

PARTICIPANT STATEMENT

RESPONDENT 3237

THE HIGHBURY GROUP ON HOUSING DELIVERY

M17 HOUSING REQUIREMENT

Is the need for 66,000 additional homes per year identified by the Strategic Housing Market Assessment (SHMA) justified and has it been properly calculated for market and affordable housing having regard to national policy and guidance?

Summary of response

The housing needs requirement of 66,000 per annum is an underestimate. This is mainly because the assumption of the timescale to meet the social housing backlog has been amended from the 10-year assumption in the 2008 Plan (and the 20-year assumption in the 2015 Plan) to an assumption that the backlog will only be met over 25 years. As the backlog is primarily in relation to the unmet need for low cost rented homes, this new methodology also depresses the proportion of the 10-year requirement which is for low cost rented housing. In our view the requirement per annum for the 10-year target period is 78,000 a year. If the Government guidance that the backlog should be met over 5 years is followed, the annual target for the first 5 years should be just under 100,000 per annum. This has significant implications in terms of the assumed annual deficit relative to the housing capacity estimate of 65,000 per annum, with significant implications both for the Mayor's 'compact city' assumption and on the impact on development requirements in the wider South East.

Detailed calculations

The new SHMA sets out the housing requirements of London at 66,000 per annum. This contrasts with the two estimates in the 2014 SHMA of 49,000 pa (based on meeting the housing need backlog over 20 years) and 62,000 pa (based on meeting the backlog over 10 years, the assumption used in the 2004 and 2009 SHMAs). It should be noted that the SHMA is based on secondary data as the last London-wide housing needs survey was undertaken before the 2004 SHMA. The new SHMA, while generally applying the same methodology as the 2014 SHMA, also extends the period for meeting the backlog from 20 years to 25 years. The new SHMA concludes that 55,540 additional homes are needed each year to meet household population growth. With a total backlog of 208,621 homes needed, meeting this backlog over 25 years, produces an additional annual requirement of 8,761 giving a total requirement of 64,301. This is then adjusted to recognise the fact that some new homes are left vacant or used as second homes, to give an annual requirement of 65,878 (rounded up in the plan to 66,000). Applying a 20-year backlog clearance approach would take the annual requirement to 67,548; applying a 10-year requirement would take the requirement to 77,879. Previous government guidance was to assume backlog is met over 5 years. If this was applied to London, the annual housing requirement for the first 5 years of the plan would be 98,741, falling to 57,017 in the subsequent 5-year period on the basis that the backlog had been fully cleared in the first five years. It can be seen from these calculations that the housing requirement is determined not just by assumptions as to population growth and an assessment of the growth in new households (which needs to assume average household size required for additional housing) but also

the timescale assumed for meeting the backlog. As the plan's new supply targets are set for 10 years, there is a case for returning to the 2004 Plan assumption that the backlog be met within the plan period, which would give an annual requirement of approximately 78,000 compared with the 66,000 recently estimated. This is significant as given the annual housing target proposed is 65,000, this would increase the annual supply supply/ requirement deficit from 1,000 a year to 12,000 a year – or over the 10-year period from 10,000 households to 120,000 households. This is important in terms of the relationship between London and the Home Counties, for by suppressing the deficit, the Plan implies that London can meet, or be very close to meeting, its housing requirements within the London area, whereas a more consistent methodological approach demonstrates that this is not possible. , It is estimated that there could be an imposed exporting of about 12,000 households from London, which would impact mainly on the Home Counties districts. The SHMA also gives bedroom size requirements: 1 bed 36,335 (55% of total) 2 bed 10,788 (16% of total) 3 bed 8,971 (14% of total) 4 bed and larger 8,783 (15% of total)

This indicates a significant shift from the 2013 SHMA, which had 1 beds as 34% of the total; 2 beds at 18%; 3 beds at 26% and 4 beds and larger at 22%. The proportionate requirement for 3 bed or larger properties appears to have fallen from 48% of the total to only 29%. This is a significant shift which is not fully explained in the SHMA. There would however to be two critical factors a) the disregarding of overcrowding in the private rented sector, and b) the assumption that single people and childless couples included in the housing backlog estimate will not generate additional household members over the next decade.

In particular: a) What weight, if any, should be given to the revised household projections published in September 2018?

We support the Mayor in disregarding the revised household projections. This is in accordance with MHCLG guidance.

b) What weight, if any, should be given to the potential impact of Brexit?

There is inadequate information as to the likely impact of BREXIT to take this into account in the planning process.

c) Has the Mayor adequately considered increasing the total housing figures in order to help deliver the required number of affordable homes in accordance with the PPG (ID 2a-029-20140306)?

We consider the affordable housing targets set out in the plan to be inadequate

The SHMA gives annual tenure requirements as:
23,037 market homes (35% of total) 11,869 intermediate homes (18% of total) 30,972 low cost rent homes (47% of total) Taking the two sub market categories together gives an 'affordable housing' requirement of 65% of the total requirement. As 78% of the backlog is for lower rented

accommodation, meeting the backlog over a shorter timescale than 25 years, would increase the proportion of new homes in the plan period which should be low cost rented homes. There is a strong argument for giving priority to meeting the most acute needs, though this factor does not seem to be considered in the plan. The affordable housing targets in the plan at policy H7 are: Market 50% Intermediate (London living rent and shared ownership) 15% Low cost rent 15% Affordable housing to be determined by borough 20%. The disaggregation of affordable housing targets is taken from the Mayor's Housing Strategy which was published in advance of the completion of the SHMA. The targets therefore appear to be related to the current affordable housing funding regime, rather than the assessment of housing requirements in the SHMA. The overall 50% affordable housing target falls short of the 65% requirement. The minimum target for social rented housing of 15% is far short of the estimated requirement of 47%, and even if all 33 local planning authorities used all of the 20% discretionary element for low cost rent, the aggregate would at 35% still fall far short of the 47% requirement.

We believe that the targets in the plan should be based on the SHMA rather than on the current funding regime and as a strategic planning authority the Mayor should set London-wide targets rather than leave so much discretion to individual planning authorities - who will have little if any regard to needs presented outside their own authority's area. The Plan has no policies on how individual boroughs should set affordable housing targets (and targets for different sub-categories of sub-market housing) within their Local Plans. There is no replacement for policy 3.11B, C and D in the 2015. This is a significant deficiency. The new approach to affordable housing focuses on assessment of individual development proposals with a focus on viability assessments rather than on assessment against London-wide or borough-wide targets. This approach would allow a borough either to drop any specific borough wide affordable housing target or to amend or reduce its current Plan targets. The delivery of the 50% affordable housing target is problematic. In previous versions of the London Plan, policies have required each application referred to the Mayor to be assessed in relation to the London Plan target – 50% in the 2004 and 2008 Plans; 40% in the 2011 and 2016. Policy H6 in the new plan, following the recent GLA affordable housing and viability SPG, proposes that for private sector led schemes without grant, a 35% affordable housing output would be acceptable and such a scheme would be exempt from a viability assessment. Neither the policy nor SPG specify a minimum proportion of low cost rented housing within such a scheme. Policy H6B proposes a 50% affordable housing target on public sector land and a 50% target on sites, which are within Strategic Industrial Locations and Locally Significant Industrial sites. Other policies seek to protect industrial floorspace, so this assumes higher proportions of affordable on mixed use sites, with employment uses retained through intensification. There is an assumption that sites with Mayoral grant will provide at least 50% affordable housing, but again no minimum proportion for low cost rented housing. It is unclear how the aggregation of these different targets will be a London-wide affordable housing outturn of 50%. This could only be achieved if a significant proportion of grant funded schemes achieved affordable housing outputs of at least 65% - this seems unlikely given current funding regimes and limits on grant per home. Moreover, given both funding regimes and targets, the proportion of social rented homes will be far below the proportionate requirement of 47% of total net new supply identified in the SHMA and possibly below the minimum 15% target set.