Written Submission from LSE London (London School of Economics) on Matter M19 for consideration in the Examination in Public of the New London Plan, 2019

Matter M19: Housing Supply and Targets

Introduction

This Matter is almost all about two issues: are the SHLAA numbers of capacity justified and whether the numbers of dwellings identified through this capacity assessment can actually be delivered. Our response concentrates on these two questions as they are central to the London Plan's credibility.

The SHLAA numbers

We note positively that the SHLAA (GLA, 2017b) does provide persuasive evidence that the chosen strategy is capable of supporting a housing supply *capacity* (for the first decade of the Plan's operation) very close to the SHMA's calculation of objectively assessed need (GLA, 2017c). However, although compliant with relevant NPPF methodologies, objectively assessed capacity is simply not the same thing as (objectively forecast) delivery of extra housing units – either in principle or (as past experience in London indicates) in practice.

We note that the capacity estimates prepared for this Plan *are* substantially higher than those derived in the (generally comparable) 2013 SHLAA. For large sites, the overall increase seems to be 47%, although the majority of this part (27%) relates to underestimation in the 2013 SHLAA of likely densities of development. Changes have been made in the density assumptions applied to such sites between (in the earlier round) estimates in the middle of the relevant density ranges prescribed in the Plan's density (or SRQ) matrix to (in the current round) ones reflecting those arising in practice in planning approval cases (at the maximum values prescribed in the Plan, with a mark-up in Opportunity Areas etc.). We welcome this shift to greater realism (consistent with recommendations in a density research study for the London Plan Team (LSE, 2016[1]) expected to have broadly this scale of effect). But, we note that, since it was based on past practice, it does not imply actual increases in densities as compared with the past, at either approval or delivery stage. As such of course it raises capacity estimates without implying any effect on the scale or rate of delivery.

Finally, with respect to large sites, it is important to note that the higher capacity estimates are not grounded in any projected impacts from policy changes (in the Plan or the Housing Strategy – or even national policy).

For small sites, however, where the basis of estimation is statistical, rather than from identified plots, a very much larger proportionate increase in capacity is explicitly based on implementation of the Plan's small sites policy, particularly in relation to infill and conversions. It is thus policy based. We welcome these policies, which could at least in principle have real and significant impact on housing delivery as well as capacity. But we are very much more cautious about possible outcomes than is the Plan because there is considerable evidence that there are more fundamental reasons for the lack of smaller sites coming forward. The two main reasons are the continuing costs and risks associated with gaining planning permission for small sites despite the introduction of Planning in Principle Magalhaes et al, 2018)[2] and the continuous decline in the numbers of smaller builders. In the absence of evidence, the assumption that a quintupling of output from such sites could be achieved (from 3.7k p.a. average over the last 8 years to 18.7 p.a.) over the first decade of the Plan appears wholly incredible. At the very least the impact of these policies needs careful and transparent monitoring.

[1] And an unpublished follow-up study in relation to the SHLAA.

[2] Magalhaes et al (2018), Planning Risk and Development, London: RTPI

The (strongly) implied treatment of capacity estimates for the next decade as indicative of the likely 'scale of development' and delivery of additional housing within London, under the sustainable intensification model, suggests that we could expect to see an increase of some 150% in housing completions. Of this the small sites (where capacity and delivery are quite closely related) are expected to contribute 15k, on the basis of the Plan's specific policies for small sites. We note that there is a very significant difference between capacity and planning permission before achieving delivery).

The balance (an additional dwellings 25k p.a.) must come from large sites, involving an increase of about 160%. Very little of that (maybe 20%) might be expected as a consequence of the higher capacity estimates[3]. Policies in the Plan and Housing Strategy which are designed to enhance delivery rates might well have some positive effects, but the basis of the estimates lies not in any allowance for this, but an unrealistic interpretation of delivery rates as equalling the capacity judged to be available.

Overall while the capacity may be there is little reason to believe that all of this capacity can be turned into planning permissions let alone into delivery over the ten year period.

The main counter-argument lies in the potential importance of permitted development, a national policy which is currently resulting in large numbers of dwellings based outside the individual planning permission structure and which the Mayor deplores. Into the future the existing government is likely to extend opportunities under this policy but no estimates or evidence can really be offered of the scale of the possible permitted development might be expected over a ten-year period. As the whole policy lies outside the scope of the Plan any such development must be regarded as a windfall that is positive in terms of numbers but has many negative impacts.

Capacity versus Delivery: **targets**

We start by taking the SHLAA figure for the period 2019-29 which generate annual average output required:

- From large sites 40.5k p,a.
- From small sites at 24.6

The former is clearly not a delivery forecast without massive policy changes and draconian powers. And even if there were a step change it will certainly not occur over the next two or three years – adding to the pressures for more output in later years.

The latter is, however, meant to be delivered through policy change – as compared with a windfall - 8 year trend baseline of 5.9k p.a. This implies an additional 18.6 k p.a, for policy effects (an increase of 310%). Even if feasible it is utterly incredible that it could be achieved instantly. If it were actually achieved in 2029 with linear growth between (which is highly unlikely) that would knock 9.3% off the average for the decade.

[3] Between zero and 33% depending on the accuracy of our guesstimate about the part of the increase in capacity estimates between the 2013 and 2017 SHLAAs that simply reflects greater realism in relation to the operational (rather than formal) density norms.

But even if the large site completion rate were to go up by 20%, which reflects the projected increase in capacity that would only add something around 3,000 additional units per annum to total London deliveries. This again would not be immediate.

Borough level targets

The borough level targets, which are based on these capacity estimates (although given the small site assessment is statistical it is not fully clear how this element is calculated) are entirely unrelated to evidence of delivery within each borough. The result is an extremely odd looking pattern which at one extreme asks a borough (Tower Hamlets) to do less that they are currently delivering, while at the other end of the scale the target is more than 300% of current delivery levels. Table 1 gives details of the top 8 boroughs in terms of the scale of the target set in table 4.1 of the Plan and compares it to 2016/17 output levels (which are generally higher than 2017/18 numbers).

	Plan Annual Target	2016/17 net additions	% increase required
Barnet	3,134	1,799	74%
Brent	2,915	1,364	214%
Croydon	2,949	2,835	4%
Ealing	2,807	845	332%
Greenwich	3,204	2,380	35%
Newham	3,850	2,377	62%
Southwark	2,554	2,4,82	6 %
Tower Hamlets	3,511	4,827	27%
Top 8	38% of total	47% of total	
London	64,935	39,560	64%

Of course, the 2016/17 numbers are simply one year and there may be reasons specific to that year why figures are particularly low or high. However, the range of differences suggests that there will be very different challenges between boroughs. Moreover, given the Plan is ultimately about delivery surely some note should be taken of what has proved possible as opposed to a simple capacity measure.

What is also important in this context is that these boroughs accounted for almost half of London's net new additions in 2016/17 yet are expected to achieve only 38% of the Plan's requirements. This suggests that the challenges among the other boroughs will generally be greater.

A rather different issue is the size of dwellings specified in the Plan (Table 4.3) with over 50% of dwellings assumed to be one-bed. This is highly unlikely to be acceptable in the market. Moreover there is little reality to an assumption that only 35% of new build units should be a market prices/rents. In practice requiring over 50% of new dwellings be affordable is likely significantly to slow delivery

Conclusions

There are thus a number of major concerns about both the approach and the potential outcome:

Large sites are notoriously slow to deliver and it is difficult to see that the powers that the GLA have can make a significant difference in the short run against a declining market. Some of the suggestions in the Letwin report and elsewhere in the national policy debate may help to improve delivery into the medium term – notably breaking up sites and diversifying outputs at site level (see M18).

Small sites, and small builders, still face high costs and risks in putting forward for planning permission and can probably work elsewhere in the South East and on existing dwellings more easily than expanding output in response to relatively limited policy change. The statistical analysis by definition does not address issues around specific sites and there will undoubtedly be site and area specific problems which are in no way part of the analysis.

Thus even if one accepts that the capacity is here – remembering that it is a very much bigger figure than in earlier Plans and so implies both policy success and a massive step change from past allocations - delivery from both big and small sites is likely to continue to fall well below that implied by capacity estimates and hence also below objectively assessed need. One implication is that housing targets for various areas within London may be quite unrealistic in relation to what boroughs can achieve simply on the basis of a more accommodating attitude to residential development/densities. Other policies, both national and local, are required – and even if they were forthcoming, the positive results would not mainly be seen during the term of this Plan.

Answering the questions

a) They are better numbers than in the past but, especially in relation to small sites they may well be unrealistic;
b) These issues were not taken account of in the calculations;
c) it is highly unlikely that the sources identified will be sufficient to meet the targets at either GLA or borough level;
d) would be easier if it were possible to encourage GB swaps;
e) yes this is a sensible approach to improving the use of well -connected sites but see answer to (d);
f) not at all;
g) There are inadequate levers available to bring about the step change required; it is totally unrealistic to expect results by 2019 – indeed it may well be unrealistic to expect them in the next 5 years;
h) As the targets are themselves unrealistic it is not sensible to sad a greater level of lack of realism. There is inherently no analysis of market behaviour in the Plan so the tools are anyway not there;
i) Do not think extending the time helps – should make the Plan more realistic for the immediate and medium term future;
j) this is a minor issue given the lack of realism with respect to the 64,935. However, interaction with the wider south east more generally is to be applauded;
k) no –but it is too far away to matter – should be part of the reviews which will take place during the term of the Plan;
l) Very significant especially given they have no rights formally to determine their own targets.