



# **HARROW'S HOUSING EVIDENCE BASE AFFORDABILITY OF HOUSING IN HARROW**

**JUNE 2020**

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## AFFORDABILITY OF HOUSING IN HARROW – JUNE 2020



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# HARROW'S HOUSING EVIDENCE BASE

## AFFORDABILITY OF HOUSING IN HARROW – JUNE 2020

### Population

Housing demand has increased substantially as Harrow's population has grown by around 10,650 (4.4%) since the 2011 mid-year estimate. In the 2011 Census Harrow was recorded as having the second highest average household size in England at 2.8.

In the last year the population has increased by just over 1,000 (0.4%) to 251,160 at June 2019.<sup>1</sup> There were almost 2,100 more births than deaths, a net gain of almost 2,400 from international migration and a net loss of over 3,500 from internal migration. The UK's population growth was 0.5% and London's was 0.6%, the slowest growth rate for both since 2004.

21.3% of Harrow's population are aged under 16, 62.8% fall within the 'working age group' of 16 to 64 and 15.9% are 65+. The number and proportion of older people continues to increase each year.

### Local Earnings

The ONS provisional estimate of median gross full-time pay of Harrow residents was £693.40 per week in 2019<sup>2</sup>, an increase of 3.3% over the previous year. This is equivalent to an annual gross salary of about £36,000 and is in line with the average for London. It is higher than most of our West London neighbours - Brent (£610), Ealing (£622), Hillingdon (£621) and Hounslow (£649).

Housing affordability is calculated by comparing the earnings of those in the 'lowest quarter of average earnings' with property prices in the most affordable quarter of the market or 'lower quartile'.

### Stability of Income

The increase in all forms of flexible working - the 'gig economy', zero hours contracts etc. means less stability of income, fewer housing options and an increased risk of falling into rent or mortgage arrears. It also makes benefit claims more difficult to manage.

The coronavirus pandemic has added further uncertainty to earnings. Harrow has the 2<sup>nd</sup> highest percentage of Small and Medium Enterprises (SMEs) and the 4<sup>th</sup> highest percentage of micro businesses in London. It has also historically had a high proportion of commuters into central London.

A number of government schemes have been created to alleviate financial hardship caused by COVID-19. The Coronavirus Job Retention Scheme allows employees on PAYE to be furloughed, but this will only be for a limited period. The Grants to Small Businesses Scheme entitles approximately 2,800 qualifying small businesses in Harrow a grant of either £10k or £25k dependent upon their rateable value, and an additional discretionary small business grant scheme was announced on 1 May. 100% business rate relief has been applied to all shops, hospitality, leisure and children's nurseries. In addition to these business measures, the Hardship Fund delivers relief to Council Tax payers, primarily through Council Tax Support (CTS) and increased financial assistance.

<sup>1</sup> Source: ONS Analysis of Population Estimates

<sup>2</sup> Source: Annual Survey of Hours and Earnings (ASHE)

## Home Ownership

Despite the introduction of government schemes to support buyers, e.g. Low Cost Home Ownership, Help to Buy and Right to Buy (social housing), home ownership in Harrow has declined to around 60% from 66% at the 2011 Census (75% in 2001) and the private rental sector (PRS) has increased to around 30% over the same period.

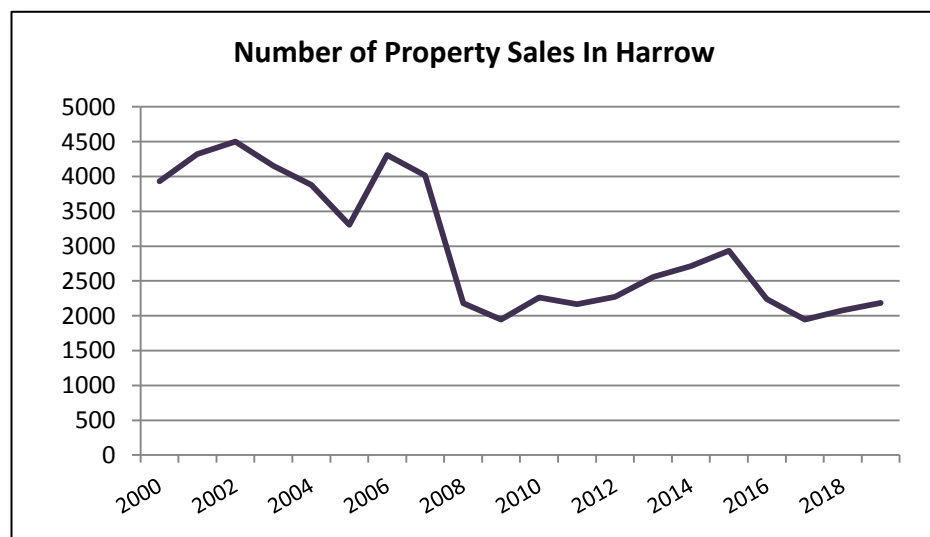
House prices have risen significantly faster than earnings and the median property price sale at September 2019 was £465,000<sup>3</sup> – 13 times the median salary. Mortgage availability has decreased and the deposit required in order to secure a mortgage has increased for both first-time buyers and those wanting to move home.

Borrowers facing a reduction in income during the coronavirus crisis are able to defer payments for up to 6 months, applicable to both residential and buy-to-let mortgages, and all housing reposessions were suspended for 3 months from 27 March 2020.

With good transports links, a low crime rate and green spaces, Harrow is a desirable but expensive borough to live in. Only 5% of properties are in Council Tax bands A and B, whereas London averages 17% and England averages 44.4%. Harrow also has the third highest Council Tax in London after Kingston-upon-Thames and Richmond-upon-Thames, with Band D costing £1,523 in 2020. Westminster had the lowest Band D rate of £449, followed by Wandsworth at £468. Hammersmith & Fulham, City of London and Kensington & Chelsea were also under £1,000.

The economic downturn since 2008 has adversely affected the housing market. The recession and government austerity measures have affected many of Harrow's residents, and not just those traditionally thought of as vulnerable.

Harrow property sales peaked at just over 4,500 in 2002 but declined to just under 2,200 in 2019.



Source: Land Registry

## Private Rental Sector

Based on median net earnings of approximately £2,340 per month, the median Private Rental Sector (PRS) rent for a 2 bedroom property in Harrow would consume 56% of one person's take-home pay, and even a lower quartile rent in Harrow would be 51% of their take-home pay. 3 bedroom properties would be 70% and 64% respectively.

<sup>3</sup> Source: ONS from Land Registry data

Whilst many households earn two salaries, parents work full-time less frequently, and any childcare costs also need to be factored into affordability of rent.

Monthly rents 2019	North West London LHA	Harrow Lower Quartile Rent	Harrow Median Rent	London Lower Quartile Rent	London Median Rent	England Lower Quartile Rent	England Median Rent
Room	£402	£500	£563	£525	£600	£347	£390
Studio	£880	£750	£850	£800	£950	£433	£575
1 bedroom	£880	£950	£1,050	£1,060	£1,288	£470	£600
2 bedrooms	£1,114	£1,200	£1,300	£1,300	£1,500	£525	£650
3 bedrooms	£1,393	£1,500	£1,638	£1,500	£1,800	£600	£750
4+ bedrooms	£1,671	£1,750	£2,000	£2,000	£2,500	£900	£1,320

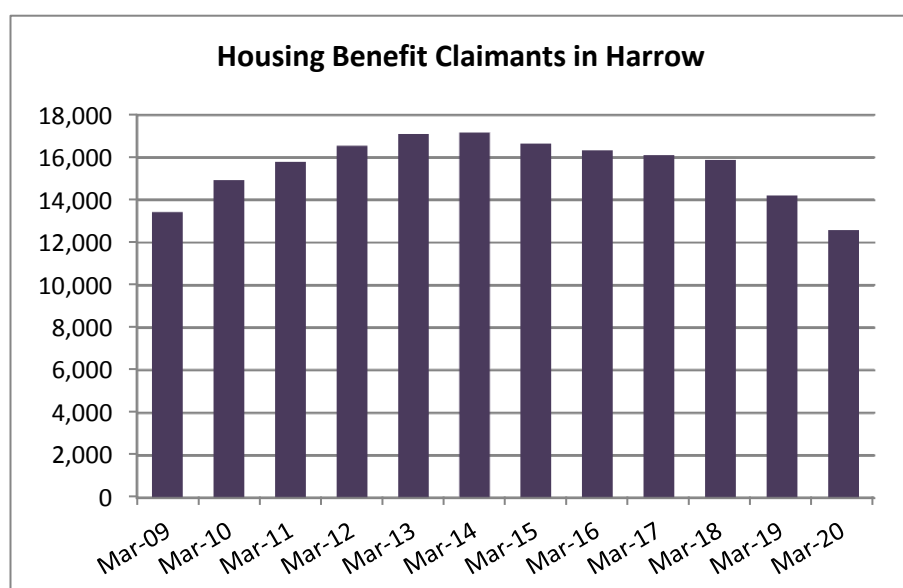
Source: Valuation Office Agency

Emergency measures introduced by the government during the coronavirus pandemic include suspension of all evictions of tenants in both social and privately-rented accommodation, initially for 3 months from March but, at the time of writing, has been extended until 23 August.

Welfare reforms have impacted on private landlord behaviour, with many refusing to renew tenancies because they no longer receive direct payments of Housing Benefit (HB) for claimants of Universal Credit (UC).

## Housing Benefit

The Local Housing Allowance (LHA) was introduced in 2008 and is the maximum amount of assistance with housing costs that can be awarded to someone claiming HB or UC who lives in private rented accommodation. It is based on the number of bedrooms needed and the average rent in the area. The number of Harrow households claiming HB in March 2020 was 12,587. This has declined since the introduction of Universal Credit (UC) in 2018.



Source: Revenues & Benefits / DWP

Despite rising rents, LHA rates have been significantly reduced since 2011 and were frozen from 2016/17 to 2019/20, putting many households at risk of homelessness. This is because the maximum amount of HB they can receive as a private renter is often less than the cheapest rents available locally, making it very difficult to find affordable accommodation.

In response to the coronavirus crisis LHA rates have been increased for 2020/21 to match the 30th percentile of rents in each local area. This increase is welcome but it is not yet clear what the position will be from 2021/22.

## Universal Credit

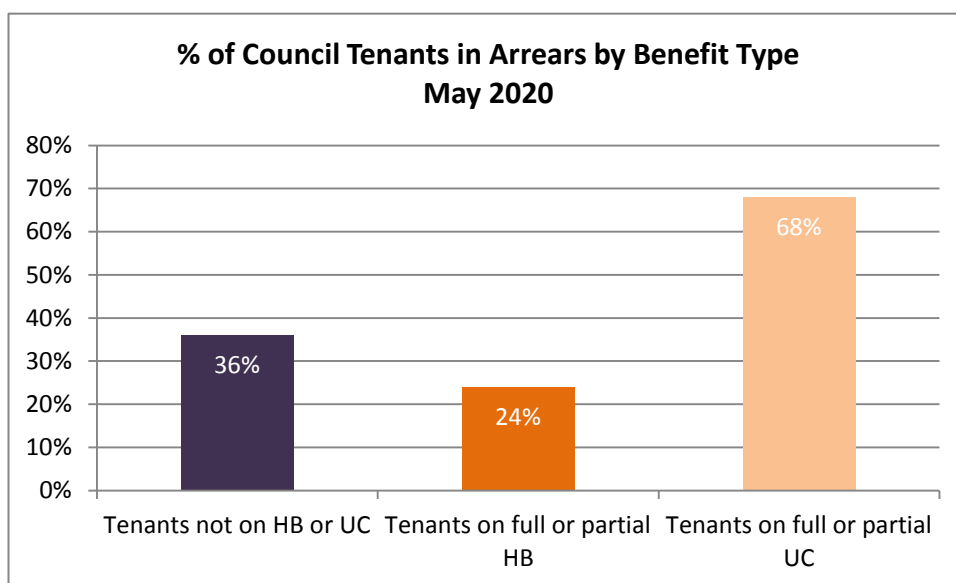
UC is a single benefit replacing HB, Working Tax Credit, Child Tax Credit, income-based Jobseeker's Allowance, Income Support and related Employment and Support Allowance. It is being rolled out nationally under a 'managed migration' and was introduced in Harrow from July 2018. At February 2020 there were just under 7,000 households on UC, although the coronavirus pandemic has dramatically increased the number of applications since then.

It is too early to predict its long-term effect on affordability of housing in Harrow, but there is widespread concern about UC claimants falling into rent arrears and becoming at risk of homelessness in both the private and social housing sectors. Over the last 4 years the percentage of council tenants that are at least 7 weeks in arrears has ranged between 3% and 5%, and this will need to be monitored as more tenants move onto UC.

There are several reasons for the increased risk, including the in-built time-lag before the first payment and the fact that HB was paid directly to landlords whereas UC is paid to the claimant, who is responsible for paying their rent to the landlord. In some cases an 'Alternative Payment Arrangement' can be put in place, such as a 'Managed Payment to Landlord'.

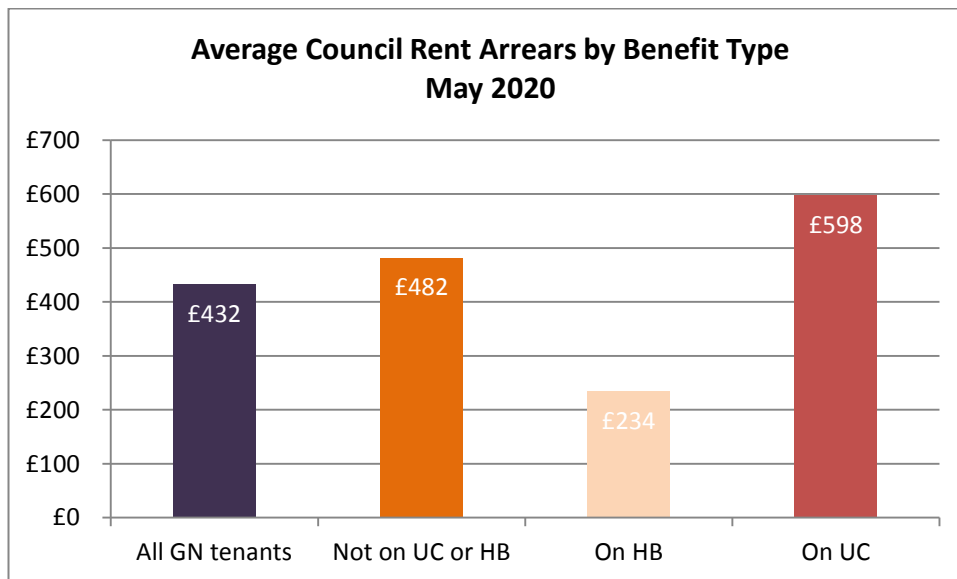
The percentage of Harrow's council tenants on UC has increased from 7% in April 2019 to 16% in May 2020 and council tenant HB claimants have reduced from 57% to 51%.

The UC claimants are in a far worse position than the HB claimants, with 68% in arrears compared with 24% of those on HB.



Source: Northgate

As well as a higher proportion of UC tenants falling into arrears, the amount they owe tends to be much higher. The average level of council rent arrears was over 2.5 times higher in UC tenants (£598) than in HB tenants (£234) in May 2020.



Source: Northgate

A survey by ARCH, the Association of Retained Council Housing, and the National Federation of ALMOs (Arms-Length Management Organisations) that measured the impact of UC on local authorities reported similar results in 2019.<sup>4</sup>

**Overall survey (data at 31st March 2019)**

39 respondents managing over half a million social and affordable properties.



The Council has taken steps to mitigate the effects as far as possible for both social and private tenants e.g. requesting increased levels of direct HB payments to landlords and providing information, advice and signposting, but resources are limited and as the roll out to UC progresses it will become even more challenging to offer adequate personal support to maintain tenancies.

<sup>4</sup> Source: [Patching the Safety Net - Measuring the Impact of Universal Credit on tenants and landlords \(2019\)](#)

## Social Housing

Although 23% of London's population lives in social housing, Harrow has the second lowest proportion at just 10% of its 91,909 households. At March 2020 there were 4,823 Council properties, up from 4,773 the previous year, and the first increase in decades due to housebuilding and acquisition.

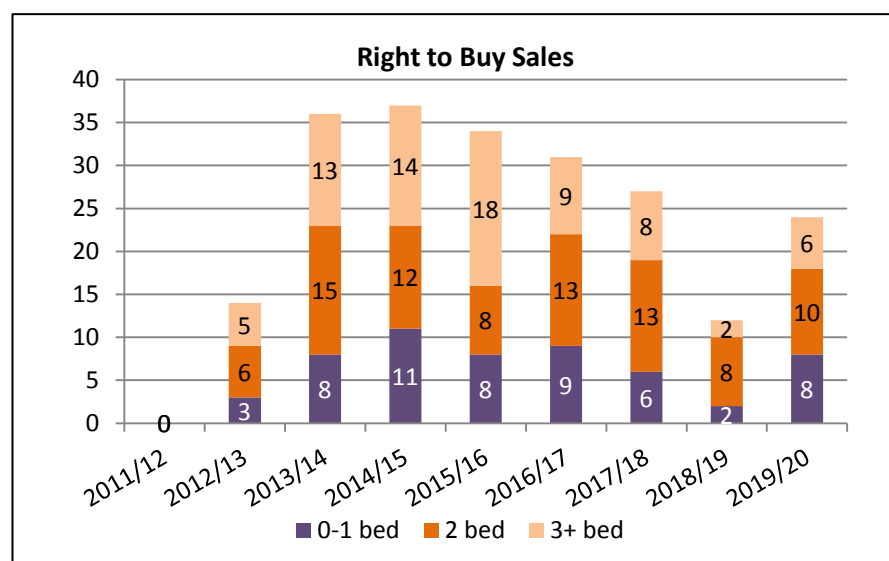
Stock Levels of Social Housing in West London Boroughs, 2019					
Borough	Stock	No. LA	% LA	No. RP	% RP
Brent	120,448	8,345	6.9	18,585	15.4
Ealing	135,305	11,747	8.7	12,171	9.0
Hammersmith and Fulham	89,186	12,141	13.6	13,243	14.8
Harrow	91,909	4,773	5.2	4,364	4.7
Hillingdon	110,734	10,086	9.1	7,622	6.9
Hounslow	101,838	13,085	12.8	8,488	8.3
Kensington and Chelsea	87,726	6,883	7.8	12,888	14.7

Source: MHCLG

Roxbourne Ward, which contains the Rayners Lane Estate, has Harrow's highest proportion of social rented properties at one quarter of all households.

Households from all ethnic groups live in Harrow's social housing, reflecting the diverse population of the Borough. Of disclosed ethnicity, the largest single group housed within the Council's stock is White at 48% of known ethnicity, followed by Asian at 23% and then Black at 20%. This isn't representative of Harrow's current demographic and is likely to be due to a combination of factors including longevity of tenancies, very low churn in our small stock, the discharging of housing duty into the private sector since 2011, cultural differences including multi-generational living and the fact that this figure is calculated on 'known' ethnicity, with BAME tenants less willing to disclose their ethnicity.

The increased 'Right to Buy' (RTB) discount since 2012 means sales of family sized Council homes are still outstripping the Council's ability to replace them, particularly as there are many government restrictions on the use of 'Right to Buy' receipts. We have lost almost half of our stock to RTB, with 4,215 properties sold between 1980 and March 2020. The previously slowing trend was reversed in the last year, with 24 sold in 2019/20, 16 of which were 2 or 3 bedroom family homes. Social housing stock may be further reduced if 'Right to Buy' for housing association tenants is rolled out nationally.



Source: Leasehold Team

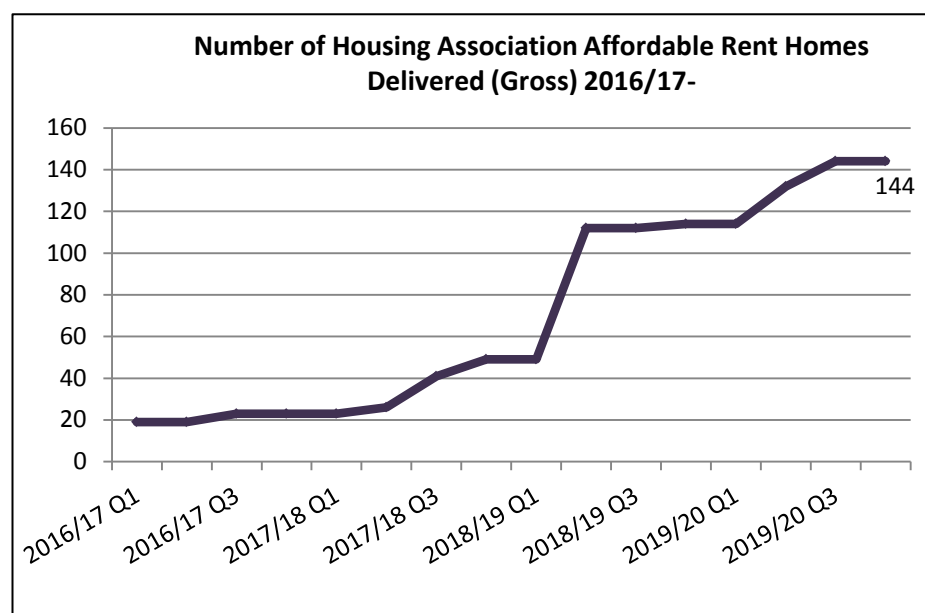


## Maximising Social and Other Affordable Housing

The 'Homes for Harrow' initiative, a number of major planning applications and the focus on the Housing Zone in central Harrow including the Council's regeneration plans means that Harrow's house building will remain strong over the next five years and will go some way towards, but not fully meet, demand.

The Housing Enabling Team monitors and delivers new affordable housing in Harrow. Section 106 agreements, also known as planning obligations, are agreements between developers and local planning authorities that are negotiated as a condition of planning consent. The maximum reasonable amount of affordable housing is sought from schemes providing 10+ residential units in line with the London Plan and Local Development Framework Policy, but it is particularly difficult to deliver family-sized accommodation without reducing overall affordable housing numbers.

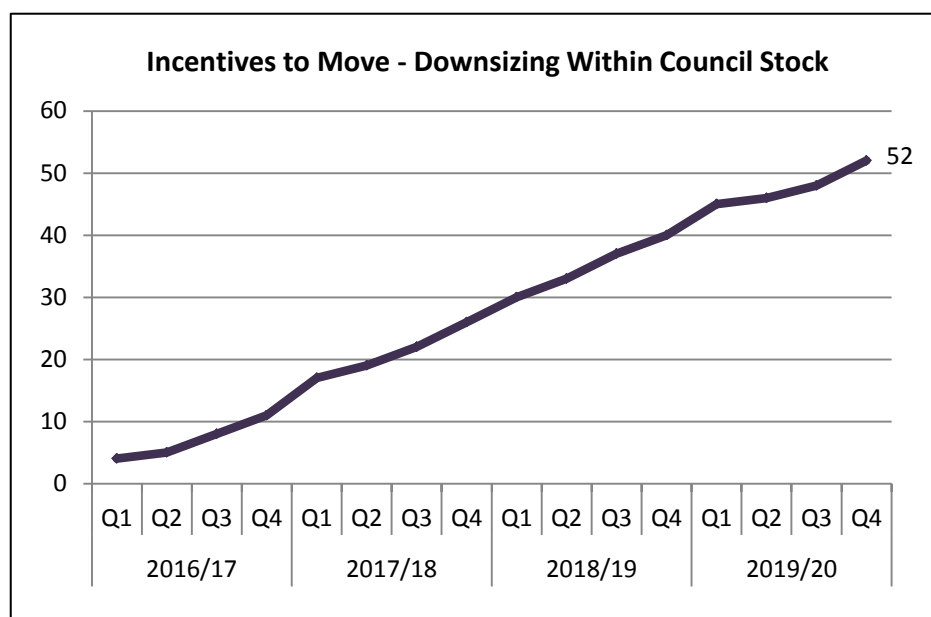
GLA London Affordable Rent levels (exclusive of service charge) are set annually by the mayor for rented affordable housing and are considered to be affordable in London. They are broadly similar to 'social rent' levels and are around 50% of market rent in London.



Source: Enabling Team

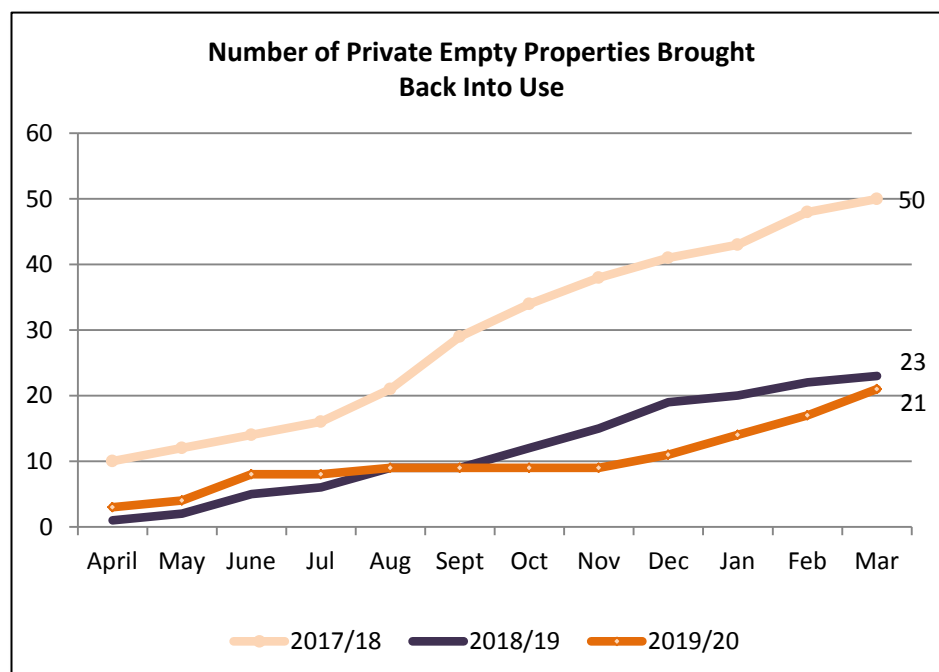
The Council is building new homes for the first time in decades. 93 new homes are completed with a further 134 under construction. Additional funding has been received for a total council house building programme of 639 new homes – 580 for social rent and 59 for shared ownership. This includes the regeneration of the Grange Farm estate which will see 574 new homes built - 249 for social rent, 25 for shared ownership and 300 for private sale to offset costs. The first phase of 89 homes is now on site.

Under-occupiers of social housing are encouraged to downsize in order to free up family-sized accommodation. Those willing to move are offered financial incentives and given the highest priority on the Housing Register. 52 households were incentivised to downsize within Council stock between April 2016 and March 2020, and a further 67 properties were freed-up through the 'Grants to Move' Scheme that operated between 2013 and 2018.



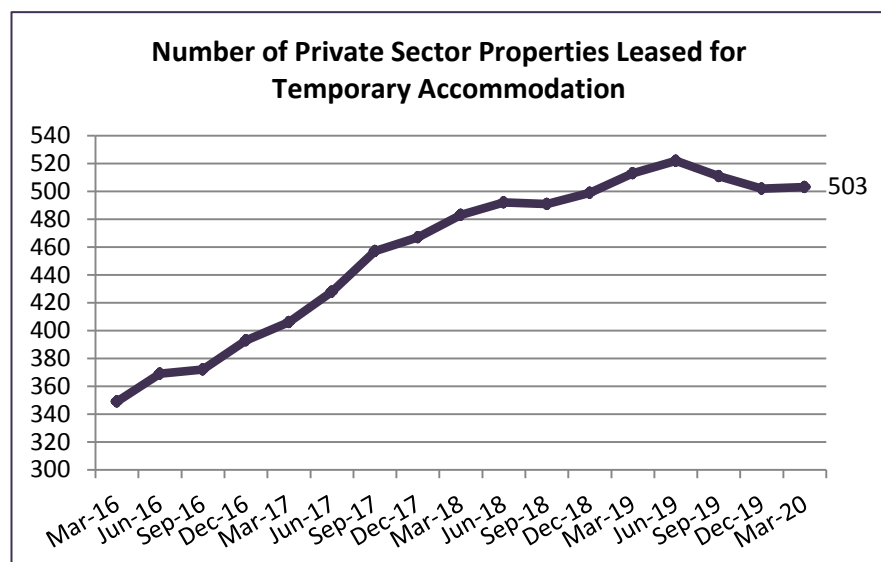
Source: Enabling Team

The Council works with private sector landlords in various ways such as by offering Empty Properties Grants (EPGs) to increase the availability of affordable rented accommodation. 153 empty privately owned properties have been made available to the Council for Temporary Accommodation (TA) between April 2016 and March 2020, but changes in government policy on Buy-to-Let, Brexit uncertainty and reduced grants have affected the potential supply over the last 2 years.



Source: Enabling Team

Harrow's Help2Let Team works in partnership with landlords to assist those in housing need to rent in the private sector. As well as enabling families to avoid homelessness it is particularly important in relieving homelessness and discharging the main homelessness duty by placing these households into PRS accommodation at Local Housing Allowance (LHA) rates. Affordability of even the lowest rent PRS properties in Harrow is becoming more and more of a challenge and Help2Let is increasingly working with landlords outside of Harrow in order to offer families more affordable options.



Source: Housing Needs

Harrow is heavily reliant on the private rented sector (PRS) for temporary and permanent housing solutions. The Council has statutory responsibilities for licensing and enforcement within the PRS. It operates selective licensing in certain areas, as well as mandatory and additional licensing of Houses of Multiple Occupation (HMO's) with a duty to ensure that they are free from serious hazards, including overcrowding.

The Homes Act 2018 was introduced in March 2019 to improve regulatory control in the PRS, raise housing standards at the bottom of the rental sector and enhance tenants' protection. However, the cost of these improvements is likely to be reflected in higher rents, and more people could be priced out of Harrow.

## Homelessness

Homelessness is rising steeply and the Homelessness Reduction Act 2017, effective from April 2018, has increased the burden on local authorities.

Welfare reform, a very limited supply of social housing and a buoyant private rented market add to the Council's pressures from homelessness leading to higher numbers in Bed and Breakfast accommodation (B&B), rising costs and enforced moves out of Borough.

Homelessness triggered by the loss of a private tenancy has soared since the LHA cuts and caps began in 2011 and this is the most common reason for homelessness acceptances. The next most common is family or friends no longer willing to accommodate, and other reasons include domestic abuse and relationships ending.

Several thousand people in housing need contact the Council each year and there is a huge focus on advice and homelessness prevention. Whilst Harrow has always offered extensive prevention and relief assistance, the definitions have changed under the new Act, and the numbers recorded as assisted under these terms are not comparable with previous years.

Positive action by the Housing Needs Team prevented 180 households from becoming homeless in 2019/20 by helping to secure them existing or alternative accommodation for at least 6 months.

Despite all this work, 206 households were accepted as 'eligible, unintentionally homeless and in priority need' in 2019/20.

Emergency measures have been implemented during the coronavirus crisis to protect the homeless and those at risk of homelessness. The 'Everyone In' initiative provides emergency shelter for all rough sleepers, including those that wouldn't usually be eligible for public funds.

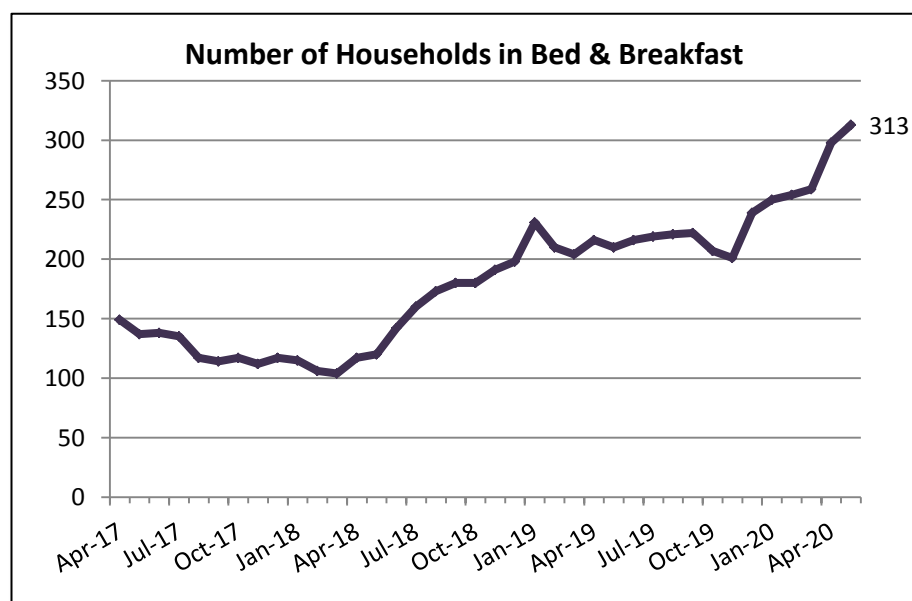
The criteria for homelessness applicants considered to be 'in priority need' based on their vulnerability has been broadened to include all those considered to be extremely clinically vulnerable to the effects of COVID-19 and anyone aged over 70.

### Households in Temporary Accommodation

Social housing is only available to those most in need and few properties become available for new tenants each year. With such a small stock in Harrow, around 1,200 homeless families were living in TA at March 2020, and the coronavirus crisis has increased this by 1-2% at the time of writing.

Households in TA with shared facilities have been moved to self-contained accommodation wherever possible to allow for self-isolation. It is too early to predict the long-term effects of COVID-19 on future policy or numbers.

Due to the range of efforts made on the supply front, including Grants to Move, EPGs and Help2Let plus the purchase of properties for use as temporary accommodation, the number of families needing to be placed in B&B was reduced to 104 by March 2018. Despite all this, the effects of the Homelessness Reduction Act, welfare reform and other pressures have meant this position was not sustainable, with the number climbing to 259 at 31 March 2020, and 313 by the end of May.



Source: Northgate

## Temporary Accommodation Placements Out of Harrow

Despite all efforts to secure more properties in Harrow, families often have to be housed elsewhere. In 2019/20 292 households were placed in short- and long-term temporary and emergency accommodation outside of Harrow.

2019-20	Households
Aylesbury	55
Brent	26
Northolt	14
Hillingdon	35
Watford	35
Bedfordshire	5
Barnet	13
Ealing	22
Enfield	4
Hertfordshire	23
Islington	1
Harlesden	9
Kettering	1
Willesden	2
Hounslow	19
Kingston	22
Croydon	1
Northampton	2
Slough	2
Bletchley	1
<b>Total</b>	<b>292</b>

Source: Northgate