

Committee(s): Local Plans Sub (Planning and Transportation) Committee	Date(s): 10/02/2020
Subject: City Plan 2036: Housing Delivery Risks to Local Plan Progress	Public
Report of: Carolyn Dwyer, Director of the Built Environment	For Decision
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Summary

Central Government requires local planning authorities to demonstrate past housing delivery through a new Housing Delivery Test and to demonstrate future housing delivery over a 5-year period. Short term volatility in the private housing market in central London has resulted in lower levels of new housing coming forward for permission in the City, posing risks to the City's ability to demonstrate short term housing supply and a risk to the Local Plan programme. This report sets out a range of measures that could be considered to mitigate the risks to the Local Plan programme from this short term volatility. Some of the potential measures would have timing consequences for the onward progress of the Local Plan.

Recommendation(s)

Members are asked to:

- Note the report.
- Provide a steer on appropriate measures that should be taken to mitigate the risks to Local Plan progress.

Main Report

Background

1. The National Planning Policy Framework requires that planning authorities should plan for and monitor the delivery of housing in local plans on an annual basis, undertaking 2 assessments.

5 Year Housing Land Supply

2. Local planning authorities are required to identify and update annually a supply of specific deliverable housing sites to meet local plan housing needs for a minimum of 5 years. The supply of sites should also include a buffer of at least 5% to enable choice and competition in the housing market. Where there is significant under delivery of housing over the previous 3 years the buffer should be increased to 20%. Local planning authorities should be able to demonstrate a 5-year land supply from the proposed date of adoption of a local plan and this is tested at the public examination.

3. Prior to July 2019, national planning guidance indicated that the housing requirement should be set at the starting point of a plan, which could be earlier than the date of adoption, and that past oversupply could be considered against the assessment of future housing supply.

Housing Delivery Test

4. To maintain the supply of housing, local planning authorities are also required to monitor recent progress in the delivery of housing through a Government produced annual Housing Delivery Test, which compares national data on housing completions over the previous 3 years with a Government assessment of housing needs derived from strategic and local plans and household projections. Where recent delivery of housing falls below 95% of the assessed housing need, the local planning authority is required to prepare an action plan setting out how it will increase housing delivery in future years. Where delivery falls below 85% (defined as significant under delivery) a 20% buffer should be applied to the forward looking 5-year land supply. Where delivery falls below 75%, a presumption in favour of sustainable development is applied for the year following the publication of the Test. Under transitional arrangements, the threshold for 2019 will be 45%. The first Housing Delivery Test result was published in February 2019 and the next Test result is due soon.

City of London Housing Trends

5. The City Corporation publishes an annual Housing Monitoring Report which reports on progress towards meeting current Local Plan 2015 housing requirements. The most recent report for the financial year ending 31/3/2019 indicated that sufficient housing was under construction or likely to come forward over the 2018/19 – 2022/23 period to demonstrate a 5-year supply, with the appropriate buffer. This report pre-dated the change in Government guidance in July 2019. <https://www.cityoflondon.gov.uk/services/environment-and-planning/planning/development-and-population-information/Documents/local-plan-monitoring-report-housing-2019.pdf>
6. In February 2019 the City of London was considered to have failed the Government's new Housing Delivery Test because insufficient new housing was completed in the City in the 3 years to March 2018. This period coincided with a delivery low point in the City's volatile private housing market. An Action Plan has since been prepared and agreed by Members which demonstrated that housing delivery is expected to improve in the short-term and there is sufficient new housing scheduled to be completed in the City up to 2024, including an allowance for a 20% buffer. <https://www.cityoflondon.gov.uk/services/environment-and-planning/planning/development-and-population-information/Documents/hdt-action-plan.pdf>
7. The City Corporation has also made the point to MHCLG that a 3-year performance Test is not appropriate as housing delivery which is largely dependent on the private housing market can be highly volatile over just 3 years. Planning targets and delivery performance measures are better related to longer time periods which are less volatile, e.g. 5 to 15 years.

8. An updated Housing Delivery Test is expected to be published shortly relating to delivery during the 3 years to March 2019. Although it is expected that recent housing completions in the City should be sufficient to pass this Test, there is some uncertainty over the Government's precise methodology and housing data and whether these will accurately reflect delivery in the City. Any concerns arising out of the expected 2020 Housing Delivery Test will be brought to the Planning & Transportation Committee for consideration.

Current Position: City Plan 2036 Housing Supply

9. The draft City Plan 2036 is required to meet the London Plan housing target of 1,460 new dwellings between 2019/20 and 2028/29. Technical work undertaken by the GLA in 2017/18, in partnership with the City Corporation, demonstrated that this level of housing was deliverable over this time period. The deliverability and robustness of borough housing targets in the London Plan have been examined through the Public Examination in 2019. No change was recommended to the City of London target through this process. The London Plan indicates (Policy SD5) that "Residential development is not appropriate in defined parts of the City of London" and that "Offices and other CAZ strategic functions are to be given greater weight relative to new residential development in all other areas of the CAZ..." This priority for commercial office development was also endorsed by the London Plan Examination Panel.
10. City Plan 2036 reflects the GLA's emphasis on the City's primary role as a commercial office centre and continues the City's long standing approach to the weight to be attached to commercial and housing development. Previous City of London plans have not allocated housing sites in the City but instead relied on housing delivery by the private sector on 'windfall' sites which were proposed and considered suitable for housing. This approach has worked well over recent decades. It is still possible that, over the longer term period of the Local Plan to 2036, sufficient new housing will come forward in the City to meet London Plan targets and City of London housing needs. However, the recently subdued London housing market has meant that new applications and permissions for residential development have fallen below the longer term trend rate. Since April 2018 only 9 new residential permissions have been granted in the City potentially delivering 19 new residential units.
11. Housing delivery in the City has tended to be 'lumpy', with delivery on an annual basis fluctuating between years when annual housing targets have been significantly exceeded and years when annual targets have not been met. However, overall housing delivery in the City in previous local plan periods has exceeded London Plan housing targets. National planning guidance has, until 2019, been supportive of the pattern of delivery in the City, allowing oversupply in some years to count against under supply in others. Changes in guidance in 2019 however have removed this flexibility and, looking ahead, the City Corporation can no longer rely on previous oversupply in calculating its ability to meet future 5-year housing supply requirements. In 2018/19, 369 housing completions were recorded in the City of London and 183 completions are projected for 2019/20. Together these completions would meet the draft London Plan housing targets for the City for 3.7 years.

12. As set out above, evidence of past trends indicates that the City of London will meet London Plan housing targets over the longer term period of the Local Plan. The lumpy nature of delivery in the City and its reliance on volatile housing markets means that the annualised housing target may not be met in every year. Combined with changes in national assessment methods, there is a risk that the City may not be able to meet the national requirement to demonstrate a 5-year supply of deliverable housing sites at the date of adoption of the Local Plan. It must be emphasised that the risk is not that the City might fail to deliver the required level of housing in the longer term, but that it might not be able to meet the statistical requirements for the short term.

Proposed Mitigation

13. To mitigate the potential risks posed by short term uncertainty, officers are reviewing housing data to clearly establish recent housing completions and the forward looking housing pipeline. This will need to take into consideration the outcome of the Government's Housing Delivery Test which is due to be published shortly. To ensure that the Local Plan can meet the requirement to identify sufficient short term housing supply and progress as programmed, Members are asked to consider and comment on the following range of options to facilitate a robust supply of housing and demonstrate the City Corporation's firm intention to ensure the delivery of housing to meet needs over the period of the Plan up to 2036.

Do Nothing

14. There are signs that the Central London housing market has begun to revive following the General Election. It is possible that renewed market interest could deliver additional windfall housing sites in the City during the 2020s, sufficient to demonstrate the 5-year supply requirement. However, with an acknowledged housing shortage across London, there is an imperative that the City Corporation takes active steps to facilitate new housing delivery on appropriate sites within the City and on appropriate City Corporation-owned sites outside of the Square Mile. Doing nothing, given recent market trends, does not provide certainty that shorter term future housing needs in the City will be met.

Amend City Plan 2036 supporting text

15. Make minor amendments to the wording of the Plan's supporting text to be more positive in tone about residential development. For instance, the supporting text to Policy S3: Housing could be more supportive of the contribution made by residential development to the overall mix of uses in the City and the supporting text to Policy S20: Aldgate and Tower Key Area of Change could refer to the potential benefits of any redevelopment of Mansell Street Estate, including an uplift in the number of homes. The text could also give greater encouragement to emerging and innovative housing solutions, including Build to Rent and Co-living spaces within the City. Amendments should outline more fully the Corporation's role as a housing provider and developer in other London boroughs.

Amend City Plan 2036 policy

16. Amend draft policies to set out a more supportive policy context for residential development in and near the identified residential areas. This could, for example, include tightening the restriction on the loss of existing housing, amendments to

the presumption in favour of retaining viable office space in residential areas, or allowing for mixed office/residential uses in appropriate locations within the residential areas. An additional policy could also be considered to encourage the potential for Build to Rent and Co-Living. At September 2019, 1.1 million square metres of additional office floorspace was under construction, with a further 220,000 square metres permitted but not commenced. This represents 67% of the Local Plan office floorspace target to 2036, and there is confidence that office floorspace targets can be met and exceeded. A more supportive policy context for residential development in the residential areas would not adversely impact the ability to meet office floorspace targets within the Plan.

Identify additional residential areas

17. The draft Plan identifies 10 residential areas and guides new housing development to sites in or near these areas. The Plan could identify additional residential areas in those other parts of the City where there are already significant clusters of housing, for example the historic network of streets and alleys between New Street and Artillery Lane, in order to demonstrate the City Corporation's commitment to deliver housing in appropriate locations.

Commit to Early Partial Review of City Plan 2036

18. In the event that the Mayor and/or the Public Examination Inspector require further evidence of the City's commitment to deliver short term housing targets, the City Corporation could specifically in background papers to the Public Examination, an intention to undertake an early partial review to address the need to increase housing delivery, at least in the first 5 years of the Plan. This might include further changes to relevant policy and supporting text and might include preparing a housing site allocations policy. A threshold would need to be agreed in relation to the level of under-delivery that would trigger the site allocations process. This process could commence as an early partial review of the Plan in 2021.

Delay Submission to incorporate site allocations within the Local Plan before Submission

19. Subject to the outcome of the national Housing Delivery Test and further discussion with the GLA in relation to housing delivery, if there is a strong likelihood that the Local Plan will not be able to meet the statistical requirement to demonstrate a 5-year housing land supply, then a delay in submission could be considered. This would entail delaying consideration of the Local Plan by Planning & Transportation Committee in March until later in 2020 to enable the City Corporation to progress a site allocations process before submission. This would involve a 'Call for Sites' consultation, to gauge interest in housing delivery in the City and could be followed by further review of the draft Plan to incorporate housing site allocations prior to approval by Committee. This would likely delay submission of the Plan until early 2021, with adoption in later in the year.

Wider Liaison

20. Alongside the mitigation measures outlined above, the City Corporation should continue to work with the Mayor and the Ministry of Housing, Communities and Local Government to seek recognition of the City's unique circumstances and the problems this poses when seeking to apply standard national housing and

planning policies. The City Corporation has previously expressed its concerns to Government over the Housing Delivery Test and changes to the National Planning Policy Framework, in particular the continuing emphasis on short-term housing delivery at the expense of longer term sustainable delivery and the limited ability local planning authorities have to require delivery of permitted housing schemes. The forthcoming Housing Delivery Test and promised Planning White Paper are opportunities to expand on these concerns to central Government.

Corporate & Strategic Implications

21. The review of the Local Plan is informed by the Corporate Plan (2018-23) and the new Plan, when adopted, will help to implement a number of Corporate Plan outcomes. The draft Plan provides a spatial planning framework to support the key corporate capital projects, along with proposals to ensure a sufficient supply of business space to meet future needs. The emerging Plan aligns with the adopted Transport Strategy.

Conclusion

22. Central Government requires local planning authorities to demonstrate past housing delivery through a new Housing Delivery Test, and to demonstrate future housing delivery over a 5-year period. Short term volatility in the private housing market in central London has resulted in lower levels of new housing coming forward for permission in the City, posing risks to the City's ability to demonstrate short term housing supply and a risk to the Local Plan programme. This report sets out a range of measures that could be considered to mitigate the risks to the Local Plan programme from this short term volatility. Some of the potential measures would have timing consequences for the onward progress of the Local Plan.

23. A Member steer is sought on appropriate measures to mitigate the risks to the Local Plan programme. Officer advice is that doing nothing is not recommended, but that further amendments to the supporting text of the Local Plan and amendments to housing policy, as set out in paragraphs 15 and 16 could be progressed prior to Planning & Transportation Committee consideration. The measures set out in paragraphs 17 and 18 could be submitted at the Local Plan Examination if further certainty of delivery is sought by the Local Plan Inspector. Delaying the Local Plan now to allow for a further round of consultation is not advised at this stage, but this should be kept under review, particularly in light of the results of the national Housing Delivery Test which are due to be published shortly.

Appendices

None

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