

Strategic Housing Market Assessment Update

London Borough of Croydon

August 2019

Prepared by

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Quality Standards Control

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Limitations

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1 INTRODUCTION

- 1.1 GL Hearn has been commissioned by the London Borough of Croydon to carry out an update to their Strategic Housing Market Assessment in light of the publication of the National Planning Policy Framework (NPPF (2018 and subsequently 2019) to inform the development of their new Local Plan.
- 1.2 The current Croydon Local Plan was adopted in February 2018, however, the Council is currently updating this to reflect the strategic direction outlined in the Draft London Plan. The Council is working towards the publication of the Local Plan in 2022. The Emerging Croydon Local Plan has a plan period of 2019-2036. This document reflects the need within that period.
- 1.3 This work updates and adds to previous work assessing housing need in Croydon. The most recent of which was set out in the Croydon Strategic Housing Market Assessment (SHMA) in June 2015.

NPPF (2019) and PPG

- 1.4 The methodology used in this report responds to the NPPF (2019) at the time of publication which sets out the Government's objective to significantly boost housing supply, and the current Planning Practice Guidance (PPG) on *Housing and Economic Needs Assessments*.
- 1.5 Chapter 5 of the NPPF (2019) relates to delivering a sufficient supply of homes. with Paragraph 60 setting out that "To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard methodology" which is this report. However, in exceptional circumstances, an alternative approach could be justified.
- 1.6 In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for. This, however, would be the housing requirement rather than the housing need.
- 1.7 Paragraph 61 of the NPPF (2019) sets out that "Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed". It adds these specific groups include but are not limited to:

"those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes".

- 1.8 It is clear from the NPPF (2019) and the PPG that the Local Housing Need (LHN) derived from the standard methodology is to act as a minimum and there is ample scope and indeed it is encouraged for local authorities to provide housing in excess of this.
- 1.9 Paragraph 10 of the PPG¹ sets out the circumstances when a higher figure than the standard method needs to be considered including but not limited to:

“growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);

strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or

an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

- 1.10 Therefore, the London Borough of Croydon could align housing need with the identified growth in the draft London Plan or indeed any other aspiration document seeking a higher level of growth above the standard methodology.
- 1.11 It should be emphasised that this report does not set housing targets. It provides an assessment of housing need, based on Government guidance at the time of writing, which is intended to provide an input to plan-making alongside wider evidence including land availability, environmental and other development constraints and infrastructure.

Report Structure

- 1.12 Following this introductory section, the remainder of the report is structured as follows:
- Section 2: Housing need and population growth
 - Section 3: Economic growth and housing need
 - Section 4: Affordable housing need
 - Section 5: Housing mix
 - Section 6: Needs of specific groups
 - Section 7: Summary and conclusions

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf

2 HOUSING NEED

Introduction

- 2.1 Paragraph 214 of the revised NPPF (2019) states that any plans submitted after the 24th of January 2019 should be based on the 2019 version of the NPPF including the standard methodology. As the London Borough of Croydon is currently preparing a partial review of the Local Plan nevertheless given that the methodology for housing need has been updated in the NPPF and this is major change to be addressed in the review then the revised framework applies.
- 2.2 In assessing housing need and deriving a housing target that means adopting the three-stage standard methodology. This is set out in the Planning Practice Guidance (PPG) in relation to Housing and Economic Needs Assessments was revised in July 2018, again in September 2018 and most recently in February 2019.
- 2.3 Our approach below sets out the standard method for assessing housing need using the worked example set out in the PPG.
- 2.4 Three growth scenarios have been tested; these are:
- Scenario 1: Standard Method. This is the housing need derived from the Standard Method.
 - Scenario 2: The Croydon Local Plan. This is the housing need based on the housing requirement in the Croydon Local Plan.
 - Scenario 3: The Draft London Plan. This is the housing need based on the housing requirement in the Draft London Plan.

Scenario 1: Standard Method

- 2.5 The PPG in relation to Housing Need Assessment was revised in July 2018, again in September 2018 and most recently in February 2019. The revised PPG at paragraph 4 sets out the standard methodology for assessing housing need.
- 2.6 Paragraph 214 of the revised NPPF (2019) states that any plans submitted after the 24th of January 2019 should be based on the 2019 version of the NPPF including the standard methodology. As the London Borough of Croydon is currently updating the Local Plan and working towards adoption in 2022, then the revised framework applies. This means adopting the three-stage standard methodology set out below.

Step 1 - Setting the baseline

- 2.7 The PPG advises that “the projected average annual household growth over a 10-year period (this should be 10 consecutive years, with the current year being the first year)” should be used. We have interpreted the “current year” as 2019 to align with the start of the plan period.
- 2.8 Croydon’s household projections (2014-based projections) are:
- 164,763 households in 2019
 - 189,489 households in 2029
- 2.9 This is a total of 24,726 new households over the 10-year period, equivalent to an average household growth of 2,473 per year.

Step 2 - An adjustment to take account of affordability

- 2.10 The Step 2 then adjusts step 1 based on the affordability of the area. This draws on the most recent median workplace-based affordability ratios. The formula for the adjustment is calculated as below:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

- 2.11 Croydon’s median workplace-based affordability ratio is 11.13. Using the above formula results in an adjustment factor of 0.446 (44.6%) and is used as below:
- Minimum annual local housing need figure = (1 + adjustment factor) x projected household growth
- 2.12 For Croydon this means:

$$(1 + 0.446) \times 2,473 = 1.446 \times 2,473 = 3,574 \text{ dwelling per annum (dpa).}$$

Step 3 - Capping the level of any increase

- 2.13 Stage 3 of the standard method applies a cap which limits the increases an individual local authority can face. The cap depends on the status of relevant strategic policies for housing. In practice, this only effects local authorities who have an adjustment greater than 0.4. This is the equivalent of an affordability ratio of 10.4.

- 2.14 Croydon's Local Plan was adopted under five years ago (2018) and reports the need for an additional 32,890 new homes by 2036. This equates to approximately 1,644 dwellings per annum over the plan period compared to 3,574 per annum from Step 2.
- 2.15 The local housing need figure is capped at 40% above the lower of the average housing requirement or the output from Step 2. In this instance it is capped at 40% above 1,644 dwellings per annum set out in the existing policy. Capping the level of any increase is as follows:

$$\text{Cap} = 1,644 + (40\% \times 1,644) = 1,644 + 981 = 2,302$$

- 2.16 The capped figure is less than the minimum annual local housing need figure and therefore the minimum LHN figure for Croydon is 2,302 dpa. This results in 46,040 dwellings over the 20-year plan period.

Scenario 2: Croydon Local Plan

- 2.17 Under the Croydon Local Plan scenario, we have used Policy SP2 which seeks to deliver 32,890 dwellings over the period 2016 to 2036. This equates to 1,644 dpa. The previous housing need calculated a housing need higher than the housing allocations identified in the Croydon Local Plan therefore this is a constrained scenario.

Scenario 3: Draft London Plan

- 2.18 The Draft London Plan identifies a target of 56,202 over the period 2019/20-2028/29. This equates to 2,949 dpa. This is based on an alternative assessment of capacity in the Borough including the assumptions about windfall development.

Population Growth

- 2.19 To input into later parts of this study, we have translated the level of household growth under each scenario into a population projection. While the population projections are an input to stage 1 of the report how the additional homes (either through step 2 and 3 or Scenario 2 or 3) are occupied still needs to be calculated.
- 2.20 An indication of how this should be tackled is set out in Paragraph 6 of the PPG which relates to the affordability adjustment:

"An affordability adjustment is applied as household growth on its own is insufficient as an indicator of housing demand because:

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*

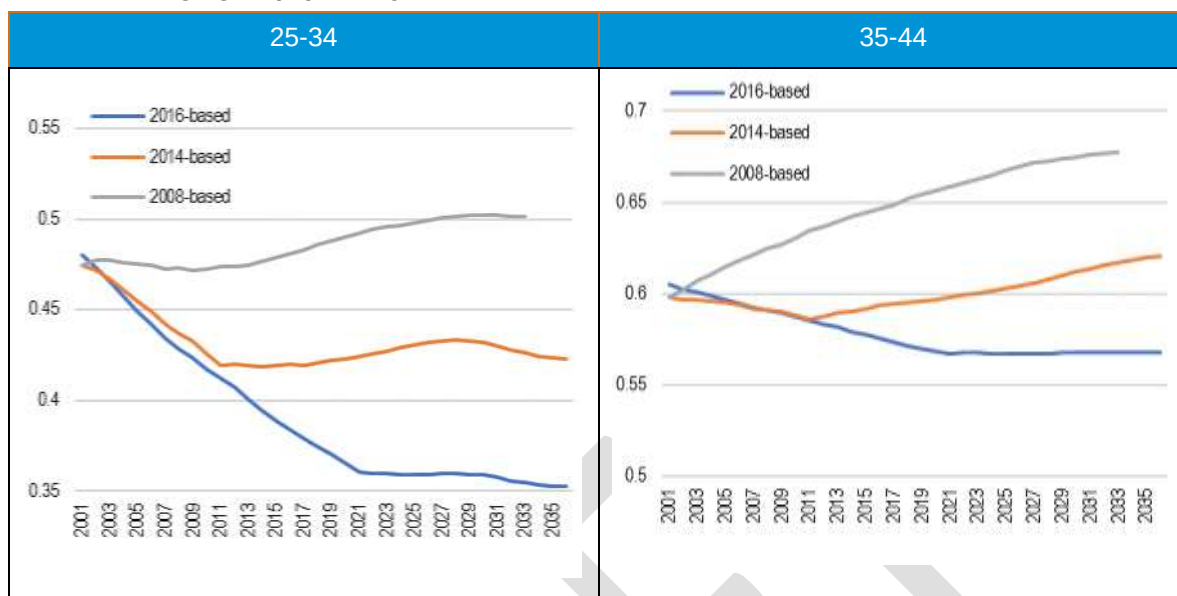
- *people may want to live in an area in which they do not reside currently, for example, to be near to work, but be unable to find appropriate accommodation that they can afford.”*

- 2.21 In other words, if the additional homes are to be filled and to address the issues set out above then a combination of reasonable improvements to household formation and changes to migration must occur.
- 2.22 Our two-step process therefore firstly improves household formation rates to a level which might be reasonable based on historic trends. The second step then adjusts migration (link to underlying assumptions in the 2016 SNPP which utilises more recent data and based on the same methodology as 2014-based) to a point where household growth matches the number of homes in the scenario the additional homes are occupied.

Household Formation Rates

- 2.23 We have first sought to establish what a reasonable improvement to household formation rates entails. The latest Households Representative Rates (HRRs) are contained in the ONS 2016-based sub-national household projections (SNHP) published in September 2018.
- 2.24 The 2016-based SNHP have come under some heavy criticism, this is largely because they are based only on data in the 2001-11 Census period and arguably build in the suppression of household formation experienced in that time. The criticism of the 2016-Based HRR resulted in the consultation methodology employed in this report.
- 2.25 The previous (2014-based) projections used a longer time-series (all Census points back to 1971) and therefore do cover a wider housing market cycle. However, while the 2014- based projections are more positive than the 2016-based projections for those aged 25-34, there is still a clear and considerable deterioration in the ability to form a household since 1991 but particularly from 2001 onwards which is projected to continue.

Figure 1: Projected Household Representative Rates by age of head of household (selected age groups) – Croydon



Source: Derived from ONS and CLG data

- 2.26 In addition, when compared to the pre-recession 2008-based HRRs both the 25-34 and 35-44 age groups are much lower. These were based on pre-recession trends and are therefore reflective of a more positive housing environment.
- 2.27 If either the 2014-based or 2016-based HRR figures are used it would be clear that the objective of the affordability adjustment would not be met as households in these age groups would still not be able to form in the way that they once did and arguably should.
- 2.28 In such circumstances, it would be reasonable to consider a further adjustment to HRR, as otherwise, residents in these younger age groups would not be able to form in the way in which they would perhaps like to or had done so historically.
- 2.29 A sensitivity test has thus been developed to model an increase in the household formation rates of the population aged 25-44. This links back to the 2014-based SNHP and can be termed a 'part-return-to-trend', where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version. This approach was suggested by the Local Plans Expert Group (LPEG)² although it should be noted that these assumptions are untested as no Local Authority that has examined their local plan since changes to the NPPF were made in February 2019.

Migration

² <http://lpeg.org/wp-content/uploads/2016/02/Appendices-local-plans-report-to-government.pdf> (page 23)

- 2.30 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2016-based SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).
- 2.31 In summary, the method includes the following assumptions:
- Base population in 2017 from the latest mid-year population estimates;
 - Household representative rates from the 2014-based SNHP with an adjustment for a part-return to 2008-based trends; and
 - The migration profile (by age and sex) in the same proportions as the 2016-based SNPP
- 2.32 This changes both the overall level of growth away from the 2016-based SNPP but also changes the age structure. The higher population growth typically results in a much stronger growth in what might be considered as 'working-age' groups. This arises because ONS data shows that migrants are heavily concentrated in those age groups (along with their associated children).
- 2.33 The tables below show the age structure of the population projected to be consistent with the housing need associated with each scenario.

Scenario 1: Standard Method

- 2.34 As identified above, calculating the Standard Method results in a housing need of 2,302 dpa. The table below reports the projected population change in Croydon between 2016 and 2036 under Scenario 1. The population is forecast to increase by 56,900 or approximately 15%. This scenario forecasts the population to reach 440,200 by 2036.

Table 1: Projected population change under Scenario 1: Standard Method

	Population 2016	Population 2036	Change in population	% change
0-4	28,652	27,538	-1,114	-3.9%
5-9	27,749	27,366	-383	-1.4%
10-14	23,724	27,646	3,922	16.5%
15-19	22,801	27,244	4,443	19.5%
20-24	20,344	22,539	2,195	10.8%
25-29	27,743	27,186	-557	-2.0%
30-34	30,028	26,418	-3,610	-12.0%
35-39	29,356	27,709	-1,647	-5.6%
40-44	26,666	29,184	2,518	9.4%
45-49	27,095	31,122	4,027	14.9%
50-54	28,401	30,771	2,370	8.3%
55-59	22,417	28,236	5,819	26.0%
60-64	18,077	24,326	6,249	34.6%
65-69	15,539	22,530	6,991	45.0%
70-74	11,560	21,044	9,484	82.0%
75-79	9,216	15,716	6,500	70.5%
80-84	7,190	11,262	4,072	56.6%
85 & over	6,743	12,359	5,616	83.3%
Total	383,301	440,197	56,896	14.8%

Source: Demographic projections/SNHP

- 2.35 By 2036, older persons age groups are forecast to experience the most significant proportional growth with the 70-74 age group increasing by approximately 82%, 75-79 increasing by approximately 70% and 85 years and over group increasing by 84%.
- 2.36 Currently, the young working professional's make-up a large proportion of Croydon's population with 30-34 and 35-39 age groups the most populous age groups. However, these groups are forecast to experience lower rates of growth and indeed decline.
- 2.37 Amongst young adults, the 25-29 age group is forecast to decrease by approximately 2%, 30-34 age group is forecast to decrease by approximately 12% and 6% for the 35-39 age group. Having higher rates of housing delivery would result in higher levels of migration. However, in this particular scenario, the increase in migration only off-sets a decline in the population growth within the official population projections.

Scenario 2: Croydon Local Plan

- 2.38 The table below reports the population projections under Scenario 2, the Croydon Local Plan between 2016 and 2036. Over this period, the population is forecast to increase by an additional 30,590 people or 8%.
- 2.39 The population growth trends under this scenario tend to mirror Scenario 1. Currently, the young working professional age groups are the most populous with the 30-34 and 35-39 age groups each accounting for 8% of the total population.
- 2.40 As with Scenario 1, the number of children aged 0 to 9 and adults aged 25-39 are forecast to experience decline to 2036 under Scenario 2. Other age groups are expected to increase over the same period.

Table 2: Projected population change under Scenario 2: Croydon Local Plan

	Population 2016	Population 2036	Change in population	% change
0-4	28,652	25,065	-3,587	-12.5%
5-9	27,749	25,140	-2,609	-9.4%
10-14	23,724	25,918	2,194	9.2%
15-19	22,801	25,955	3,154	13.8%
20-24	20,344	20,931	587	2.9%
25-29	27,743	25,081	-2,662	-9.6%
30-34	30,028	23,974	-6,054	-20.2%
35-39	29,356	25,115	-4,241	-14.4%
40-44	26,666	26,755	89	0.3%
45-49	27,095	29,069	1,974	7.3%
50-54	28,401	29,276	875	3.1%
55-59	22,417	27,177	4,760	21.2%
60-64	18,077	23,547	5,470	30.3%
65-69	15,539	21,868	6,329	40.7%
70-74	11,560	20,502	8,942	77.4%
75-79	9,216	15,363	6,147	66.7%
80-84	7,190	11,048	3,858	53.7%
85 & over	6,743	12,106	5,363	79.5%
Total	383,301	413,891	30,590	8.0%

Source: Demographic projections/SNHP

- 2.41 By 2036, this trend is forecast to shift with older working professional age groups making up a high proportion of Croydon's population. For instance, by 2036, the 45-49, 50-54 and 55-59 age groups

are forecast to make up 7% of the total population of Croydon and the 25-29, 30-34 and 35-39 age groups are forecast to experience decline.

- 2.42 Over the period, the older person age groups are forecast to experience the greatest proportional growth with the 70-74 age group forecast to grow by approximately 77%, 75-79 age group forecast to increase by approximately 67% and the 85 years and over population forecast to increase by 80%. The forecast of older person population is aligned with the trends in Scenario 1.

Scenario 3: Draft London Plan

- 2.43 The table below presents the population forecasts for Scenario 3, the draft London Plan which identifies growth of 2,949 dpa. Under this scenario, the population is forecast to reach 466,061 which is approximately 22% increase over the period.
- 2.44 The forecast growth of young age groups (0-4 and 5-9) is forecast to experience a slight growth to 2036, and age groups 10-14 and 15-19 are forecast to increase by approximately 28% and 25%.

Table 3: Projected population change under Scenario 3: Draft London Plan

	Population 2016	Population 2036	Change in population	% change
0-4	28,652	29,969	1,317	4.6%
5-9	27,749	29,556	1,807	6.5%
10-14	23,724	29,345	5,621	23.7%
15-19	22,801	28,511	5,710	25.0%
20-24	20,344	24,121	3,777	18.6%
25-29	27,743	29,257	1,514	5.5%
30-34	30,028	28,820	-1,208	-4.0%
35-39	29,356	30,260	904	3.1%
40-44	26,666	31,572	4,906	18.4%
45-49	27,095	33,141	6,046	22.3%
50-54	28,401	32,241	3,840	13.5%
55-59	22,417	29,277	6,860	30.6%
60-64	18,077	25,091	7,014	38.8%
65-69	15,539	23,181	7,642	49.2%
70-74	11,560	21,576	10,016	86.6%
75-79	9,216	16,063	6,847	74.3%
80-84	7,190	11,472	4,282	59.6%
85 & over	6,743	12,608	5,865	87.0%
Total	383,301	466,061	82,760	21.6%

Source: Demographic projections/SNHP

- 2.45 This scenario shows positive growth for young adults in the 25-29 and 35-39 age groups, in contrast to Scenario 1 and Scenario 2 which showed decline. This is due to increased migration to fill these homes will be in those of a younger working age.
- 2.46 By 2036, the most populous age group is forecast to shift from the 30-34 and 35-39 age groups to the 40-44, 45-49 and 50-54 age groups through natural aging and in-migration. However, the 70-74 (86%), 75-79 (74%) and 85 years and over (87%) age groups are forecast to experience the greatest proportional growth over the period and in the case of those aged 70-74 the greatest absolute growth.

Housing Need and Population Growth: Summary Points

- The Standard Method housing need for Croydon results in 2,302 dpa based on the 2014-based household projections.
- Two other housing need scenarios were tested, looking at the housing need under the Croydon Local Plan scenario which identified a need of 1,644 dpa and 2,949 dpa under the Draft London Plan scenario.
- Using our modelled approach to population growth we have ensured that household formation rates are improved and population growth through migration is increased. Our modelling shows a growth of 14.8% in population and 28% in households over 2016 to 2036 under the Standard Method scenario.

3

4 **ECONOMIC GROWTH AND HOUSING NEED**

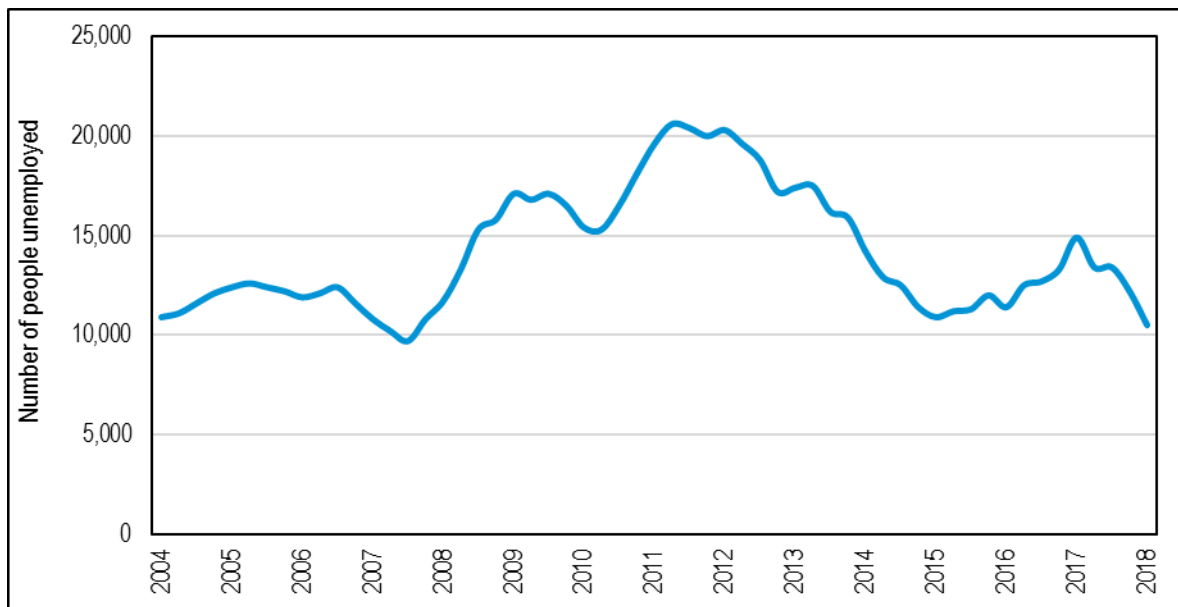
- 4.1 In this section, consideration is given to economic growth and how this may influence the level of housing need. While the standard methodology removes any consideration of economic growth within the LHN, there is still a requirement for local authorities to align their economic and housing strategies.
- 4.2 By failing to do so Local Authorities would either struggle to meet their economic growth aspirations or draw on a greater level of workforce outside the borough thus creating unsustainable commuting patterns.
- 4.3 The PPG is also clear that the standard methodology is also a minimum and that where growth strategies are in place this might entail the actual housing need being higher than the figure identified by the standard method.
- 4.4 This section of the report seeks to understand the employment level generated by the standard methodology and compares this to the most recent economic forecasts supporting the Council's strategy.

Number of Jobs Supported by the Standard Method

- 4.5 As set out in the previous chapter the three-stage approach to calculating housing need results in a total need for 2,302 dpa and a population growth of 56,896 additional people in Croydon. However, to translate this into a labour force growth and jobs growth, a series of assumptions need to be made.
- 4.6 The first step is to understand how economic activity might change and therefore what the resident labour force would be. There are several factors in relation to the economic activity including age profile, unemployment and changing pensionable ages.
- 4.7 Unemployment in Croydon was also analysed to reveal changes over time. As the figure below illustrates, the rates are somewhat in line with broader economic cycles. The level of unemployment in each area has remained similar relative to each other.
- 4.8 Unemployment in Croydon was high during the Global Financial Crisis reaching 17,000 persons at 2009, however this continued to rise in the following years. Unemployment rates peaked at 2012, reaching 20,600 people unemployed. The data assumes no further changes moving forward as current rates of unemployment are low.

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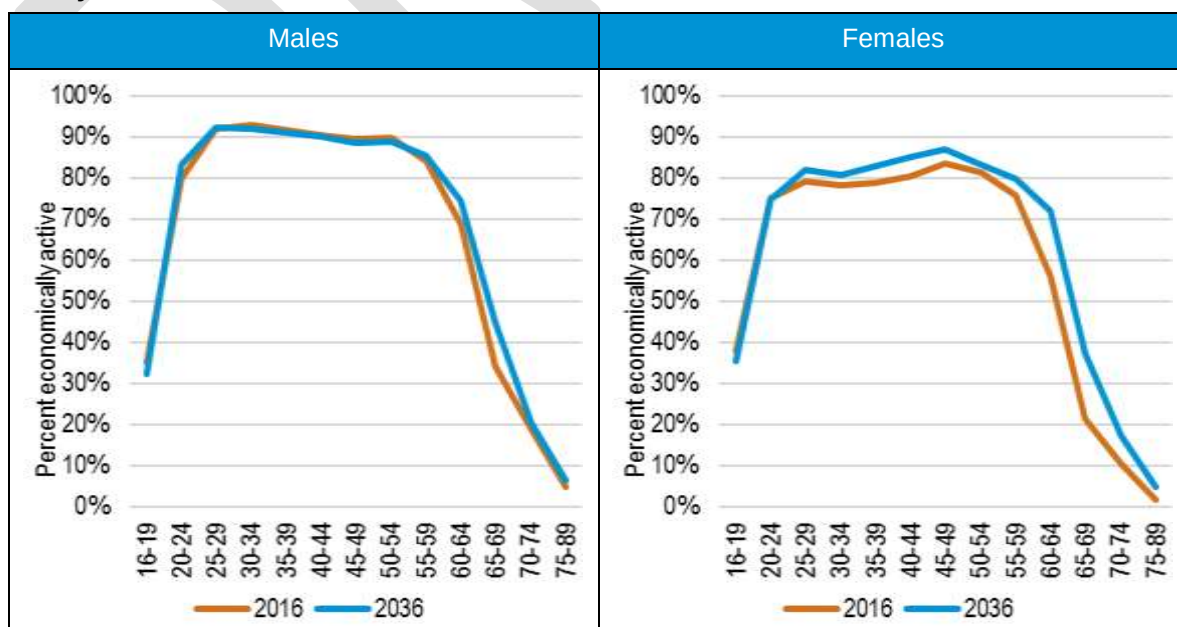
Figure 2: Number of people unemployed in Croydon (2004-2018)



Source: Annual Population Survey

- 4.9 We next considered how economic activity may change between 2019 and 2036. From this, we drew on from the Office of Budget Responsibility (OBR) Summer 2017 FSR but adjusted to reflect the start point and age structure in Croydon. The figures below illustrate changes to economic activity rates for both males and females.

Figure 3: Projected changes to the economic activity rate by age and sex (2016-36) – Croydon



Source: OBR and Census 2011

- 4.10 For most age groups the percentage of economically active males is forecast to continue in the same trend to 2036. However, linked to longevity and changes to the pensionable age there will be a slightly higher percent of the population that are economically active over the age of 60 in 2036. For women, the change is slightly more apparent again this is linked to more marked changes to the pensionable age.
- 4.11 Applying these assumptions to the population growth emanating from the standard methodology and the other scenarios it is possible to assess the growth in the economically active population in Croydon. This is presented in the table below, illustrating that under Scenario 1, an additional 28,375 economically active persons would be created.

Table 4: Estimated change to the economically active population (2016-2036)

	Economically active (2016)	Economically active (2036)	Change
Scenario 1: Standard Method	202,704	231,079	28,375
Scenario 2: Croydon Local Plan	202,704	216,214	13,510
Scenario 3: Draft London Plan	202,704	245,694	42,990

Source: Range of sources

Commuting Patterns

- 4.12 The table below shows the commuting ratio and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).
- 4.13 A small number of the population are considered home workers (15,887). There is a high number (39,912) of people commuting into Croydon for employment in its strong, office, retail and industrial sector.
- 4.14 Perhaps as expected for a borough with good transport links to Central London the Borough also has a proportion of the population commute out of the Local Authority for employment opportunities.
- 4.15 As illustrated in the table below, Croydon is a net out-commuter which means the total number of people living and working in Croydon is 43% higher than the total number who work in the London Borough of Croydon.

Table 5: Commuting Patterns (2011)

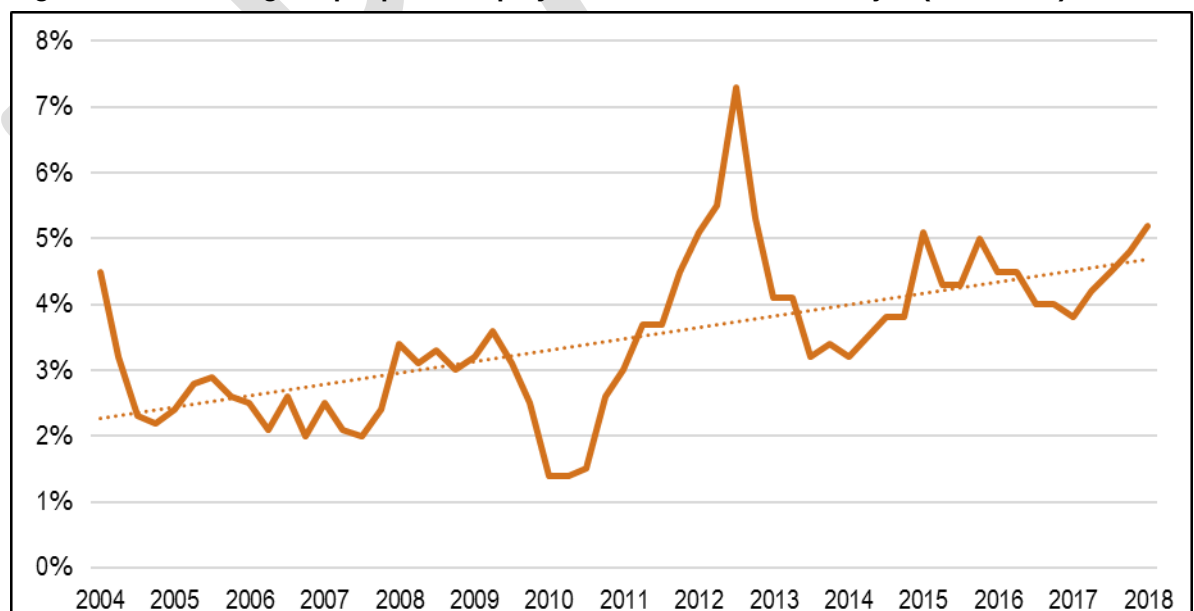
	Croydon
Live and work in Local Authority (LA)	48,412
Home workers	15,887
No fixed workplace	17,006
In-commute	39,912
Out-commute	92,621
Total working in LA	121,217
Total living in LA (and working)	173,926
Commuting ratio	1.43

Source: Census 2011

Double-jobbing

- 4.16 The next stage in this analysis is to consider double jobbing. Where data is available, double jobbing has been analysed to show the percentage of people with multiple jobs at once. The figure below presents the outcome of all the people that have a second job in Croydon between 2004 and 2018.
- 4.17 The peak in the proportion of residents double jobbing was between 2012 and 2013, which aligns with peak of unemployment rate at this point in time. Across the period, the double jobbing average is 3.5%. This figure has been used in the analysis.

Figure 4: Percentage of people in employment who have a second job (2004-2018)



Source: Annual Population Survey

- 4.18 The commuting ratio is multiplied by the double-jobbing rate to get to an adjustment factor which translates economically active population to the number of jobs which could be supported in a given area. As the table below shows the standard method would support an additional 20,489 jobs over the 2016-36 period under the standard method. This would increase to 31,043 jobs under the London Plan scenario.

Table 6: Jobs supported by scenario – Croydon (2016-36)

	Total change in economically active	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
Scenario 1: Standard Method	28,375	19,775	20,489
Scenario 2: Croydon Local Plan	13,510	9,416	9,756
Scenario 3: Draft London Plan	42,990	29,962	31,043

Source: Range of sources

- 4.19 Scenario 1, the Standard Methodology, would support a jobs growth of 1,024 additional jobs per annum over the 20-year period to 2036. This would increase to 1,552 jobs per annum under Scenario 3, the draft London Plan, and fall to a low as 488 jobs per annum under Scenario 2, the Croydon Local Plan.

Economic Growth and Housing Need: Summary Points

- We have examined the link between housing and employment in Croydon drawing on several assumptions.
- Linked to population growth and age profile in each area commuting patterns double jobbing and economic activity rates the standard method (2,302 dpa) housing need would support an increase in jobs of 20,489 jobs over the 2016-36 period.

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 Affordable housing is defined in Annex 2 of the NPPF (2019). The new definition is slightly wider than the previous NPPF (2012) definition; a series of 'affordable home ownership' options are considered to be affordable housing.
- 5.2 The Planning Practice Guidance relating to the measurement of affordable housing need was updated in February 2019, although it is similar to that set out in draft in March 2018. The PPG describes the calculation of affordable housing need as relating to *'the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market'*.
- 5.3 A methodology is set out in the PPG to look at affordable need, this is largely the same as the previous PPG method and does not really address the additional (affordable home ownership) definition other than to identify "the number of households from other tenures in need and those that cannot afford their own homes, either to rent or to own, where that is their aspiration".
- 5.4 Due to the lack of any detailed guidance the analysis below is therefore split between the current definition of affordable need and the additional definition. This section of the report below deals with the existing definition of affordable need with the following section considering the revised/expanded NPPF definition.

Affordable Housing Need (established definition)

- 5.5 The method for studying the need for affordable housing has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in guidance and can be summarised as:
- Current need (an estimate of the number of households who have a need now and based on a range of data modelled from local information);
 - Projected newly forming households in need (based on projections developed for this project along with an affordability test to estimate numbers unable to afford the market);
 - Existing households falling into need (based on studying the types of households who have needed to access social/affordable rented housing and based on study past lettings data);
 - These three bullet points added together provide an indication of the gross need (the current need is divided by 20 to meet the need over the 2016-36 period);

- Supply of affordable housing (an estimate of the likely number of letting that will become available from the existing social housing stock – drawing on data from CoRe³); and
- Subtracting the supply from the gross need provides an estimate of the overall (annual) need for affordable housing

5.6 Each of these stages is described below. In addition, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections, therefore, look at different aspects of the analysis.

Local Prices and Rents

- 5.7 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'.
- 5.8 For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes). Later in the report, this information is expanded on in more detail to present a consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.
- 5.9 The analysis below considers the entry-level costs of housing to both buy and rent across the Borough of Croydon. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.
- 5.10 Data from the Land Registry for the year to September 2018 presents estimated lower quartile property prices across the London Borough of Croydon by dwelling type. Across all dwelling types in Croydon, the data shows a lower quartile average price of £285,000 for all dwellings.
- 5.11 With reference to the table below, the estimated lower quartile average price of a flat in Croydon is £220,000. This value increases to £337,000 for a terraced and £400,000 for a semi-detached dwelling. The estimated lower quartile average price for a detached dwelling in Croydon is £569,000.

³ The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

Table 7: Lower quartile cost of housing to buy – year to September 2018 – Croydon

	Lower quartile price
Flat/maisonette	£220,000
Terraced	£337,000
Semi-detached	£400,000
Detached	£569,000
All dwellings	£285,000

Source: Land Registry, 2018

- 5.12 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to September 2018. For rental data, information about dwelling sizes (by bedroom) is provided rather than types.
- 5.13 The data in Table 2 below shows that the average lower quartile cost across all dwelling sizes is £900 per month. The lower quartile rental value for a room is £433 per month and increases to £675 for a studio and £850 for a one-bedroom dwelling.
- 5.14 The average lower quartile rental value of two-bedroom dwellings (£1,100) is almost on par with the rental value of three-bedroom at £1,300 per month. The rental value of four-bedroom dwellings increases substantially with the lower quartile rental average reaching £1,650 per month.

Table 8: Lower Quartile Market Rents (pcm), year to September 2018 – Croydon

	Lower Quartile rent (pcm)
Room only	£433
Studio	£675
1-bedroom	£850
2-bedrooms	£1,100
3-bedrooms	£1,300
4-bedrooms	£1,650
All properties	£900

Source: Valuation Office Agency, 2018

- 5.15 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. It is noted that the Greater London Authority apply 40% of net income or 28% of gross household income.
- 5.16 Further, analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

- 5.17 The threshold of income to be spent on housing should be set by asking the question ‘what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?’ The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income.
- 5.18 Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively, an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold but are simply being used to assess how many can or can’t afford market housing.
- 5.19 Rent levels in the London Borough of Croydon are higher in comparison to those seen nationally (a lower quartile rent of £500 per month across England). This suggests that a proportion of income to be spent on housing would be at the top end of the range.
- 5.20 In the previous Croydon Strategic Housing Market Assessment (2015), a gross income threshold of 30% was used to understand the level of affordable housing need. The modelling also looked at thresholds of 25%, 35% and 40% to consider the implications of alternative thresholds.
- 5.21 The Greater London Authority consider that for a house to be affordable, it should cost no more than 28% of gross household income. However, taking into account increasing rental values since the time of the previous SHMA, it is prudent to use a figure towards the upper end of this range. We have therefore assumed a maximum 33% of gross income spent on housing. Although we recognise there will be households paying more a higher percentage than this.

Income Levels and Affordability

- 5.22 Following the analysis of local prices and rents, it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy).
- 5.23 Data on total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes. Based on this, the estimated household income for Croydon at 2018 is presented in the table below.

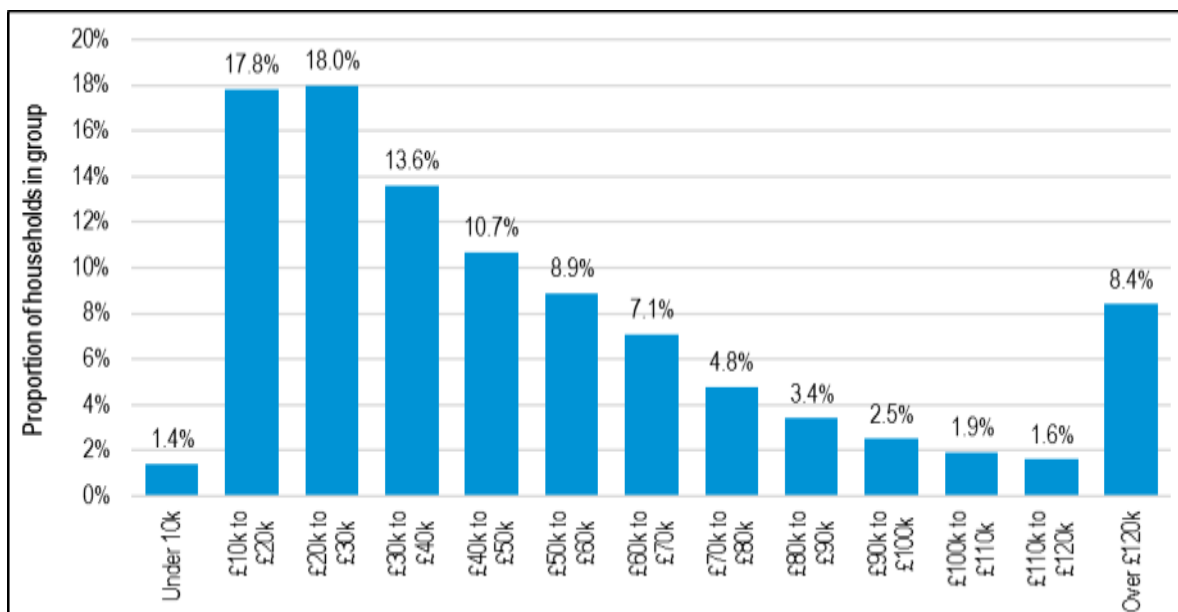
Table 9: Estimated household income in Croydon (2018)

	Mean	Median	Lower quartile
Croydon	£51,800	£39,400	£22,800

Source: Derived from a range of sources

- 5.24 The figure below illustrates the distribution of household income in Croydon. Currently, 18% of households in Croydon have an annual household income ranging between £20,000 to £30,000. This is followed by 17.8% of households in the £10,000 to £20,000 household income bracket.

Figure 5: Distribution of Household Income in Croydon (mid-2018 estimate)



Source: Derived from a range of sources

Net Affordable Housing Need

- 5.25 The table below shows the overall calculation of affordable rented housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the net housing need set out in the report.
- 5.26 The analysis has been based on meeting affordable housing need over the period from 2019 to 2036 this means using the current need as the starting point. Whilst most of the data in the model are annual figures the current need has been divided by 16 to make an equivalent annual figure. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

- 5.27 The analysis in the table below calculates an overall net need of affordable rented (social/affordable) housing per annum under each scenario in Croydon over the years to 2036.
- 5.28 The analysis shows that total net need for social/affordable rented housing is 2,254 per annum under Scenario 1, the Standard Method. The net need is 2,435 under Scenario 3, the Draft London Plan and lowers to 2,070 per annum under Scenario 2, the Croydon Local Plan.

- 5.29 The current need has increased partly due to a change in methodology which takes better account of homelessness and concealed households (which are significant in Croydon) as well as general updating which sees estimates of other groups such as an increase in overcrowding. For the existing households falling into need, there is a link between the supply and this needs element as the modelling looks at those considered as in need and housed by the Council.

Table 10: Estimated Annual Level of Affordable Housing Need (rented housing)– Croydon (2019-36)

	Scenario 1: Standard Method	Scenario 2: Croydon Local Plan	Scenario 3: Draft London Plan
Current need	505	505	505
Newly forming households	1,935	1,751	2,116
Existing households falling into need	602	602	602
Total Gross Need	3042	2858	3223
Re-let Supply	788	788	788
Net Need	2,254	2,070	2,435

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

- 5.30 The need would also increase further had we adopted the percentage spend on housing suggested by the GLA. In either case the affordable housing need is considerable in relation to overall need and the Council should seek the maximum contribution from development as viability allows.

Comparison with Previous Assessment of Affordable Housing Need

- 5.31 The table below compares this analysis to the assessment undertaken in the previous Croydon SHMA (2015). As outlined above, the previous SHMA used varying scenarios of household income spent on housing. This study assumes 33% of household income is spent on housing.

Table 11: Comparing assessments of affordable housing need in Croydon

	SHMA (2013-base) 25%	SHMA (2013-base) 30%	SHMA (2013-base) 35%	SHMA (2013-base) 40%	Scenario 1 in This Study (2019-base) 33%
Current need	242	211	185	161	505
Newly forming households	2,432	2,061	1,751	1,508	1,935
Existing households falling into need	445	419	389	356	602
Total Need	3,118	2,690	2,325	2,025	2,966
Supply from existing stock	603	603	603	603	788
Net Need	2,516	2,088	1,722	1,422	2,254

Source: This study and 2015 SHMA (Table 30)

- 5.32 Overall, the comparison shows that the current need and newly forming households have increased over time, essentially increasing the number of existing households falling into need, increasing the total need. Yet the reality is that figures can vary and are specific to the point at which the analysis is undertaken.
- 5.33 Given that the net need is a function of two large numbers (gross need and gross supply), it can be seen that small changes to either can have quite a notable impact on the bottom-line needs estimate.
- 5.34 However, the key output to this comparison is that affordable housing (2,254 dpa) is still considerable in comparison to overall need (2,302 dpa). This means that the Council should continue to seek as much affordable housing as is viable possible when setting affordable housing policies.

Affordable Housing Need in the Wider Housing Need Context

- 5.35 There are a number of things that need to be remembered in interpreting the housing needs analysis. Firstly, the Basic Needs Assessment Model which has been used was designed specifically to identify whether there is a shortfall or surplus of affordable housing. It is a statutory requirement to underpin affordable housing policies.
- 5.36 The needs assessment therefore does not look at all housing needs, but specifically the needs of those who can't afford market housing (assuming no more than 33% of households' gross income

is spent on housing costs). It assumes that all households are adequately housed in a home that they can afford.

- 5.37 The needs assessment is a 'snapshot' assessment at a point in time, which is affected by the differential between housing costs and incomes at that point; as well as the existing supply of affordable housing. In the case of Croydon, the stock of affordable housing (social rented) represents about 18% of the total number of households – this is notably below the equivalent figure for London (24%). This has affected the level of affordable housing need. The shortfall of affordable housing identified is therefore to some extent affected by past investment decisions.
- 5.38 Moreover, as the Basic Needs Assessment Model is designed to identify a shortfall of genuine affordable housing, it assumes that all households in 'housing need' are housed in affordable homes (which include a provision that the home remains at an affordable price for future eligible households).
- 5.39 In reality, there are two key factors which need to be considered:
- Many households defined as in housing need may choose to spend more than a third of their gross income on housing costs or may not actively seek an affordable home; and
 - Some households defined as in housing need are accommodated in the Private Rented Sector, supported by Local Housing Allowance.
- 5.40 It is estimated that there are currently around 7,300 Local Housing Allowance claimants housed in the Private Rented Sector with many more expected to be in this sector and paying more than 30% of their income on housing but not claiming Housing Benefit (for example a single person might need to see their housing costs get up to around 45%-50% of rent before getting Housing Benefit (although other benefits such as working tax credits will kick in below this level))
- 5.41 As the level of housing need is very sensitive to differences between housing costs and incomes, changes in the difference between incomes and housing costs over time will affect the level of housing need identified.
- 5.42 Due to the role of the private rented sector in meeting housing need there is no evidence of a significant shortfall in overall housing provision to meet local housing requirements over and above that shown by the standard method and so no additional uplift is required to take account of affordability issues.
- 5.43 Given the current stock of affordable housing in the area, the funding mechanisms for delivery of new affordable housing and policies affecting sales of existing properties, it is unrealistic to assume that all households in housing need will be provided with an affordable home. It is realistic to

assume that the Private Rented Sector will continue to play an important role in meeting housing need in the short-to-medium term.

Widened Definition of Affordable Housing

- 5.44 As set out above, the previously established method to look at affordable need estimates that there is a need for around 2,254 units per annum based on the standard method – this is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy). It would be expected that this housing would be delivered primarily as social/affordable rented housing.
- 5.45 The NPPF (2018) introduced a new category of household in affordable housing need and widens the definition of affordable housing (as found in the NPPF (2018 and 2019) – Annex 2). It is considered that households falling into the definition would be suitable for Starter Homes, Discounted market sales housing, or other forms of affordable home ownership (such as shared ownership), as set out in the NPPF.
- 5.46 This section considers the level of need for these types of dwellings in Croydon. The NPPF (2019) states *“Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.”* (NPPF (2019), paragraph 64).

Establishing a Need for Affordable Home Ownership

- 5.47 The Planning Policy Guidance of February 2019 confirms a widening definition of those to be considered as in affordable need; now including *‘households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration’*. However, there is no further guidance about how the number of such households should be measured.
- 5.48 The methodology used in this report, therefore, draws on the current standard method and includes an assessment of current needs and projected need (including housing need for newly forming and existing households falling in to need). The key difference is that in looking at affordability, an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 5.49 The first part of the analysis seeks to understand what the gap between renting and buying means in Croydon – establishing the typical incomes that might be required.

- 5.50 Just by looking at the relative costs of housing to buy and to rent, there will be households in the London Borough of Croydon who can currently rent but who may be unable to buy. In the year to September 2018, the 'average' lower quartile private rent is shown by the VOA to cost £900 a month, assuming a household spends no more than 33% of income on housing, this would equate to an income requirement of about £32,700.
- 5.51 For the same period, Land Registry data records a lower quartile purchase price in Croydon of about £285,000, which (assuming a 10% deposit and 4.5 times mortgage multiple) would equate to an income requirement of approaching £57,000.
- 5.52 Therefore, based on these costings, it is reasonable to suggest that affordable housing products would be pitched at households with an income between £32,700 (able to afford to privately rent) and £64,125, with the lower the cost addressing a greater percentage of this need.

Figure 6: Thresholds of Affordability by Tenure



Source: GL Hearn Modelling

- 5.53 With reference to the income distributions in the figure above, it has been estimated that of all households living in the private rented sector, around 26% already have enough income to buy a lower quartile home, with around 27% in the income bracket to afford rental housing. The remaining are estimated to have an income below which they cannot afford to rent privately.
- 5.54 The finding that a reasonable proportion of households (26%) in the private rented sector are likely to have an income that would allow them to buy a home is noteworthy and suggests that for many households, barriers to accessing owner-occupation are influenced by a combination of income/the

cost of housing and external factors including the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment).

- 5.55 To study current need, an estimate of the number of household living in the private rented sector (PRS) has been established, along with the same (rent/buy gap) affordability test described above. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 28,762 households living in the sector.
- 5.56 Data from the Survey of English Housing (EHS) suggests that since 2011, the number of households in the PRS has risen by about 26%. If the same proportion is relevant to Croydon, then the number of households in the sector would now be around 36,240.
- 5.57 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (23,037 households if applied to Croydon) and of these some 25% (5,759 households) would expect this to happen in the next 2-years. The figure of 5,759 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 5.58 In projecting forward, the analysis can consider newly forming households and the remaining existing households who expect to become owners further into the future. The table below reports the estimated annual level of affordable home ownership for each of the three scenarios.
- 5.59 The method has applied the same affordability test (albeit on a very slightly different income assumption for newly forming households). The table below shows a large range (as may be expected), therefore the analysis has rationalised by assuming that half of the lower quartile (LQ) supply would be able to meet the needs.
- 5.60 To clarify, the supply range maximum is based on the number of homes sold at below the lower quartile price and the supply range minimum is based on the number of homes sold at a price affordable to those just able to afford to rent privately.
- 5.61 This analysis suggests that under Scenario 1, the Standard Method, there is a gross need for around 1,453 affordable home ownership dwellings (priced for households able to afford to rent but not buy) per annum in the 2019-36 period. This is before any supply side considerations.

Table 12: Estimated Annual Level of Affordable Home Ownership – Croydon (2019-36)

	Scenario 1: Standard Method	Scenario 2: Croydon Local Plan	Scenario 3: Draft London Plan
Current need	93	93	93
Newly forming households	1,080	977	1,181
Existing households falling into need	279	279	279
Total Gross Need	1,453	1,350	1,554

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

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 5.62 As with assessing the need for affordable home ownership, it is the case that at present, the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated. The analysis below therefore provides a general discussion.
- 5.63 As noted previously, the lower quartile cost of a home to buy in the London Borough of Croydon is around £285,000. A quarter of all homes sold (noting that the data is for the year to September 2018) will be priced at or below this level.
- 5.64 However, not all of these homes will be available to all (age restricted) and some may be in a state of disrepair and are uninhabitable. We have therefore chosen to take half of these homes as a potential supply.
- 5.65 As shown in the table below, there is potentially a net annual need for up to 854 low cost home ownership dwellings under Scenario 1, the Standard Method. Scenario 3, Draft London Plan reports a net annual need of 955 and Scenario 2, Croydon Local Plan, reports a much lower figure of around 751.

Table 13: Estimated Net Need for Affordable Home Ownership (per annum)

	Scenario 1: Standard Method	Scenario 2: Croydon Local Plan	Scenario 3: Draft London Plan
Total Gross Need	1,453	1,350	1,554
Supply (LQ)	1,199	1,199	1,199
Supply (50% of LQ)	599	599	599
Net need (50% LQ supply)	854	751	955

Source: Derived from Census (2011)/Projection Modelling/Land Registry and affordability analysis

- 5.66 Another way to look at the supply is to estimate how much housing is available at an equivalent price (in income terms) to access the private rented sector. If the rental income figure of £32,700 per calendar month is worked backwards into an equivalent purchase price, then this gives an

affordable price to buy of about £145,300 (calculated as $((4,200) \times 4) \div 0.9$). There is a considerably lower supply at homes below this price and thus the net need increases to 1,267 under the standard method scenario.

Table 14: Alternative Estimated Net Need for Affordable Home Ownership (per annum)

	Scenario 1: Standard Method	Scenario 2: Croydon Local Plan	Scenario 3: Draft London Plan
Total Gross Need	1,453	1,350	1,554
Supply (equivalent cost of rent)	186	186	186
Net need	1,267	1,164	1,368

Source: Derived from Census (2011)/Projection Modelling/Land Registry and affordability analysis

- 5.67 These figures should be used to demonstrate the scale of potential supply for households in the rent/buy gap and it should be noted that this stock is not necessarily available to those households in need (i.e. market housing is not allocated and so theoretically all the sales could go to households who could afford a more expensive home or potentially to investment buyers).
- 5.68 There may also be issues with the quality of the stock at the very bottom end of the market. That said, there is clearly a reasonable level of stock that is potentially affordable to those households falling into the Government's revised definition of affordable housing need.

Implications of the Analysis

- 5.69 Given the analysis above, it would be reasonable to conclude that there is potential need to provide housing under the new definition of 'affordable home ownership'. Whilst there are some households in the gap between renting and buying, there is also a potential supply of homes within the existing stock that can contribute to this need.
- 5.70 However, it does seem that there are many households in Croydon who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation in Croydon increasing by 80% between 2001 and 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by around 16%.
- 5.71 As part of a package of low-cost home ownership products, Council should focus on Shared Ownership housing in light of the reduced deposits and the subsidised rent provided. Such a scheme could provide an opportunity for people to eventually achieve 100% equity in their home.
- 5.72 Additionally, the Council could consider products that offer a straight discount on OMV as part of its package of measures, if these would meet the affordability criteria of households in the gap

between renting and buying. The Council could also seek a percentage of low-cost home ownership housing to be made available with some initial upfront capital payment (such as a deposit contribution).

- 5.73 Such a payment could cover the deposit and other initial costs and would potentially need to be protected in some way so that the money is not lost if a household chooses to sell their property (i.e. to ensure that any subsidy is held in perpetuity).
- 5.74 Schemes such as Help-to-Buy could also form part of such a package. This would still be targeted at the same group of households (likely to mainly be those currently privately renting but who would like to buy). If this could be achieved, then it may be reasonable to seek 10% of new homes to fall into the affordable home ownership category. This is based on the NPPF which seeks the 10% figure, although this is in conflict with the Draft London Plan, which seeks 15% of new homes falling into the affordable home ownership category. There is a difference here and while it may increase the viability of schemes going above 10%, it will mean less of the more acute need will be addressed. This will be for the Council to decide the most appropriate way forward.
- 5.75 If the Council does seek to provide 10% of housing as affordable home ownership, then it is likely that shared ownership is the most appropriate option. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).
- 5.76 In promoting shared ownership, the Council should consider the equity share and the overall cost once the rent and any service charges are included – this will be necessary to ensure that such homes are meeting the target group of households (i.e. those with an income in the gap between renting and buying).
- 5.77 It may be that equity shares as low as 25% would be needed to make shared ownership affordable (although this does have the additional advantage of a lower deposit), given that such homes would need to use Open Market Value as a start point. This is something that should be monitored on a case by case basis and could vary by location and property type/size.
- 5.78 The evidence suggests there is no basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF, and that in addition to 10% of affordable home ownership (or some alternative measure such as capital payments), the Council should be seeking to provide additional social/affordable rented housing. Such housing is cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 5.79 Overall therefore, it seems reasonable to suggest that the Council could consider seeking 10% of all housing (on larger sites) to be affordable home ownership (as set out in the NPPF), although

consideration will need to be given to the tenure of such housing, levels of discounts and other options (such as relating to deposits).

- 5.80 However, given that the main analysis of affordable need also showed a notably higher level of need (particularly when compared to the bottom end of the low-cost home ownership range), and one involving households who cannot afford anything in the market without subsidy, it is not considered that there is a strong basis to increase the provision of affordable home ownership above the 10% figure. Yet, in saying this, the DLP identifies 15% for the provision of affordable home ownership. Essentially, it is the decision of Council to increase the provision of affordable home ownership.
- 5.81 It should also be noted that the finding of a 'need' for affordable home ownership does not have any impact on the overall need for housing. As is clear from both the NPPF and PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

How Much Should Affordable Home Ownership Homes Cost?

- 5.82 The analysis and discussion above suggest that there are several households likely to fall under the new PPG definition of affordable housing need (i.e. in the gap between renting and buying) but that the potential supply of housing to buy makes it difficult to fully quantify this need. However, given the NPPF, it seems likely that the Council will need to seek 10% of additional homes on larger sites as some form of home ownership.
- 5.83 Forms of housing such as Starter Homes, Shared Ownership and discounted market sale are considered to be appropriate forms of affordable home ownership. Another option is providing support for deposits. It will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group.
- 5.84 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV).
- 5.85 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market.
- 5.86 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are based on equivalising the private rent figures into a house price

so that the sale price will meet the needs of all households in the gap between buying and renting. Setting higher prices would mean that such housing would not be available to many households for whom the Government is seeking to provide an 'affordable' option.

- 5.87 The table below therefore sets out a suggested purchase price for affordable home ownership in Croydon. As noted, the figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market.

Table 15: Affordable home ownership prices –2018 base

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Lower limit	£153,000	£198,000	£234,000	£297,000
Upper limit	£215,000	£287,000	£385,000	£500,000

Source: derived from VOA data and Land Registry data

- 5.88 This shows the lower limit of a 1-bedroom at an 'affordable' price of about £153,000 and rising to an upper limit of £215,000. This increase to £297,000 as a lower limit cost of £297,000 for 4-bedroom and an upper limit of £500,000. These figures can be monitored and updated every six months by reference to VOA data.
- 5.89 If the Council do seek for some additional housing to be in the affordable home ownership sector, it is additionally recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be 'allocated' to households whose circumstances best meet the property on offer.

Affordable Housing Need: Key Messages

- Analysis has been undertaken to estimate the need for affordable housing in the period to 2036. The analysis is split between a 'traditional' need (which is mainly for social/affordable rented accommodation) and is based on households unable to buy or rent in the market and the 'additional' category of need introduced by the revised NPPF/PPG (which includes housing for those who can afford to rent privately but cannot afford to buy a home). This is dealt with in the following section.
- The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, consideration is given to household projections and estimates of the supply of social/affordable rented housing through relets.
- Under the Standard Method, the analysis suggests a net need for 2,254 of affordable rented housing per annum to be provided over the period to 2036. This figure is higher than estimated in the previous SHMA, although these are not on a like for like basis. However, the Council is justified in seeking to secure as much additional affordable housing as viably possible.
- Overall, the analysis identifies a notable need for affordable housing, and the provision of new affordable housing continues to be an important and pressing issue in the Borough.
- When looking at the need for affordable home ownership products (i.e. the expanded definition of affordable housing in the NPPF) there are several households likely to be able to afford to rent privately but who cannot afford to buy a suitable home. However, there is also a potential supply of homes within the existing stock that can contribute to this need.
- It is therefore difficult to robustly identify an overall need for affordable home ownership products. Under Scenario 1, the Standard Method, our analysis suggests that the gross need is 1,453.
- If the Council does seek to provide 10% of housing as affordable home ownership, then it is suggested that shared ownership is the most appropriate option. Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), it is recommended that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. These are set out below.

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Lower limit	£153,000	£198,000	£234,000	£297,000
Upper limit	£215,000	£287,000	£385,000	£500,000

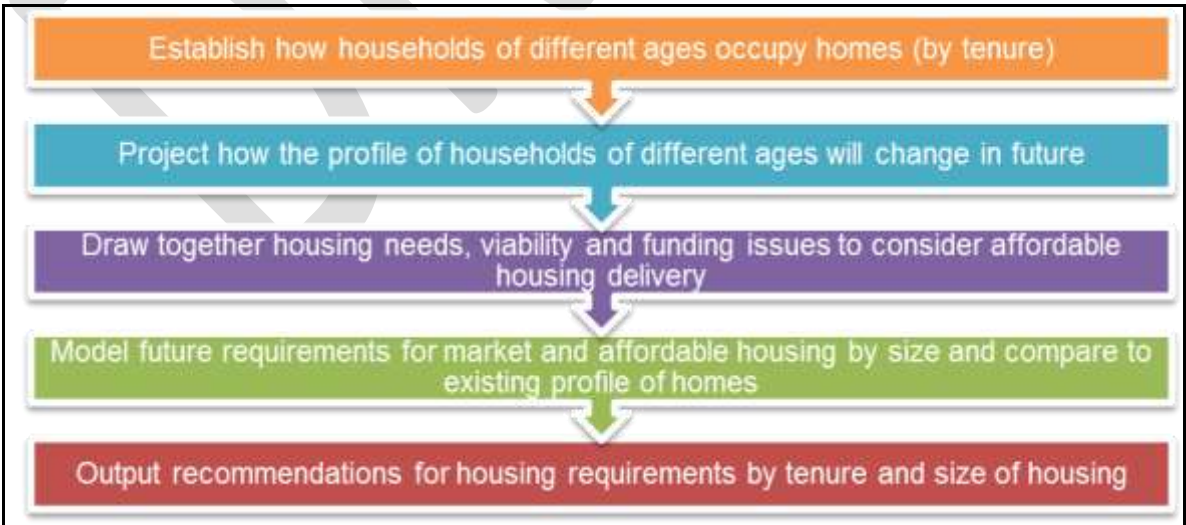
- This would ensure that households targeted by the new definition potentially afford housing - this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.
- Overall, the evidence does not show any strong basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF.
- It does, however, need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided.

6 HOUSING MIX

Introduction

- 6.1 There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures, and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 6.2 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.
- 6.3 The analysis in this section seeks to use the information available about the size and structure of the population and household structures in Croydon. This informs the consideration of what impact this may have on the sizes of housing required in the future.
- 6.4 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 7: Stages in the Housing Market Model



- 6.5 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. The table below shows a comparison of the size profile of accommodation

in Croydon, London and England in three broad tenure groups as of 2011. Although it should be noted that Croydon has seen a high amount of smaller flatted stock being delivered though permitted development.

- 6.6 For point of reference, the methodology used in the London SHMA uses 2016 based household projections divided into eight household types, but a more detailed classification of 17 household types was created in the SHMA for the housing requirements analysis.
- 6.7 This classification was derived by applying each detailed type's share of the total in its 'parent' category from the 2013 round of GLA demographic projection to each of the eight parent categories in the 2016-based projections.
- 6.8 As the table shows Croydon has a relatively high supply of 3-bedroom houses in the London context given the nature of the local authority area hosting larger homes on the edge of the city core. The net annualised requirement for new homes in London (2016-2041) identified in the London SHMA found 14% of total new dwellings to be 3-bedrooms.

Table 16: Number of bedrooms by tenure and a range of areas

		Croydon	London	England
Overall	1-bedroom	17%	22%	12%
	2-bedrooms	29%	32%	28%
	3-bedrooms	37%	31%	41%
	4+-bedrooms	17%	15%	19%
	Total	100%	100%	100%
Owner-occupied	1-bedroom	7%	4%	10%
	2-bedrooms	24%	23%	27%
	3-bedrooms	45%	48%	41%
	4+-bedrooms	24%	25%	23%
	Total	100%	100%	100%
Social rented	1-bedroom	29%	31%	35%
	2-bedrooms	36%	34%	36%
	3-bedrooms	30%	31%	24%
	4+-bedrooms	5%	4%	5%
	Total	100%	100%	100%
Private rented	1-bedroom	33%	23%	33%
	2-bedrooms	39%	39%	37%
	3-bedrooms	21%	28%	20%
	4+-bedrooms	7%	10%	10%
	Total	100%	100%	100%

Source: Census 2011

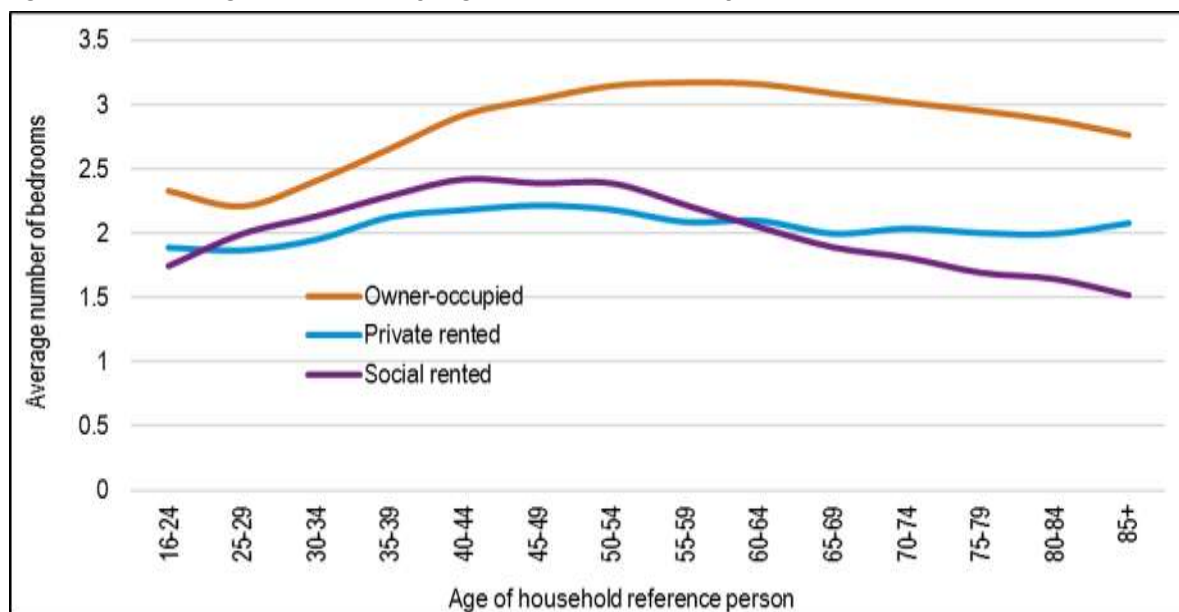
- 6.9 The table above also identifies that the profile of housing in Croydon to that seen in London and England. The private rented sector has a significantly higher proportion of 1-bedroom dwellings at 33% compared to London (23%), however on par with the national proportion (33%).
- 6.10 Croydon also has a higher proportion (7%) of 1-bedroom dwellings in the owner-occupier sector compared to London (4%), however the proportion of larger dwellings is lower than London.
- 6.11 Croydon has relatively few 1-bedroom dwellings in the social rented sector, yet slightly higher proportion of 2-bedroom social rented dwellings (36%) compared to London (34%) and more aligned with the national trend.

Understanding how Households Occupy Homes

- 6.12 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided.
- 6.13 The main reason for this is that in the market sector households can buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 6.14 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home if they can afford it and hence projecting an increase in single person households does not automatically translate into a need for smaller units.
- 6.15 This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward regarding older persons and working households who may be able to under-occupy housing.
- 6.16 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 6.17 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 55-59. After this peak, the average dwelling size decreases as some households downsize as they get older.

- 6.18 The social and private rented sector sees a different pattern, peaking in earlier ages at 40-44 for the social rented sector and 45-49 for the private rented sector. Notably, the average number of bedrooms in the private and social rented sectors are smaller compared to the owner-occupier sector.

Figure 8: Average Bedrooms by Age and Tenure in Croydon



Source: 2011 Census

- 6.19 These outputs have been segmented into three broad categories including market housing, owner-occupier, private rented and affordable (rented) housing.
- 6.20 Market housing follows the occupancy profiles in the owner-occupied sector, affordable home ownership is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow includes affordable rented housing.
- 6.21 These are applied to the following projected change in age groups, with most of the absolute growth in households headed by someone in the older age groups (aged 65 and over). Although those in the younger age categories are expected to see the stronger percentage growth. The tables below present the projected change in households by age of household reference person under each scenario.
- 6.22 Under Scenario 1, the Standard Method, households are forecast to increase by approximately 28% over the period. The greatest proportional growth is forecast to occur in the 70-74 age group

where growth in this household will increase by 7,183 (approximately 93%). The older age group growth will almost entirely to be due to households in Croydon ageing as migration from these older age groups tends to be quite low.

Table 17: Projected change in households by age of household reference person – Scenario 1: Standard Method

	Households 2016	Households 2036	Change in households	% change
16-24	5,287	6,144	856	16.2%
25-29	9,552	9,975	423	4.4%
30-34	14,595	14,533	-62	-0.4%
35-39	16,639	17,414	774	4.7%
40-44	16,431	19,224	2,793	17.0%
45-49	16,358	19,750	3,392	20.7%
50-54	17,641	19,745	2,104	11.9%
55-59	14,310	18,982	4,673	32.7%
60-64	11,246	16,283	5,037	44.8%
65-69	10,071	15,529	5,458	54.2%
70-74	7,684	14,868	7,183	93.5%
75-79	6,416	10,908	4,492	70.0%
80-84	5,468	8,310	2,841	52.0%
85 & over	4,825	8,745	3,920	81.2%
Total	156,524	200,410	43,886	28.0%

Source: Demographic projections

- 6.23 Under Scenario 2, the Croydon Local Plan, households are forecast to increase by approximately 21% over the period. The greatest proportional growth is forecast to occur in the 70-74 age group where growth in this household will increase by 6,787 (approximately 88%).

**Table 18: Projected change in households by age of household reference person –
Scenario 2: Croydon Local Plan**

	Households 2016	Households 2036	Change in households	% change
16-24	5,287	5,739	451	8.5%
25-29	9,552	9,208	-344	-3.6%
30-34	14,595	13,200	-1,394	-9.6%
35-39	16,639	15,797	-842	-5.1%
40-44	16,431	17,614	1,183	7.2%
45-49	16,358	18,402	2,045	12.5%
50-54	17,641	18,728	1,088	6.2%
55-59	14,310	18,226	3,916	27.4%
60-64	11,246	15,731	4,485	39.9%
65-69	10,071	15,052	4,981	49.5%
70-74	7,684	14,471	6,787	88.3%
75-79	6,416	10,659	4,243	66.1%
80-84	5,468	8,151	2,682	49.1%
85 & over	4,825	8,569	3,744	77.6%
Total	156,524	189,550	33,026	21.1%

Source: Demographic projections

- 6.24 Under Scenario 3, the Draft London Plan, households are forecast to increase by approximately 35% over the period. The greatest proportional growth is forecast to occur in the 70-74 age group where growth in this household will increase by 7,573 (approximately 99%).

Table 19: Projected change in households by age of household reference person – Scenario 3: Draft London Plan

	Households 2016	Households 2036	Change in households	% change
16-24	5,287	6,542	1,255	23.7%
25-29	9,552	10,730	1,177	12.3%
30-34	14,595	15,843	1,248	8.6%
35-39	16,639	19,003	2,364	14.2%
40-44	16,431	20,807	4,376	26.6%
45-49	16,358	21,075	4,717	28.8%
50-54	17,641	20,744	3,104	17.6%
55-59	14,310	19,726	5,416	37.8%
60-64	11,246	16,825	5,579	49.6%
65-69	10,071	15,999	5,927	58.9%
70-74	7,684	15,257	7,573	98.6%
75-79	6,416	11,153	4,737	73.8%
80-84	5,468	8,466	2,998	54.8%
85 & over	4,825	8,918	4,093	84.8%
Total	156,524	211,089	54,565	34.9%

Source: Demographic projections

- 6.25 The analysis below also looks at projected changes to households by household type for each scenario.
- 6.26 The analysis for Scenario 1 is based on Stage 1 of the Standard Method household representative rates in the 2014-based household projections (with or without a part-return to trend HRR analysis). Stage 1 figures are used as these are the main figures driving the projections. The projections do also contain Stage 2 figures which provide an indication of household types.
- 6.27 The Scenario 1 analysis therefore looks at applying the Stage 2 figures to projections developed. As Stage 1 and 2 projections are to some extent independent from each other it will be noted that projected household growth does differ slightly (albeit by a modest amount).
- 6.28 We have examined growth in a range of household typologies with three categories for dependent children depending on the number of children. The findings give an indication of the number of family households as required by NPPF. Unfortunately, the CLG projections no longer look at projecting lone parent households separately from couples.
- 6.29 The table below shows the change in households under Scenario 1, the data shows relatively strong growth across all households, except for couple (aged under 65) households which is forecast to decline by -17%. Yet, couples (aged 65 years and over) households are forecast to increase by approximately 80%. This is linked to life expectancy improvements.

Table 20: Change in household types in Croydon 2016-36 – Scenario 1: Standard Method

	2016	2036	Change	% change
One-person household (aged 65 and over)	16,158	24,283	8,125	50.3%
One-person household (aged under 65)	29,242	30,936	1,694	5.8%
Couple (aged 65 and over)	11,274	20,249	8,975	79.6%
Couple (aged under 65)	16,096	13,338	-2,759	-17.1%
A couple and one or more other adults: No dependent children	14,068	22,692	8,624	61.3%
Households with one dependent child	26,240	32,387	6,147	23.4%
Households with two dependent children	18,602	19,531	929	5.0%
Households with three dependent children	9,343	10,602	1,259	13.5%
Other households	15,501	26,393	10,892	70.3%
Total	156,524	200,410	43,886	28.0%
Total households with dependent children	54,185	62,520	8,335	15.4%

Source: Demographic projections

- 6.30 Total households with dependent children are forecast to increase by approximately 15% over the period. Other households are forecast to experience the greatest proportional growth increasing by approximately 70% over the period. This will primarily be attributed to the growth of HMO, suggesting there will be growing demand in the market sector for slightly smaller profile of housing.
- 6.31 Under Scenario 2, the Croydon Local Plan, total households are forecast to increase by 7% over the period. There is relatively good growth across all household types, however one-person households (aged under 65), couple households (aged under 65) and households with two dependent children are forecast to decline.
- 6.32 The trend continues for the growth of older persons households with couple households (aged 65 and over) to experience the greatest proportional growth (approximately 75%) over the period. Linked to this is the growth of a couple and one or more other adults: No dependent children households which are forecast to increase by approximately 55% over the period.
- 6.33 Total households with dependent children are forecast to grow only slightly over the period, increasing by 7%. Other households are forecast to increase also increase under this scenario, growing by approximately 62% to 2036. Again, this will likely include a rise of HMO and all student households.

Table 21: Change in household types in Croydon 2016-36 – Scenario 2: Local Plan

	2016	2036	Change	% change
One-person household (aged 65 and over)	16,158	23,605	7,447	46.1%
One-person household (aged under 65)	29,242	28,973	-269	-0.9%
Couple (aged 65 and over)	11,274	19,721	8,446	74.9%
Couple (aged under 65)	16,096	12,440	-3,656	-22.7%
A couple and one or more other adults: No dependent children	14,068	21,750	7,682	54.6%
Households with one dependent child	26,240	30,097	3,858	14.7%
Households with two dependent children	18,602	18,111	-491	-2.6%
Households with three dependent children	9,343	9,791	448	4.8%
Other households	15,501	25,061	9,561	61.7%
Total	156,524	189,550	33,026	21.1%
Total households with dependent children	54,185	57,999	3,815	7.0%

Source: Demographic projections

- 6.34 Scenario 3, the Draft London Plan, shows trends are similar to the other scenarios with substantial increase in older person's households (couples aged 65 and over) the rise of other households. One-person households are forecast to grow substantially over the period.

Table 22: Change in household types in Croydon 2016-36 – Scenario 3: Draft London Plan

	2016	2036	Change	% change
One-person household (aged 65 and over)	16,158	24,946	8,788	54.4%
One-person household (aged under 65)	29,242	32,868	3,626	12.4%
Couple (aged 65 and over)	11,274	20,765	9,491	84.2%
Couple (aged under 65)	16,096	14,221	-1,876	-11.7%
A couple and one or more other adults: No dependent children	14,068	23,617	9,549	67.9%
Households with one dependent child	26,240	34,641	8,401	32.0%
Households with two dependent children	18,602	20,929	2,327	12.5%
Households with three dependent children	9,343	11,401	2,057	22.0%
Other households	15,501	27,701	12,201	78.7%
Total	156,524	211,089	54,565	34.9%
Total households with dependent children	54,185	66,971	12,786	23.6%

Source: Demographic projections

Mix of housing

- 6.35 This is linked to the housing need identified under each scenario. It should be noted that these projections will not necessarily be translated into policy but have been used to indicate the likely need for different sizes of homes moving forward.

6.36 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. To confirm, for **modelling purposes only**, it has been assumed that the following proportions of different tenures will be provided moving forward:

- 60% market
- 10% affordable home ownership
- 30% social/affordable rented

6.37 It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this, but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds.

6.38 Equally, some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and have been applied simply for the purposes of providing outputs from the modelling process.

6.39 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the residual 16-year period to 2035.

Key Findings and Recommended Mix

6.40 The tables below provide the output of the modelling by size of home by tenure under each scenario in both the market and affordable sectors under the modelling exercise. This is broadly based on historic occupancy profiles and is not a recommended policy mix.

6.41 When concluding on the most appropriate mix of housing for the Borough this should be used as a starting point but should be brought together with other information as well as contextual information and potentially even political ambition. For example, if affordability worsens and more people may be forced to buy smaller homes. Smaller homes may also become more commonplace as a result of the scarcity of land driving densities.

6.42 In the table below, Scenario 1, the Standard Method, the analysis shows the market is skewed towards larger houses (49% for 3-bedrooms). The affordable housing (rented) sector is more heavily skewed towards smaller dwellings, which is a similar trend for affordable home ownership. This reflects the change in older age group households and the need emerging from these groups aging and not downsizing and no family sized houses becoming available on the market.

Table 23: Mix of housing by size and tenure – Scenario 1: Standard Method

	1-bedroom	2-bedrooms	3-bedrooms	4+ -bedrooms
Market	5%	21%	49%	25%
Affordable home ownership	34%	35%	24%	8%
Affordable housing (rented)	37%	30%	28%	5%

Source: Housing Market Model

- 6.43 The housing mix under Scenario 2 again shows the market sector heavily skewed towards 3-bedroom products with affordable home ownership and affordable rented housing towards smaller dwellings.

Table 24: Mix of housing by size and tenure – Scenario 2: Corydon Local Plan

	1-bedroom	2-bedrooms	3-bedrooms	4+ -bedrooms
Market	4%	19%	51%	26%
Affordable home ownership	35%	33%	25%	8%
Affordable housing (rented)	40%	28%	27%	4%

Source: Housing Market Model

- 6.44 Scenario 3, the Draft London Plan results in a similar pattern with affordable home ownership and affordable rented housing skewed towards smaller dwellings and market sector towards 3 and 4 bedrooms.

Table 25: Mix of housing by size and tenure – Scenario 3: Draft London Plan

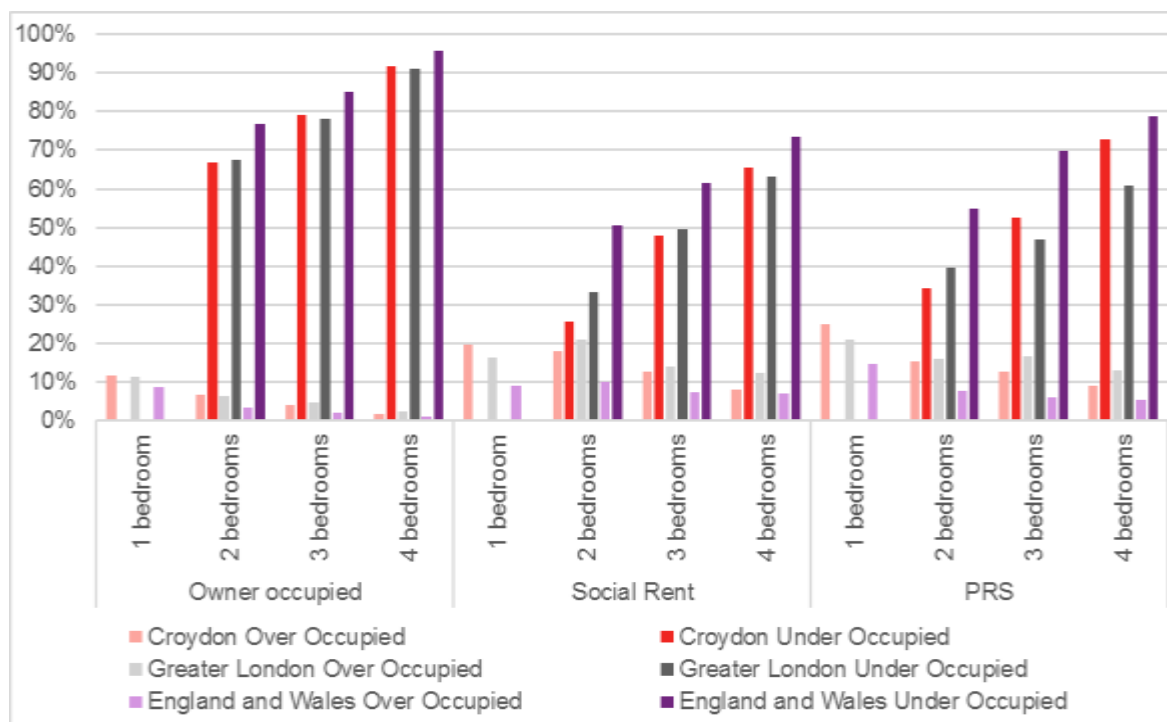
	1-bedroom	2-bedrooms	3-bedrooms	4+ -bedrooms
Market	6%	21%	48%	25%
Affordable home ownership	34%	36%	23%	8%
Affordable housing (rented)	35%	31%	28%	5%

Source: Housing Market Model

- 6.45 As mentioned previously whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be considered in setting policies for provision.
- 6.46 This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise.

- 6.47 At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more-bedroom homes is typically quite small the ability for these needs to be met is even more limited. There are also localised issues about the stock of different sizes of homes which need to be considered in conclusions (the relative lack of 2-bedroom affordable accommodation).
- 6.48 For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one-bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more-bedroom homes also being appropriate.
- 6.48 In drawing up a policy the Council may also be mindful of the recent supply of stock which has been heavily skewed towards 1- and 2-bedroom homes. While this supply has readily been taken up by younger households it perhaps should be tempered to ensure there is a supply of larger home when they start a family.
- 6.48 This could be achieved in a number of ways including making policy which seeks more 3+ bedroom homes and/or a policy which encourages better use of the existing stock through downsizing. The extent of this potential supply is illustrated by the scale of under-occupation in Croydon. As the figure below shows within the owner-occupied sector some 90% of four+ bedroom homes are under occupied.

Figure 9: Under-Occupancy by Tenure and Size (2011)



Source: ONS, Census

- 6.49 The equivalent figure in the social rental sector is much lower at 63% although within smaller homes (2-bedroom homes) under-occupation is as low as 26%. This highlights the issue being a particular focus in the market sector.
- 6.50 This does suggest some potential for the Council to shift its focus to smaller units to encourage downsizing. Although any positive impact on the use of the existing stock and encouraging downsizing could only be achieved if quality older persons accommodation in the right location is provided.
- 6.51 Within the London SHMA⁴ the move to reduce under-occupation saw a considerable reduction in the need for 3- and 4-bedroom homes with an increase in 1-bedroom homes which we have reflected below. However, such is the level of over-occupation within 1 and 2-bedroom homes in the PRS, Social Rental and to a lesser extent owner occupied sector then the shift should be perhaps towards 2- and 3-bedroom homes.
- 6.52 In order to understand the affordable rented housing mix, it is important to consider the current people on the housing waiting list to determine the profile of housing mix. The Local Authority Housing Statistics data for Croydon shows 5,138 people on the housing register. Of this, 57%

⁴ https://www.london.gov.uk/sites/default/files/london_shma_2017.pdf

require 2-bedroom homes. Given this, the analysis below shows a higher percentage requiring 2-bedroom homes and a smaller percentage requiring 3-bedroom and 1-bedroom homes.

6.53 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a Borough-wide level, the analysis from Scenario 1, the Standard Method would support policies for the mix of affordable housing (rented) of:

- 1-bed properties: 15-20%
- 2-bed properties: 50-55%
- 3-bed properties: 20-25%
- 4-bed properties: 10-15%

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

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

6.56 In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested, although some consideration of the current stock profile is also relevant.

6.57 Based on these factors, it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested:

- 1-bed properties: 30-35%
- 2-bed properties: 40-45%
- 3-bed properties: 15-20%
- 4-bed properties: 5-10%

6.58 Finally, in the market sector, a balance of dwellings is suggested that takes account of the demand for homes and the changing demographic profile as well as addressing under-occupation. The findings show higher recommended proportions for larger houses compared with other tenure groups. The following mix of market housing is suggested:

- 1-bed properties: 10-15%
- 2-bed properties: 45-50%
- 3-bed properties: 20-25%
- 4-bed properties: 15-20%

- 6.59 Although the analysis has quantified this based on the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process.
- 6.59 The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply.
- 6.59 The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area.

Housing Mix (Size of Homes Needed): Key Messages

- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.
- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in the Borough (by tenure).
- Based on the evidence, it is expected that the focus of new market housing provision will be on three-bed properties through brownfield and or greenfield delivery. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to stay.
- The analysis linked to long-term (20-year) demographic change modelled the three scenarios. Based on Scenario 1, the Standard Method, the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+-bed
Market	10-15%	45-50%	20-25%	15-20%
Affordable home ownership	30-35%	40-45%	15-20%	5-10%
Affordable housing (rented)	15-20%	50-55%	20-25%	10-15%

- The affordable housing mix should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.

7 NEEDS OF SPECIFIC GROUPS

Introduction

- 7.1 This section of the report examines the housing needs for specific groups in Croydon, focusing on the need for housing for older persons, those with disabilities and students.
- 7.2 The analysis in this section draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.
- 7.3 Additionally, for some analysis, it is necessary to project the population forward. Reference for this is made to the demographic projections developed in this study (linking to an LHN of 2,302 dwellings per annum based on aligning housing and economic growth).

Current and Future Population of Older People

- 7.4 The table below provides baseline population data about older persons and compares this with London and England. The data has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data is for 2017 to reflect the latest published data for local authority areas and above.
- 7.5 The data illustrated in the table below shows that the population distribution of older persons in Croydon is very similar to the trend across London with a higher proportion of the population aged under 65 compared to the rest of the country.

Table 26: Older Person Population (2017)

	Croydon		London	England
	Population	% of population	% of population	% of population
Under 65	333,453	87%	88%	82%
65-74	27,892	7%	6%	10%
75-84	16,533	4%	4%	6%
85+	6,959	2%	2%	2%
Total	384,837	100%	100%	100%
Total 65+	51,384	13%	12%	18%

Source: ONS 2017 Mid-Year Population Estimates

- 7.6 It is estimated that 13% of Croydon's population is 65+ years old at 2017, which is similar to the trend across London at 12% and much lower than the rest of the country (18%).

7.7 As well as providing a baseline position for the proportion of older persons in the Borough, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the population projection linked to the housing need of 2,302 dpa.

7.8 In total population terms, the projections show an increase in the population aged 65 and over of 32,663 people (65%), this is against a backdrop of an overall increase of 15% in total population and an increase in the population aged under 65 of 7%.

Table 27: Projected Change in Population of Older Persons (2016 to 2036)

	2016 population	2036 population	Change in population	% change
Under 65	333,053	357,285	24,232	7%
65-74	27,099	43,574	16,475	61%
75-84	16,406	26,978	10,572	64%
85+	6,743	12,359	5,616	83%
Total	383,301	440,197	56,896	15%
Total 65+	50,248	82,911	32,663	65%

Source: GLH amendments to ONS subnational population projections (2016-based)

People with Disabilities

7.9 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).

7.10 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across Croydon, some 28% of households contain someone with a LTHPD.

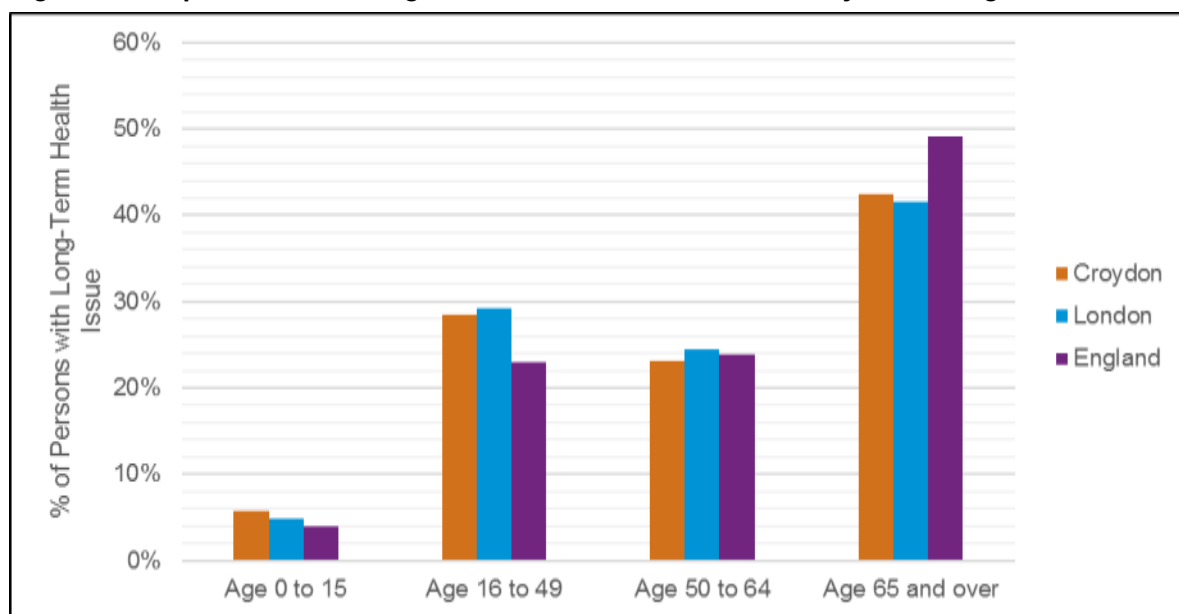
Table 28: Households and people with Long-Term Health Problem or Disability (2011)

	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Croydon	41,262	28%	53,113	15%
London	910,432	28%	1,157,165	14%
England	7,217,905	33%	9,352,586	18%

Source: 2011 Census

- 7.11 This figure is lower than the national trend and broadly in-line with the London average. The figures for the population with a LTHPD show a similar pattern in comparison with London (an estimated 15% of the population of the Borough have a LTHPD) although slightly less than the rest of England.

Figure 10: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

- 7.12 The age-specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections, it is estimated that the number of people with a LTHPD will increase by around 22,822 (a 24% increase).
- 7.13 Across the Borough, a large percentage of this increase (61%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents at least 40% of the total increase in the population estimated by the projections.

Table 29: Estimated change in population with LTHPD (2016-2036)

	Population with LTHPD		Change (2016-36)	% change from 2016
	2016	2036		
Based on 2,302 dpa	94,436	117,258	22,822	24.17%

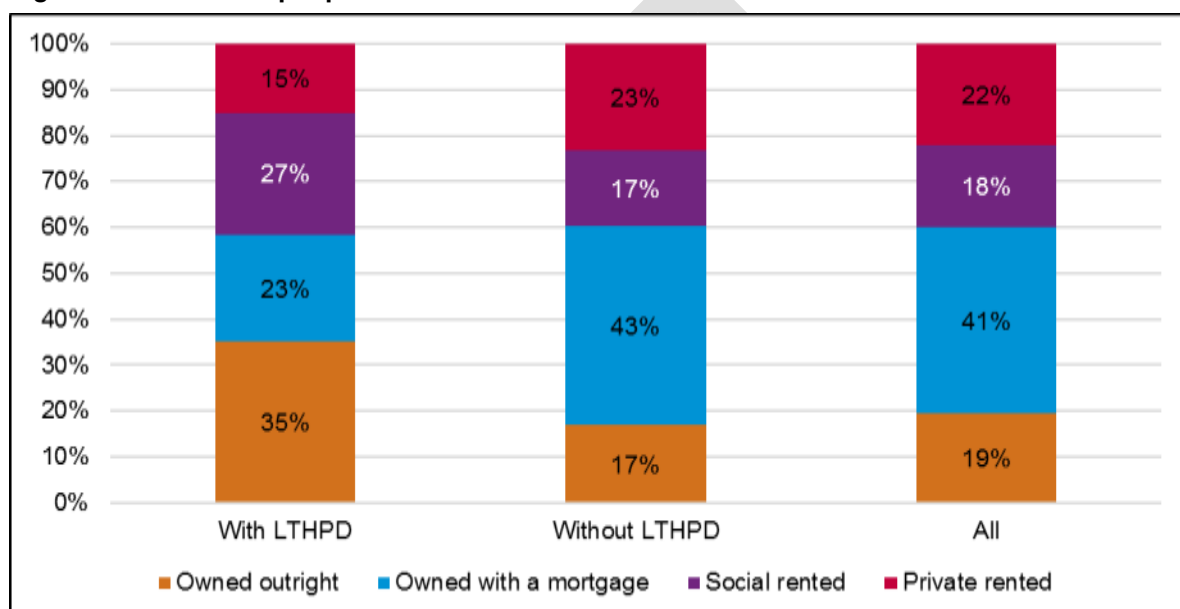
Source: Derived from demographic modelling and Census (2011)

- 7.14 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands in Croydon are more likely to have a LTHPD, greater than London.

7.15 The figure below shows the tenures of people with a LTHPD. It should be noted that the data is for the population living in households rather than households. The analysis clearly shows that people with a LTHPD in Croydon are more likely to live in owned outright housing (35%) which will be linked to the age profile of the population with a disability and also likely to live in social rented housing (27%).

7.16 Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners, the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

Figure 11: Tenure of people with LTHPD



Source: 2011 Census

7.17 As a further sensitivity we have also examined the growth of people with disabilities which are likely to directly impact their demand for housing. This is drawn from projections from Projecting Older People Population Information (POPPI).

7.18 Linked to the standard methodology there is expected to be an increase in the number of people with dementia of around 2,750 between 2016 and 2036. There is an even larger increase in those with mobility problems (6891) over the same period.

Table 30: Estimated Population Change for range of Health Issues (2016 to 2036) – Croydon

	Type of illness/ disability	2016	2036	Change	% increase
Scenario 1	Dementia	3,500	6,251	2,751	78.6%
	Mobility problems	9,157	16,048	6,891	75.3%
Scenario 2	Dementia	3,500	5,891	2,391	68.3%
	Mobility problems	9,157	15,088	5,932	64.8%
Scenario 3	Dementia	3,500	6,149	2,650	75.7%
	Mobility problems	9,157	15,777	6,620	72.3%

Source: Data from POPPI and demographic projections

Housing for older people

- 7.19 Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.
- 7.20 The PPG sets out that the reason for the approach to setting standards is designed to 'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes' (56-001) and that 'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area' (56-002).
- 7.21 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:
- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
 - size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
 - the accessibility and adaptability of existing housing stock;
 - how needs vary across different housing tenures; and
 - the overall impact on viability.
- 7.22 However, there may be topography constraints in Croydon which may create barriers which would restrict the design and development of accommodation for older and disabled people to these standards.

- 7.23 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed as the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.
- 7.24 For some analysis, it is necessary to project the population forward. Reference for this is made to the demographic projections developed in this study (linking to an LHN of 2,302 dwellings per annum based on aligning housing and economic growth).

Need for Specialist Accommodation

- 7.25 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.
- 7.26 The data for need is calculated by applying prevalence rates to the population aged 75+ and as projected forward. The prevalence rates have been taken from a toolkit developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health.
- 7.27 This database includes the need across the following categories (discussed in more detail below): sheltered housing, enhanced sheltered housing, extra care, residential care and nursing care. Additionally, the analysis draws on current supply estimates from HOPSR (Housing for Older People Supply Recommendations) – a database developed by Sheffield Hallam University along with data from the Elderly Accommodation Counsel (EAC) which provides an indication of the current tenure mix of such accommodation.

Definitions of Different Types of Older Persons' Accommodation

Retirement/sheltered housing:

A group of self-contained flats or bungalows typically reserved for people over the age of 55 or 60; some shared facilities lounge, garden, guest suite, laundry; plus, on-site supportive management. A regularly visiting scheme manager if s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to retirement/sheltered housing. Developments usually built for either owner occupation or renting on secure tenancies.

Enhanced sheltered housing:

Sheltered housing with additional services to enable older people to retain their independence in their own home possible. Typically, there may be 24/7 (non-registered) staffing cover, at least one daily meal will be provided additional shared facilities. Also called assisted living and very sheltered housing.

Extra care housing:

Schemes where a service registered to provide personal or nursing care is available on site 24/7. Typically, at will be provided and there will be additional shared facilities. Some schemes specialise in dementia care or may have a dementia unit.

Care beds:

Care homes: Residential settings where a number of older people live, usually in single rooms, and have access to personal care services (such as help with washing and eating).

Care homes with nursing: These homes are similar to those without nursing care, but they also have registered nurses to provide care for more complex health needs.

Source: HOPSR

- 7.28 As well as setting out overall prevalence rates for different types of housing, the Housing LIN provides some suggestions for the tenure split between rented and leasehold accommodation (essentially public vs. private provision), this varies depending on an area's level of deprivation.
- 7.29 The data draws on assumptions from the Shop@ tool with adjustments based on the relative health of older people locally (from 2011 Census data) and a tenure split based on local deprivation levels (2015 IMD).
- 7.30 Consideration has also been given to overall levels of disability in the older person population; given that these are slightly higher than the national average a small upwards adjustment has been made.
- 7.31 The tables below report the older person's dwelling requirements for each of the three scenarios. The dwelling requirements use two categories of accommodation (in addition to care beds). These are a) Housing with Support (which covers retirement/sheltered housing) and b) Housing with Care (which includes the enhanced sheltered and extra-care housing).
- 7.32 Across all scenarios, most of the demand is for housing with support, particularly leasehold.

Scenario 1: Standard Methodology

- 7.33 The data in Scenario 1 in the table below suggests a current deficit of 745 dwellings (rented and leasehold) for housing with support and care and a shortfall of 453 care bed-spaces.

Table 31: Older Person Housing Requirements (2016 to 2036) Scenario 1: Standard Method

		Housing demand per 1,000 75+	Current supply	2016 Demand	Current shortfall (surplus)	Additional demand to 2036	Shortfall/ (surplus) by 2036
Housing with support	Rented	54	2,051	1,255	(796)	877	81
	Leasehold	65	575	1,515	940	1,060	2,000
Housing with care	Rented	23	358	527	169	369	538
	Leasehold	20	38	470	432	329	761
Care bed-spaces		105	1,985	2,438	453	1,705	2,157

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 7.34 Projecting these prevalence rates forward the changing and aging population results in a high deficit of 3,380 housing with support and/or care by 2036. There will also be an increased deficit in care bed spaces, reaching 2,157 at 2036.

Scenario 2: Croydon Local Plan

- 7.35 The table below reports the older person housing requirements under Scenario 2, Croydon Local Plan. Under this scenario, the current deficit of 745 housing with support and housing with care increases to a deficit of 3,245 by 2036.

Table 32: Older Person Housing Requirements (2016 to 2036) Scenario 2: Local Plan

		Housing demand per 1,000 75+	Current supply	2016 Demand	Current shortfall (surplus)	Additional demand to 2036	Shortfall/ (surplus) by 2036
Housing with support	Rented	54	2,051	1,255	(-796)	833	36
	Leasehold	65	575	1,515	940	1,006	1,946
Housing with care	Rented	23	358	527	169	350	519
	Leasehold	20	38	470	432	312	744
Care bed spaces		105	1,985	2,438	453	1,618	2,071

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 7.36 Care bed-spaces currently have a deficit of 453 beds and are projected to experience additional demand for 1,618 beds with a surplus of 2,071 by 2036.

Scenario 3: Draft London Plan

- 7.37 Under Scenario 3, the Draft London Plan, the current deficit of 745 housing with support and housing with care increases to a deficit of 3,511 by 2036.

Table 33: Older Person Housing Requirements (2016 to 2036) Scenario 3: Draft London Plan

		Housing demand per 1,000 75+	Current supply	2016 Demand	Current shortfall (surplus)	Additional demand to 2036	Shortfall/ (surplus) by 2036
Housing with support	Rented	54	2,051	1,255	-796	921	125
	Leasehold	65	575	1,515	940	1,112	2,053
Housing with care	Rented	23	358	527	169	387	556
	Leasehold	20	38	470	432	345	777
Care bed spaces		105	1,985	2,438	453	1,789	2,242

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 7.38 Care bed spaces currently have a deficit of 453 beds and are forecast to experience a deficit of 2,242 beds by 2036.
- 7.39 For all scenarios most of the demand (2016) for specialist accommodation is for housing with support (61%) compared to 38% for housing with care. The data shows a split of demand for leasehold tenure (82%).
- 7.40 However, while the modelled outputs of the Housing LIN above are based on historic provision rates there are other ways of addressing this need. The Croydon Alliance for example is set up to care for people in their homes for as long as reasonably possible and can also be supported through short term residential stays or providing for the specific needs of their clients.

Student accommodation

- 7.41 In terms of planning to meet the needs of student accommodation, the PPG (Paragraph 017) outlines that strategic policymakers need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings.
- 7.42 It is recognised that encouraging more dedicated student accommodation may take pressure off the private rented sector and increases the overall housing stock. The table below shows the growth in student households between 2001 and 2011.

Table 34: Change in student households (2001 to 2011)

	2001	2011	Change (%)
Croydon	81	319	294%
London	14,034	24,384	74%
England	79,143	124,285	57%

Source: 2001 and 2011 Census

- 7.43 In comparison to London and the rest of the nation, Croydon has experienced significant growth in the number of student households, increasing by an additional 238 (294%) between 2001 and 2011. However, the growth is from a very low base and compared to the wider number of households this is negligible.
- 7.44 Currently, most students living in Croydon are in the private rental market (59%), 24% are living rent free (potentially living in tied accommodation) and 9% in social rent. A small proportion are owner-occupiers (7%) and in shared ownership (1%).
- 7.45 This make up of students by tenure is similar to the London trend, however there is a greater proportion (87%) of students privately renting in London and less (4%) in social rented housing. The London trends in student accommodation is more aligned with what is happening at a national level.

Private Rented Sector

- 7.46 This section looks at a range of statistics in relation to the private rented sector (PRS) in Croydon. Where possible, comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other areas. The aim is to bring together a range of information to inform the need for additional private rented housing in the Borough.

Size of the Private Rented Sector

- 7.47 The table below shows the tenure split of housing in 2011 in Croydon, London and England.
- 7.48 The data identifies approximately 28,762 households living in private rented housing in Croydon—20% of all households. This proportion is notably higher than London (16%) and yet lower than the national rate of 24%.
- 7.49 In Croydon, there are approximately 1,710 households (1%) recorded as living in 'other' PRS accommodation which is likely to be housing linked to employment. This split is aligned with the proportion across London and England (1%).

Table 35: Households by Tenure in Croydon (2011)

	Croydon	London	England
Owns outright	34,882	6,745,584	689,898
Owns with mortgage/loan	50,348	7,229,440	886,309
Social rented	25,887	3,903,550	785,993
Private rented	28,762	3,401,675	775,591
Other	1,710	314,249	43,494
Total	141,589	21,594,498	3,181,285
% private rented	20%	16%	24%

Source: Census (2011)

- 7.50 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time. The table below shows change in tenure for Croydon from the 2001 and 2011 Census.
- 7.51 There has been significant growth in the number of households living in privately rented accommodation (69%) and only a slight increase in outright owners (2%). Increase in outright owners is attributed to mortgages being paid off, which may have been assisted by a period of low-interest rates.
- 7.52 There has been a decline in the number of owners with a mortgage (-16%) and a decrease in the number of other households (46%).

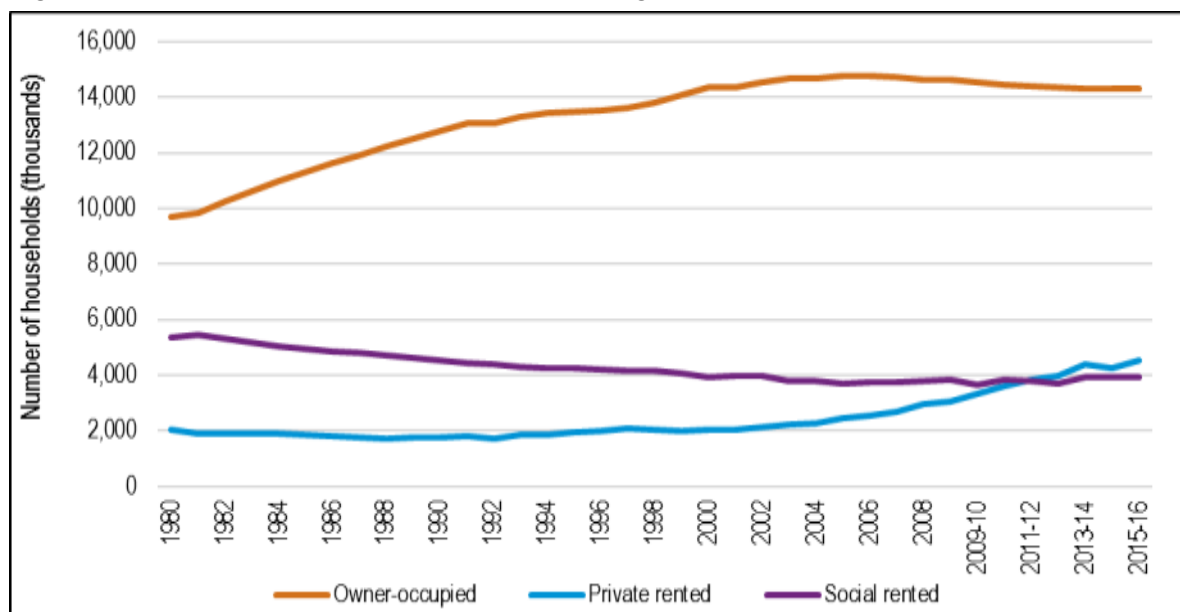
Table 36: Change in tenure (2001-11) – Croydon

	2001 households	2011 households	Change	% Change
Owns outright	34,169	34,882	713	2%
Owns with mortgage/loan	60,143	50,348	-9,795	-16%
Social rented	23,339	25,887	2,548	11%
Private rented	16,969	28,762	11,793	69%
Other	3,166	1,710	-1,456	-46%
Total	137,786	141,589	3,803	3%

Source: 2001 and 2011 Census

- 7.53 The PRS has clearly been growing rapidly over time, in Croydon the South East Region and the rest of the nation. It is also worth considering what further changes may have occurred since 2011. Unfortunately, robust local data on this topic is not available, however, a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016. The figure below shows changes in three main tenures back to 1980.
- 7.54 This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and also a slight decrease in the number of owners. Since 2011, the EHS data shows that that PRS has risen by a further 25%.

Figure 12: Trends in tenure, 1980 to 2015-16 – England



Source: English Housing Survey

Self and Custom-build

7.55 Housing Needs Assessments should investigate the contribution that self-build makes toward the local supply. Laying the Foundations – a Housing Strategy for England 2010 sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:

- A lack of land;
- Limited finance and mortgage products;
- Restrictive regulation; and
- A lack of impartial information for potential custom home builders.

7.56 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.

7.57 In the London Borough of Croydon, there are currently 60 individuals and 1 association on the custom and self-build register. Of those on the register, 31% are located in Croydon. Others are located in areas across London and outside of London including Milton Keynes.

7.58 Those registered identified the reason why they are interested in designing and or building their own home. A high proportion noted the desire to own a home of their own design and specifications (38%), 19% wanted an environmentally low-impact home and the same proportion wanted to physically build their own home. Notably, 6% identified that they wanted a home that they can afford to buy.

7.59 Of those registered, 24% are on annual incomes over £100k, 20% are on annual incomes under £50k and 12% are on income of £60k and £70k.

Service Families

7.60 MOD statistics report that at April 2018, there were a total of 20 military and civilian personnel (including 10 military and 10 civilians) located in Croydon. This is part of a total of 7,720 (4,380 military and 3,340 civilians) located in London.

7.61 There are no barracks or bases in Croydon and the number of service personnel located in the Borough is quite low, however there will be a need to ensure service personnel and their families are accommodated in suitable accommodation. However, the Council should engage with neighbouring local authorities through the Duty to Co-operate for any matter relating to housing need for service families.

7.62 The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) can establish a 'local connection' with the area in which they are serving or have served.

7.63 This prevents ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. In addition, any ex-armed forces personnel with mental health issues who present themselves to the Council as homeless would be assisted as a vulnerable group and will be given priority need for housing.

8 SUMMARY AND CONCLUSIONS

8.1 The Croydon SHMA Update follows the approach to housing need using the standard methodology as set out by the Government in the NPPF (February 2019). Two other housing growth scenarios have been modelled to understand potential housing mix linked to the Croydon Local Plan and Draft London Plan.

Standard Methodology

8.2 The standard methodology seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

8.3 The starting point is the 2014-based household projections and we have examined the growth in the period 2019-29. As set out in the table below over this period the 2014-based projections show a household growth of 2,473 households per annum.

8.4 The standard methodology then seeks to adjust the demographic baseline based on market signals. In 2017 the median workplace affordability ratio in Croydon was 11.2 (published in May 2018). The adjustment factor is therefore 0.446 (or 44.6%).

Table 37: Housing Need Derived from Baseline and Affordability Adjustment

	Household Change (19-29)	Step 2 Output
2019-2029	24,726	3,574

Source: ONS and DHCLG, 2016 and 2018

8.5 Applying this to the 2014-based household projections over the 2019-2029 period would take the housing need to 3,574 dwellings per annum.

8.6 The final stage of the proposed methodology is to cap the LHN to a level which is deliverable. In the case of Croydon (which has a recently adopted Local Plan) the cap is applied to the lower of the adopted Local Plan figure (1,644 dpa) or the output from stage 2 (3,574 dpa) i.e. 40% above the Local Plan figure. This cap means the uplift is reduced from 44.6% to 40% and results in a need for 2,302 dpa.

8.7 The analysis has also modelled housing growth under Scenario 2, the Croydon Local Plan and Scenario 3, the Draft London Plan. Scenario 2 identified a housing need of 1,644 dwellings per

annum (34,016 dwellings in total) over the period 2016 to 2036. Scenario 3 identified a greater housing need at 2,949 dwellings per annum (56,202 dwellings in total) over the period 2019/20 to 2028/29.

Affordable Housing Need

- 8.8 The report has considered the net need for affordable rented housing; using the Basic Needs Assessment Model recommended in the PPG. Using the LHN figure in Scenario 1, the analysis calculates an overall gross need for affordable rented housing of 2,966 units per annum over the period to 2036 in Croydon. Accounting for re-let supply of 788 units per annum reduce the need to a net need of 2,178 units per annum to 2036.
- 8.9 Affordable housing need was also identified for Scenario 2 and Scenario 3. A total gross need of 2,782 was found for Scenario 2 and 3,147 under Scenario 3. Considering re-let supply, the net need arrived at 1,994 under Scenario 2 and 2,359 under Scenario 3.
- 8.10 The affordable housing need identified in Scenario 1 was compared with the previous assessment undertaken in the SHMA (2015) (which used slightly different assumptions). This indicated that affordable housing need in the Borough has increased notably since the previous assessment.

Tenure Mix

- 8.11 In analysing the need for housing of different tenures, it needs to be recognised that there are a series of choices to be made regarding the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.
- 8.12 This supports the BNP Paribas report which looks at the impact of seeking London Affordable Rent rather than affordable rent at 80% of market rent. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.
- 8.13 To aid the decision-making process regarding these choices, the following breakdown of tenure could be used as a starting point.
- 60% market
 - 10% affordable home ownership
 - 30% social/affordable rented
- 8.14 However, this comes with a series of caveats including the viability of providing different types of affordable housing. Further, the cost of affordable home ownership properties can sometimes

exceed those of lower cost market homes and thus cannot be truly considered as “affordable”, albeit they might be recognised as such by the government.

Need for Different Types and Sizes of Homes

- 8.15 The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there are a range of factors which should be considered in setting policies for provision. The mix of affordable rented housing sought through development at a borough-wide level should be as follows:
- 1-bed properties: 15-20%
 - 2-bed properties: 50-55%
 - 3-bed properties: 20-25%
 - 4-bed properties: 10-15%
- 8.16 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households. The limited flexibility which one-bed properties offer to changing household circumstances create flow on implications such as higher turnover and management issues and the issue of single people under 35 years old only being eligible to claim benefits for a room in a shared house.
- 8.17 The provision of affordable home ownership should be more explicitly focused on delivering smaller housing for the rise of households with dependent children (approximately 30% change by 2036) and the rise of other households, primarily comprising of student households (approximately 85% change by 2036). On this basis, the following mix of affordable home ownership housing is suggested:
- 1-bed properties: 30-35%
 - 2-bed properties: 40-45%
 - 3-bed properties: 15-20%
 - 4-bed properties: 5-10%
- 8.18 In the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile and addressing under-occupation. The following mix of market housing is suggested:
- 1-bed properties: 10-15%
 - 2-bed properties: 45-50%
 - 3-bed properties: 20-25%
 - 4-bed properties: 15-20%

- 8.19 The figures can, however, be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area or linked to macro-economic factors and local supply.
- 8.20 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the details of households currently on the Housing Register in the local area and the stock and turnover of existing properties should be taken into account.
- 8.21 The identified housing mix should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 8.22 In drawing up a housing mix policy the Council may also be mindful of other considerations including the waiting list, the recent and pipeline supply or local aspiration which might mean moving away from our recommendations.

Older Persons Housing Need

- 8.23 The Housing Needs Assessment indicates that the number of residents aged over 65 in Croydon is forecast to increase by 65% over the period to 2036 based on the standard methodology. Because of a growing older population and increasing life expectancy, there is a clear need to accommodate households that require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people's changing needs.
- 8.24 Based principally on the expected growth in the population of older persons, by 2036, there is an expected shortfall in housing with support and housing with care (a total shortfall of 3,380 homes – excluding care home bedspaces). It also identifies a need for an additional 2,309 care bed-spaces.

Table 38: Need for Specialist Housing for Older People in Croydon, 2016-2036

		Housing demand per 1,000 75+	Current supply	2019 demand	Current surplus	Addition al demand to 2036	Surplus by 2036
Housing with support	Rented	54	2,051	1,255	-796	956	159
	Leasehold	65	575	1,515	940	1,154	2,095
Housing with care	Rented	23	358	527	169	401	570
	Leasehold	20	38	470	432	358	790
Care beds	-	105	1,985	2,438	453	1,857	2,309

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 8.25 Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of this report from that for C3 dwellings (and is separate to the C3 housing LHN).
- 8.26 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons.
- 8.27 GL Hearn recommends that the Council should consider how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing or to require the provision of specialist housing for older people as part of larger strategic development schemes.
- 8.28 Given the evidence, the Council could consider (as a start point) requiring all dwellings to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and at least 10% of homes which are allocated by the local authority meeting M4(3). Although this would need to take into consideration such things as site topography or layout. It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

8.29

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