Home Builders Federation
Representor number: 2320
Matter number: M17

Draft London Plan
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:

As we argued in our representations, the Mayor should align with the Government's new standard method for calculating housing need. This is necessary to ensure a consistency of approach to planning for housing, especially in relation to the treatment of migration. The Mayor has developed alternative household projections for the England, but he cannot insist that other local planning authorities use these. The Mayor's approach is flawed because he adopts different assumptions about choice of time series and migration that will not be reciprocated by local authorities elsewhere in England. This is especially problematic in the WSE where the implications of the choices of time-series and the deployment of alternative assumptions around migration will have the biggest impact.

The Demographic baseline: the starting point

It is necessary to compare the Mayor's alternative demographic projections with the official projections to appreciate the implications of what the Mayor is doing.

The PPG to support the new NPPF states:

Step 1 - Setting the baseline
Set the baseline using national household growth projections, for the area of the local authority. Taking the most recent projections, calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being the first year).

The choice of time series is important. There is a tendency for plan-makers to favour different time series in order to generate a lower starting point. There are numerous instances of this across the authorities of the Wider South East. The merit of the standard method is that it means that everyone is required to use the same assumptions about the length of time series and migration. This ensures consistency.

The government has decided that a time series based on the year when the assessment begins, projected ten years ahead, is an appropriate time-series. No other adjustments to this underlying demographic projection should be made. We have used the time period 2019 to 2029 as the basis for calculating the demographic starting point.

The DCLG 2014 Household Projections for the period 2019 to 2029 project that some 56,400 households per annum (hpa) will form across all of London. If the period 2016 to 2039 is used (2039 being the end-point for these projections) then a figure of 54,000 household per year is generated (see paragraph 3.75 of the SHMA).

By comparison the Mayor's scenarios all generate lower starting points. Under his Central scenario the Mayor considers that 48,200 households will form which is a 25-year annualised figure from 2016-2041 (paragraph 3.73 of the SHMA 2017).

The short-term annualised figure generates a starting point of 52,000 households. The long-term figure generates a figure of 42,000 households. It is notable that all the Mayor's scenarios, which are based on different migrations trend time series (explained in paragraphs 3.51 and 3.52 of the SHMA), including the favoured Central scenario, generate projections that are lower than the official projections which the Government now requires every local authority to use as the baseline.

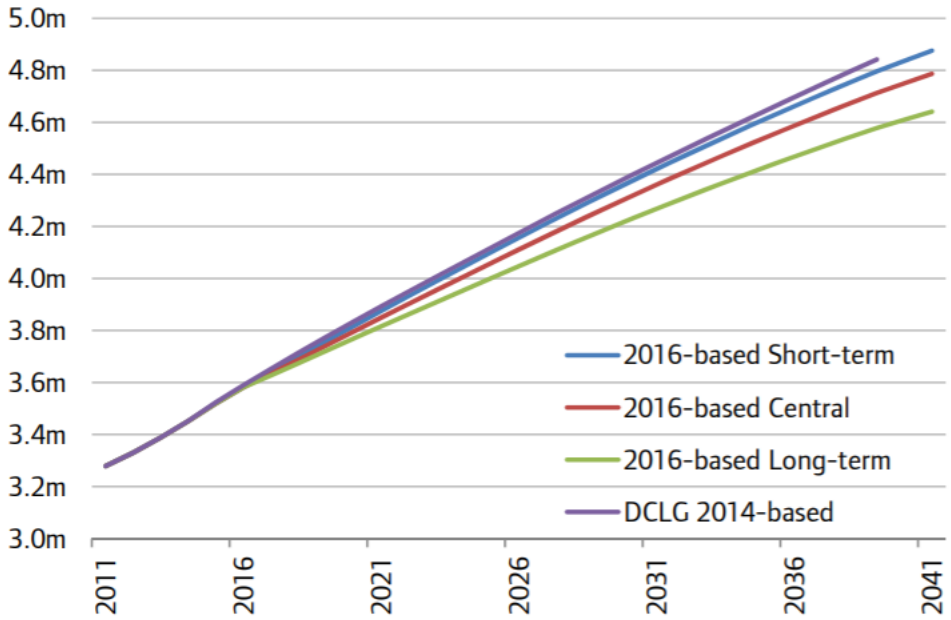
Source	Timescale	Household projection
DCLG 2014	2019-2029	56,400 hpa
DCLG 2014	2016-2039	54,000 hpa
GLA Short-term migration (5 yrs)	2016-2041	52,000 hpa
GLA Central migration (10 yrs)	2016-2041	48,200 hpa
GLA Long term migration (15 yrs)	2016-2041	42,000 hpa

Paragraph 7.25 of the SHMA compares the Mayor's approach to the standard method (then draft). This notes that the standard method requires household formation to be assessed over a timescale "*considerably shorter than that used in this SHMA*".

Transparency is not helped because the SHMA does not provide annualised figures under all these scenarios. This would have been helpful.

The HBF is concerned that the Mayor is manipulating the projections to generate a 'starting point' that is considerably lower than the official projections. This is illustrated by Figure 36 in the SHMA (page 44), reproduced below:

Fig 36: projected total households



Net-stock adjustment

As explained in our representations, the SHMA 2017 makes an adjustment to the Central Variant projection of 48,200hpa by calculating the net requirement between 2016 and 2041 – that is the difference between the current stock and that required in the future. To get to this figure the GLA does some calculations to net-off housing completions since 2013 (described in paragraph 7.8).

The result is a net annualised housing requirement of 55,540 (paragraph 7.10) for the period 2016-2041. This is a figure that is close to the DCLG 2014 Household Projection for the period 2019-2029 of 56,400hpa.

Explanation for the difference

The difference between the official approach in terms of the choice of time series required by the MHCLG under the standard method and the GLA's approach is considerable if housing completions since 2013 are not netted-off.

We are concerned about the use of alternative demographic projections for London. A consistent approach to the use of demographic projections is important so that assumptions around the issue of migration are the same across the country, i.e. London cannot plan on the assumption of increased net out-migration from London compared to the official projections if the local authorities neighbouring London are using official projections that assume a lower rate. The Mayor may argue that his projections are more robust – and he could be right – but he cannot force their use on the rest of the country. Now that the Government has decided on the method for assessing need, the Mayor most certainly cannot promote his own.

The adoption of alternative projections will not contribute to achieving the Government's target of 300,000 housing net additions a year from the mid-2020s onwards if plan-makers are encouraged to dispense with the official projections in favour of their own lower versions.

We consider that the official DCLG 2014 figure of 56,400 hpa should be used as the basis for calculating the OAN.

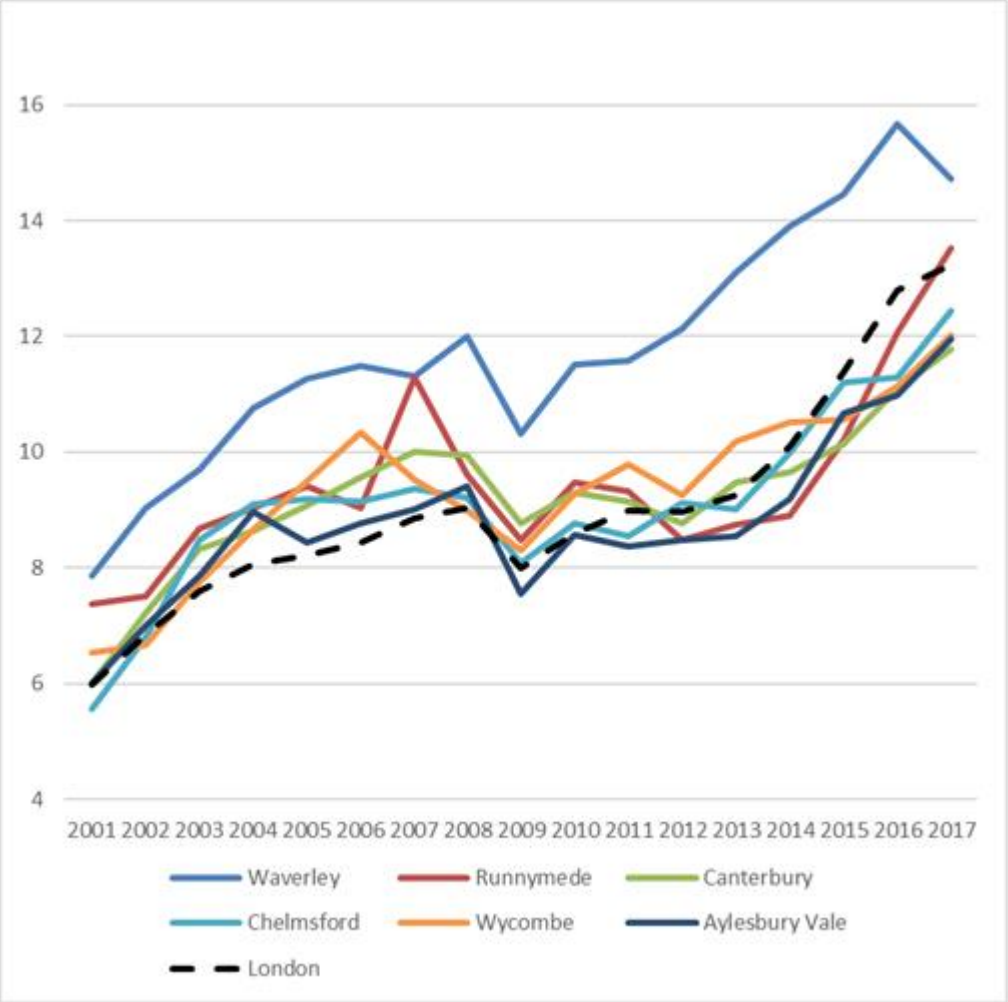
The HBF does not accept the use of the Mayor's alternative household projections as a sound basis for planning. The Mayor should accept the direction of travel and fall-in behind the Government's required approach. This is reasonable because the DLP is in effect only a ten-year plan, and the new NPPF requires strategic development strategies to be reviewed at least once every five years.

Market signals or an adjustment for the backlog?

After establishing the demographic baseline, it is common practice to adjust for market signals. We are aware that the planning practice guidance is not definitive on the steps that should be followed by plan-makers in establishing the OAN – it is only guidance. However, the approach set out in the PPG has become common practice everywhere else. The Mayor does not make an adjustment for market signals. Instead, he makes an adjustment to take account of the 'backlog' (as he did previously in the SHMA 2013). This is not an unreasonable approach, but it is necessary to examine whether the adjustment for the backlog provides for an adequate increase in planned supply by benchmarking this against decisions elsewhere.

The GLA in paragraph 7.19 of the SHMA 2017 concludes that an adjustment of 8,761hpa homes is needed to compensate for the backlog. This represents a 16% increase on the demographic baseline of 55,540hpa. This compares unfavourably with other authorities in the WSE who have similar problems of affordability when measured against the median, but have made bigger adjustments.

The figure below shows local authorities in the WSE that have made adjustments of 20% or more for market signals, tracking this against changes in median affordability since 2001.



The percentage adjustments made by each authority are:

Chelmsford	20%
Wycombe	20%
Aylesbury Vale	20%
Runnymede	20%
Waverley	25%
Cambridge	30%

As affordability in London as a whole (discounting the extremes such as RBKC at a ratio of 40) is worse than Chelmsford, Canterbury, Wycombe, and Runnymede, so London should make an adjustment comparable to at least 25%. It is also useful to note here that the 30% uplift for Cambridge was judged necessary in view of the considerable problems of affordability

generally, as well as a way to generate more affordable housing. Therefore, a more generous market signals uplift is another way of to support the supply of more affordable homes in London.

An uplift of at least 25% would be appropriate for London.

A 25% uplift would add 14,100hpa to the baseline of 56,400hpa = 70,500dpa

Add a 1.8% second homes/vacancy allowance to this would add a further 1,269dpa

Final OAN = 71,769 dwellings per annum. This could be rounded-up to 72,000dpa.

Second homes/vacancy allowance

We agree with the GLA's approach of adding a 1.8% vacancy allowance (paragraph 7.20).

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

None for the reasons the Government has explained in its *Technical Consultation on Updates to National Planning Policy and Guidance (MHCLG; October 2018)*. The Government has concluded that the ONS 2016 Household Projections are unreliable as the basis for calculating housing needs. In short, the projections do not support the national policy objective to boost the supply of housing to help achieve 300,000 net additions a year. The government intends to use the 2014 Household Projections for the foreseeable future (paragraph 19).

The Government is consulting on its revision to the standard method and a decision is expected very quickly, probably before Christmas.

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

None for the reasons spelt out by the GLA in the SHMA in paragraph 3.97. The Government does not expect allowances to be made for Brexit in the assessment of housing need. If it did, it would have made a statement to this effect. Indeed, the *Technical Consultation on Updates to National Planning Policy and Guidance* reaffirms the Government's expectation that the planning system will support the delivery of 300,000 net additions a year by the mid-2020s.

The standard method, using the 2014 Household Projections generates nationally a figure of 266,000 homes. The Government has been clear that this figure should be treated as the minimum number of homes needed (e.g. paragraph 60 of the new NPPF). The Mayor's OAN is already some 6,000 hpa adrift from the standard method and even more so when it is updated to reflect the latest median household affordability data. Reducing this even further because of the potential impact of Brexit on the rate of household formation would reduce the baseline of the standard method of 266,000dpa and render 300,000dpa target even harder to achieve.

Thirdly, it is hard to know what approach or formula one would adopt to factor-in a reduction in the level of assessed housing need following Brexit. Who knows what might happen? However, a reduction in supply would do little to help improve affordability. A lower level of supply would only reinforce a trend whereby housing wealth is concentrated in the hands of the few and household formation among younger age-groups is suppressed.

Lastly, it is common knowledge that London exhibits the highest housing affordability pressures of anywhere in the country. Increasing the supply of homes above the level indicated in the GLA's assessment of 66,000dpa to counteract this would be sensible, not reducing it.

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)?

The Mayor has not as a specific adjustment in line with the guidance in the PPG. It might be argued that the backlog adjustment is an equivalent step, but this does not sit well with the guidance.

An adjustment for market signals, in line with our argument above, would be one way of dealing with this challenge. This has been approach has been adopted by other examining inspectors recently (e.g. Waverley and Aylesbury Vale).

Comparison of the GLA's OAN with the Government's standard method

The standard method using the 2014 Household Projections and applying the most recent 2017 median workplace-based affordability ratios provided by the ONS, then capped, would require 72,848 homes to be provided. These figures are capped based-upon the most recent adopted local plan targets. This is set out in the table below. We have discounted the 2016 projections for the reasons we have already explained above.

Updated standard method using 2014 based household projections with most recent median affordability data

Borough	2017 Median affordability Ratio	Household growth 2018 to 2028 (2014 based household projections	Standard methodology uplift	Standard method OAN (capped)
Camden	19.95	1,674	99.69%	2,344
City of London	14.83	69	67.69%	96
Hackney	15.91	2,239	74.44%	3,135
Hammersmith and Fulham	20.86	671	105.38%	1,377
Haringey	16.8	2,007	80.00%	2,810
Islington	15.69	1,729	73.06%	2,420
Kensington and Chelsea	40.69	282	229.31%	395
Lambeth	14.65	1,792	66.56%	1,673
Lewisham	12.42	2,241	52.63%	3,137
Newham	12.65	2,557	54.06%	3,580
Southwark	14.3	2,112	64.38%	2,956
Tower Hamlets	9.68	3,388	35.50%	4,591
Wandsworth	19.73	1,437	98.31%	2,414
Westminster	24.57	1,631	128.56%	1,495

Barking and Dagenham	10.72	1,598	42.00%	2,237
Barnet	15.88	2,892	74.25%	4,048
Bexley	11.04	1,256	44.00%	1,759
Brent	15.86	1,962	74.13%	2,746
Bromley	14.57	1,882	66.06%	2,635
Croydon	11.21	2,485	45.06%	2,303
Ealing	15.96	1,713	74.75%	2,398
Enfield	13.94	2,351	62.13%	3,292
Greenwich	12.9	2,085	55.63%	3,245
Harrow	15.98	1,373	74.88%	1,922
Havering	12.01	1,342	50.06%	1,879
Hillingdon	12.34	1,950	52.13%	2,730
Hounslow	11.08	1,859	44.25%	1,151
Kingston upon Thames	15.46	1,081	71.63%	1,514
Merton	15.44	1,107	71.50%	1,550
Redbridge	14.36	2,094	64.75%	1,572
Richmond upon Thames	19.91	1,213	99.44%	441
Sutton	12.92	1,261	55.75%	598
Waltham Forest	15.71	1,718	73.19%	2,405
Total				**72,848**

It should be noted that under the Government's standard method the adjustment to counteract deteriorating affordability would need to be very much greater than the adjustment made by the Mayor. **Some 17,308 more homes would be needed each year** compared to the Mayor's adjustment of just 8,761. **That would represent a 31% increase on the baseline**. Moreover, it also needs to be remembered that the standard figure is a capped figure to help plan-makers gradually adjust to the new objectives of Government.

HBF conclusion on the OAN

The DLP is subject to the transition terms explained in the new NPPF. However, following the approach to assessing housing needs that has been established under the NPPF 2012 and its supporting guidance, the Mayor's assessment is found wanting. This is because he adopts a much lower demographic starting point and then makes an inadequate upwards adjustment for backlog that compares unfavourably with the approach to market signals that is now accepted practice elsewhere.

The HBF considers that the OAN for London is 71,769dpa.

However, the Mayor ought to give serious consideration to falling-in behind the standard method and adopt the figure of 72,848 dpa, rounded-up to 73,000dpa, as the OAN for London, acknowledging that this is the 'direction of travel' indicated by the Government.

James Stevens, MRTPI
Director for Cities
Email: james.stevens@hbf.co.uk
Tel: 0207 960 1623