London Plan Examination in Public – Written Statement

Respondent Number	2536
Organisation	London Assembly Planning Committee
Contact name	Paul Watling
Email	Paul.watling@london.gov.uk
Telephone	020 7983 4893
Dated	14 December 2018

Matter1 7

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?

The Assembly supports the need for 66 thousand additional homes per year. It is right that the London Plan should have high targets based upon demographic expectations as well as tackling the backlog across all housing sectors. However, we have reservations about assumptions incorporated in the SHMA as regards the size mix that has been adopted for new homes: in particular, that there will be a perfect match between households and dwellings in all rented homes by 2041 (i.e. by that date, every household will occupy a home of the "right size" with no over-crowding or under-occupation). These issues will be tackled under Matter 28.

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

MHCLG has decided to set aside the ONS 2016 household projections. In the Assembly's view that is a good decision. At the EiP Technical Seminar Ben Corr outlined reasons why the new household projections have not influenced the demographic work feeding into the London Plan. The Assembly agrees with this assessment. Critically the ONS 2016 household projections are based on just two censuses rather than the last five censuses together with the most recent Labour Force Survey data - as used by DCLG in its 2014 household projections. The inability of ONS to continue to use relationship status in the projections (ie subdividing both males and females into single persons, those in couples and those previously in couples) is also a major drawback. The lack of confidence in the new projections extends to ONS itself, which only extended representative rates forward by 10 years to 2021 rather than the full 25 years as in the DCLG work. The new projections appear to mimic the 2014 results in some LAs - but not in London.

However, the household projections have two main elements: household representative rates applied to the ONS 2016 population projections. The well-established ONS population projections have their own considerable merit. The critical migration assumptions are based on the period 2011-16. As such they pick up the recent strong

consistent trend of increased gross and net outflow from London to the rest of the UK. The net loss has risen to 107 thousand in 2016-17 having been only 40 thousand in 2010-11. The gross outflow to the rest of the UK has risen from 252 thousand in 2011-12 to 336 thousand in 2016-17, that is by about 30%. The GLA Central projection is based on 2006-16 and does not reflect recent migration trends nearly so well. The ONS 2016 projection also builds in the expectation of less net international migration to the UK than used in previous ONS projections. Migration estimates for London now extend to mid-2017 and further support the increased net migration from London and show the first annual total net migration loss in 2016-17 (23 thousand) since 2003-04. The average overall net migration in the base of the GLA Central projection was a gain of 37 thousand. The average gain over the period 2012-17 was just 22 thousand. The ONS 2016 projection was based on a period in which the average net gain was 30 thousand. Using the latest five-year average as the projection base would have the effect of reducing the increase in households over the 25 years of the projection (2016-41) by 150-175 thousand.

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

Net inflows from the EU have declined since the 2016 referendum and whatever arrangements emerge if, in the short term, the £ stays low the UK will be a less attractive destination for EU workers. On the other hand Brexit and a low £ may also deter UK citizens choosing to move to the EU for either work or retirement - thus ameliorating the anticipated reduced inflow of EU workers. In general there is bound to be uncertainty in the first few years of Brexit, therefore EU residents will look at their options more closely and, probably, not choose the UK in the volumes seen in most years between 2005 and 2016. The ONS 2016 population projections anticipate reduced gross (and net) international flows to both the UK and London up to 2022-23. The GLA Central projection also anticipates reducing gross and net international inflows to London - but using different modelling techniques. It seems that, given the uncertainty, all recent projections for London have in some way covered the likely reduced net inflows to London, some of which could be due to Brexit.

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 total housing figure is rightly based on a high target that is ambitious, however the uncertainty about future migration means that it may already be higher than would be identified by more up-to-date projections. Whilst the target should not be reduced, we do not believe that a further increase can be justified.

The backlog could be met more quickly if the underlying population projection was more up-to-date (using 2012-17 migration as indicated above) and would therefore indicate a smaller potential population requiring housing simply from the demographic inputs. This could have the impact of allowing up to 7,000 more homes annually to be available to meet the backlog, out of the 66,000 indicated by the SHMA.