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?

17.1 Yes. The need for 66,000 additional homes per year has been properly calculated in the Strategic Housing Market Assessment (SHMA) 2017 with regard to national policy and guidance, including the requirements of the 2012 NPPF which states that, within a housing market area, housing needs should be assessed 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'*[1].

17.2 The 2017 SHMA is based on the GLA's demographic projections, which have been accepted as a sound basis for preceding iterations of the London Plan. An independent review of the GLA's demographic model concluded that *'Overall, the GLA model utilises the best data sources available together with a trusted projection method to obtain credible estimates of future population'*[2]. The 2017 SHMA methodology has previously been proven to be effective and reliable. A very similar approach was used for the 2013 SHMA, which informed the Further Alterations to the London Plan (FALP). The Inspector's report for the FALP[3] concluded *'having considered all the evidence and the submissions, that they are reasonable and probably the best available assessment of objectively assessed housing need for London at this time'* (paragraph 30), with the Inspector also stating *'I am satisfied that the Mayor's population and household projections, SHMA and SHLAA are based on good evidence and robust methodology'* (paragraph 55).

Population projections:

17.3 The GLA's approach to population and household projections is fundamentally similar to that taken by the Office for National Statistics (ONS) (and MHCLG when it was responsible for household projections), with some differences in the population projections as follows:

- Constraint to national projections: ONS's approach of constraining sub-national migration trends to national totals creates a mismatch at London level between the assumptions used for international migration and those that apply to domestic flows. For London, where a large international inflow is offset by a large domestic outflow, this can have a significant distorting effect. The GLA's approach provides greater consistency between the assumptions applied to different migration flows;

- Length of migration trend: The GLA's central projection uses a ten-year historic trend to project future migration flows. This reduces the volatility that results from year to year variations and economic cycles;

- Rates-based approach to international out-migration: The GLA prefers the rates-based approach, linking the size of outflows to the resident population via

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[1] NLP/GD/03: DCLG, NPPF, March 2012, Paragraph 159
[2] University of Southampton, 'Independent review of population projection methodology of the Greater London Authority', 2016 (https://data.london.gov.uk/dataset/projection-methodology-independent-review)
[3] NLP/GD/06: The Planning Inspectorate, Report on the Examination in Public into the Further Alterations to the London Plan, November 2014

estimated migration propensities, to the 'flows-based' approach used by ONS. A review of migration methodologies commissioned by ONS also expressed a preference for the rates-based approach, describing it as being more 'transparent' and 'coherent'.

The household projection model:

17.4   The GLA household projection model uses the methodology and assumptions that underpinned the then-DCLG's household projections. The 2017 SHMA includes an upward adjustment to account for people that have been unable to form households because of the unavailability and/or unaffordability of housing. The adjustment from the initial projected growth of 48,200 per annum (see paragraph 3.73 of the 2017 SHMA report) is two-fold:

- First, the starting number of households in 2016 is lowered from the projected figure of 3.58 million to the estimated level of 3.4 million[4];

- Secondly, the 'net backlog' of households not currently in self-contained accommodation but who require a home of their own is assumed to be cleared over the 25-year period of the 2017 SHMA.

- These two changes account for the majority of the increase to the final identified requirement of 65,878 homes a year.

Needs for different types of housing:

17.5   Chapter 8 of the 2017 SHMA sets out evidence on the housing needs of different groups, including families, older people and students. The needs identified in this chapter are not additional to the headline need figure.

Affordable housing:

17.6   The need for affordable housing is estimated as part of the net stock model used to calculate overall requirements. Notably, it estimates the number of households whose needs will not be met by the housing market (comprised of the current need and newly arising need), based on data for the following types of households:

- Homeless people;
- overcrowded and concealed households;
- those in unsuitable housing; and
- those who cannot afford their own homes.

This approach reduces the likelihood of double-counting as far as possible.

17.7   The overall need figure is compared to the current stock to calculate the net stock required to be supplied over the Plan period. The 2017 SHMA methodology estimates need for intermediate housing and low-cost rent homes separately.

Size mix required:

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[4] NLP/HOU/002: GLA, Strategic Housing Land Availability Assessment, November 2017, Paragraph 7.8 to 7.10

17.8   The range of house sizes required for each tenure is estimated using the net stock approach. The 2017 SHMA includes two scenarios with different under-occupation rates for private renters. 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, with those in other tenures assumed to occupy only the size of home they need according to the bedroom standard. 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 (the same assumption as used in the 2013 SHMA). Following discussions at the technical seminar, the GLA has subsequently modelled a third scenario that assumes under-occupation in the low-cost rent sector also continues at the current rate, which demonstrates the impact on the size of homes required. The results of this scenario are set out in Table 17.1 of this statement.

Table 17.1: 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%

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

17.9   For two reasons, no weight should be given to the revised household projections published by ONS in September 2018. Firstly, the Plan must be prepared using the best evidence available at the time at which it is prepared. Secondly, the ONS projections are derived using household formation rates from 2001 and 2011 Census; a period during which household formation in London was severely constrained by the shortage of available housing, as evidenced by the identification of a significant number of concealed households in London throughout the period. This contrasts with the GLA's model that used household formation rates from 1971 to 2011 Census; with the longer data set reducing the impact of short-term trends to provide more accurate projections.

17.10   The Government has stated that the September 2018 ONS projections do not provide a suitable basis for understanding housing need. The Minister of State for Housing and Planning, Kit Malthouse, has identified *'anomalous results'* in the projections due to ONS basing household formation rates on a period during which *'there was an artificial constraint on household formation'*. This has led him to conclude the result *'doesn't reflect the pent-up demand'* and that, in response, Government was *'looking at some data on the increase in the number of people staying at home to see whether that artificial constraint means we should look at the numbers again'*[5]. Government subsequently published a technical consultation on updates to national planning policy and guidance on a revised approach to the standard method for assessing local

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[5] Planning Magazine, 'Interview with Kit Malthouse', October 2018:
(https://www.planningresource.co.uk/article/1495046/interview-kit-malthouse-housing-planning-minister)

housing need that disregards the September 2018 ONS projections.[6] The Mayor responded to this consultation in December 2018.

17.11 The GLA has calculated an estimate for the housing need that would have been projected following the 2018 NPPF standard method for assessing housing need. This shows that if the new ONS projections were fed into the model for the period 2016-2026, the resulting 'need' figure for London would be approximately 51,200 net additional homes a year. This is significantly lower than the housing need planned for in the draft Plan. The Mayor does not consider this to reflect London's housing need, for similar reasons to those set out by the Minister.

17.12 The Mayor therefore remains committed to plan for the need identified in the 2017 SHMA, which provides a consistent and reliable assessment of housing need, as is required for effective plan making. It would be unjustifiable to give weight to an uncertain and evolving approach to assessing housing need.

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

17.13 Presently, there is considerable uncertainty regarding the UK's potential exit from the European Union. Consequently, it is not possible to model the impact of Brexit on London's future population growth and housing needs with any confidence. It is not considered a robust or sound approach to plan making to attach substantial weight to clear uncertainties, so the draft London Plan must be based on information available at the point of plan making.

17.14 The Mayor notes that the Government's standard method to assess housing need does not include scenarios that take account of the potential impacts of Brexit. The Government therefore appears to share the Mayor's view that planning should be progressed based on current evidence.

17.15 The GLA regularly recalibrates its forecasts for population growth to sensitivity test various growth assumptions. The GLA's most recent modelling forecasts three growth scenarios, each of which falls within the growth assumptions the Government's modelling shows because of Brexit.[7] Under all three scenarios, London's housing need would not be dramatically impacted. Irrespective of the outcome of Brexit, it remains the case that London has a significant backlog of housing need – working to address this will help prepare London for whatever impacts Brexit might have.

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)?

17.16 The Housing policies in the Plan have been developed in a way that seeks to maximise the delivery of affordable housing. The targets for both overall housing and affordable housing are ambitious and deliverable and underpinned by a detailed evidence base.

17.17 The draft Plan housing targets reflect the estimated London-wide housing capacity for the initial 10 years of the plan period. Capacity has been identified through a robust,

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[6] NLP/AD/14: MHCLG, Technical consultation on updates to national planning policy and guidance, October 2018
[7] NLP/DEM/004: GLA, Experimental Employment-led Projections: Technical Note 2018

systematic and realistic methodology, as detailed in the Mayor's statements in response to M18 and M19. Further capacity is not expected to be delivered until later into the plan period. As such, it would be unjustified to elevate housing targets above the estimated capacity.

17.18   The draft Plan requires boroughs to prepare delivery-focussed local plans to enable London to meet the targets set out in the Plan, including on affordable homes. It is not considered that a higher housing target would credibly deliver the required number of affordable homes. Given the constraints on overall capacity, the gap between what is deliverable without public subsidy and what is needed can only be bridged by recourse to further public subsidy. The Plan will be updated in the event affordable housing grant options are adjusted.

17.19   Market homes in many parts of outer London are relatively low value compared to market homes in central London and are therefore relatively more affordable. The draft Plan's focus on small sites will diversify new housing supply by providing a greater range of market homes at different price points.