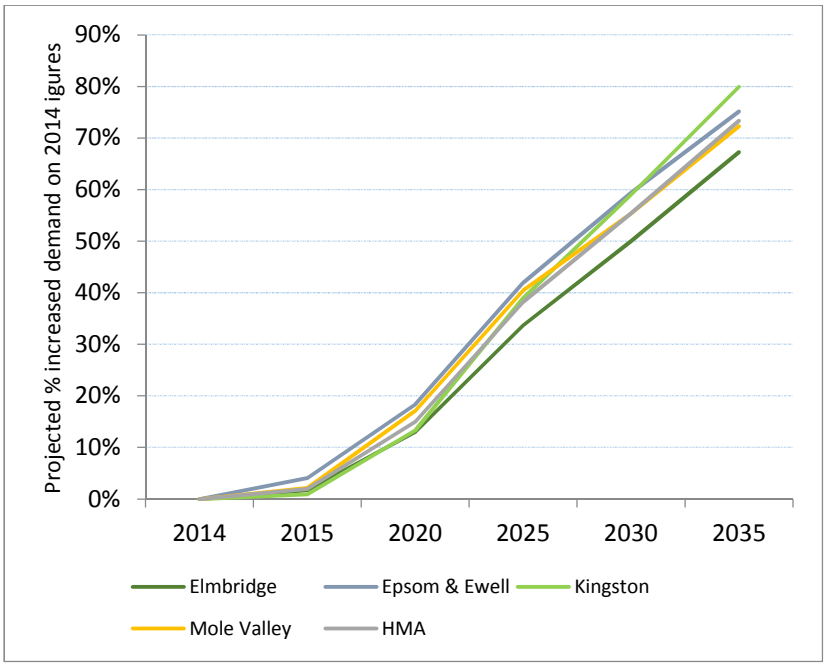
Figure 9.6 Current balance of supply and demand



Source: Housing LIN Shop toolkit and EAC

9.17 These figures also need to be seen in the context of likely future demand for older people's accommodation. The SHOP toolkit does not give net annual demand, but takes a 'snapshot' based on 2014 patterns, and then estimates of future requirements. It forecasts that by 2035 overall demand will have increased by between 67% (Elmbridge) and 80% (Kingston), with an average increase of 73% across the HMA – Figure 9.7. Linked to this stakeholders also mentioned that there is a 'split' between demand and take-up of specialist accommodation, between local people who want to downsize or move to somewhere more suitable in the area; and people wanting to move into or back to the area, to be close to their families (this was particularly a feature in Mole Valley).

Figure 9.7 Projected future demand for older people's accommodation



Source: Housing LIN SHOP toolkit

9.18 In terms of how this breaks down, Table 9.4a extrapolates from the SHOP data likely additional requirements by 2035, by type of accommodation and local authority, and further breaks this down into annual additional requirements to meet future need, based on the SHOP assumptions. More generally, the SHOP toolkit offers guidance on how authorities can plan for the market split between different types of accommodation. Although a date is not set, based on principles described in *Housing in later life: planning ahead for specialist housing for older people*[60], a national model of moving from 75% / 25% leased to 33% rented / 67% leased over time is proposed. This is nuanced by the degree of affluence or deprivation in a particular area. We suggest that all the SHMA authorities fall into the 'affluent' or 'very affluent' cells in Table 9.4b. However, although stakeholders commented on the 'mismatch' in provision (that is, most sheltered housing is in the social sector, but most demand is from the owner-occupier sector), they also noted that the private market is increasingly skewed towards the more expensive end, and developments are often out of reach for people with lower levels of equity or income.

Table 9.4a SHOP annual demand forecast

	Sheltered housing for rent	Sheltered for lease / ownership	Enhanced sheltered	Extra care	Additional units 2015-2035	Annual additional units
Elmbridge	624	351	156	195	1,326	66
Epsom & Ewell	259	329	94	118	800	40
Kingston	829	220	168	209	1,426	71
Mole Valley	552	298	136	170	1,156	58

Source: Housing LIN SHOP toolkit

[60] Housing in later life: planning ahead for specialist housing for older people, Housing LIN et al, 2012

Table 9.4b Future tenure split planning guidance

	Most deprived		Deprived		Affluent		Most affluent	
	Rented	Leasehold	Rented	Leasehold	Rented	Leasehold	Rented	Leasehold
Sheltered	75	25	50	50	33	67	20	80
Enhanced sheltered	80	20	67	33	50	50	20	80
Extra care	75	25	50	50	33	67	20	80

Source: Housing LIN SHOP toolkit

9.19 In this context, some authorities (for example Elmbridge) have commented on the relative abundance of rented sheltered, but that there is scope for additional leasehold / sales provision. And as noted in the preceding paragraphs, the prevalence of owner-occupiers likely to have available equity also indicates the scope for moving more towards leasehold provision, while maintaining an affordable rented sector for those in need of elderly-specific accommodation, but unable to afford it directly. Perhaps in contrast, Kingston have noted an over-supply of sheltered housing for leasehold purchase, citing two private developments in Kingston Town Centre with properties the developer cannot sell.

9.20 In terms of the ability of the HMA to meet the needs of older people within its own borders, as noted in para 9.16 there are deficits in two types of provision, and a surplus of another (without regard to tenure). As regards to the willingness of people to move within the HMA, there is some evidence, from a survey carried out by Epsom & Ewell in 2015 of willingness to at least move to different parts of the authority, with 67% of respondents indicating their preparedness to move[61]. Stakeholders commented that more people who would have previously stayed put and received care in their current home are now willing to consider moving to maintain their independence for longer. There was particular interest among Epsom & Ewell residents in moving into town centres, or areas with good retail, service and transport connections – not suburbia or rural locations. Kingston officers note that residents also desire good retail and transport connections but in contrast to Epsom & Ewell prefer quieter locations for these facilities rather than town or district centres. More broadly, research carried out by the IPPR[62] indicated that although most older people who move relocate to nearby areas, they are certainly not constrained by notions of borough boundary, and have and maintain considerable resilience by changing their environment to fit their changing needs.

Households with disabilities and wheelchair requirements

Context

9.21 The Census 2011 indicates that around 12% of the HMA's population are estimated to have some form of limiting long-term health problem or disability (LLHPD), and 20% of households have at least one member with a LLHPD. The context for understanding the

[61] Older Residents' Accommodation Needs Survey, Epsom & Ewell Borough Council, March 2015
[62] Pennington, J. Moving on – migration trends in later life, Institute for Public Policy Research, 2013

housing requirements of those with disabilities and in particular wheelchair users is intrinsically linked to the age of the population. 75% of current wheelchair users are aged 60 or over in England, including 20% who are 85 or over[63]. As noted above and in chapter 6, as with the rest of the country, numbers and proportions of older people are forecast to rise over the coming years. As Figure 9.8 indicates, a steady increase in the number of older people with mobility-related disabilities is projected. As regards to working age people with severe disabilities (Figure 9.9), while numbers increase fairly gradually for the Surrey authorities over the planning period, and indeed start to reduce towards the end of it, Kingston has a fairly steady rate of increase. This reflects the younger age structure of Kingston's population, as described in Chapter 6.

Figure 9.8 People aged 65+ with mobility Impairments

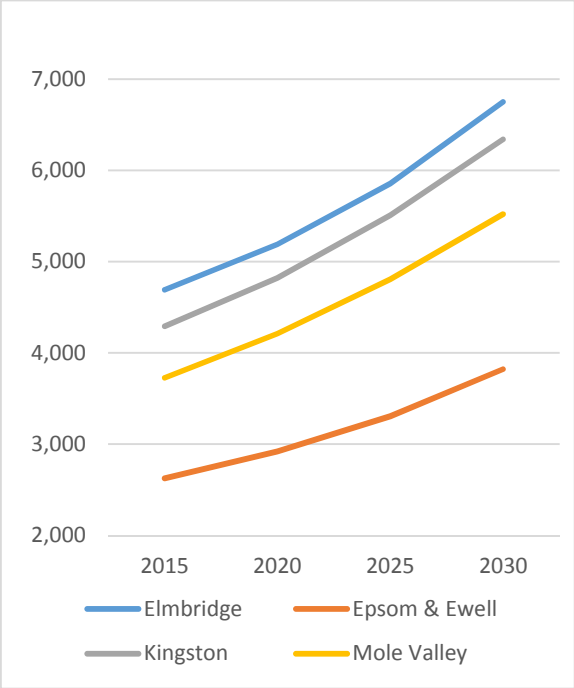
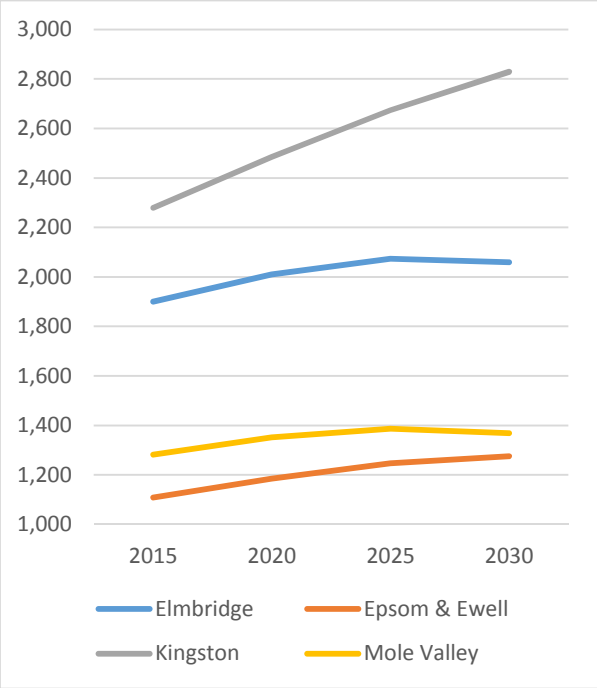


Figure 9.9 Working age people with serious physical disabilities



Source: Poppi and Pansi data

9.22 There are several other indicators that highlight the housing-related elements of disability:

Council Tax exemptions and disregards

9.23 Households can be exempted from or have a reduced rate of Council Tax for various degrees and aspects of disability (including having to move into residential care). In total there are slightly over 1,200 homes that are in this category in the HMA. It can be seen from comparing these figures with Figure 9.8 above that there is a reasonably close match

[63] English Housing Survey 2011 Table A6.11

between the borough-based proportions of Council Tax exemptions and the number of older people with disabilities

Table 9.5 Disability-related Council Tax exemptions, disregards and discounts

	No. properties
Elmbridge	348
Epsom & Ewell	240
Kingston	351
Mole Valley	284
HMA	1,223

Source: DCLG Council Tax Base 2015

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

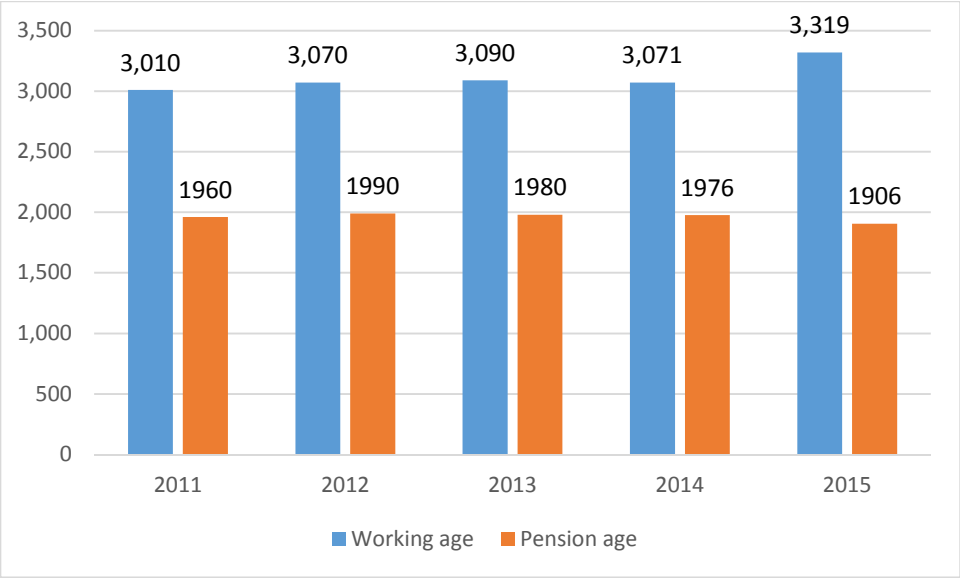
9.24 Though DLA is being gradually phased out and replaced with Personal Independence Payments (PIP) for some people, the historic data and trends are useful in tracking changes in numbers and needs and as a contextual indicator of actual and future potential wheelchair needs across the authorities. Higher award DLA is paid to people with a physical disability that affects their ability to walk outdoors and is paid if a person's disability is severe enough for them to have any of the following walking difficulties:

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

9.25 Higher mobility DLA may also be paid to those with a severe learning impairment that has a physical basis, and those with severe sight impediments, so the figures cannot automatically be assumed to relate to potential wheelchair use. PIP paid at the enhanced rate has similar criteria. It should also be noted that DLA/PIP payments are subject to the overall benefit cap

9.26 Figure 9.10 tracks the caseload over the last five years, for those of working age and those of pensionable age. We have limited data for PIP for 2014 and 2015, and this has been incorporated. It seems clear that figures have remained fairly constant over the period, with a slight increase in the numbers of working age recipients.

Figure 9.10 Higher rate / enhanced mobility DLA and PIP recipients



Source: DWP Stat-Explore and Nomis

Disabled Facilities Grants (DFGs)

9.27 DFGs are administered by individual local authorities and are available for adaptations (e.g. installing ramps, widening doors) and providing additional facilities, such as stair-lifts, and downstairs bathrooms. There is no centralised system for recording the type and number of grants, so comparisons are difficult, but based on information provided by the HMA authorities, the following applies:

- Elmbridge completed works relating to 127 DFGs over 2013-2015, 56% of which were for level-access shower rooms and 24% for stairlifts
- Epsom & Ewell completed 73 DFGs over the same period, nearly half of which were for level access showers, and again, substantial numbers for stair lifts, followed by access work such as ramps and shallow steps
- Kingston completed 67 DFGs over the same period
- Mole Valley completed 44 DFGs over the same period

Calculating unmet wheelchair-accessible housing need

9.28 The English Housing Survey (EHS) 2012 estimates that there are 726,000 households in England where there are wheelchair users, representing 3.3% of all households. The comparative figures for 2007 were 587,000 and 2.8%. Work by South Bank University[64] re-analysing EHS data has estimated that nationally around 13% of wheelchair-using households have unmet housing requirements; this figures rises to 18% in London (the data cannot be disaggregated to a local authority level).

[64] Mind the Step – an estimation of housing need among wheelchair users in England , Habinteg / South Bank University 2010

9.29 Using the more conservative 13% figure, we would estimate that current unmet need for wheelchair accessible accommodation across the HMA is 815, and is calculated as follows:

Table 9.6 Current unmet wheelchair housing requirements

	A All households*	*B* Wheelchair needs households (3.3% of A)	*C* Wheelchair needs households: unmet housing needs (13% of B)
Elmbridge	54,000	1,782	232
Epsom & Ewell	31,000	1,023	133
Kingston	68,000	2,244	292
Mole Valley	37,000	1,221	159
HMA	190,000	6,270	815

Source: Cobweb Consulting modelling of South Bank University and ONS population data. *2015 projections from 2012-based household projections

Meeting accessible housing need

9.30 For those without the means to move to appropriate private sector accommodation or adapt their existing homes to meet wheelchair standards, the principle route into wheelchair accessible accommodation for those who need it will be through accessing social housing stock. There is a paucity of data on the amount of wheelchair accessible stock available. There are at least 630 general needs and supported / sheltered housing units managed by Registered Providers. Given that the latest data available is from 2011[65], the likelihood is that this will be over 650 by now. At a borough level this breaks down as follows:

Table 9.7 Wheelchair accessible stock managed by Registered Providers (2011)

	General needs	Sheltered / supported
Elmbridge	3	195
Epsom & Ewell	2	1
Kingston	50	2
Mole Valley	96	281
HMA	151	479

Source: Regulatory and Statistical Return, 2011

9.31 These figures will include former local authority stock in the transfer authorities Elmbridge and Mole Valley. There is no equivalent data available for local authority stock in Epsom & Ewell and Kingston, which may account for low figures.

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[65] This is from the last Regulatory and Statistical Return collected. This information is no longer collected centrally

9.32 In terms of the use of this stock the fullest indicator of the number of disabled-accessible dwellings coming into use in the social rented sector is the CORE log, which records both the housing needs of new tenants, and the type of property that was let. This covers both general needs housing and supported housing. We have looked at general and supported housing allocation over the last three years (2012-15) and there are some anomalies that suggest that best use of stock is not always made. We discuss this further below.

9.33 Across 2012-2015, 177 wheelchair accessible dwellings (125 general needs, 52 supported) were let. We found that:

- Of the 125 lettings to wheelchair adapted general needs accommodation, 103 of them went to those who did not require wheelchair accessible stock.
- In the same period, 17 applicants requiring general needs wheelchair access were let properties that were not wheelchair adapted.
- As regards to supported housing lettings, of the 52 lettings into wheelchair accommodation, 48 went to those without wheelchair requirements (though some went to those with lesser mobility needs).
- In the same period, 15 people with wheelchair access needs were let homes that were not of wheelchair-accessible standard, though some had forms of aids and adaptations.

Table 9.8 Match between those requiring wheelchair accessible accommodation and letting of wheelchair standard homes

General needs lettings, 2012-2015		Nominee required wheelchair accessible property	
		Yes	No
Property let was of wheelchair standard	Yes	22	103
	No	17	

Supported lettings, 2012-2015		Nominee required wheelchair accessible property	
		Yes	No
Property let was of wheelchair standard	Yes	4	48
	No	15	

Source: CORE logs. 2012-2015

9.34 There can be a number of reasons for this apparent mismatch:

- The need to minimise void periods conflicting with the sometimes long periods that households with wheelchair needs (who may be elderly or with learning difficulties as well) need to prepare for a move.
- The general inflexibility of the nominations / allocations procedures between local authorities and housing associations, with the need to fill the void quickly trumping the need to fill it appropriately.

- Issues around choice and preference – it may be that wheelchair units are not located where individuals with wheelchair housing needs have their networks of support.

- Unrealistic expectations – it may be that applicants still envisage a 'bungalow' type unit as what they would be offered, whereas it will be more likely that it would be a flat or maisonette, sometimes lifted and on higher floors.

- 'Pre-emptive' allocations – allocating a wheelchair accessible home to a household that does not immediately need it, but is likely to in the foreseeable future.

- Concerns about inaccuracies in the CORE log.

Students

Students studying in the HMA

9.35 The HMA area currently houses two Higher Education establishments (Kingston University and part of the University of Creative Arts), and is home to smaller colleges, professional education institutions, and training centres. Outside the HMA border, but in close proximity, are Royal Holloway College at Egham (part of the University of London), the American University (Richmond), Surrey University (Guildford), Roehampton University (Wandsworth) and Guildford College. Kingston University is by far the largest higher education establishment, with over 23,000 registered students. These include 5,270 postgraduates and 4,360 overseas students. The University of Creative Arts (UCA) has over 5,000 students, though these are split among several campuses. Additionally within the HMA borders are several large Further Education institutions including Brooklands College, Nescot and Epsom College.

9.36 Although a substantial proportion of UK domiciled students may live at home, as noted in various studies (for example *Strategic planning issues for student housing in London, Mayor's Academic Forum, March 2014),* overseas students are more likely to be able to access more expensive private rented accommodation than their domestic counterparts; and postgraduates are likely to be older students, with more likelihood of having partners and families leading to a larger size accommodation requirement, with the option of house-sharing being less appropriate. Both of these factors have implications for the housing market, as well as the economic and cultural impact of a large student population.

Student numbers living in the HMA

9.37 Of course, we cannot assume that those who study in HMA live in the HMA; nor can we assume that all those students who live in the HMA study here. Table 9.9 below shows the number of resident students in the HMA at the time of the Census – 30,781. It should be noted that in Census terms, 'students' are those in full time education aged 16 plus, so they will include older school and college students most of whom can be assumed to live at home, and who comprise 56% student numbers. Only 10% are in halls of residence or

similar. 30% are in all student households, living alone, or are in the 'other household type' category, all of which we assume would be predominantly in the private rented sector (the Census does not provide detailed tenure breakdown for students – but see also para 9.38). We can also look at the 'balance' of students coming into and going out of the authorities, by comparing the number of term-time residents with the out of term numbers. As can be seen in Table 9.9a all authorities except Kingston are net 'exporters' of students – in other words, the number of residents who leave the authority to study elsewhere during term time outweighs the number of students coming in, in term time. Kingston on the other hand sees a net increase of nearly 2,000 residents during the term.

Table 9.9a Changes in population in term time

	Population in term time
Elmbridge	minus 2,223
Epsom & Ewell	minus 309
Kingston	plus 1,984
Mole Valley	minus 1,376

Source: Census 2011 Table OT 102EW

Table 9.9b Resident students and accommodation

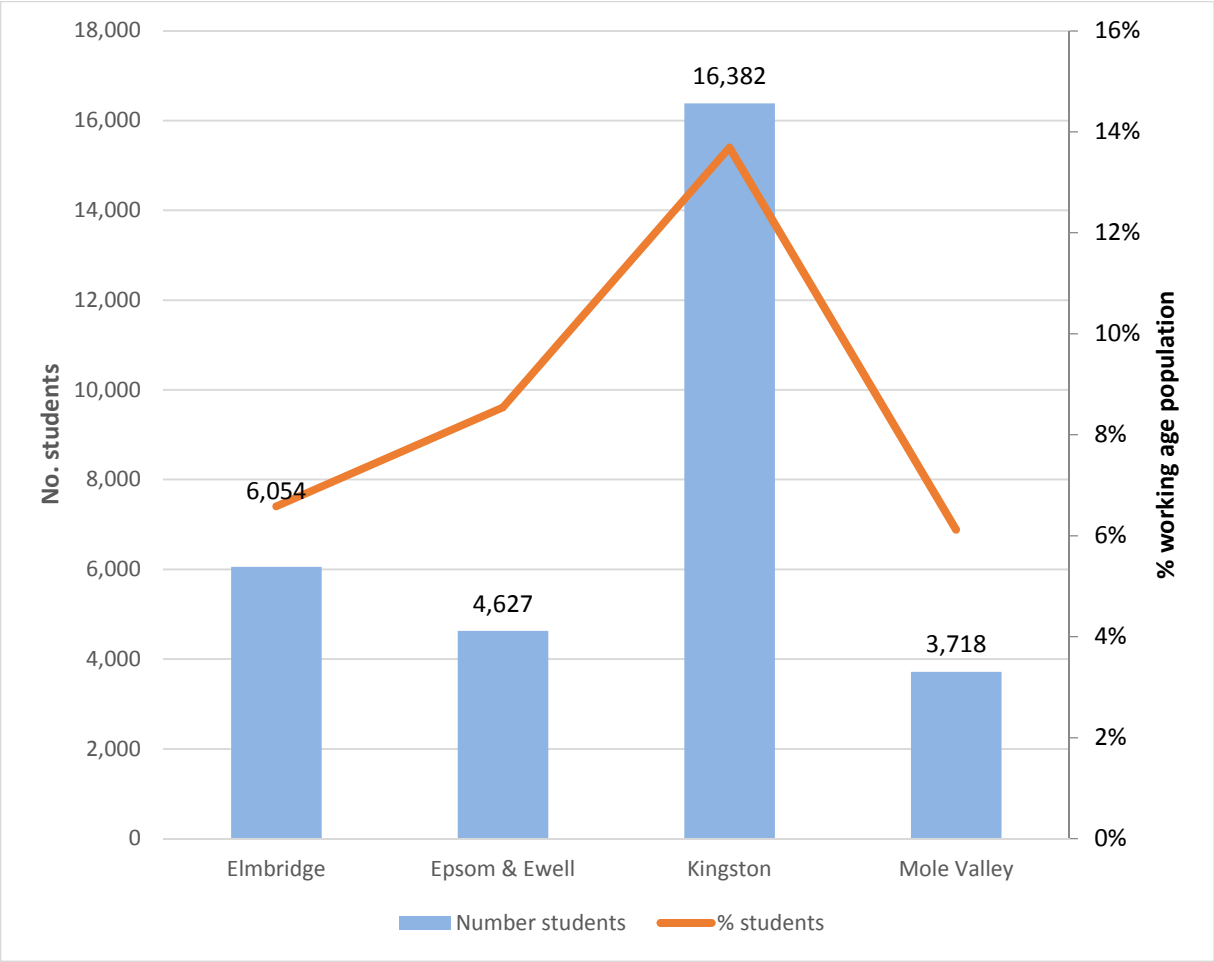
Accommodation type	All students	F/t students: In employment	F/t students: Unemployed	F/t students: Economically inactive
Living with parents	17,090	4,776	1,206	11,108
Hall of residence or similar	2,230	425	398	1,407
Other communal establishment	719	45	29	645
Living in all student household	5,697	2,102	505	3,090
Student living alone	940	302	70	568
Family household with spouse, partner or children	1,564	775	73	716
Other household type	2,541	1,018	175	1,348
Total	30,781	9,443	2,456	18,882

Source: Census 2011 Table LC6108EW

Distribution of students in HMA

9.38 As can be seen from Figure 9.11, the student population within the HMA is heavily concentrated in Kingston, as a fairly natural consequence of the presence of Kingston University and its 23,000 units, as well as pricing factors such as (relatively) lower private sector rents and (relatively) higher private rented sector supply, discussed in Chapter 7. Housing over 16,000 students, this sector makes up 14% of Kingston's working age population, twice as high a proportion as other HMA authorities.

Figure 9.11 Student numbers and proportions



Source: Census 2011 Table LC6108EW

Supply of accommodation

Supply of purpose built accommodation

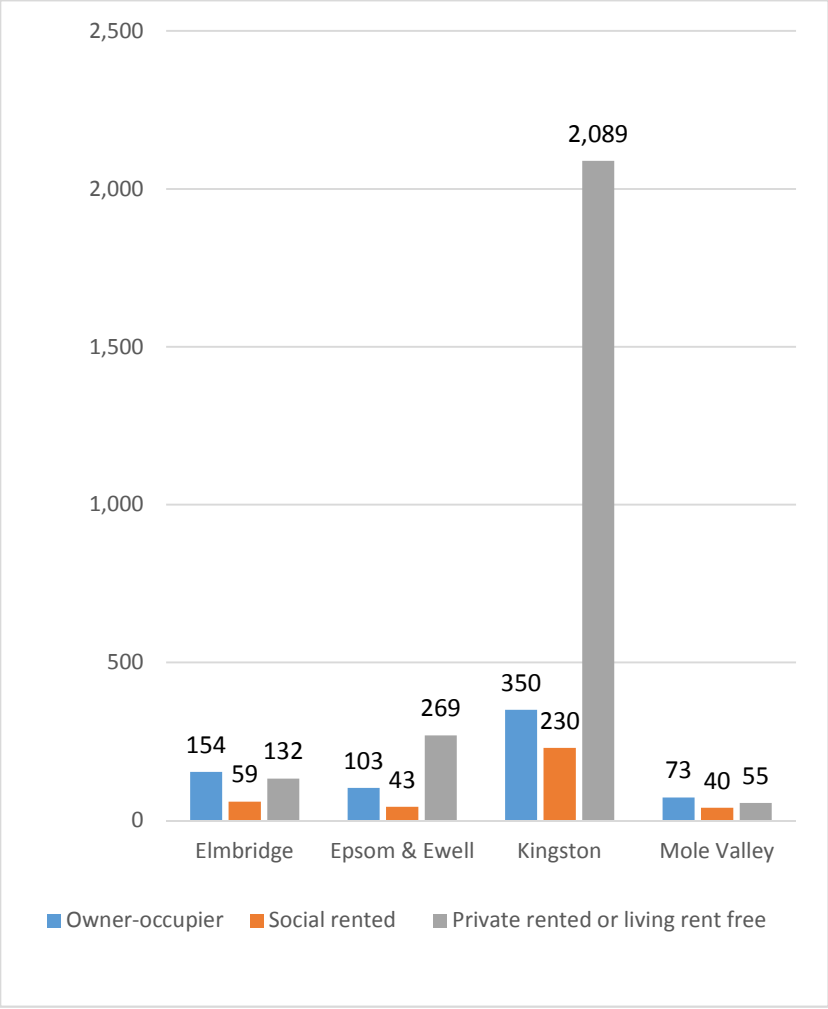
9.39 The two main Higher Education establishments (Kingston University and UCA) provide around 2,800 places in halls of residence or similar between them (close to the figures in Table 9.9). As far as can be established, there is no other purpose built student accommodation in the HMA. A number of stakeholders commented on the shortfall in accommodation particularly for first year students.

Private renting and students

9.40 As regard to the role of the private rented sector, the Census does enumerate by tenure the number of 'household reference persons' – that is, the responsible adult within a household, who are students. The numbers are of course substantially lower than actual student numbers, but this does give an indication of the proportion of private rented stock in relation to the number of students. Figure 9.12 below notes the numbers of student-headed households for the HMA authorities by tenure. It is immediately apparent that students in Kingston are by far the most reliant on the private rented sector (PRS) . This adds

force to the argument that student housing needs are primarily an issue for Kingston, and have little impact elsewhere in the HMA. Having said this, stakeholders also commented that there was competition for accommodation in Epsom, where there are several colleges, and across the HMA rental costs have spiralled upwards over the last five years. They also noted rises in fees charged by landlords and agents, and issues about different quality and licencing standards across the authorities.

Figure 9.12 Tenure of student household reference people



Source: Census 2011 Table DC4601EW

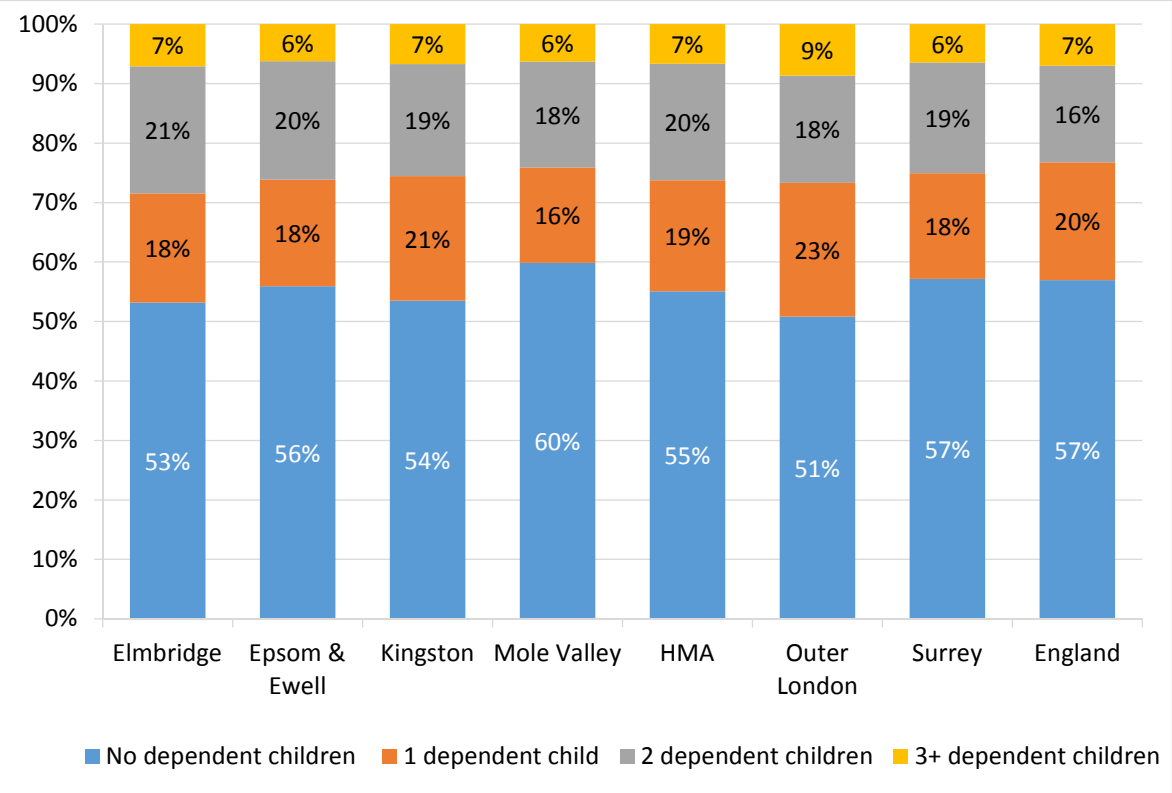
9.41 Given that there are likely to be around 30,000 students studying at HMA-based establishments, and there are around 30,000 students residing in the HMA area, it could be suggested that, across the HMA, there is a balance in the market, with neither the HMA playing host to substantial numbers who study elsewhere, nor of HMA students residing elsewhere. This is not of course to argue that there is a perfect match between the two groups, and undoubtedly relative commuting will be a factor on both sides. However, the HMA is heavily reliant on Kingston to both supply educational facilities and house students, and undoubtedly there will be local issues, both positive and negative, related to a concentration of students that housing and environmental strategies may wish to address.

Families

9.42 As noted in Chapter 6, the proportion of younger people – including children – is forecast to decline in the monitoring period across the HMA, and hence family formation (assuming 'family' is equated with the presence of children) will reduce proportionately. This will not be an even decline: Kingston is less affected than the Surrey authorities. There will still be an absolute growth in the number of younger people, of around 14%, but 75% of this growth will occur in Kingston (with 19% in Epsom & Ewell, and 5% in each of Elmbridge and Mole Valley). Chapter 8 also discusses affordable housing need, in terms of the type and size of future supply needed, which takes into account the needs of future families. Here, therefore, we will solely look at the current characteristics of family households.

9.43 In terms of the numbers of dependent children (Figure 9.13) , across the HMA 55% have none, slightly below the England average. Mole Valley had the greatest proportion – 60% of child-free households. With 46% of households having at least one child, Elmbridge is the most family-heavy of the authorities. Only 7% households have three or more children, similar to the Surrey and England average and slightly below the Outer London average.

Figure 9.13 Households by number of dependent children

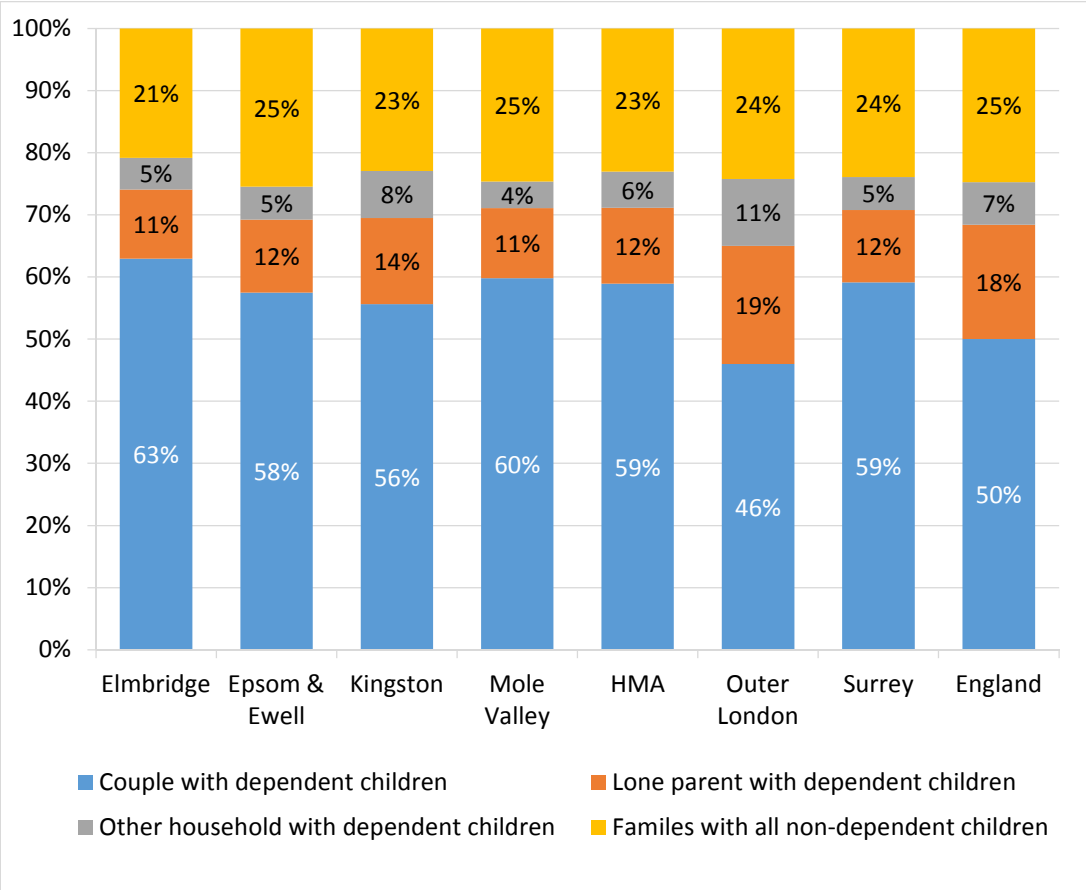


Source: Census 2011 Table QS118EW

9.44 As regards to family composition (Figure 9.14), the HMA has a lower proportion of lone parents to the England or Outer London averages (though similar to Surrey). The proportion of families with non-dependent children (i.e. grown up children aged 18 plus still

living at home) were highest in Epsom & Ewell and Mole Valley, and lowest in Elmbridge and Kingston. There was a marginally greater proportion of larger families with two or more dependent children than the relevant averages, perhaps reflecting the larger property sizes and types noted in Chapter 4.

Figure 9.14 Composition of households with dependent and non-dependent children



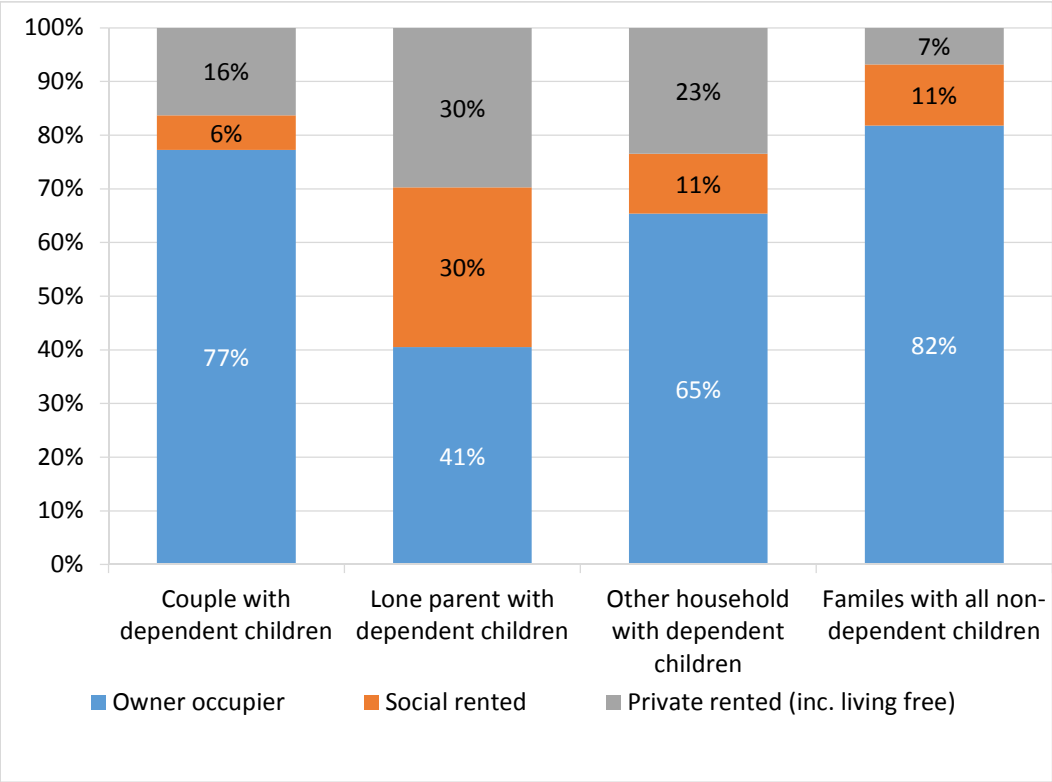
Source: Census 2011 Table KS105EW

9.45 When we look at the tenure of families (Figure 9.15) with dependent children, it is apparent that lone parents are more reliant on the social rented sector than other groups, with 30% of such households as council or housing association tenants. They also have substantial representation in the PRS, with a similar proportion residing in that sector. Other households with children are more concentrated in owner-occupation, especially the households with non-dependent children (likely to be adult children still living with their parents and other multi-generational households), with 82% of this category in owner-occupation.

9.46 Figure 9.16 takes this a stage further, and looks at the relative overcrowding or under-occupation of family households across the tenures. Three-quarters of owner-occupier families have at least one spare bedroom beyond their basic needs, and only 3% are overcrowded. The reverse is true in the social rented sector, where 21% of families have surplus bedrooms, and 20% are overcrowded. The similarity between the overcrowded and under-occupation figures in the social sector suggests that there may be opportunities for

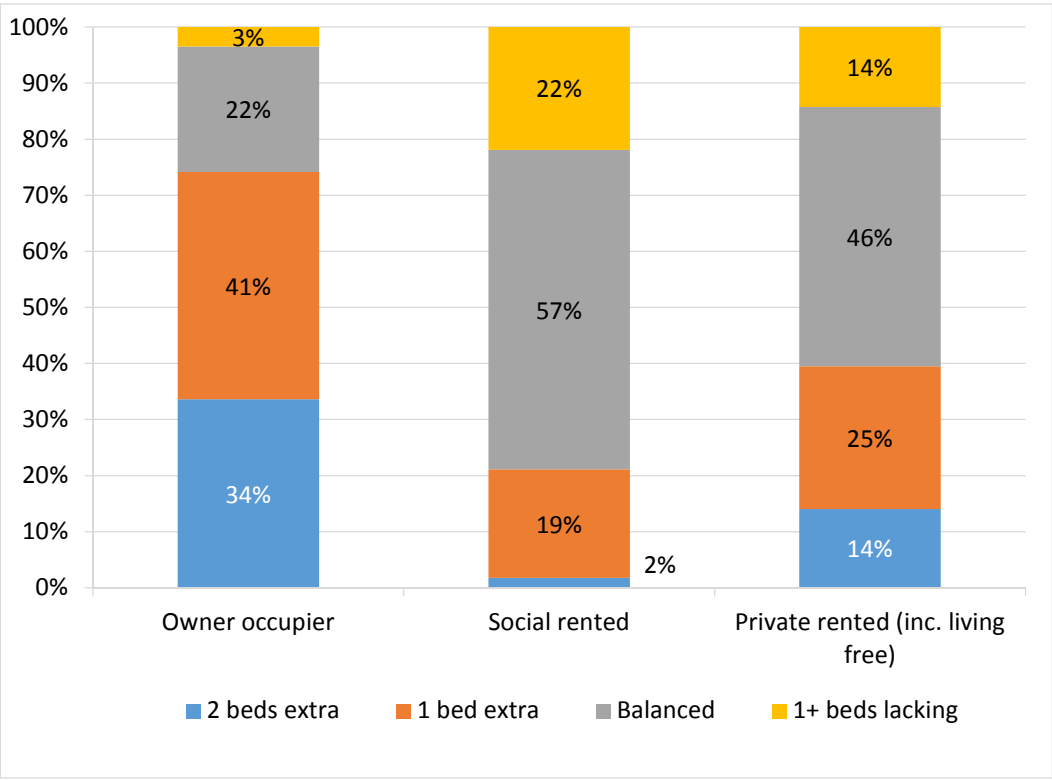
rationalisation (though this has not been broken down to a local authority level). The PRS falls between the owner-occupied and social rented extremes.

Figure 9.15 Tenure of families, all HMA



Source: Census Table DC4105EWla

Figure 9.16 Overcrowding and under occupation among families, all HMA



Source: Census Table DC4105EWla

Armed forces households

9.47 As part of the implementation of the Localism Act 2011 as it relates to how authorities manage their housing allocation policies, Supplementary Guidance issued by the CLG in December 2013 encouraged authorities to adopt a two-year residency test for allowing applications, but stated that authorities "must make an exception for certain members of the regular and reserve Armed Forces."[66] This includes allowing applications to any authority within a five year period after discharge, in cases where spouses or civil partners leave service accommodation after bereavement related to service in the armed forces, or where service or reserve service personnel need to move because of serious injury, medical condition or disability sustained as a result of their service.

9.48 All HMA authorities have introduced amendments to their allocation polices, to give reasonable preference to the groups covered by the guidance, and are waiving the local connection criteria. Kingston has introduced a specific nomination scheme for single veterans, via Stoll Housing Association. In terms of the assessment of existing need from this group, there is limited information available from the authorities' existing housing registers. Only Elmbridge's register has direct reference to armed forces applicants – there are two applicants, each with a one-bed requirement. In view of the fact that all authorities are already making provision for Armed Forces personnel, there does not appear to be an additional uncatered for housing requirement.

People wishing to build their own homes

9.49 National Planning Policy Guidance notes the government's desire to enable more people to build their own homes, and to make this form of housing a mainstream housing option. It suggests that local planning authorities should, therefore, plan to meet such demand. In 2011 a £30m fund was announced to support self- and custom – builders, £8m of which was directed at London, via the GLA.

9.50 Evidence of demand from individuals for building their own homes is currently limited to five entries for Kingston and around ten entries for North East Surrey authorities, on web sites associated with the Self-Build Portal and other informal plot-finding portals. There are currently no particular planning barriers to individuals purchasing their own plots of land to build their own homes. The development of 'serviced' plots of land suitable for sub-division between a number of individuals for individual dwellings may require more support through the planning system but appropriate sites are uncharacteristic of the area and currently no local demand from groups of individuals is known of.

9.51 From April 2016 the environment has changed further. The Self-Build and Custom Housing Building Act 2015 will come into force. Among other measures, it places a duty on local authorities to keep a register of individuals and community groups who have expressed an interest in acquiring land to bring forward self-build and custom-build projects

[66] DCLG, *Providing social housing for local people,* December 2013*,* para 18

and to take account of and make provision for the interests of those on such registers in developing their housing initiatives and their local plans (including such data in HMAs). It also allows volume house builders to include self-build and custom-build projects as contributing towards their affordable housing obligations, when in partnership with a Registered Provider.

9.52 There is already a notional Local Authority Register for London, co-ordinated by the GLA, which should cover Kingston. There is also a framework or template web-based Local Self-Build Register available to all authorities. However, as it currently stands, it appears to be underused (there is no information on any of the HMA authorities on it), and there are no filtering or eligibility criteria for accessing the register: theoretically anyone anywhere in the EU can express an interest in developing in Hounslow. Until this model becomes more sophisticated, it will not be a robust measure of housing requirements.

9.52 In view of the above evidence of a lack of demand there does not appear to be additional activity that the HMA authorities should be undertaking in this area, beyond developing their local registers. In future there will be more work required in understanding the feasibility of schemes and priority in terms of support that applicants on the new register should be given; and that a future SHMA should take account of the data accumulated on the new register.

Gypsies, Travellers, and Travelling Showpeople

9.53 This SHMA has not specifically considered the housing requirements of these groups, in the context of the requirements of the government's 2015 Planning Policy for Traveller Sites[67]. Some of the communities whose needs were previously considered separately (such as travellers in 'brick and mortar' accommodation) are now deemed to be part of the mainstream SHMA analysis, and do not need separate assessment. Authorities are still required to undertake accommodation assessments for other groups, as part of the Local Plan process.

67

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457420/Final_planning_and_travellers_policy.pdf

Chapter 10

Conclusions

Key messages

The area covered by this SHMA is characterised by a high level of economic prosperity, matched by high dwelling and land values and an attractive environment. Planning policies for housing need to address the challenges which are posed by the need for housing to support economic growth whilst at the same time addressing the impact of high housing costs through an adequate supply of affordable housing.

If it is achievable, the level of new housing provision indicated by the OAN is sufficient to support the HMA economy, whilst at the same time reflecting recent demographic trends as driven by the population structure in each authority. It represents an increase over existing or previous targets which have been constrained by land supply and other considerations, such as the Green Belt. Its achievability will be conditional on adequate land coming forward.

New housing provision and affordable housing are closely linked because the former provides an important source for the latter. Given the high prices in the area, it is essential that the provision of additional affordable housing should be maximised. It will also be important to make the maximum use of the private rented sector for households who cannot access the owner occupied market.

The ageing of the population, although not as advanced as in more traditional retirement areas or areas losing population through economic decline, presents both opportunities and challenges. More attractive new housing provision for older people in the owner occupied sector, and in social rented housing, could facilitate downsizing where people want this, and release more larger dwellings for use by families and larger households.

10.1 The main findings from the SHMA have been set out in the Key Messages at the start of each Chapter, and brought together in the Executive Summary. These findings will not be repeated here in the same format. This Chapter draws some strategic conclusions relating to the housing situation in the HMA and their implications for housing and planning policies.

The housing market area

10.2 The SHMA has assembled a range of evidence to show that the four commissioning authorities cover an area which is generally economically prosperous with high dwelling values and rents reflecting the demand created and sustained by its position within and close to employment centres in and outside London, and by the attractive environments found across much of the area.

10.3 Recent HMAs covering London and its environs have concluded that defining a single set of unique HMA boundaries is impractical in view of the complexity of settlement and employment patterns and their interdependencies, facilitated by good transport networks. Despite this, taking into account migration flows, travel to work patterns and the structure

of the housing market, together with the pattern of HMAs in surrounding areas determined by other SHMA studies, we conclude that it is reasonable to treat the four commissioning authorities as a single housing market area. However, it is essential to bear in mind that many linkages existing between the HMA and surrounding areas and to take these into account when developing policies to meet future housing needs.

10.4 Consultation with stakeholders identified general support for this conclusion. In addition, the Greater London Authority has concluded that it would be appropriate for London Boroughs to produce housing market assessments for sub-regions which where appropriate may include areas adjoining but outside London. Although this only directly affects the Borough of Kingston upon Thames, the other three commissioning authorities were aware of the importance of taking into account the relationship between their housing markets and that of Kingston when commissioning the study.

Key characteristics of the area

10.5 The SHMA has presented a range of evidence on the characteristics of the HMA. The most important of these in housing market terms is its location covering a sector of England's capital city and its most prosperous region, including both the outer part of the wider London built up area and a number of settlements in the Green Belt or other protected areas beyond but which are still heavily influenced by the capital on their doorstep. Both within and close to the HMA are a multiplicity of employment centres, including areas beyond it to the south and east as well as those closer to London or to the west. The HMA is impacted by both Gatwick and Heathrow Airports, and future developments regarding the capacity of either or both will have an impact on the economy and housing demand. These employment centres have created an area, like many other areas in and around London, where there is intense competition for housing leading to exceptionally high prices and rents when considered on a national stage. In some parts of the HMA these pressures have led to high densities, to sub-division of housing, and increasingly to greater levels of sharing, higher occupancy rates, and the formation of more multi-adult households including students. At the same time, the attractiveness of the environment and the potential for commuting has also created areas of very high values.

Implications for housing need

10.6 Unless there are major changes in the economic fortunes of London and the South East, which would have adverse consequences nationally as well as locally, it is highly likely that the demands on housing in the area will continue, certainly at their present strength relative to other areas in and outside London. The challenge this presents is to create sufficient opportunities to meet the demand for housing without compromising the attractiveness of the area, or as the NPPF indicates, to ensure that new housing provision is sustainable.

10.7 Projections of future employment growth in the HMA, whilst inevitably subject to uncertainty, suggest that the economic future of the area would be safeguarded by housing provision at a level consistent with recent demographic trends in term of migration and

household formation. In other words there is no pressure to increase the housing stock by a large amount overall in order to support the local economy.

10.8 Table 10.1 below shows the annual level of the OAN for each authority and for the HMA as a whole. The OAN represents an average increase across the whole HMA of slightly in excess of 1% per annum or about 20% over the next two decades. Whilst this is higher than previous or existing targets, it is not inconsistent with past completion levels, especially given the uncertainties of the national housing market in recent years. Except in Kingston there is a strong track record of provision at or above targets, covering a period when severe economic constraints at national level have placed pressures on the capacity of developers to deliver, and when constraints on public spending have restricted new affordable supply. It should be noted however that targets themselves have been constrained, primarily by land supply, and do not necessarily reflect underlying housing need. In Kingston there is a requirement set by the London Plan to provide a minimum level of additional housing slightly below the OAN level, which has been assessed and tested through Public Examination and found reasonable. This will be delivered through the large pool of outstanding permissions, large opportunity sites, and a significant amount of non-conventional housing.

Table 10.1 Objectively Assessed Need

Source		Backlog need		New hhd form-ation	Allowance for vacancies		Allowance for second homes		Total
		Home-less	Con-cealed	Net new house-holds	% allow-ance	Number	% allow-ance	Number	
Elmbridge	2015-2035	5	606	8,565	2.84	243	0.71	61	9,480
	Per annum	0	30	428		12		3	474
Epsom and Ewell	2015-2035	62	514	7,627	1.95	149	0.00	0	8,352
	Per annum	3	26	381		7		0	418
Kingston	2015-2035	186	1,053	12,696	1.99	253	1.26	160	14,348
	Per annum	9	53	635		13		8	717
Mole Valley	2015-2035	6	419	7,168	2.18	156	0.90	65	7,814
	Per annum	0	21	358		8		3	391
Total	2015-2035	259	2,593	36,056	2.22	801	0.82	296	40,005
	Per annum	13	130	1,803		40		15	2,000

10.9 Demographically driven growth thus provides an appropriate guide to the level of future housing provision which is reasonable. In the open market, it would of course be possible for other households living elsewhere to out-compete those forming as a result of these trends including people moving into the areas for employment reasonable. For this reason it is also essential to look carefully at the need for affordable housing to address these pressures.

Affordable housing provision

10.10 Securing sufficient affordable housing poses challenges in the HMA because of the high costs associated with any housing provision in areas of high prices and land values and the impact of these on the viability of new housing. The level of affordable provision identified in this study is high relative to the overall level of OAN, although as we have stressed the two cannot be directly compared, as affordable housing can potentially be secured without the creation of additional dwellings. However, new housing is an important source of affordable provision, either directly or through provision financed by planning obligations, and will become more important if policies to transfer social rented housing into home ownership through the right to buy, reductions to rental income, planned reductions to the benefit cap and other policies that reduce the capacity of RPs and local authorities to develop have an impact on relet supply.

10.12 While authorities have to date managed to limit the impact of homelessness, the roll-out of further welfare reform measures, especially those that will reduce or remove housing benefit for younger people and the roll out of Universal Credit (UC) is causing considerable concern, and will exacerbate pressure on the limited supply of social housing. In the longer term, the uncertainty about future resourcing for supported housing is also a concern.

10.13 Although not officially affordable, we have highlighted the potential role of the private rented sector, which has been growing rapidly in some parts of the HMA, in contributing to affordable need, and this cannot be dismissed. The rise in the involvement of investors in the housing market is one of the factors which have contributed to increasing affordability problems. It is already clear nationally, and to a greater extent in London and the South East, that many households on median level incomes and above are struggling to secure housing which they can afford without devoting a very high proportion of their incomes to housing costs and exposing themselves to a high level of risk if their circumstances change. These households represent an important element of the market for privately rented housing, but as landlords increasingly withdraw from the Housing Benefit market (as Housing Benefit entitlement reduces) and turn to the 'young professionals' market, the ability of the private rented sector to meet the needs of lower income household is withering away.

10.14 Affordable housing provision is also important in supporting the economy in the HMA. Although the population living in the area is increasingly highly skilled, a significant element of employment is associated with the provision of local services and other forms of lower paid employment which nonetheless play an important part in the functioning of the HMA area and the maintenance of its attractiveness as a place to live.

Population ageing

10.15 In Kingston the population remains relatively young in terms of its age profile, with Elmbridge and Epsom and Ewell having more older people and Mole Valley having the highest proportions of older people. The population of the HMA as a whole will not age to the extent faced by more traditional retirement areas, but this is still a significant issue. The

ageing of the population creates demand for services and employment, but in housing terms, its impact is more challenging. Increasing longevity is creating a one-off tranche of additional housing demand which has contributed and will contribute in future to overall housing demand – as more households live longer. Many people in old age would be content to downsize but often this is difficult as a result of the limitations of the supply of housing to move to. There are many dimensions to this in terms of tenure, type, location and design. From a housing and planning perspective, there are considerable benefits to be gained from seeking to facilitate downsizing movement by older households where they seek to do so. This involves the provision of smaller and accessible units in the right locations and then potential release of larger units for larger and younger households. This applies both in the market and social sectors. High average dwelling and land prices can constrain what is feasible but they also provide for an increase the range of choice which households seeking to move have available. NPPF now stressed the importance of taking this issue into account through planning policies where applicable.

Annex 1

Calculating the need for affordable housing: methodology note

This document sets out in detail Cobweb Consulting's approach to calculating the need for affordable housing for the Kingston and North East Surrey Strategic Housing Market Assessment. The approach follows that of official Planning Practice Guidance (Housing and economic development needs assessments, paras 22-29).

A secondary data-based approach was taken following the requirements of the brief and in the spirit of official advice. It is important to emphasise however that the outputs will be estimates rather than exact measurements. No sources provide a comprehensive picture of the matter at hand and combining different sources inevitably means that there are gaps and overlaps. The use of assumptions and proxies at certain stages of the calculation is therefore required in order to complete the estimate. These assumptions and proxies are explained in this note to ensure the methodology is not a black box, and to provide a full technical explanation of the methods employed, with assumptions, judgements and findings fully justified and presented in an open and transparent manner.

The structure of this technical note follows the main stages of the calculation, organised under these headings:

- Calculating Backlog Need;
- Calculating Newly Arising Need;
- Supply;
- Completing the Calculation.

Calculating Backlog Need

Under backlog need the first component is that of **concealed households**.

The Census 2011 provides data on the number of 'concealed families'. Being a comprehensive headcount of the population the Census is a robust source, although the measurement is now potentially out of date. To address this the 2011 estimate was adjusted, as suggested in Official Guidance, on the basis of trends for London and the South East derived from the English Housing Survey.

The 2011 Census data on concealed households focusses on concealed families, which are 'living in a multi-family household, in addition to the primary family'. A concealed family can be a couple (with or without children) or a lone parent. An adult child living without a partner or child is not defined as a family. A wider definition of concealed households could include single people, but there is a problem in estimating this, as not all adult children in households want to live independently, and the Census did not ask about aspirations.

The GLA SHMA 2013 made an estimate of concealed households including single people. This number was arrived at following analysis of the most recent 3 years of data from the English Housing Survey (EHS) for London as a whole, on the basis of responses to a question which asked for the number of people within each household who might be living alone if they could afford to do so, and a further estimate of the extent to which these households require social rented housing. The GLA approach was replicated for the HMA authorities (including the Surrey ones). This results in an increase in the number of concealed households and hence in backlog need.

The next component of backlog need is **overcrowded households**.

Census 2011 data allows households to be classified by occupancy rating based on the number of bedrooms in the household. This information is used to provide a measure of overcrowding (i.e. households with a rating of -1 and below), which can again be updated using trends from EHS.

There is an overlap between overcrowded and concealed households: were concealed households to be given their own accommodation then in some cases this would solve the overcrowding in the remnant household. An overlap factor was estimated based on EHS data. Data from the EHS at regional level provides an estimate of the income distribution of overcrowded households which was used to estimate the proportion of overcrowded households that are able to afford in the open market. The same source also provides an indication of the dwelling size requirements of overcrowded households. The detailed method by which the affordability of backlog households was assessed is explained later in this document under the heading 'newly arising need.'

The third component of backlog need is **homeless households** in temporary accommodation. The source for this component is P1E administrative data. This is more up to date than the sources used for the other components of backlog need and is considered to be the best available.

We assume that all homeless households require social rented accommodation (i.e. they cannot afford the intermediate sector or market private sector rents). It is unlikely that a household would find itself in local authority assisted temporary accommodation if it had sufficient financial resources to be able to afford the intermediate sector. The size of dwellings required by homeless households in temporary accommodation was estimated through analysis of CORE data. Three years of data from CORE (2012/13-2014/15) covering General Needs lettings to new tenants (as opposed to transferring tenants) was examined.

These sources combined are termed current gross unmet need in official guidance (para 24). The numbers of concealed, overcrowded and homeless households were added together, providing an analysis of need broken down by tenure (social/affordable rent and intermediate) and bedroom requirements.

Some households in these categories will already be housed in the affordable sector. It is necessary to deduct these households as the resolution of their housing needs will release a dwelling for re-use. This will count towards available stock later in the calculation. This applies mainly to overcrowded households.

This approach excludes some categories of need for which there are no robust secondary data sources. These might include households sharing accommodation (other than concealed households), households in non-self-contained accommodation, households in homes lacking essential facilities, and households suffering from harassment. The exclusion of these households from the calculation means that the final estimate of backlog need will be a basic estimate Each local

authority in the HMA area provided comment on additional potential sources of need (based on their local knowledge) which might lead to an increase in backlog need in the future.

Calculating Newly Arising Need

The second element of need recognised in official planning practice guidance is newly arising need. This is in turn separated into two elements. The first is **newly forming households in need**. This is not simply **net** new household formation. To reflect the reality of household movement, it is necessary to estimate gross household formation, estimate the proportion of new households who will require affordable housing, and then to add the dwellings released by dissolving households to supply. In this way, any differences in the size and type requirement of newly forming households when compared to the size and type of dwellings being released can be taken into account.

Official advice (para 25) does not specify how this element of need should be estimated but we have used the cohort method. We use the GLA 2014 round household projections (Kingston) and the 2012-based CLG projections (Surrey authorities) to estimate a gross annual increase in the number of households by tracking change in household reference person age cohorts from year to year across the projection period. Most household formation is concentrated in the younger age ranges and it is therefore not necessary to look at all age cohorts. It is reasonable to assume that newly forming households in age cohorts older than 45 years will have already found suitable accommodation be it in the market or in the social sector. Moreover, if these older households suffer a reversal of circumstances they will be captured later in the calculation as existing households falling into need. For these reasons older households are excluded.

The next step is to apply an affordability test to these households, to estimate the proportion able to access open market housing. This requires data on both incomes and sale prices. We have used a combination of data from GLA and ONS estimates of mean and median income, and EHS to derive a distribution of incomes for each authority and lower quartile incomes. The process of producing these estimates is described in a separate note.

In addition, a market entry price level must be determined. This was based, as recommended in official guidance, on lower quartile prices for buying and renting in the open market in each borough. This was based on the analysis of Land Registry price paid data, adjusted to provide a breakdown by dwelling size and using data from Rightmove and other websites. Prices were converted to annual mortgage sums and then to required income levels by applying the following criteria, which can be varied in the model if required:

- A 5% deposit is assumed, so the mortgage amount is 95% of the price;
- An interest rate of 5% APR is assumed;
- A mortgage repayment period of 25 years.

Following the conversion of lower quartile purchase prices to annual mortgage payments these were compared to the lower quartile annual cost of renting in the PRS. The lower cost was taken to represent the market entry price level.

The SHMA Guidance requires assumptions concerning intermediate housing to be based on actual prices of intermediate products being offered in the market. An intermediate threshold, demarcating the lower boundary of the intermediate sector and separating it from the social and affordable rent sector, was determined through analysis of shared ownership prices in CORE data and from the Statistical Data Return made by Registered Providers.

The next step was to convert the annual costs of market entry and the intermediate sector into the income levels required to afford them. This is done using the affordability threshold percentage, i.e. the maximum percentage of gross income to be spent on housing for this to be considered affordable. The percentage used can be varied in the model, but a figure of 25% of gross income was agreed with the Steering Group.

The next step was to determine the size of dwellings required by different types of household. This was done using data from the EHS. Data for London and for the South East covering the most recent three years available was analysed to derive the appropriate assignment of households to bedroom categories.

The next step was to determine the income distribution of newly forming households compared to the incomes of all households. This was based on region-wide figures from EHS and broken down by different household types (single person; couple, no children; couple with children; lone parent; other multi-person).The market entry price level for each household type (the price weighted by dwelling sizes required), converted into an income requirement and compared to incomes was used to identify the number of households able to afford in the open market, those able to afford the intermediate sector but unable to afford the open market, and the remaining households unable to afford either.

These figures were converted into requirements for dwellings of different sizes. This was done using the analysis on bedroom mix by household type (i.e. based on the bedroom standard, see above).

The method used to calculate affordability for newly arising households was also be applied to households in backlog need as alluded to earlier where applicable.

The second component of newly arising need is **existing households that fall into need** each year due to changing circumstances. It is difficult to get a clear measure of this group from the available secondary data sources. We have used mortgage possession orders as a proxy for this component. The data source for this originates from the Ministry of Justice which constitutes a full count of court judgements without any variance of definition or subjectivity at the local level.

The breakdown into required dwelling sizes of existing households falling into need was based on an analysis of CORE data: dwellings let to households who have been evicted, repossessed or unable to afford their previous rent or mortgage. Robust data on the income profile of this group of households is lacking, so we have used the tenure split results of the affordability calculation pertaining to newly forming households as the best proxy available, applying this to existing households falling into need.

The two components of newly arising need – newly forming households in need and existing households falling into need – were then added together.

Supply

There are two distinct types of housing supply which are treated differently within the model. The first type concerns the **total affordable stock available**. As explained above (under backlog) this is primarily made up of relets/resales - affordable units currently occupied by households in need which will become available if the occupants move elsewhere/the household dissolves. From this, an allowance for surplus stock is deducted (the number of affordable properties that can be normally expected to be vacant at any one time). It is generally considered that approximately 3% vacant

stock is a necessary feature of a normal functioning market as these voids are required to facilitate household movements and renovations.

The model excludes any assumptions concerning the future pipeline of new-builds. The rationale for this is that by excluding these assumptions the model provides a clearer picture of the current situation and thereby serves as a better basis when it comes to formulating appropriate policy responses. Conclusions concerning the amount of future new build required can be drawn because they have not been pre-factored into the calculation.

The final component of total affordable stock available concerns the subtraction of units to be taken out of management. These are social sector homes that are currently occupied by households in need of affordable housing but which are due to be demolished.

The second part of supply is called "**future housing supply**" and consists of an annual estimate of future annual supply of social housing re-lets, calculated on the basis of past trends – we have averaged the past three years supply and adjusted this on the basis of local information on relet trends. This estimate must exclude transfer lettings. Social rent and affordable rent general needs lettings are treated together. Supported housing lettings have been excluded because their high turnover and specialised client group tends to distort a true pattern of emerging housing need (they are further considered in Chapter 9).

CORE is the normal data source used for the estimate of future housing supply. CORE data distinguishes lettings of existing properties to new tenants (excluding new build first lettings as well as lettings to transferring tenants) broken down by borough and by dwelling size.

A second component of future housing supply is the supply of intermediate affordable housing - homes which come up for re-let or re-sale and which excludes new build properties. This was also an estimate based on an average from the most recent year's data available. Data from the four authorities was used for this estimate, augmented by data from CORE which showed the breakdown of shared ownership re-sales by dwelling size. The two parts were then be added together.

An increase in Right-To-Buy and other sales of affordable dwellings would result in a reduction in the social housing stock which would act to reduce re-let supply and thereby increase the need for affordable housing in the future and this may need to be taken into account in the future.

Completing the Calculation

The various components are then assembled as shown below.

Key components	Calculation steps	Number
Existing need	A: Backlog need	
	B: Affordable stock available	
	C: net current need (A-B)	
	D: Backlog reduction period	
	E: Annual backlog quota (C/D)	
New need	F: Newly forming households	
	G: % unable to afford market	
	H: Newly forming households in need (F*G)	
	I: Existing households falling into need	
	J: Annual newly arising need (H+I)	
Final steps	K: Gross annual need (E +J)	
	L: Annual supply	
	M: Net annual need (K-L)	

A decision was taken on a realistic timeframe for eliminating the backlog (i.e. the backlog reduction period). There is no firm requirement on this, and GLA for example have assumed a period of 20 years in London, although a shorter period is more commonly adopted. The Steering Group decided on a ten year period.

The final stage was to combine the various components concerning dwelling size and tenure which have been differentiated throughout. Recommendations on new dwelling size mix were generated from these results. In the case of an oversupply of dwellings of any size/tenure combination the requirement was adjusted to zero, to avoid calculating with negative numbers.

Annex 2

Estimating local household incomes: methodology note

The Cobweb Consulting model used to assess the requirement for affordable housing requires estimates of household incomes at Borough/local authority level, or for smaller areas if outputs are required at that scale. In order to produce its outputs, the model requires data meeting the following criteria:

- It should provide data at household rather than individual level, as it is *household* incomes which determine the ability to purchase a dwelling. This makes the use of data sources such as ASHE or the Inland Revenue Survey of Personal Incomes, which provide data on *personal* incomes, difficult, but has the benefit that incomes do not need to be equivalised.
- Data is required for all households rather than, for example, the incomes of those with members in employment, or those dependent on benefits.
- Data is needed on the distribution of incomes, rather than on average or median incomes which many sources provide, in order to be able to compare incomes with house prices and rents. In particular, the lower quartile threshold income is important as this forms an input to most affordability assessments.
- The model requires data on gross household incomes, although data on net incomes can be used if it can be converted to gross incomes.
- In an ideal world, income data would be supplemented by data on the equity held by households and on their savings, as both of these provide sources for deposits which play an important part in assessing affordability and the ability to access mortgage finance. However data on these aspects of wealth is not readily available.

Suitable data on local incomes is difficult to obtain. The advantages and disadvantages of the various sources will not be examined in detail here, but the outcome is that some form of estimation or modelling is generally required to produce data in the required format. Commercial companies such as Experian or CACI provide modelled income data, but this is expensive to purchase, subject to stringent licencing conditions, and based on 'black box' modelling for reason of commercial confidentiality. Commercial data is often considered to over-estimate local incomes, although there is no firm evidence to support this. Conversely, sources such as local surveys may have a tendency to under-estimate incomes because of bias in responses, the difficulty of collecting data on multiple income sources, and the unwillingness of some respondents to provide full income details.

The most reliable sources are probably the various large national interview surveys which use elaborate frameworks to obtain comprehensive income data from respondents and may include elaborate mechanisms for inferring missing data. ONS have in the past produced estimates of local incomes, but these are now substantially out of date and there is no indication of when or whether new estimates will be produced.

GLA income estimates

The Greater London Authority has developed a model which produces estimates of average and median incomes at regional, London Borough and small area levels. This has been produced in response to demand from London Boroughs and other organisations for income data covering

London and GLA makes this data available to researchers for further use. The GLA model is described fully in an Intelligence Bulletin, but in summary it uses the following approach:

- Two national surveys, the ESRC Understanding Society dataset1, waves 1-4 (2009/10-2012/13) and British Household Panel Study (2001-2008) were used to provide a baseline of regional level income estimates which were aligned with the ONS estimates referred to above to produce a time series extending from 2001-2013.
- Incomes at Borough level and below were modelled, using data on:
    - NS-SEC of residents (based on Census data). NS-SEC is a classification of occupations by type.
    - Household deprivation.
    - Median house selling prices (Land Registry data).
    - Child Poverty data (HM Revenue and Customs).
    - ONS Household Income Estimates from 2001, 2004, and 2007, which were available at small area level (MSOAs).
- These indicators were chosen because they had correlation with income and were considered by GLA to highlight a number of different aspects of income to maximise the overall explanatory power of the model.
- The data from these sources was standardised so that 'scores' on each indicator could be added together. The sum of the five indicators was calculated using the following weightings: NS-sec 25%, Household deprivation 20%, Child Poverty 15%, House prices 25%, and ONS Income 15%.
- Overall scores for each area for 2007 compared to 2007 ONS income estimates to produce a polynomial trend line. The equation derived from this was then used to produce income estimates for all small areas and for the whole period 2001-2013 period based on the summed indicator scores.
- A further adjustment was made to the results. Data from the Annual Survey of Hours and Earnings and the Inland Revenue Survey of Personal Income were combined to produce a further Borough level estimate of (presumably personal not household) income. This in turn was used to produce an adjustment factor which was applied to the income estimates from the previous stage.

The methodology used by GLA follows that used by ONS in that it models income against a range of explanatory variables. The approaches used by commercial organisations are generally confidential, but are likely to follow a similar approach. As with all modelling exercises, a degree of error is inevitable, but the larger the spatial area, the less significant this is likely to be.

Income estimates for the Cobweb model

The data produced by GLA provides estimates of mean and median incomes at various spatial scales as a basis for producing the income distribution estimates required to assess affordable housing need. It provides estimates for individual London Boroughs (including Kingston), and for English Regions. It is not practical within the timescale and resources of an SHMA to undertake an elaborate modelling exercise similar to that carried out by GLA to produce the required data, so instead a simpler approach has been utilised.

The first step was to derive data on the distribution of incomes from the English Housing Survey (EHS). As with the two surveys used by GLA described above, this provides only regional level data, but has the advantages that the data provides a distribution of incomes. Three years data were used aggregated together, with incomes rebased to 2012 levels using factors derived from the GLA

incomes dataset at regional level (London or the South East as applicable). The survey also includes banded data on household savings and data on housing equity.

EHS includes the CLG Index of Deprivation score for the area in which each household in the survey is located. Using the EHS data for London and the South East, the survey was used to calculate a distribution of household incomes for each decile of the Index of Deprivation scores for each region. This provides twenty separate income distribution estimates.

Using the GLA estimates of changing mean incomes in the South East region as the starting point, ONS estimates of mean income for Elmbridge, Epsom and Ewell and Mole Valley in 2007-08 (the latest year available) were inflated to 2012-13 levels. The GLA estimate of the relationship between mean and median incomes in the South East was then used to derive estimates of median income for the same year for each authority. The appropriate decile distribution was then applied to each LSOA in the South East. The data at LSOA level was weighted by number of the 2011 households and averaged at local authority level. The distribution of incomes for each authority is thus mix adjusted to reflect the profile of deprivation.

For Kingston, using the GLA median figure for 2012-13 as the central cut point, the appropriate decile distribution was applied. This was derived from data at LSOA level, weighted by number of the 2011 households and averaged at Borough level.

The results for the four authorities in the KNES HMA are shown in Table 1.

Table 1 Distribution of incomes 2012-13

	Cut points for deciles/quartiles												
	Mean income	Median income	10	20	Lower quartile	30	40	Median	60	70	Upper quartile	80	90
Kingston on Thames	56920	43940	10972	18434	21870	25307	34324	43940	57071	70336	78636	86936	117718
Elmbridge	66512	50514	14638	21083	25407	29731	39652	50514	61338	75705	84468	93231	123659
Epsom and Ewell	58202	42476	12308	17728	21364	25000	33342	42476	51577	63657	71026	78395	103980
Mole Valley	57452	44890	13008	18736	22578	26421	35237	44890	54508	67275	75063	82850	109890

Source: Cobweb Consulting estimates, based on GLA (2015) Modelled household income estimates for small areas, London, 2001-2012, and English Housing Survey 2010-11, 2011-12 and 2012-13.

Annex 3: Abbreviations and glossary	
ALMO	Arms' Length Management Organisation
AST	Assured Shorthold Tenancy
BAME	Black Asian and Minority Ethnic
BRMA	Broad Rental Market Area – geographical area defined by the Valuation Office Agency for the purpose of setting Local Housing Allowance rates
Buy to Leave	Properties bought as assets, intentionally and permanently left unoccupied until they appreciate, and are sold at some later date.
CACI	Data source for household incomes
CIL	Community Infrastructure Levy – levy on new development to help support development of local facilities
Concealed households	The Census definition is 'a family living in a multi-family household, in addition to the primary family'. This excludes now-adult offspring of families, who may still be living with them. We have included elements of this group in our calculations of housing need – details in the technical appendix
CORE	Continuous Recording System – monitoring system recording details of social / affordable / intermediate and supported lettings
DCLG	Department for Communities and Local Government (sometimes known as CLG)
DLA	Disability Living Allowance – tax-free benefit payable to some people to help with the extra costs associated with disability; now being phased out and replaced with Personal Independence Payments
DWP	Department of Work and Pensions
EAC	Elderly Accommodation Counsel – holders of database on older persons' accommodation
EHCS	English House Condition Survey
Enhanced Sheltered	Term used in SHOP toolkit to describe sheltered housing with additional support services provided, but below Extra Care standards
EHS	English Housing Survey (replaced the EHCS)
Extra Care housing	Types of self-contained and independent housing developed for frailer older people, with varying levels of care available on-site
FALP	Further Alterations to the London Plan, 2014 – the latest set of amendments to the London Plan, now incorporated
FE	Further Education
GLA	Greater London Authority
HCA	Homes and Communities Agency – the funding and regulatory body for Registered Providers
HB	Housing Benefit
HE	Higher Education
HESA	Higher Education Statistics Agency – holding data on universities and colleges
HHSRS	Housing Health and Safety Rating System – augmented and replaced the Decent Homes Standard
HMA	Housing Market Area – the geographical area to which an SHMA should relate; see Chapter 2 for detailed explanation
Household Representative Rate (HRR)	Term included in Census 2011, replacing former term 'Head of Household' and using a concept of Household Representatives to help enumerate the number of households in an area
HSSA	Housing Strategy Statistical Appendix – now replaced by the LAHS
Intermediate market housing	Housing produced as Shared Ownership or similar ownership products, or at rents above affordable rents but below market rents, that count towards the affordable

	housing supply
LAHS	Local Authority Housing Statistics
LHA	Local Housing Allowance – maximum levels of rent by bedsize eligible for Housing Benefit, based on BRMA geographical areas
(Housing) LIN	Housing Learning and Improvement Network – source of data and information on older person's housing
LLHPD	Census term – Long-term Limiting Health or Physical Disability
NPPF	National Planning Policy Framework – sets out the Government's planning policies for England, including housing planning policies, and sets out the requirement for local authorities to undertake SHMAs as part of the evidence base for Local Plans
NROSH	National Register of Social Housing – a database of details of individual local authority and Registered Provider accommodation; discontinued 2012
OA	Output Area – smallest spatial area used in Census
OAN	Objective Assessment of Need – assessment of requirement for future housing development, of all types and tenures
ONS	Office for National Statistics
PANSI	Projecting Adult Needs and Services Information system – database of demographic information on working age adults with disabilities
PAS	Planning Advisory Service – issues advice on interpretation of NPPF and PPG
PIP	Personal Independence Payment
POPPI	Projecting Older People Population Information system – database of demographic information on older people
PPG (or NPPG)	Planning Policy Guidance – provides more detailed guidance on the scope and methodology for SHMAs (sometimes known as PPG)
PRS	Private rented sector
RP	Registered Provider – a provider of social affordable housing and intermediate housing, registered with the HCA. This includes housing associations (RSLs) and some private bodies.
RSL	Registered Social Landlord; primarily Housing Associations, now subsumed under the Registered Provider label
RSR	Regulatory and Statistical Return - for housing associations
S.106	Legally-binding planning obligations entered into between developers and local authorities under the terms of the Town and Country Planning Act 1990; they can include provision of affordable housing, among other infrastructure enhancements, as a condition of development.
SDR	Statistical Data Return - replaced the RSR
SCS	Stock Condition Survey
Self-Build	Catch-all term for individual and community group built homes, including 'custom-built housing' involving sub-contracting to architect / design agencies. The 2015 Self-Build and Custom Housebuilding Act obliges local planning authorities to maintain a register of interest. Such supply can count towards affordable housing provision.
Shared Ownership	Affordable housing where the occupiers buys initial shares of the equity of the home, pays a rent, and are able to buy further equity shares, ultimately enabling them to obtain full ownership.
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment – part of the housing evidence base to feed into the Local Plan
SHOP	Strategic Housing for Older People resource pack and toolkit
Social / affordable	We use the term 'social / affordable rented' to include :

rented or renting	**Social rented housing** - 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. **Affordable rented housing** is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing, and subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). It will also encapsulate capped and discounted rents as described in the *Mayor's Housing Covenant – 2015-18 Programme*, where locally applicable. It therefore excludes intermediate rented housing provided at a cost above social rent, but below market levels.
Social sector	We use this terms to describe the collective local authority and Registered Provider sector housing
SPG	Supplementary Planning Guidance (issued by the Mayor of London – previously referred to before adoption as the Mayor's Draft Interim SPG)
Starter Homes	Homes to be developed and sold at 80% of their market value to first time buyers, capped at £450,000 in London and £250,000 elsewhere. Under the 2016 Housing and Planning Act these will qualify as part of affordable home supply. It is likely that there will be a 20% Starter Home requirement on larger sites
TTWA	Travel to Work Area – a geographic area based on the relative self- containment of the workforce (i.e. the proportion that both live and work within an area)
UC	Universal Credit – being rolled out, to replace a range of benefits including Housing Benefit
UCA	University of Creative Arts
VOA	Valuation Office Agency – the service responsible for setting Local Housing Allowances in Broad Rental Market Areas