THE LONDON PLAN: EXAMINATION IN PUBLIC 2018-2019

MATTER 17 STATEMENT: HOUSING REQUIREMENT

Prepared on behalf of Wates Developments, Gallagher Estates, Lands Improvement Holdings and Cala Homes ('Housebuilders Consortium')

Respondent ID: 3172

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BARTON WILLMORE

PLANNING / DESIGN / DELIVERY

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MATTER 17: **HOUSING REQUIREMENT**

M17. 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? In particular:

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

17.1   Barton Willmore's response to this matter is summarised from the report submitted during the Draft London Plan consultation in March 2018 (see Appendix 1 in our March 2018 representations) and should be read alongside the response set out below. Where updates from the evidence set out in our March representations are required, we have provided it in this statement.

2016-based household projections

17.2   Barton Willmore (BW) consider that very little weight should be given to the 2016-based ONS household projections. The recent (26 October 2018) '*Technical consultation on updates to national planning policy and guidance'* consultation by the Ministry of Housing, Communities and Local Government (MHCLG) should be considered in this context.

17.3   The MHCLG consultation considers whether the 2016-based ONS household projections should be used for the purposes of calculating baseline housing need (Step 1) as part of the Standard Method (SM) for calculating housing need. The SM was introduced through the revised 2018 National Planning Policy Framework (NPPF, 24 July 2018) and applied immediately for the purposes of planning applications. However for all Local Plans submitted for examination before the 24 January 2019, the Objective Assessment of Housing Need (OAN) required by the 2012 NPPF is to be used. The London Plan is therefore assessed against the OAN, the PPG for which (ID2a-015) states that the latest household projections published by MHCLG should be used as the 'starting point estimate' of housing need.

17.4   Notwithstanding the transitory period of the SM's application, the MHCLG consultation paper identifies how the 2016-based ONS household projections "*reduce the projected rate of household formation compared to the previous projections by 53,000 a year between 2018 and 2028*"[1], a

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[1] Paragraph 10, page 8, Technical consultation on updates to national planning policy and guidance, MHCLG, 26 October 2018

factor which the consultation paper identifies will reduce the minimum housing need calculated nationally *"from approximately 269,000 homes prior to the publication of the updated household projections, to approximately 213,000 based on the updated data."* The paper identifies how this lower SM figure is *"below the 217,350 homes delivered last year."*

17.5   In this context the MHCLG consultation paper lists a number of reasons as to why the 2016-based ONS household projections should **not** be used,[2] essentially discrediting their value for the purposes of forward planning.

17.6   The MHCLG consultation proposes to use the 2014-based household projections produced by MHCLG for Step 1 of the SM, instead of the 2016-based projections. To be clear in respect of the status of the 2016-based ONS household projections, the MHCLG consultation therefore confirms that MHCLG will *"make clear in national planning practice guidance that lower numbers through the 2016-based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology."*

17.8   A date is yet to be confirmed in respect of when the changes proposed by the consultation will be formally adopted. However it is anticipated that it will be before the transitory date (24 January 2019) for Local Plan Examinations identified in paragraph 214 of the NPPF.

17.9   Taking all of the above into account, this is considered to provide reasoned justification for giving very limited weight to the 2016-based household projections, and instead using the previous 2014-based MHCLG household projections for the purposes of OAN and the SM.

London Plan OAN (2017 SHMA)

17.10 Notwithstanding our view in respect of the 2016-based ONS household projections, it is important to note how the 2017 London SHMA established its OAN through the use of a 10-year migration scenario (labelled as the 'central' projection by the SHMA), rather than the official household projections (MHCLG 2014-based or ONS 2016-based) which both use trends from a shorter 5-year period. This central projection results in a demographic starting point of 55,540 households per annum across London.

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[2] Page 8-9, Technical consultation on updates to national planning policy and guidance, MHCLG, 26 October 2018

17.11   This is an approach which Barton Willmore consider is reasonable for the reasons the London SHMA states in Paragraph 3.52 as follows; "*The central projection is the principal projection used for the SHMA with short- and long-term projections acting as variants for sensitivity testing. A ten-year period of past migration data has been chosen for the central projection as it approximately spans a typical economic cycle and has the benefit of producing more stable results from year to year than projections based on more recent trends only, making it more suitable for strategic planning purposes.*"

17.12   Barton Willmore also support the principle of an uplift to the demographic projection (55,400 households per annum) applied in the London SHMA. In the SHMA this is based on the backlog in delivery and affordability constraints, adding a further 8,761 households per annum to the demographic projection, and overall need of 64,301 households per annum. However as we explain below, this uplift for backlog converts to a 15.8% uplift to demographic-led need, and Barton Willmore consider that a higher uplift should be applied on the basis of market signals adjustments applied in local authorities throughout the Wider South East (WSE) area. Notwithstanding this, once an allowance is made for vacant and second homes, this increases need to **65,978 dwellings per annum (dpa)** in the SHMA.

17.13   In this context it is important to note how the London Plan only plans for provision of 65,000 dpa This reduction is made on the grounds of capacity in each London Borough as identified by the 2017 Strategic Housing Land Availability Assessment (SHLAA). This means there is an **accepted shortfall** against OAN of approximately **1,000 dpa**.

17.14   This will be in addition to any backlog need which arises as the Plan period progresses. Significant backlog is expected in the context of historic past completions reported by the most recent London Annual Monitoring Report 2016/17 (September 2018). The AMR shows how the maximum delivery in any one year since 2004/05 has been 45,000 dwellings (2017/18), and a minimum of circa 26,000 dpa.[3] This suggests that an assumption of circa 40,000 dpa is a positive one to make moving forward. Delivery on the basis of this assumption would result in under delivery against policy H1 of circa 25,000 dpa, or circa 250,000 dwellings over the next 10 years.

17.15   Furthermore, although Barton Willmore agree with the principle of an uplift for backlog and affordability, it is questionable whether the 2017 SHMA uplift (equivalent to 15.8% above the demographic OAN) goes far enough in seeking to address these issues, particularly in the context

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[3] Table 3.2, page 89, London Plan AMR 2016/17

of local authorities outside of London where affordability uplifts of up to 30% have been applied to the demographic starting point.[4] This is evidenced in London by the uplift for affordability required by the SM, as we discuss below.

17.16   In the context of the market signals uplifts applied in other authorities, Barton Willmore consider it would be reasonable to apply at least a 25% uplift to the baseline demographic need identified in the SHMA (55,400 dpa). This would increase the OAN to a **minimum of 69,250 dpa.** As discussed below this is broadly comparable to the capped calculation using the Standard Method.

<u>Standard Method for Calculating Minimum Housing Need (SM)</u>

17.17   The SM for calculating housing need was introduced by the 2018 National Planning Policy Framework (NPPF) on 24 July 2018. The SM was applied immediately for the purposes of planning applications. However Plans submitted for examination **before** the 24 January 2019 are to be examined based on the policies of the 2012 NPPF. For housing need, this means the OAN method rather than the SM. As we have identified above, the 2017 London SHMA determines OAN of 66,000 dpa.

17.18   Notwithstanding this it is considered appropriate to consider the SM and what this method calculates for London.

17.19   As we have referred above, MHCLG have recently (07 December 2018) ended their consultation on amending the SM to remove use of the 2016-based ONS household projections and replace them with the previous 2014-based MHCLG household projections. The effect of this will be to increase the SM for London to **72,535 dpa, 2018-2028**.

17.20   However it is important to note how 72,535 dpa represents the 'capped' level of need calculated by the SM. As PPG (paragraph ID2a-010) advises, *"The standard method for assessing local housing need provides the <u>minimum starting point</u> in determining the number of homes needed in an area."* PPG goes on to state *"there will be circumstances where <u>actual housing need may be higher </u>than the figure identified by the standard method."*

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[4] Including the Cambridge and Canterbury Local Plans (30% uplift to demographic OAN), Waverley (25%), Chelmsford, Wycombe, Aylesbury Vale, Runnymede, and Mid Sussex (20%)

17.21   The PPG sets out the circumstances where it may be appropriate to consider an uplift to the SM need, an exercise that *"should be undertaken prior to and separate from considering how much of this need can be accommodated in a housing requirement figure"* (PPG ID2a-010).

17.22   These circumstances include where *"growth strategies are in place, particularly where those growth strategies identify that additional housing above historic trends is needed to support growth or funding is in place to promote and facilitate growth (e.g. Housing Deals)"* and *"where strategic infrastructure improvements are planned that would support new homes."* Both of these reasons are considered to apply to a number of London Boroughs, suggesting need above the capped level (72,535 dpa) would be justified.

17.23   If the SM were to be considered 'uncapped', need for London increases to **95,197 dpa**. This emphasises the acute affordability constraints which are prevalent in the city and indicates how 'actual housing need' as referred to in PPG is **44% higher** than the conclusion of the London SHMA and 32% higher than the 'capped' SM figure.

17.24   Although the London Plan is being assessed against the OAN, we consider the significantly higher range of need suggested by the SM cannot be overlooked and should be considered as representing need for London. In this context, any need above the 66,000 per annum included in the London SHMA will result in significant unmet need in the tens of thousands as we discuss below.

Unmet Housing Need

17.25   Based on recent delivery levels in London (average of 32,347 dpa since 2004/05 as reported by the 2016/17 London AMR), it is considered there is no realistic prospect of London delivering the OAN established in the 2017 SHMA, or the higher levels of need generated by the SM.

17.26   If delivery were to reflect even the higher end of recorded delivery set out in the latest AMR (circa 40,000 dpa), unmet need would range between c.26,000 (based on the London SHMA's OAN) and 55,000 dpa (based on uncapped SM). Such a level of unmet need would have significant consequences for the local authorities surrounding London and beyond, a factor which needs to be addressed as a matter of urgency to ensure the issue is not exacerbated.

17.27   Section 5 of Appendix 1 to our March 2018 representations identifies the stretch of influence from London to the wider south east and east regions, using a research paper prepared in January 2017

by the London School of Economics (LSE) for the East of England Local Government Association (EELGA), and our own research.

17.28   This identifies the existing migration trends from London, which stretch from Norfolk to Dorset, and Kent to Oxfordshire. These trends would need to be considered as to how unmet need from London is distributed to the area identified in the Draft London Plan as the 'Wider South East' (WSE). The issue is recognised in Policy SD2 'Collaboration in the Wider South East' of the Draft London Plan and it is imperative that the collaboration with the WSE promised in this policy is undertaken as soon as possible.

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

17.29   The potential impact of Brexit is unknown at this time, and it is therefore considered that the approach of the 2017 London Strategic Housing Market Assessment (SHMA) to aligning homes with jobs is a sensible approach in the context of current economic circumstances.

17.30   The SHMA presents three variant projections for employment growth: a low, central and high growth scenario. The low growth scenario assumes growth of 25,500 jobs per annum; the central growth scenario 49,000 jobs per annum; and the high growth scenario 85,000 jobs per annum.[5]

17.31   In the context of the three variant projections set out above, the SHMA confirms that the OAN determined (65,900 homes per annum) will support 29,500 jobs per annum. An uplift for economic growth is not therefore considered to be appropriate by the London SHMA.

17.32   This is a cautious approach in respect of economic growth assumptions, particularly in the context of the GLA's conclusion that a 'central' economic growth scenario would generate 49,000 jobs per annum, and a high growth scenario 89,000 jobs per annum. However as discussed, in the current uncertain economic environment the SHMA's assumption is considered cautious but reasonable. However it is important to be aware of the much higher job growth suggested by the central and high growth scenarios, and how the OAN would need to be significantly higher than 66,000 dpa to meet these scenarios.

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[5] Paragraph 4.8, page 58, The 2017 London Strategic Housing Market Assessment, November 2017, GLA

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)?

17.33   No comment.