

M28 Would Policy H12 provide a justified and effective approach to achieving the dwelling size mix to meet London wide and local needs? In particular:

a) Does the dwelling size and mix identified in the 2017 SHMA provide a robust and realistic assessment of London wide needs?

- 28.1 Yes. The 2017 London Strategic Housing Market Assessment (SHMA) estimates London’s current and future housing requirements.¹ It has been prepared with regard to national policy and guidance and meets the 2012 NPPF requirement to identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period.² The SHMA uses existing data from the English Housing Survey and other sources to analyse London's housing requirements and it addresses the requirements of national guidance by taking into account projected household and population growth and by identifying the need for different types of housing, including breakdowns by tenure and dwelling size. In doing so it takes account of ‘backlog’ housing need, including overcrowded and concealed households.
- 28.2 The SHMA includes two sets of results reflecting different assumptions around under-occupation. In the main set of results, set out in Table 13 of the report, it is assumed that only homeowners continue to under-occupy their homes – renters are assumed to occupy only the size of home they need according to the bedroom standard, an assumption intended to reflect the occupancy constraints imposed by high costs and social landlord allocation practices. The second set of results, set out in Table 15 of the report, assumes that private renters also continue to under-occupy at the current rate, a rate which is much lower to that of homeowners. This reflects the assumptions used in the 2013 SHMA.³
- 28.3 The two scenarios in the SHMA demonstrate how the mix requirements are influenced by the assumptions made about future levels of under occupation. Appendix 1 proposes further suggested changes to clarify that the two housing size mix scenarios in the SHMA can be drawn upon and that local evidence should also be used where available.
- 28.4 The GLA has since modelled a third scenario that assumes that under-occupation in the low-cost rent sector also continues at the current rate, which again is very low compared to that in the owner-occupied sector. This is set out in Table 28.1 below. The main effect of this assumption is to reduce the number of households that require one-bedroom homes and increase the proportion that require homes of two bedrooms or more. The requirement for family-sized low cost rented homes increases from 4,343 a year in the main results to 9,042 a year in this third scenario.

¹ NLP/HOU/001: Mayor of London, Strategic Housing Market Assessment, November 2017

² NLP/GD/03: DCLG, NPPF 2012, Paragraph 159

³ The 2013 SHMA refers to the Strategic Housing Market Assessment that was prepared to underpin the Further Alterations to the London Plan (published in 2015).

Table 28.1: Results if private rent and low cost rent tenants continue to under-occupy at current rates

	1b	2b	3b	4b+	Total	% of total
Market	4,418	4,355	6,987	7,277	23,037	35%
Intermediate	1,775	4,873	2,939	2,281	11,869	18%
Low cost rent	13,554	8,376	6,236	2,806	30,972	47%
Total	19,747	17,604	16,163	12,363	65,878	100%

b) Would policy H12 provide an effective and justified strategic framework to deliver the mix of homes needed? What is the justification for preventing boroughs from setting prescriptive dwelling size mix requirements for market and intermediate homes and would this approach be effective?

- 28.5 Policy H12 is justified by the 2012 NPPF requirement for planning authorities to meet their objectively-assessed housing needs and deliver a wide choice of high-quality homes.⁴ This includes identification of the size, type and tenure of homes required in particular locations, according to local demand. Policy H12 provides a framework that appropriately balances housing need and demand.
- 28.6 For low cost rented homes, the Policy is clear that boroughs should set guidance on the size mix required based on the criteria set out in Policy H12 A and D. This is because, in London, the boroughs are both local planning authorities and local housing authorities⁵, and are best placed to ensure that low cost rented homes are delivered that meet the needs of those who will occupy them, including priority households on the local housing register. Appendix 1 includes further suggested changes to Policy H12 to clarify that boroughs should have regard to Local Housing Registers in developing this guidance, and that boroughs would be supported in prioritising the size of units that meet the most pressing short-term needs early in the plan period.
- 28.7 For market and intermediate housing, the policy seeks to ensure that a range of issues are considered when assessing what the housing size mix should be on a given site, as set out in Policy H12 A. This will ensure that site-specific considerations are balanced against wider contextual considerations.
- 28.8 Intermediate and market housing is treated differently because the markets for these types of home are not contained within a single borough. Unlike low cost rented homes, for which local housing authorities control allocations, households select their homes based on a range of factors. The options for all households in market and intermediate housing are constrained by the number of bedrooms required and the affordability of meeting that need in different locations. Additionally, different households have different preferences regarding locational characteristics such as access to transport, services and other amenities.
- 28.9 The supply of new market and intermediate homes must be responsive to market signals to deliver a range of housing sizes across London at different price points. Requiring the delivery of a fixed proportion of certain sized market or intermediate units without an understanding of a site’s specific characteristics would slow down

⁴ NLP/GD/03: DCLG, NPPF 2012, Chapter 6 Delivering a wide choice of high quality homes

⁵ With the exception of Mayoral Development Corporations which are not local housing authorities.

delivery in instances where there is no, or very limited, demand for that product in that location and at that price point. Demand for larger market and intermediate units will be lower in locations where fewer people seek family housing or where the price of larger homes would limit the pool of potential buyers, leading to fewer transactions. First time buyers of both shared ownership and market homes with average incomes are typically unable to afford larger homes in many parts of London without significant deposits. For all of these reasons, prescriptive size mix requirements for market and intermediate homes would therefore have a negative impact upon the viability and deliverability of schemes. The emphasis on demand in the 2012 NPPF supports the position that policies should not set prescriptive dwelling mix requirements for market products.⁶

- 28.10 Demand for new market family homes across London will be affected by the prevailing values. Table 28.2 illustrates the significant difference in values of market homes across London. This provides an average for inner and outer London and figures for the boroughs with the highest and lowest values. Given that the median gross annual household income is around £37,000, family sized homes particularly in Inner London, are likely to be affordable to only a small minority of households in London.

Table 28.2: Average vales for market homes in inner London, outer London, London Borough of Barking and Dagenham and Royal Borough of Kensington and Chelsea.⁷

	1b	2b	3b	4b+
Inner London	£563,965	£789,551	£1,048,975	£1,297,120
Outer London	£286,905	£401,667	£533,643	£659,882
London Borough of Barking and Dagenham	£199,700	£279,580	£371,442	£459,310
Royal Borough of Kensington and Chelsea	£971,950	£1,360,730	£1,807,827	£2,235,485

- 28.11 Furthermore, because local housing authorities have little control over the occupancy of market homes, prescriptive dwelling mix requirements may not meet the housing need for which they are required. For example, larger market units may be occupied by multiple sharing households or under-occupiers with no children, rather than families.
- 28.12 Taking all of this into account, the Policy will be effective because it allows boroughs and applicants to respond to the circumstances of individual sites, evidenced local housing requirements and localised patterns of market demand.

Would it provide sufficient flexibility to meet local needs?

- 28.13 As noted above, Policy H12 requires local plans to set strategic size mix requirements for low cost rented homes to ensure local affordable housing needs are met. Greater flexibility is required for market and intermediate housing needs because demand for

⁶ NLP/GD/03: DCLG, NPPF 2012, Paragraph 50

⁷ The average housing values are based on ONS house price data from 2016 per/sqm. It has been assumed that 1bs are 50 sqm, 2bs are 70sqm, 3bs are 93sqm and 4bs are 115sqm. Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/housepriceshowmuchdoesonesquaremetrecostinyourarea/2017-10-11>

these tenures is not contained within borough boundaries, and because these tenures must be responsive to market demands. Policy H12 will deliver a range of market and intermediate unit sizes by requiring individual developments to provide a mix of unit sizes that responds to local and regional evidence of housing needs and the considerations set out in Policy H12 A.

- 28.14 The Mayor suggests further Suggested Changes to clarify that, as part of the site allocation process, boroughs may set out the preferred housing size mix for site allocations, as such an approach would ensure that the mix is informed by the factors set out in H12 A and D relevant to that particular site and the requirement to optimise the site's capacity. This is set out in Appendix 1.

In light of this and the need to optimise density would it make a sufficient contribution towards family homes?

- 28.15 The inherent flexibility of the Policy will enable the delivery of family homes across London in the most appropriate locations, having regard to evidence of need and demand for family homes. A range of housing sizes can be delivered based on the sources of housing capacity identified in the draft Plan as suitable for increased housing provision. The draft Plan increases housing targets in outer London where housing is, relative to inner London, more affordable. Increased housing supply in outer London will also deliver a wider range of housing types, including medium and lower density forms of housing, including family sized homes.
- 28.16 Policy D6 requires new development to optimise density. The draft Plan is clear that this means to make the best use of land, rather than to maximise the number of units on a site. Policy D6 emphasises that the primary factors in optimising density are character, context, accessibility, access to local services and the capacity of local infrastructure. No preference is set out for habitable rooms, habitable floorspace or units in the approach. The optimum density of a site is informed by the most appropriate form of development for the site, and this includes the appropriate mix of housing unit sizes.
- 28.17 GLA analysis shows that a range of unit sizes can be accommodated across a range of development densities. Figure 28.1, based on borough-level completions in 2016/17 as recorded in the London Plan Annual Monitoring Report, shows a weak correlation between lower densities and higher proportions of family-sized homes. However, Figure 28.2 shows that boroughs with higher average densities tend to deliver a higher net number of family homes, with the densest borough (Tower Hamlets) delivering by far the largest number of family sized homes. What this means is that the extra volume of housing on higher density schemes allows for more family homes to be delivered, even if the proportion of family homes is slightly less than on lower density schemes. This indicates that, on average, and given the significant constraints on land availability in London, higher densities lead to more family homes being delivered.

Figure 28.1: Average density of completions and % of family homes by borough (excluding City of London), 2016/17

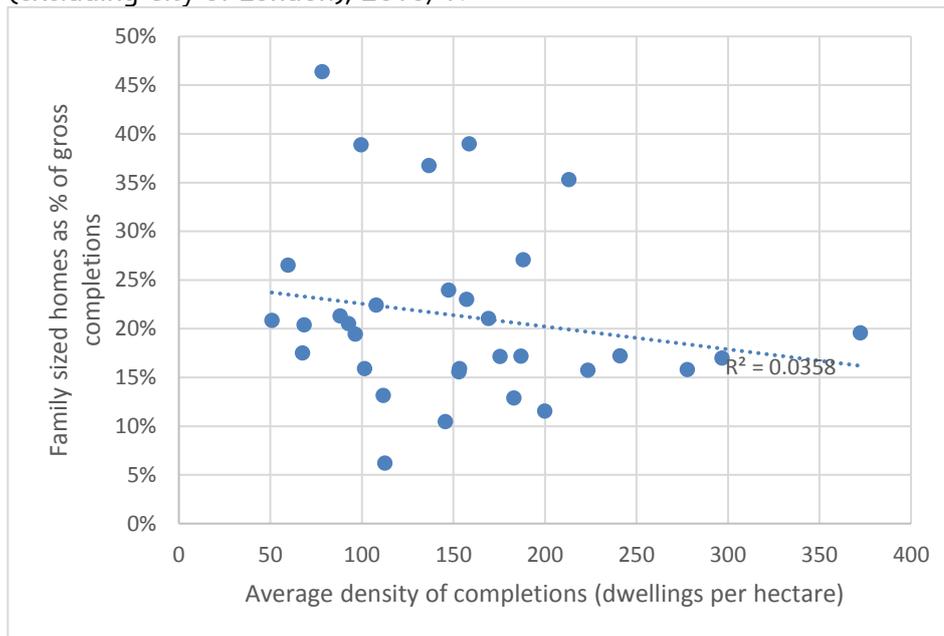
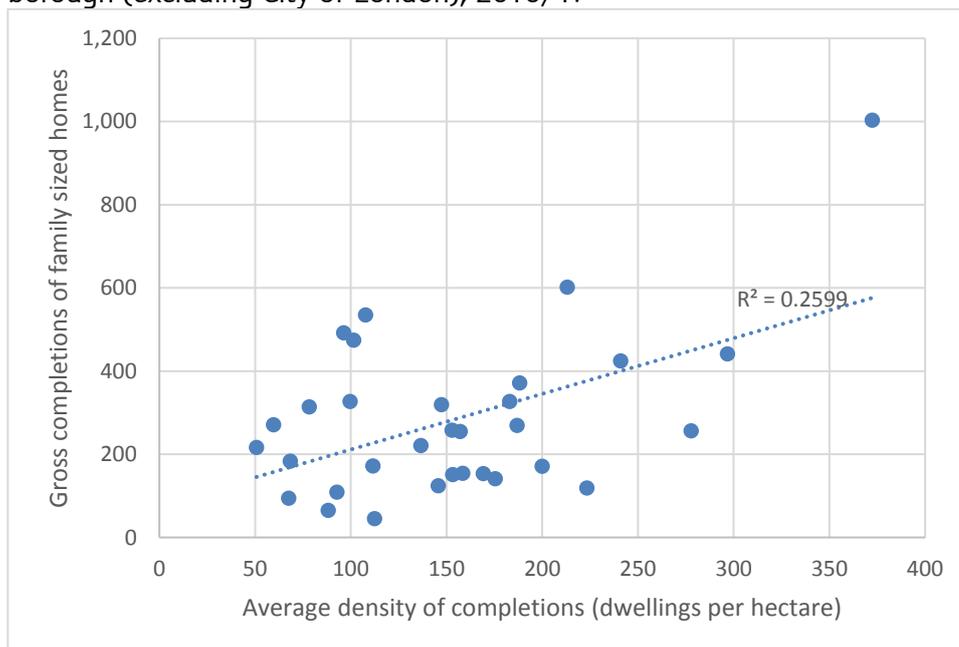


Figure 28.2: Average density of completions and number of family homes completed by borough (excluding City of London), 2016/17



c) Overall, would it meet the objective of Policy GG4 to deliver the homes Londoners need?

28.18 Yes. Policy H12 provides sufficient flexibility to ensure that new developments provide a range of housing types in different tenures that respond to strategic and local housing needs, as well as the location and character of the specific site. This approach will contribute to the delivery of mixed and inclusive communities and help enable housing delivery. The inherent flexibility of the Policy enables responsiveness to

market signals, avoiding prescriptive planning requirements that would create barriers to housing delivery.

- 28.19 Inflexible size mix requirements for market and intermediate homes are unable to respond to the nuances of market demand, whereas the criteria listed in Policy H12 A ensures the key factors relating to a specific site and its location, as well as evidence of need and demand, are taken into account in determining appropriate unit mix.

Appendix 1-M28 Further suggested changes

The Mayor is suggesting the following further changes to Policy H12 and supporting text:

- **Bold blue** – new text
- ~~Blue strikethrough~~ – deleted original plan text
- ~~Purple strikethrough~~ – deleted minor suggested change text
- **Bold purple**– reinstated original text
- **Red bold** – Minor Suggested change
- ~~Red strike through~~ – minor suggested change

Change ref no	Policy/para /table/map	Further suggested change
M28.1	H12 A	A Schemes should generally consist of a range of unit sizes. To determine the appropriate mix of unit sizes in relation to the number of bedrooms for a scheme, applicants and decision-makers should have regard to: 1) evidence of need, including local evidence where available, and the range of housing need and demand identified by the 2017 London Strategic Housing Market Assessment and, where relevant, local assessments, where available, by evidence of local needs
M28.2	H12 C	C Boroughs should not set prescriptive area-wide dwelling size mix requirements (in terms of number of bedrooms) for market and intermediate homes
M28.3	H12 D	D For low cost rent, boroughs should provide guidance on the size of units required (by number of bedrooms) to ensure affordable housing meets identified needs. This guidance should take account of: 1A) evidence of local housing needs, including the Local Housing Register and the numbers and types of overcrowded and under-occupying households
M28.4	4.12.1	4.12.1 The 2017 London Strategic Housing Market Assessment (SHMA) estimated the unit size mix of new homes required to meet London’s current and projected housing needs using two different scenarios, the results of which are set out in Tables 1 and 15 of the SHMA report. The main factors influencing these size mixes include the projected growth in different household types, assumptions about under-occupation, and the substantial number of overcrowded households in London, whose needs can be addressed by providing family-sized homes but also smaller homes for concealed households to move into. Boroughs can draw on the scenarios in the SHMA to understand housing mix requirements or to inform local assessments. Table 4.3 shows

the mix of homes identified in the ~~London 2017 Strategic Housing Market Assessment~~.

M28.5 Table 4.3

~~Table 4.3 – 2017 SHMA findings (Moved down from Policy H7)~~

Tenure	1bed	2bed	3bed	4+bed	Total	% of total
Market	10,682	2,043	4,101	6,210	23,037	35%
Intermediate	4,334	3,434	2,409	1,693	11,869	18%
Low-cost rent	21,318	5,311	2,462	1,881	30,972	47%
Total	36,335	10,788	8,971	9,783	65,878	100%
% of total	55%	16%	14%	15%	100%	

M28.6 4.12.2

4.12.2 Policy H12 Housing size mix sets out all the issues that applicants and boroughs should take into account when considering the **mix of homes on a site**. Boroughs should not set policies or guidance that require set proportions of different-sized (in terms of number of bedrooms) market or intermediate units to be delivered. Such policies are inflexible, often not implemented effectively and generally do not reflect the optimum mix for a site taking account of all the factors set out in part A of Policy H12 Housing size mix. Moreover, they do not necessarily meet the identified need for which they are being required; for example, larger **market** units are often required by boroughs in order to meet the needs of families but many such units are instead occupied by sharers. In addition, local and strategic housing need figures for market homes will be heavily influenced by the assumptions made in the assessment about the level of under-occupation in the private sector. **However, boroughs may set out the preferred housing size mix (for all tenures) as part of a site allocation, ensuring that the housing size mix is determined in accordance with Policy H12 parts A and D.** It should be noted that in terms of delivering mixed and inclusive communities, a neighbourhood may currently have an over-concentration of a particular size of unit and a new development could help redress the balance.

M28.7 4.12.6

4.12.6 As part of their housing strategy functions, local authorities are required to have an understanding of housing needs in their area and this, along with their local Housing Register, will provide the evidence for the **size of low-cost rented homes** (in terms of number of bedrooms) required to meet identified

need. While the SHMA identifies the full range of needs between 2016 and 2041, boroughs may wish to prioritise meeting the most urgent needs earlier in the plan period, **which may mean prioritising low-cost rented units of particular sizes**. Combined with the considerations set out in part A of Policy H12 Housing size mix, this information should inform local policy or guidance about the size (in terms of number of bedrooms) of low-cost rented units expected on a development. Taken together with the threshold approach to affordable housing, this guidance will help ensure applicants and landowners understand the cost implications of overall affordable housing requirements when formulating development proposals and purchasing land. Boroughs should take account of the availability of grant funding when producing guidance or policy on this issue.