

LB Sutton's Response to Panel's Question

7 December 2018



Matter 17: 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?

a) What weight, if any, should be given to the revised household projections publish in September 2018?

1.1 The London Borough of Sutton has reviewed the ONS 2016-based household (HH) projections and notes that the overall housing need in London, based on the national standard method of calculating housing need, is significantly lower. This reduction is also reflected in the individual figure for Sutton, as set out in Table 1 below.

Table 1: Annual Household Growth Rates and Housing Need

Source	London	Sutton
Annual Household Growth 2016-26 (2014-based)	58,572	1,267
Annual Household Growth 2016-26 (2016-based)	34,805	755
Change	-23,766	-512
Standard Method Housing Need Figure (2014-based)	72,407	1,774
Standard Method Housing Need Figure (2016-based)	50,736	1,057
Change	-21,671	-717

Source: 2014-based and 2016-based Household Projections

1.2 Table 1 indicates that the housing need figure for London is now 50,736, a reduction of 21,671 units on the 2016-based figure, and a reduction 15,264 units lower than the housing need figure planned for in the draft London Plan (64,935 dwellings per annum [dpa]). This means that the new housing need figure for London is now lower than the total number of new homes that the draft London Plan is aiming to deliver each year.

1.3 However, the council also notes the Government's conclusion that lower household formation rates do not mean that fewer homes should be built, despite the Government's own standard methodology indicating otherwise.

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The council also notes that the Government has advised in its 'Technical consultation on updates to national planning policy and guidance' (October 2018¹) that:

- In the short-term, the 2014-based data should continue to provide the demographic baseline for the assessment of local housing need;
- the NPPG will be changed to make clear that lower housing need figures, calculated from the 2016-based projections, do not qualify as an exceptional circumstance that justifies a departure from the standard methodology; and
- In the long term, the formula will be reviewed with a view to establishing a new method that results in higher housing need figures.

- 1.4** Whilst the merits of the Government's changes could be debated, the council considers that the direction of travel has been made clear. As such, the council concludes that no weight should be given to the 2016-based household projections published in September 2018 and the 2014 should continue to be used until the Government works out a formula that gives it the answer it wants.

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

- 2.1** London Borough of Sutton officers have considered the implications arising from Brexit and conclude that very little weight should be given to the potential impacts as it is too difficult to predict, with any great certainty, when the terms and effects of exiting the European Union are still unknown. In a Sutton context, for example:
- The effect of Brexit on housing demand and supply could cut both ways. Restrictions on the freedom of movement may have the short-to-medium effect of reducing housing demand, particularly for properties in the private rented sector. However, restrictions on the freedom of movement may also reduce the construction industry's capacity to build new homes. A general downturn in the economy following the imposition of trade tariffs could lead to a reduction in demand and house prices.
 - Many of the businesses/industrial activities in Sutton are engaged with national rather than international trade and so are have limited exposure to Brexit. However, a general downturn in the economy following the imposition of trade tariffs could lead to a short-term reduction in business activity.
 - The KPMG report, *Brexit: The Impact on Sectors*, identifies *Pharmaceuticals and Biotech* as an economic sector at risk from a "Hard Brexit" because of possible restrictions on the freedom of movement. This would have implications for proposals in the life sciences sector, such as the London Cancer Hub. However, the council considers that, even in the event of a "Hard Brexit", the movement of labour with skills that are in global demand would not be limited. There

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751810/LHN_Consultation.pdf

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may be a hiatus while new restrictions on the freedom of movement are put in place in the short-term but this is unlikely to persist in the medium term and the skilled professionals will still be available as the London Cancer Hub development gathers pace.

- 2.2** The council is hopeful that Sutton should be fairly resilient to Brexit. However, in truth, the council is unsure as to what sort of Brexit will take place as any commentator on the matter. As such, the council considers that the uncertainties on the type of Brexit mean no weight can be assigned to Brexit at the present time.

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?

- 3.1** The National Planning Policy Framework (NPPF) requires Local Plans to be *“aspirational but realistic”* (paragraph 154). As such the council does not consider that increasing the total housing figures to help deliver the required number of affordable homes would be consistent with the NPPF in this respect as it is not a realistic option based on the availability of land in London.
- 3.2** Firstly, the housing target has already been increased from 42,389 net dwellings per annum (dpa), in the adopted London Plan, to 64,935 net dpa, in the draft London Plan. Secondly, as set out in the council’s response to Matter 19 and Matter 20, the council does not consider that the increased housing targets set out in Table 4.1 of the draft London Plan are deliverable. This is because the modelling used to calculate the small sites target, which represents 38% of London’s overall delivery, is not based on robust evidence. As such, the number of new homes completed in London will fall considerably short of the overall target of 64,935 dpa. Given that the council considers the current draft targets to be unjustified, and therefore undeliverable, increasing the housing targets further would serve no purpose.
- 3.3** In terms of the general approach set out in the PPG, the councils notes the Inspector’s Report on the Further Alterations to the London Plan (FALP)², which recognised that there are severe constraints on the capacity to increase overall housing delivery across London, and accepted an overall housing target that is unable to meet the identified need for housing or affordable housing. Additionally the Inspector accepted that the London Plan’s affordable housing target should be set at a deliverable figure even though such a target would fall short of need, stating *“the Mayor acknowledges that the FALP target falls short of the need for 25,600 affordable dpa identified in the SHMA. There are calls to increase the target and to require developers to accept higher proportions of affordable houses but the target must be realistic and viable and plans must be deliverable...However, I am satisfied that the*

² <https://www.london.gov.uk/file/20679/download?token=DPerSdTu>

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assessment demonstrates that the 17,000 dpa [dwellings per annum] target can be achieved without putting the delivery of housing at risk".

- 3.4** The council also considers that the Kings Lynn and West Norfolk v Elm Park Holdings legal judgement³ is relevant. Focussing on affordable housing, Justice Dove considered that the “*Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN [Full Objectively Assessed Need], but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice*”
- 3.5** In summary the council considers that an uplift in the total housing figures to help affordable delivery is unrealistic because:
- The draft London Plan has already increased the overall housing target, compared to the adopted London Plan by 22,546 net dpa (or 53%)
 - The draft London Plan targets are undeliverable because of the flawed assessment of small site capacity
 - The general position is supported by the Inspector’s Report on the FALP and case law.

³ 5 Kings Lynn & West Norfolk Council v. Elm Park Holdings [2015] EWHC 2464 (Admin)