

## Briefing note on Further Alterations to the London Plan by Duncan Bowie

### Proposals relating to housing supply and affordable housing

#### 1. Housing capacity and proposed new borough housing targets (Policy 3.3)

The key proposal relating to housing is Policy 3.3 - to increase the total London annual housing target from 32,210 in the 2013 London Plan to 42,000. The proposed new borough targets are set out in table 3.1 and total 42,389 pa and relate to the ten year period 2015 to 2025. This represents an overall proportionate increase of 32% in the London housing target. Targets for each London borough are increased from the 2011-2021 targets in the 2013 plan, with proportionate increases ranging from 3% in Greenwich to 83% for Haringey. A new target of 1,471 homes a year, is set for the London Legacy Development Corporation, which is now a separate planning authority, which relates to sites previously included in the targets for the Newham, Tower Hamlets and Hackney. The figures are based on the new Strategic Housing Land Availability Assessment (SHLAA) which was published at the same time as the Further Alterations.

If the LLDC target is redistributed between the constituent boroughs, the proportionate increases in targets are as follows:

Borough	2011-2021 annual target	2015-2025 annual target	Increase	% increase
Greenwich	2595	2685	90	3%
Barnet	2255	2349	94	4%
Croydon	1330	1435	105	8%
Islington	1170	1264	94	8%
Waltham Forest	760	862	102	13%
Barking and Dagenham	1065	1236	171	16%
Havering	970	1170	200	21%
Newham	2500	3076	576	21%
Lewisham	1105	1385	280	25%
Kensington and Chelsea	585	733	148	25%
City of London	110	141	31	28%
Bromley	500	641	141	28%
Merton	320	411	91	28%
Richmond	245	315	70	29%
Lambeth	1195	1559	364	30%
Hillingdon	425	559	134	32%
Bexley	335	446	111	33%
Camden	665	889	224	34%
Southwark	2005	2730	731	36%
Westminster	770	1068	298	39%
Brent	1065	1525	460	43%
Enfield	560	798	238	43%

Tower Hamlets	2885	4195	1310	45%
Ealing	890	1297	407	46%
Redbridge	760	1123	363	48%
Hackney	1160	1725	565	49%
Wandsworth	1145	1812	667	58%
Hammersmith and Fulham	615	1031	416	68%
Harrow	350	593	243	69%
Kingston	375	643	266	71%
Sutton	210	363	153	73%
Hounslow	470	822	352	75%
Haringey	820	1502	662	83%
<b>LONDON</b>	<b>32210</b>	<b>42389</b>	<b>10179</b>	<b>32%</b>

The methodology for the 2014 SHLAA is similar to that of the previous 2009 SHLAA, comprising a detailed assessment of the capacity of identified sites over 0.25 hectare, with a trend and policy based projection of supply from smaller sites, the provision of non self-contained units and the potential for long-term private sector vacant properties to return to use. The SHLAA was carried out in consultation with the 34 local planning authorities (including the LLDC).

It should be noted that as in previous SHLAAs, where sites already have consent (35% of large site total) or are included in borough site allocations (35% of large site total), the consented units or unit capacity in an allocation statement are counted and it is only in the case of additional potential sites (30% of large site total), that capacity is based on the London Plan density matrix. Consequently the targets include capacity of sites which are at densities above the appropriate density derived from the London plan density matrix. It can therefore be assumed that a significant proportion of the increased target is derived from higher density schemes, which are unlikely to provide the full range of housing types in terms of built form and number of bedrooms/habitable rooms.

For central area PTAL 6 sites, the average density assumption for allocated and potential sites is 393 dwellings per hectare compared with 328 for completions in 2004-2013. Overall densities for central area schemes will go up from 156 dph to 302 dph – ie doubling; in urban areas from 26 dph to 152 dph, while in suburban areas , a relatively marginal increase from 54 dph to 59 dph, so there is little likelihood of family sized homes in central or urban areas..

For the new potential sites, the methodology for assessing capacity has been improved, with capacity assessment by separate Public Transport Access Level (PTAL) banding for each PTAL (1-6) rather than the groupings used in the last SHLAA.

The SHLAA methodology makes a new assumption of an uplift of 10% density for developments in Opportunity Areas and town centres. Both these assumptions are open to question - the designation of a site as an Opportunity Areas does not in itself ensure the site has increased transport and social infrastructure capacity – in fact many of the opportunity Areas have relatively poor public transport and social infrastructure. In regard to town centres, the availability of town centre facilities is

already incorporated in the neighbourhood character map which assumes town centre location justifies a higher density. The new assumption appears to assume that new town centre development will be primarily for single and childless households, including elderly persons and students, whose requirement is for smaller units.

The FALP also includes a proposed amendment to **Policy 3.7** on large residential developments, defined as sites of 5 or more hectares or with a capacity for 500 or more homes, which promotes higher densities on the basis that such sites can create a new neighbourhood and that existing neighbourhood characteristics can be disregarded. This would allow for higher density schemes of a central character in areas where the existing neighbourhood character constitutes lower and medium density schemes - detached and semi detached houses (suburban character) or Terraced houses and lower rise flats (urban character). While there is a good case for incremental suburban intensification in appropriate locations which are consistent with the Sustainable Residential Quality principles set out in the London Plan, there is a risk that this proposed policy change will lead to inappropriate development which is not supported by adequate transport and social infrastructure.

## **2. Housing Requirements (paras 3.14A to 3.19A) and Housing Choice (Policy 3.8)**

The Mayor has published a new Strategic Housing Market Assessment. This incorporates revised population and household projections. The Mayor is assuming a projection of 40,000 more households a year in the period 2011 to 2036. This is however significantly below the ONS projections which estimate an increase of 52,800 households a year between 2011 and 2021.

The SHMA indicates that London will require 49,000 homes a year in the 20 year period 2015-2036 but possibly 62,000 a year in the first ten years – 2015-2026. The FALP at para 3.16b states that the lower figure should be seen as a minimum. These estimates are based on an assumption that the backlog of housing need will be met over 20 years. This contrasts with the assumption in the national SHMA guidance that the backlog of housing need should be met over 5 years. In addition, the SHMA estimates a need for between 2,500 and 3,100 additional student bedspaces a year.

The TCPA estimates prepared by Alan Holmans estimated a housing requirement of 56,400 homes a year for 20 years to meet household growth, with no provision for meeting the backlog of need. London Councils in 2013 estimated a need for 809,000 homes to 2021, equivalent to 101,500 a year. In this context, the overall housing requirements assessment incorporated into the FALP would appear to be a significant underestimate.

The SHMA estimates the total backlog of housing need as 121,399 households. This is categorised as 60,893 households requiring social rented homes, 45,705 households requiring intermediate homes and 14,801 households requiring market homes. Meeting this backlog over 20 years would add 6,070 to the annual housing requirement. Clearing the backlog over 5 years in line with CLG guidance would give a requirement of 24,280 a year. Taking the ONS 52,800 household growth figure and adding the range midpoint of 2,800 in the student bedspace requirement estimate and adding the 24,280 clearing backlog figure for the first 5 years, would give an annual

requirement 2011-2016 of 77, 080 dwellings and 2,800 student bedspaces a year ( ie approx 80,000 units, with a lower figure of 52,800 dwellings and 2,800 bedspaces a year required for the 2017-2026 period, based on the backlog having been cleared by 2017. However as provision between 2011 and 2014 has been significantly below the 80,000 per annum figure, in effect the higher target will be needed for at least 5 years from the current date. It should be noted that these figures do not take into account requirements arising from stock losses, which are between 3,000 and 5,000 a year, so the initial gross requirement is probably closer to 85,000 a year.

### **3. Affordable Housing Targets (policy 3.11)**

Policy 3.11 proposes to increase the annual housing capacity target from 13,200 to 17,000. Although as with the 2013 London Plan no proportionate target is specified, 17,000 is equivalent to 40% of the proposed new total capacity based target of 42,000 (the previous affordable target of 13,200 was equivalent to 40% of the previous capacity based target of 32,210)

The SHMA estimates the annual requirement for affordable homes as 25,600. This includes 5,330 homes a year to contribute to meeting the backlog need. If the backlog of affordable housing need was to be met over 5 years, rather than 20, the additional annual affordable housing requirement would be 21,320, giving a total of 41,590. On this basis the proposed affordable homes target is only 36% of the requirement. Based on the capacity based target of 42,000, a 99% affordable target would be required to clear the backlog in affordable housing need in 5 years, allowing for only 410 market homes a year.

The proposed London Plan policy is to retain the current target that 60% of the affordable homes are social or 'affordable' rented homes. (The 2013 London Plan removed the separate social rented homes target.) The SHMA assesses that of the annual affordable housing requirement of 25,600 homes, 15,700 is for social rent (61%) and 9,900 (39%) for intermediate housing – the proportionate split being roughly equivalent to the 60:40 policy ratio. The 15,700 requirement for social rent includes a 3,045 contribution to meeting the backlog of need. However if the backlog in the need for social rented homes is to be met over 5 years rather than 20, the additional requirement would be 12,175 rented homes, giving an annual requirement of 24,830 rented homes. The target of 10,200 social rented homes a year (60% of the 17,000 affordable homes target) is therefore only 41% of the requirement. In fact the target of 10,200 is actually below the 12,655 requirement for rented housing generated by household growth and would lead to the backlog in affordable housing need actually increasing by 2,455 households a year rather than reducing. This demonstrates a clear case for increasing both the proportionate and numerical social rented component of both the affordable housing target and of the total housing target.

It should be noted that the SHMA incorporates an assessment of the need for social rented homes. This is based on a test of whether households can afford either intermediate or market homes. The London plan however makes the assumption that the need for social rented homes, assuming households on annual incomes under £18,100 cannot afford intermediate housing, can be met through the provision of 'affordable rented' homes at rents up to 80% market rents. As the TCPA pointed out at the last London Plan Examination in Public, this assumption is unjustified and that

in fact the affordable rent product is in fact a form of intermediate housing not social rented housing, as rents at 80% of market rent (which was in fact the rent assumption of the previous intermediate rent programme) are not generally affordable by households on incomes below £18,100 a year. The requirement for social rented homes can only be met by social rented homes, and the separate target for social rented homes as in the pre 2013 London Plans must be reinstated.

#### **4. Implementation, the London Housing Strategy and the Mayor's housing investment programme.**

The Mayor has published a separate draft Housing Strategy. Consultation on this document has now closed. The Mayor has also published a Funding prospectus for his housing investment programme for 2015-18. The programme totals £1.25 billion over the three year period. This is known as the Mayor's Housing Covenant and is a reworking of the investment programme transferred from the Home and Communities Agency in April 2012. The programme sets out the Mayor's intention to use his investment powers as follows:

Shared ownership	40%
Affordable rent (discounted rents at up to 80% market rent)	30%
Affordable rent (capped rents)	30%

The programme should support 45,000 affordable homes over the 3 year period as follows:

Shared ownership; 18,000 over 3 years (6,000 per year)

Affordable rent (discounted rents at up to 80% market rent): 13,500 over 3 years (4,500 a year)

Affordable rent (capped rents) 13,500 over 3 years (4,500 per year)

The affordable rent (capped rents) programme of 4,500 a year compares with the 15,700 annual requirement for social rented homes given in the SHMA. Consequently, even if the affordable rent (capped rents) programme is treated as equivalent to social rent, the proposed programme represents provision at only 29% of the requirement.

The 2013 London Plan deleted the separate target for social rented housing and introduced a combined target of 60% of affordable housing to be social rented housing OR affordable rented housing. The TCPA objected to this amendment on the basis that social rent was a distinct housing product and that households in need of social rented housing could not afford rents at up to 80% market rent. The London Plan policy also sought to stop individual London boroughs to include in their own core strategies and targets for social rented (as opposed to 'affordable' rent) homes or policies which sought to cap rents below the 80% of market rent level defined by Government. A group of boroughs are currently challenging this amendment to the London Plan through the Judicial Review process in the high court, on the same basis of the arguments presented by the TCPA at the last Examination in Public – that it restricts them from complying with their responsibility, as set out in the National

Planning Policy Framework, to meet the full range of housing needs.

The Mayor has nevertheless set a target that in London the affordable rent programme should have rents averaging 65% of market rent. His view is that these targets should be set by his Housing Strategy and his Funding Prospectus rather than by planning policy. This would give him the flexibility to apply variable affordability criteria to different components of his funding programme, and to vary these between different phases of funding. In this context he is justifying his intention to fund a component of affordable rented homes at capped rents – ie below the 80% market rent government cap, including schemes at below his 65% average. These are referred to as ‘capped rents’ while higher rented homes are referred to as ‘discounted rents’. Nevertheless, this produces a conflict between his planning and housing policies as well as raising the issue of whether it is appropriate to set criteria for affordability through specific housing funding programmes rather than through planning policy. It should be noted that planning policy historically has set affordable housing targets based on affordability assessments derived from strategic housing market assessments/ housing requirements studies, with a number of programmes contributing to the targets. The Mayor’s planning policy therefore acts as a constraint not just on his own funding programme but on the use of funding from other sources, whether it be local authority funding, private funding or planning obligation contributions.

### **The deficit and the inter-regional dimension**

As explained above, the Mayor’s SHMA estimates a need for 62,000 homes a year in the period 2015-2026, while the housing target for this 10 year period, derived from the SHLAA is 42,000 homes a year. The Mayor therefore recognises that there is a deficit of 20,000 homes a year. If the estimate of an annual need of 85,000 a year is accepted, the deficit increases to 43,000 homes a year. Even if the 42,000 capacity based target is delivered, the current housing backlog will be increased by between 200,000 and 430,000 homes by 2026 – ie between half a million and a million people will be without self contained homes. The London Plan policies make no provision for, and cannot in law make provision for, this need to be met outside the Greater London area. The London Plan proposals do not include any substantive programme for discussing this deficit with planning authorities within or beyond the metropolitan region – the sole change of policy proposed in relation to inter-regional collaboration is the deletion of the 2013 plan reference to the now defunct Inter Regional Forum in **policy 2.2**. Para 2.12 recognises that the projected rate of household growth in the Rest of the south east (ROSE) will be similar to the rate of growth in London but makes no reference to estimated housing requirements in those regions or to current or projected levels of housing supply. No official assessment of housing requirements for the Rest of the South East has been undertaken since the cancellation of the East of England and South East of England and consequently which reflect the post 2011 census household projections. Alan Holmans’ estimates for the TCPA gave an annual housing requirement for 2011-2031 of 30,555 for the East of England and 41,700 for the South East England. There is a question as to whether the local planning authorities within these two regions will meet the housing requirements arising from indigenous growth, nevermind contributing to a potential significant London deficit.

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