

# City of London Housing Delivery Test Action Plan July 2019



## Introduction

1. The National Planning Policy Framework (NPPF) requires local planning authorities to maintain a 5-year supply of deliverable housing sites to demonstrate that sufficient housing will come forward through allocated and windfall sites to meet projected need. Within the City of London, assessments of housing supply have been made against housing targets set out in the City of London Local Plan and the Mayor's London Plan. The City Corporation monitors housing delivery on an annual basis through the Local Plan Monitoring Report-Housing.
2. The Government has introduced a Housing Delivery Test as part of its efforts to boost housing delivery. The Test compares the Government's assessment of the local housing requirement with Government data on local housing delivery. It considers performance in housing delivery over the previous 3-year period and applies a percentage score of housing delivery against the housing requirement. A detailed methodology for calculating the Housing Delivery Test is set out in a Housing Delivery Test Rule Book. Further detail and guidance for local planning authorities is set out in the National Planning Policy Framework 2019 and National Planning Practice Guidance.
3. Where housing delivery falls below the housing requirement, then the following actions are required to be taken by the local planning authority:
  - the publication of an action plan if housing delivery falls below 95%. This should be published on the local planning authority's website within 6 months of the publication of the Housing Delivery Test;
  - a 20% buffer on a local planning authority's 5-year land requirement if housing delivery falls below 85%. This will be applied with immediate effect from the date of publication of the Test; and
  - a presumption in favour of sustainable development if housing delivery falls below 75%, once transitional arrangements have ended.
4. Transitional provisions have been applied for 3 years, setting a phased increase in the threshold for the application of the presumption in favour of sustainable development:
  - November 2018 test (actual publication February 2019), delivery below 25% of housing required over the previous 3 years;
  - November 2019 test, delivery below 45% of housing required over the previous 3 years;
  - November 2020 test, and in subsequent years, delivery below 75% of housing required over the previous 3 years.
5. These consequences will apply until the Government publishes the next Housing Delivery Test (normally annually in November) or until a new housing requirement is adopted (for example through the adoption of a new Local Plan). Delivery against the new target will then be considered and the relevant actions applied for any under-delivery.
6. Where delivery is above 95% of the target, no action is required.

## The City of London

7. The City of London is little more than one square mile in area. It is the core of London's office-based employment. Its primary function as an international financial and professional services centre, rather than a residential location, is recognised in the Mayor's London Plan. The City lies within London's Central Activities Zone (CAZ). The London Plan indicates that the agglomerations

of offices and other CAZ functions should not be compromised by new residential development and, in particular, that residential development is considered inappropriate in the commercial core area of the City of London, reflecting its prominent role in providing capacity for world city business functions. Outside of the core commercial area of the City, office and other core CAZ functions should be given greater weight than residential development.

8. The priority given to office and commercial development in the City of London has been a key part of successive City of London plans, including the Unitary Development Plan in 2002, the Core Strategy in 2011 and the current adopted Local Plan in 2015. The policy emphasis on office development to support the City's international business role has been endorsed by Inspectors appointed to consider each of these plans.
9. The approach is supported nationally. The Government has recognised the City as an office centre of national and international significance, granting the City an exemption from national permitted development rights for the change of use of offices to housing from 2013 until 2019. From May 2019, this exemption has been replaced by an Article 4 Direction permanently removing the national permitted development right.
10. The City of London's role is reflected in the land use change statistics for office, hotel and housing development activity and the associated employment and population statistics. Table 1 summarises the key statistics as at 2017/18, at the end of the first Housing Delivery Test assessment period.

Land use	Stock	People	Number
Offices	8.79 million squares metres	Employment	513,000
Hotels	5,800 bedrooms		
Housing	7,200 dwellings	Residents	7,400

Table 1: Key Land Use and People Statistics for the City of London 2017/18

Sources: *Employment, BRES Office for National Statistics, Residents GLA 2016 SHLAA based population projections*

11. Looking ahead, the number of City workers is projected to increase to 600,000 by 2036, with the permanent residential population growing to 10,000 over the same period. Office floorspace stock is projected to increase to 10.8 million square metres, whilst the housing stock will grow to just over 8,500 dwellings.

## City of London Housing Market

12. Housing in the City of London is located primarily in and around the 10 residential areas identified in the City of London Local Plan. Most residential units in the City are flats with one or two bedrooms, which is consistent with the findings of housing need in the City of London Strategic Housing Market Assessment (SHMA) 2016. The SHMA assessed the annual average level of housing need in the City over the period 2014-2036 at 126 dwellings per year, which is below the required target in the 2016 London Plan and the proposed target in the draft London Plan 2017.
13. The City Corporation owns and manages housing and housing estates outside of the City of London geographical area and plans to deliver an additional 900 new homes on City-owned sites by 2025, funded partly through s106 planning obligations from private housing and office developments in the City of London. The City Corporation also has ambitions to deliver a further 3,000 new homes on other land in its ownership in partnership with other housing providers.



Figure 1: City of London Residential Areas

14. The City of London lies within the central London housing market, which witnessed significant growth in value and demand for much of the 2010-2017 period. In January 2014, Valuation Office Agency figures showed a typical residential land value in the City of London of just over £100 million per hectare, the highest value of all local authorities in England.
15. Figure 2 shows the increase in average house prices in the City of London, a growth of over 86% over the 9 years from 2010 to 2019.

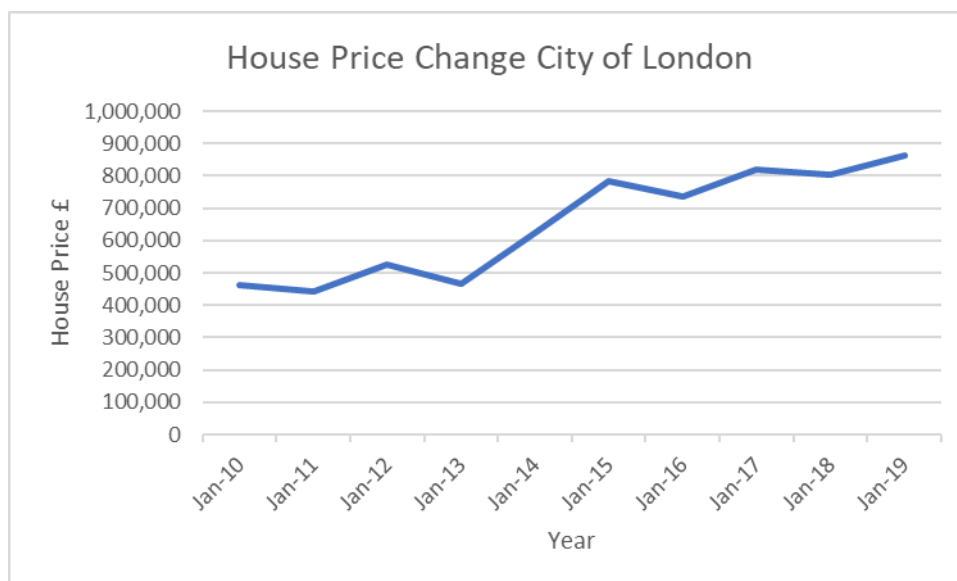


Figure 2 Average house prices in the City of London Jan 2010 – Jan 2019

Source: UK house price index, Land Registry

16. Although average house prices have risen significantly in the City since 2010, the housing market is small in comparison with the wider central London market and is susceptible to wider economic influences, such as continuing uncertainty over the economic impact of Brexit and the longer term impact of changes in domestic property taxation (particularly increases in stamp duty).
17. Market sentiment is particularly important in the City of London as future housing delivery relies entirely on new windfall sites being brought forward by developers. Any slow down or contraction in demand for new housing in central London therefore has a significant impact on the demand for, and delivery of, new housing in the City of London.

## City of London Local Plan Housing Requirements

18. The Development Plan for the City of London comprises the Mayor's London Plan and the City of London Local Plan. The London Plan sets minimum annual housing supply targets for each local planning authority in London, including the City of London. Borough Local Plans are then required to plan for the delivery of these minimum targets, aiming to exceed the targets.
19. The City of London Local Plan was adopted on 15 January 2015. Core Strategic Policy CS21: Housing aims to exceed the London Plan's minimum annual housing requirement of 110 additional dwellings over the life of the Local Plan, up to 2026.
20. The London Plan 2016 has subsequently increased the overall housing requirement for the City of London to a minimum of 141 dwellings per year. A further change in the housing target for the City is proposed in the Draft London Plan (December 2017), increasing the requirement to 146 dwellings per year.
21. For the purposes of this Housing Delivery Action Plan, the City Corporation will monitor housing delivery against the London Plan requirements, rather than the adopted Local Plan requirement. The London Plan is part of the development plan for the City of London and this approach is consistent with the City Corporation's annual housing monitoring report.

## Housing Delivery and Housing Trajectory in the City of London

22. The City of London relies entirely on windfall development to meet its housing requirements. This is a pragmatic approach which reflects the primacy accorded to commercial office development in the City by Government and in the London Plan. The reliance on windfalls was tested during the public examination of the Local Plan 2015, with the Inspector concluding:

*"I consider that this reliance is entirely appropriate for the City, given its densely developed nature and the pre-eminence of its finance, business and maritime role."*

23. In 2016, as part of the evidence gathering process for the draft London Plan, the Mayor issued a London-wide Call for Sites, to identify suitable housing sites to inform future London Plan housing targets. Approximately 1,300 potential housing sites across London were put forward through this process but no sites were put forward by housing developers within the City of London.
24. The City Corporation did not repeat the Call for Sites to inform the development of the draft Local Plan (City Plan 2036), but it is significant that the City Corporation received no comments or site suggestions from the Home Builders Federation, house building companies, or other house building groups during consultation on the draft Local Plan in 2018/19.

25. The NPPF requires local planning authorities to demonstrate a 5-year supply of deliverable housing sites to demonstrate that sufficient housing will come forward through allocated and windfall sites to meet projected need. The City Corporation demonstrates that it meets this requirement through a Housing Trajectory, which is published in the annual Local Plan Monitoring Report - Housing.
26. Figure 3 shows actual housing delivery in the City of London between 2011/12 and 2017/18 and projected housing delivery over the period 2018/19 to 2025/26. The cumulative plan target is based on planned housing delivery targets in the London Plan of 110 dwellings per year up to 2015/16 and 141 dwellings per year from 2016/17. The draft London Plan, currently at Public Examination, proposes increasing the annual housing target for the City to 146 dwellings per year from 2019/20. These targets are above the housing requirement in the 2015 Local Plan, which is the minimum level required to be assessed under the Housing Delivery Test, and so represent a more challenging housing delivery target for the City of London.

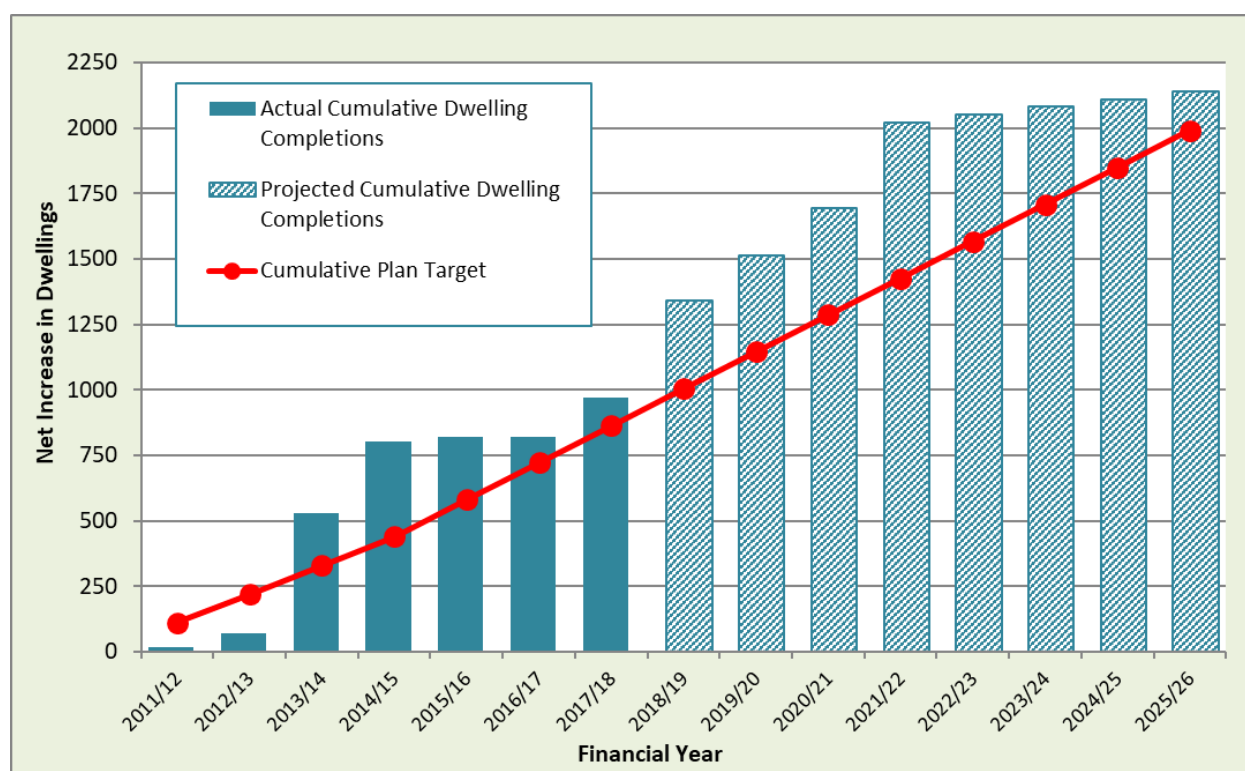


Figure 3: City of London Housing Delivery

27. Figure 3 shows that annual housing delivery in the City of London varies from year to year, with housing delivery in some years being below the required London Plan target, whilst in others it is significantly above annual targets. Housing delivery in the City follows a pattern of a relatively consistent level of delivery on small housing sites (those with under 10 units) combined with a highly variable level of delivery on a few larger sites, which come forward in response to development opportunities and favourable market conditions. In part this pattern of delivery is a response to the primacy attached to commercial office development in the City, the reliance on windfall sites and the small geographical size of the City.
28. Although there is a highly variable delivery of housing over the shorter term, when this is averaged over a 5-year period or the longer period of the Local Plan, Figure 3 demonstrates that housing delivery in the City has met and exceeded plan targets. This pattern and evidence of delivery was instrumental in the Inspector's consideration of the Local Plan 2015 and his conclusion that this approach to housing delivery and the reliance on windfall development was appropriate in the City's circumstances.

## Housing Delivery Test Results for the City of London

Number of Homes Required			Total	Number of Homes Delivered			Total	HDT 2018 Measure
2015/16	2016/17	2017/18		2015/16	2016/17	2017/18		
98	94	71	262	77	7	26	110	42%

Table 2: City of London Housing Test Delivery 2015/16 to 2017/18

29. Table 2 sets out the first Housing Delivery Test results for the period 2015/16 to 2017/18. This includes:

- Number of homes required: This has been calculated by Government, based on the results of household projections (2012-based for 2015/16 and 2016/17 and 2014-based for 2017/18). This differs from the adopted Local Plan requirement.
- Number of homes delivered: This is derived from the London Development Database data and is in line with City Corporation figures.
- Housing Delivery Test 2018 Measure: Shows that the City of London met 42% of the Government requirement.

30. The 2018 Housing Delivery Test result for the City means that the City Corporation needs to take the specific actions set out below in accordance with procedures previously described in paragraphs 3 and 4. The procedures require that the City Corporation should:

- publish an action plan setting out how the City Corporation will improve housing delivery performance; and
- apply a 20% buffer to the 5-year land requirement for the City of London.

## Housing Delivery Test Action Plan

31. The first annual Housing Delivery Test indicates that housing delivery in the City of London for the period 2015/16 to 2017/18 was at 42% of the number of homes required over this 3-year period. Figure 3 shows that, whilst housing completions in this period were below the cumulative target set in the London Plan, projected housing completions in the coming years will be substantially above this target and that, overall, the City of London will exceed London Plan targets in the period to 2025/26 (the end of the period covered by the City's adopted Local Plan).

32. Annex A shows the detailed Housing Trajectory data for the City of London. This further demonstrates that the shortfall identified in the Government's Housing Delivery Test was a short-term under-supply of new housing rather than a longer term problem. It shows that over the period 2011/12 to 2017/18, total housing delivery in the City was 970 dwellings, compared with the London Plan derived requirement of 863 dwellings, an over-supply of 12%.

33. The four-year period 2018/19 to 2021/22 is projected to see a significant delivery of housing, with nearly 1,000 dwellings either completed (during 2018/19) or under construction. These include:

Site	Projected Completion Date	Units
St Bartholomew	2018/19 and 2019/20.	232
Sugar Quay	2018/19	165
150 Bishopsgate	2020/21	160
35 Vine Street	2021/22	619 student flats, equates to 206 units
15 Minories	2018/19	87
Golden Lane	2021/22	99

34. When small sites (under 10 units) with permission are added, the projected residential pipeline for the period 2018/19 to 2021/22 is 1,051 net additional dwellings.
35. This level of provision will be significantly above the Local Plan and London Plan housing targets for the City of London and above the projected increase in households set in the Government projections.
36. In conclusion, there is currently a strong residential pipeline. The City Corporation will continue to implement its Local Plan policies. No further specific action is considered necessary to ensure that the City of London can meet its Housing Delivery Test obligations for the period up to 2021/22.

### Housing Delivery Test 20% buffer on 5-year housing land requirement

37. The second action resulting from the 2018 Housing Delivery Test result is to increase the 5-year housing land requirement for the City by adding a 20% buffer. This is not an increase in the overall housing target for the City, but a re-phasing to increase the target applicable over the next 5 years to bring forward housing earlier in the plan period. In determining the 5-year requirement, account should also be taken of any existing under-supply in housing delivery.
38. For the City of London, the 2016 London Plan policy requirement for housing is 141 dwellings per year. The 20% buffer is calculated as follows:
- Annual requirement: 141 dwellings
  - 5-year requirement: 705 dwellings (141 x 5)
  - 20% buffer: 141 dwellings (705 X 20%)
  - Total 5-year dwelling requirement including 20% buffer: 846 (705 + 141)
39. The City of London Housing Trajectory set out in Annex A demonstrates that housing delivery over the period 2011/12 to 2017/18 exceeded Local Plan targets and that no additional allowance is necessary to the 5-year requirement to take account of previous under-delivery.
40. The Housing Trajectory also demonstrates that new housing delivery over the period 2018/19 to 2021/22 (a 4-year period) will deliver 1,051 net additional dwellings in the City of London. As these dwellings are recently completed or currently under construction, they meet the criteria of 'deliverable sites' set out in the NPPF.
41. The City of London Local Plan relies on windfall development to meet housing targets. No sites have been identified to meet housing targets in 2022/23 and beyond, but past delivery of windfall sites has demonstrated that sufficient housing sites are likely to come forward to meet targets in the period up to 2025/26. This approach to housing supply was considered and approved by the Inspector at the Public Examination into the adopted City of London Local Plan.



An estimate of 30 dwellings on windfall sites in 2022/23 has therefore been made in the published 5-year housing land supply for the City of London.

42. The table below demonstrates that the City Corporation has more than a 6-year land supply, including the 20% buffer imposed as a result of the 2018 Housing Delivery Test:

Housing requirement for period 01/04/18 – 31/03/23	<b>705</b>
Housing requirement + 20% buffer for period 01/04/18 – 31/03/23	705 + 141 <b>= 846</b>
Average annual rate of delivery to meet 5-year requirement + 20% buffer	846 ÷ 5 <b>= 169.2</b>
Total deliverable housing land supply for period 01/04/18 – 31/03/23	<b>1,081</b>
Total deliverable housing land supply in years for period 01/04/18 – 31/03/23	1,081 ÷ 169.2 <b>= 6.4 years</b>

### Housing Delivery Test Action Plan Conclusions

43. This action plan meets the requirements under the NPPF for the City Corporation to set out how housing delivery will be improved going forward to ensure that delivery meets assessed housing requirements. It has demonstrated:
- Housing delivery in the City of London has exceeded Local Plan requirements over the period 2011/12 to 2017/18 by 107 units, or 12%;
  - A significant number of new dwellings have been completed in 2018/19, with further development under construction, likely to deliver over 1,000 new dwellings over the 4-year period 2018/19 to 2021/22;
  - The projected delivery of new housing over a 5-year period from 2018/19 onwards will be equivalent to 6.4 years of requirement, thereby exceeding the City Corporation's 5-year housing requirement including the 20% buffer.
  - No further actions are required at this stage to ensure that the City of London can meet adopted Local Plan housing requirements.
44. The City Corporation will continue to implement its Local Plan policies and report annually on new housing delivery through the Housing Monitoring Report, including reporting on the City of London Housing Trajectory.
45. This Action Plan will be reviewed on publication of the 2019 Housing Delivery Test, expected in November 2019.
46. The longer-term delivery of housing in the City in the period 2026-2036 will be addressed in the City's new Local Plan, which is scheduled to be submitted for examination in spring 2020.

## Annex A: City of London Housing Trajectory, March 2018

Housing Trajectory 2016/17		Actual Housing Delivery							Projected Housing Delivery							
Indicator		Financial Year														
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Housing Trajectory Year as set out in Further Alterations to the London Plan (March 2015)					1	2	3	4	5	6	7	8	9	10	
	Housing Delivery Year to 2026 as per Policy CS21 Local Plan					1	2	3	4	5	6	7	8	9	10	11
	Trajectory Years Left as per Housing Delivery	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
H2a	Net additional dwellings in previous years															
	Allocated Sites	0	0	0	0											
	Unallocated Sites	18	51	458	277	15	2									
H2b	Net additional dwellings for reporting year							149								
	Net additional dwellings future years															
	Allocated Sites															
	Unallocated Sites with planning permission								372	172	181	326				
	Unallocated Sites Awaiting Decision Subject to a S106 Agreement															
	Unallocated Sites Awaiting Decision to be made															
	Unallocated Sites without planning permission projected												30	30	30	30
	Projected Cumulative Dwelling Completions	18	69	527	804	819	821	970	1342	1514	1695	2021	2051	2081	2111	2141
H2c	Annualised Plan Target	110	110	110	110	141	141	141	141	141	141	141	141	141	141	141
	Cumulative Plan Target	110	220	330	440	581	722	863	1004	1145	1286	1427	1568	1709	1850	1991
	Monitor dwellings above or below cumulative allocation	-92	-151	197	364	238	99	107	338	369	409	594	483	372	261	150
H2d	Managed delivery target (taking account of past/projected completions)	133	141	148	122	108	117	130	128	93	80	59	-8	-20	-45	-120
	(Total target less previous years)/Years Left															