

DRAFT LONDON PLAN: EXAMINATION IN PUBLIC

MATTER M19 – HOUSING SUPPLY AND TARGETS: WRITTEN STATEMENT BY THE WEST LONDON ALLIANCE

Introduction

1.1 This statement is submitted by the West London Alliance on behalf of its member authorities: Barnet, Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon and Hounslow. The statement should be read in conjunction with the individual consultation responses submitted by the boroughs for finer-grained detail and borough-specific matters. It is informed by the West London Strategic Housing Market Assessment (WLSHMA) which has been placed in the examination library (main Report of Findings NLP/AD/20; November 2018 Addendum NLP/AD/21).

1.2 We do not consider the housing targets for London and individual boroughs in the draft London Plan (DLP) are sound in terms of paragraph 182 of the NPPF (2012) as they are:

- Not justified as being the most appropriate strategy considered against reasonable alternatives, based on proportionate evidence; or
- unlikely to be effective and deliverable over the period of the new London Plan

The unevidenced reliance on small sites is a fundamental reason for this. Issues surrounding delivery of the small sites targets and the methodology used to set them are dealt with in our statement for Matter M20.

1.3 It is clear from the scale of the targets set in Table 4.1 and the text supporting Policy H1 that these have been set by indirect – and partial - reference to the London Strategic Housing Market Assessment (LSHMA) as well as to the Strategic Housing Land Assessment (SHLAA) (see DLP paras. 4.1.2 and 4.1.3) so both documents must be considered.

1.4 West London boroughs agree there should be a step change in housing delivery to meet the needs of a growing and increasingly diverse population. They have a track record of delivering against this aim – in 2016/17 housing completions in West London were 119.4% of current London Plan targets¹.

1.5 However this needs to be done through sound strategic planning. This in turn requires sound strategic policies based on robust evidence about the numbers of homes required and the realism of delivery. In taking steps towards moving from the capacity-based approach used in London Plans to date to one starting with housing need, it is important that the gap between the two is not filled by figures based on arbitrary assumptions about key issues like household size and formation. West London boroughs have offered to work with the Mayor's team to review the housing need methodology and develop approaches addressing our concerns; we are still keen to do so.

1.6 If the shortcomings in the approach in the draft London Plan (DLP) are not addressed, two likely outcomes may over time undermine strategic planning for London:

- The setting of targets that will not be met. The introduction of the Housing Delivery Test means this will have real consequences for borough planning authorities in the first instance and, over time, will undermine the effectiveness of planning for housing across

¹ London Plan Annual Monitoring Report 14, Table 2.6 (NLP/MO/001)

London. This in turn is likely to lead to an ad hoc approach that will undermine the planned system. This will also fundamentally impact other priorities such as retaining employment land and protecting green spaces, with consequential impacts on the Mayor's objectives for good growth.

- The setting of policies that will inhibit boroughs' ability to ensure provision to meet well-evidenced local housing need.

1.7 For the reasons set out in this statement and that for Matter M20, the housing targets in Policy H1A and Table 4.1 are inconsistent with these principles and are not soundly based. Ensuring that policies are both aspirational and deliverable² is particularly important given the national policy background and the Secretary of State's direction to the Mayor that he should prepare policies moving towards the national housing need methodology as soon as possible after publication of the new London Plan³.

2. Housing Need

2.1 The WLSHMA, which was prepared in accordance with the then requirements of national planning practice guidance and takes account of specifically local factors, has identified significant flaws in the LSHMA. These have led to a significant over-estimation of both the number of homes required and within this the proportion of smaller units.

2.2 The projection of household formation over the next decade assumes a sharp change in the trend for larger (or at least no smaller) households established by successive Censuses since 1991. This change would see household sizes below their 1991 level by 2024 (see WLSHMA figure 26).

2.3 The starting point for this issue is the household formation rates assumed by the GLA, based on long-term trends since the 1970s. The last 40 years have seen significant breaks in demographic trends, including in-migration of groups with different fertility rates and housing preferences; more medium term data would be more likely to be consistent with more recent Census data.

2.4 The LSHMA identifies two factors beyond this baseline. The first is the aging of London's population, leading to more smaller households. This is nothing new of course; if it was going to have this kind of effect one might have expected to see it reflected in the 2011 Census (many of those in this group will not be affected by affordability in the same way as others).

2.5 The second is the number of concealed households and the assumption that delivery of affordable housing can be stepped up to provide them all with homes they can afford. Many of these households will be single persons under 35 who would only be eligible for the Shared Accommodation Rate. As such there is a strong probability that most will not be able to afford a 1 bed affordable property based on their benefit allowance (and other forms of housing, including HMOs generally provided in larger dwellings, might better meet their needs); this casts doubt on the projections as a realistic guide to policy.

2.6 These factors lead to a projected growth in dwellings more than twice the rate of population growth.

² National Planning Policy Framework (2012) paras. 154 and 173; NPPF (2018) para. 15(b)

³ Letter to the Mayor from the Secretary of State for Housing, Communities and Local Government, 27th July 2018

- 2.8 These assumptions lead to a further one that there is a need for large numbers of small units with net annualised requirements for 55% one bed homes, 16% two bed, 14% three bed and 15% four bed+. This in turn informs policy H12C, which purports to prevent boroughs from setting dwelling size mix requirements for market and intermediate homes.
- 2.9 The outputs of the LSHMA and the GLA’s projections of household types are incompatible. For West London these suggest a small reduction in the proportion of single person and couple households and a larger one in those with two or more dependent children; the only category increasing proportionally is “other” households, including multi-generational ones (which in itself suggests there is more to observed trends in household formation than affordability and questions whether an aging population necessarily means more smaller households). Our experience based on knowledge of the local housing market and planning applications we see suggests that the household projections are closer to reality on the ground in West London and this is reflected in the WLSHMA.
- 2.10 The WLSHMA sets out objectively assessed need for West London 2016-41 based both on the LSHMA methodology and the GLA Central Trends household projections. These are shown below:

	DLP Annual target	WLSHMA LSHMA consistent (pa)	WLSHMA GLA Household types (pa)	Current LP target (pa)
Barnet	3,134	3,095	1,999	2,349
Brent	2,915	1,919	1,223	1,525
Ealing	2,807	2,003	1,164	1,297
Hammersmith and Fulham	1,648	761	582	1,031
Harrow	1,392	1,477	868	593
Hillingdon	1,553	1,879	1,249	559
Hounslow	2,182	1,781	1,052	822
West London (including Old Oak/Park Royal MDC)	16,998	12,879	8,137	8,176

Sources: WLSHMA figure 3 and DRLP

- 2.11 We consider the Policy H1 targets are based on unfounded and unevicenced assumptions about household sizes. These have inflated the housing need figures and contributed to the Mayor seeking forms of provision that would fill the gap between capacity and need – substantially made up through the small sites targets to be discussed in Matter 20.
- 2.12 Our evidence suggests there is a need for fewer, larger homes than the LSHMA suggests. The size mix suggested by the WLSHMA for market and affordable housing in West London 2016-41 is:

	Market Housing	Affordable Housing	All Housing
1 bedroom	8%	19%	12%
2 bedrooms	22%	40%	28%
3 bedrooms	50%	30%	43%
4 bedrooms	17%	11%	15%
5+ bedrooms	2%	3%	2%

Source: WLSHMA figure 47

3. Housing Delivery

3.1 The LSHMA assumptions have led to considerable increases in housing targets – a 96% increase across West London as a whole:

	Current LP target (pa)	DLP target (pa)	% Increase
Barnet	2,349	3,134	33.4%
Brent	1,525	2,915	91.1%
Ealing	1,297	2,807	116.4%
Hammersmith and Fulham	1,031	1,648	59.8%
Harrow	593	1,392	134.7%
Hillingdon	559	1,553	177.8%
Hounslow	822	2,182	165.5%

Of the WLA boroughs:

- Barnet will be unable to continue current levels of housebuilding once the current major sites are built out.
- Brent is broadly content with the large sites component of their proposed target but objects to the overall one because of its over-reliance on small sites that are unlikely to be deliverable.
- Ealing support neither the large or small site component of their proposed target and do not consider it is deliverable.
- Hammersmith and Fulham consider their proposed target is undeliverable.
- Harrow is broadly content with the large sites component of their proposed target but objects to the overall target because of its over-reliance on small sites that are unlikely to be deliverable.
- Hillingdon do not consider their target is deliverable.
- Hounslow are broadly content with their target, while objecting to the small sites element.

3.2 In considering deliverability, in the last ten years for which data are available (2007/8-2016/17), West London boroughs saw 65,087 housing completions. The proposed target for the 10 years 2019/20-2028/29 is for 169,980 – a 161% increase. In reality, because of lead-in times delivering this target will require delivery in the latter years of the Plan period to be consistently significantly higher. This would require a quantum change in delivery; over the period 2004/5-2016/17 the largest year-on-year increase in completions has been 46%, with an average increase across development cycles of 8%. It is also worth bearing in mind that the new national methodology includes a 40% cap on increases in targets.

3.3 There is no evidence to show that an unprecedented increase in delivery on this scale is possible – that housebuilders or the construction industry have the necessary capacity, for example. The House of Commons CLG Select Committee report⁴ on capacity in the industry identified the fundamental importance of skills levels and workforce capacity, with a shrinking and aging workforce. It also identified challenges for small/medium builders accessing finance. These have not been addressed; nor have the findings of the Letwin Review⁵ about the central importance of market absorption rates. Potential economic and labour supply impacts of Brexit exacerbate uncertainty about the deliverability of these targets.

4. Conclusion

- 4.1 Given the questions about the proposed target, we would suggest that either
- the current London Plan targets are rolled over; or
 - targets are adopted based on the large sites element of the LSHLAA plus a realistic assessment of small site capacity based on historic delivery or at the level identified in the West London Small Sites Housing Land Availability Assessment “alternative scenario” (table 3 in the Non-Technical Summary – document NLP/AD/15).
- 4.2 The Mayor, boroughs, central government, homebuilders and other stakeholders can then agree an approach to housing target setting that is soundly based, takes proper account of infrastructure delivery, design/heritage, social and environmental policy objectives, viability and deliverability and arrives at targets that are transparently and soundly based for the new policies sought by the Secretary of State. This must allow for bottom-up identification of needs as well as top-down development of targets. Only an agreed approach of this kind is likely to deliver additional housing on the scale and of the type London needs. It would not unduly delay setting of new targets given ministers’ requirement that new policies are developed at the earliest opportunity.
- 4.3 These issues are pressing given the Government’s introduction of the Housing Delivery Test. This will have real consequences for boroughs that do not see levels of housing delivery meeting housing need targets which may include identifying additional housing land in plans or weakening the ability to apply local policies in taking planning decisions. Undeliverable targets could therefore weaken the ability of the London planning system to deliver on the range of ambitious policies set out in the DLP and significantly undermine the effectiveness of the plan-led system.
- 4.4 The areas of uncertainty we identify highlight the importance of proper monitoring and use of the results to inform policy development. To be effective this should be done collaboratively between the Mayor, boroughs and others involved in planning for, and delivery of, housing in London. This is likely to result in better evidenced targets with a greater certainty of deliverability than a unilateral, top-down approach. West London boroughs are ready to play their part in such arrangements.

⁴ House of Commons Communities and Local Government Committee, Tenth Report of Session 2016-17, Capacity in the Homebuilding Industry (HC46)

⁵ Independent Review of Build Out, Final Report, Rt Hon Sir Oliver Letwin MP (CM9720)

5. Questions put by the Panel

- a) Are the assumptions and analysis regarding site suitability, availability and achievability and development capacity for large sites in the Strategic Housing and Employment Land Availability Assessment reasonable and realistic?**

Overall, and apart from the modelled outputs for small sites, we consider that the assumptions and analysis of the LSHLAA are broadly reasonable and realistic. Individual boroughs have reservation about detailed matters like phasing, set out in their representations.

- b) Have the environmental and social implications of the proposed increase in housing targets been fully and properly assessed?**

No. While the large sites element of the LSHLAA do take account of social and environmental implications, there is no evidence that this is the case for small sites. These comprise over 38% of the overall target for West London boroughs and an average of 35% of individual borough targets (ranging from 69% for Harrow to 18% for Hammersmith and Fulham). As explained in our statement for Matter 20 we have significant concerns about the likely environmental and social impacts of small site development on the scale envisaged.

- c) Policy H1 B2 a) - f) identifies various sources of capacity. Will these be sufficient to meet the ten years targets and what proportion of housing is expected to be delivered by means of the different types? How much is expected to be delivered by means of the different types? How much is expected to be delivered on existing industrial land in the context of policies E4-E7?**

No. Capacity is only the first step; delivery is key. The ten year targets assume significant delivery from small sites. For the reasons explained in our statement on Matter 20 we do not consider the LSHLAA's assessment of potential development is credible.

- d) Will the focus on existing built-up areas rather than urban extensions using GB/MOL to provide sufficient variety of housing types and tenure?**

We explain elsewhere why we consider the contribution assumed from small sites is unrealistic. If a more realistic approach is taken to this and to increases in household numbers, this may not be a choice that has to be made. Conversely, unrealistically high targets that are undeliverable may well result in ad hoc release of green belt in time as a result of the Housing Delivery test.

- e) Is the emphasis on development in outer London consistent with the intention in Policy GG2 that seeks to proactively explore the potential to intensify the use of land on well-connected sites?**

No. The disproportionate Outer London housing targets are largely a consequence of the approach taken to small sites in the LSHLAA. This is too unsophisticated to ensure that a very large element of

the housing to meet the proposed targets will be on genuinely well-connected sites (in marked contrast to the steps taken to ensure this for larger sites). This could have the unintended consequence of more ad hoc housing development on the Green Belt, contrary to the very firm line being taken by the Mayor, as a result of the Government's Housing Delivery Test.

f) Does the Plan adequately consider the cumulative impacts of other policies on the deliverability and viability of housing?

No. The London Plan Viability Study Addendum published in November 2018 retrospectively covers six additional small site case studies that better reflect the range of small site development envisaged by Policy H2. This is particularly important given the contribution small sites make to the overall targets. It shows a clear distinction between sites in Inner and Outer London, reflected in its Value Bands, with reduced viability in Bands D (two of six case studies not being viable with a £30,000 affordable housing contribution) and E (four of the case studies being unviable). These bands cover much of West London.

Viability is stronger in inner London, but small site targets are lower there (a 22.3% increase compared with 253.4% in outer London) – there is therefore a mismatch between targets and viability which will affect deliverability.

g) What is going to bring about the step change in delivery implied in the Plan compared with the current one? What are the tools at the disposal of boroughs in 1.4.6? Is it realistic to expect this to occur from 2019 or should there be a stepped or transitional arrangement?

There is little evidence that the step change in housing delivery implied by the Plan targets – in West London a 161% increase in completions – is deliverable in practice. Over the 14 years covered by London Plan Annual Monitoring Reports the largest year-on-year increase in completions was 47% (between 2006/7 and 2007/8). There is no evidence that housebuilders or the construction industry have the capacity to step up delivery on this scale; there are already shortages in key trades like bricklaying⁶. These may well become more acute following Brexit given that 25% of employees in the construction sector in London were born in other European Economic Area countries⁷. There have already been pressures on the availability and cost of building materials; again Brexit may have implications given that 64% of building materials used in the UK are imported from other EU member states⁸.

In reality, the lead-in times for housing completion mean that if these targets were to be deliverable from the outset of the 2019 period they cover there would already have had to be the step change in approvals and housing starts. There has not been. It must also be borne in mind that housing delivery is highly cyclical – over the last 10 years in West London for which data are available there have been year-on-year falls in completions (-36% 2010/11-2011/12 and -29% 2006/7-2007/8 and 2008/9-2009/10) as well as increases. It appears at least likely that the London housing market will be on the downward shoulder of the cycle.

⁶ See Independent Review of Build Out, op cit, paragraph 1.11

⁷ Cambridge Econometrics for Mayor of London, Preparing for Brexit (January 2018)

⁸ ibid

There are very few effective tools available to boroughs that could see delivery on anything like this scale. Boroughs already make use of compulsory purchase orders to support housing delivery, but these are labour-intensive and expensive and would require substantial resourcing to make use of them on the scale required to support the envisaged level of delivery. Completion notices under sections 94 and 95 of the Town and Country Planning Act 1990 are inadequate; they require confirmation by the Secretary of State, can only take effect after a 12 month period and in any event only result in the loss of planning permission and not the actual completion of a scheme. The Government intends to make some improvements to the system, but only when an opportunity to make the changes to primary legislation arises. Other tools like use of development orders and planning permission in principle are unlikely to be cost effective over a very large number of small sites.

If, despite our representations, targets of the order proposed are adopted, a stepped or transitional arrangement would at least recognise the reality of housing delivery, and the West London Small Sites Strategic Housing Land Assessment⁹ suggests a possible one for small sites. Any arrangement of this kind would require engagement with boroughs, housebuilders and the construction sector to ensure it is robust and deliverable. It is worth noting that Government has recognised this principle through the operation of the 40% cap in target increases at any one time as part of its housing need methodology – a principle also acknowledged in NPPG¹⁰.

h) Should Table 4.1 include targets for different types and tenures of housing?

No. Development of the targets to date shows the limitations of top-down prescription. Refinement of the targets in terms of types and tenures should be left to boroughs in the light of local needs and circumstances, robustly evidenced (as with the WLSHMA) and tested through the local plan preparation process. This will help ensure the right kind of housing is provided in the right place and at the right time and is the approach mandated in the NPPF.

For these reasons we urge:

- Deletion of the words “delivery-focused” from Policy H1 B1). As this statement demonstrates, there is a vital role for boroughs and sub-regions to refine strategic policies in the light of evidence about local housing needs. In any event, the Mayor has no authority to seek to limit the scope of local plans, something set in national legislation and guidance.
- Omission of paragraph C of Policy H12. The policy should reflect current London Plan Policy 3.8 regarding local need for different types and tenures. Boroughs must be able to set policies to address local housing needs drawing on London-wide, sub-regional and local evidence. Making this change would not weaken strategic planning; any dwelling mix requirements in local plans would have to be evidenced and tested through the examination process.

⁹ The Non-Technical Summary can be found in the Examination Library as document NLP/AD/15. It is dealt with in more detail in our statement for Matter M20.

¹⁰ National Planning Practice Guidance, Housing and Economic Land Availability Assessment, paragraph 34 (ID:3-034-20180913)

i) Should the target be for longer than 10 years given that the plan period runs to 2041?

Yes. Delivery on the scale envisaged would require a period longer than 10 years. A longer period would be needed if a stepped approach were to be taken. The WLSHMA covers the period to 2041 and we would welcome alignment in this regard.

j) How and where is the shortfall between the identified need of 66,000 additional homes a year and the total annualised average target of 64,935 to be made up? Will LPAs outside London in the wider south east be expected to deal with this on an ad hoc basis and is this realistic?

As we consider that both the level of need identified by the Mayor and the delivery targets set in table 4.1 of the draft Plan are not robust for the reasons given earlier, we cannot answer this question. The Mayor needs to do further work in conjunction with the boroughs, housebuilders and others to develop robust figures for need and delivery. It seems premature to enter discussions with authorities outside London without a shared and transparent understanding of the scale and nature of any shortfall. It is clear from comments from authorities in the wider south east that they have doubts about the targets presented in the London Plan and it is unlikely that discussions will be productive unless these are addressed. West London boroughs are keen to work with the Mayor on this.

k) Does paragraph 4.1.8A adequately explain how Boroughs are to calculate a target beyond 2028/29?

No. The approach suggested depends on drawing on the LSHLAA which we consider is fundamentally flawed because of its approach to small sites. By the end of the 10 year period there will be a range of monitoring data which is likely to have rendered the 2017 LSHLAA out of date. There will also be further demographic data about matters like household formation. It is worth bearing in mind that the LSHLAA already takes account of committed transport infrastructure improvements, using 2031 PTAL levels for later delivery phases.

In a sense this question is academic given the Secretary of State's clear indication that the Mayor will be expected to develop new housing targets having regard to national policies on housing need at the earliest opportunity.

l) What will be the implications for London Boroughs if the Plan targets are adopted which increase the requirement in recent development plans?

Adoption of targets involving substantial increases in housing delivery substantially greater than has been the case with previous London Plan iterations could have major implications for boroughs with recently adopted plans. These plans will be argued by some to be out of date, raising the need for revisions and application of the presumption outlined in paragraph 11 of the NPPF in determining applications. Increases of this kind could have major implications for policy across the board, including overall spatial strategy, planning for social and other infrastructure, balancing demands on land for housing and other uses. Boroughs' ability to satisfy the Housing Delivery Test will also be

compromised, which could undermine the plan-led approach and achievement of the Mayor's good growth objectives.