

**MATTER 17**

**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?**

(a) Quite apart from the September 2018 revised household projections, the potential impact of Brexit, and PPG (ID 2a-029-20140306), the 66,000 additional homes per year identified by the Strategic Housing Market Assessment (SHMA) is not justified for following two reasons.

First, it is a basic mistake for the plan to be based on trying to have maximum total output of new homes. In the absence of any specification regarding what kind of housing is to be built, at what prices, and for whom, the emphasis on the quantity of dwellings to be built is at best misguided and at worst dangerous. Focusing on the quantity of dwellings: i) gives a misleading impression that need is being met; ii) will not necessarily reduce housing prices or rents rapidly or at all; and iii) in no way guarantees that the right kinds of housing, specifically genuinely affordable social/low-rent housing that meets low-income Londoners' needs, will be completed. No housing target, no matter how high, can be justified unless concrete targets for genuinely affordable social/low-rent housing are clearly committed to.

Secondly, the current plan fails to prioritise the need to address the housing backlog and significant need for social-rented housing. The 66,000 figure assumes that the housing backlog – which consists overwhelmingly of homes for low-cost rent – will be addressed over a longer time period (25-years) than was suggested by either the 2008 London Plan (10-years) or the 2015 London Plan (20-years). We stress that since 80% of the backlog is made up of the need for low-cost rented homes, and since there are very clear reasons why acute needs should be met first, the backlog should be a pressing priority of the London plan. If the backlog is met within 10 years would mean an additional requirement on top of household population growth of about 21,000 homes per year since the total backlog needed is given as 208,621 homes. If the household growth figure stayed at 55,540 p.a. this would produce a total requirement of about 77,000 per year.

The SHMA also gives annual tenure requirement of 30,972 low cost rented homes (47%) but this is not followed through into the targets which give between 15% -35% low cost rent depending on the use of the 20% discretionary element.

In the light of these fundamental weaknesses in the draft Plan we consider that the “affordable” share of the annual target be increased and the low-cost rent share be increased to 47%.

By fostering intensification of development by market developers, with virtually uncapped densities and unambitious and variable ‘affordable’ housing proportions,

the approach in the draft Plan risks accelerating land price growth (making all housebuilding more costly) and leaving the most urgent needs un-met. This would tend to increase the backlog of unmet housing need, rather than reducing it.

Finally the SHMA estimates of need for 'affordable' housing is highly unsatisfactory. Just Space was glad that the GLA invited us to attend the Strategic Housing Market Partnership (SMP – formerly the working group on SHLAA/SHMA methodology) which was also expected to discuss SHMA methodology. In the event there was little or no opportunity there to discuss or influence the SHMA so Just Space made a careful written submission in February 2017.

<https://justspacelondon.files.wordpress.com/2015/09/js-on-shma-feb-2017.pdf>

We wrote:

(3) “Need/demand forecasts should relate to the distribution of London incomes, preferably using deciles throughout. Quartiles would be less illuminating. Where a single measure of level is essential, the average (mean) should **never** be used, and the median used instead – for incomes, for prices and for rents. There are two compelling reasons for this:

a. Incomes, prices and rents in London (and within most boroughs) are highly unequal and highly skewed, so means are misleadingly far above the medians, dragged up by the ultra-high top end.

b. Only an approach through distribution of income will enable proposed supply plans to be tested at GL level and provide the necessary data to enable boroughs to produce their own compliant needs assessments and make their local plans in conformity with the NPPF. Without this, the London-wide SHMA would need to make estimates separately for each borough.

4. Where the affordability of housing is being considered, it is more important than ever before that income be considered with AND without benefits because of the uncertain and shrinking prospects for HB/LHA. Affordability should, as before, be judged against limits of 25% of gross household income and 30% of net household income. ”

The SHMA does not base its needs estimates transparently on this income-forecast approach, and assumes Housing Benefit will stay the same when we know there are reductions, the impact of which has not been explored, so we regard it as particularly unreliable as a basis for planning.

The New Policy Institute, in its March submission to the EiP, stressed the importance of income in relation to housing costs and of housing costs as a contribution to poverty: “Our recent report *London Poverty Profile* highlighted that the lack of affordable housing is a big part of the poverty story in London. After accounting for the cost of housing London’s poverty rate almost doubles, rising from the same level as the rest of England to much higher.”

The SHMA gives bedroom size requirements in which 1 bed rises from 34% of the total in the 2014 SHMA to 55% of the total. Reducing the supply of 1 beds and increasing family housing would act as a downward pressure on the number of homes needed and would meet important unmet needs.

In summary, the target of 66,000 additional homes per year identified by the SHMA is misguided. It flies in the face of the evidence and is thus unsound. Boroughs should be set targets for low-cost rental outputs and should be encouraged to pursue these targets in the light of local and sub-regional needs in consultation with their diverse communities.

We urge the panel to call for an early new SHMA taking account of these methodological weakness and the unprecedented uncertainty over migration, household formation and income trends; a new SHMA should be done within the first few years of the new plan given the implausibility of the targets for 2019, 2020.

The ONS projections see lower population growth due to less international migration, fewer births and more migration out of London to other parts of the UK. If accepted, this would reduce the household growth figure by 10,000 homes per year. A slide shown at the GLA technical seminar slide 15000 p.a. reduction in ‘need’ would result from applying MHLG methodology to the 2016-based projections. We lack the demographic expertise to comment on this but this is just the sort of thing the IIA should have explored so that Londoners and the wider public can see the pros and cons of different growth trajectories.

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

Of course, there are enormous uncertainties with Brexit. However, there are already substantial reductions of international migration, lower economic growth rates and businesses migrating all of which are a downward pressure on household population growth. Whatever happens on Brexit in the coming months, the range of possible futures the country and the city confront is widening and these should have been the subject of exploration in the planning process, notably in the IIA.

**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 PPG proposes a new method for housing need calculations, which if used in London would result in a greater need of 72,000. We do not have the expertise to comment, except to say that it must surely be irrational to apply a formula devised to deal with relatively self-contained housing market areas in provincial England to the arbitrary part of London which lies within the GLA boundary, imports 800,000 people daily and so many of whose housing needs have always been met further away.