

Dear Mathew Pennycook MP,

London Borough Housing Targets: Problems with the New Method

I wrote to you on 8th July 2024 to express concern as to how the proposed housing target for London and particularly those for the boroughs would be developed.

After considering the proposed new housing targets our key points are that:

- There seems to be confusion as to whether the “need” produced by the new standard method algorithm for each London borough would be the housing target or, as before, the “starting point” before taking other considerations into account;
- Current London Plan process, which redistributes “need” between boroughs in relation to their capacity to accommodate it, is the best, most deliverable, consensus-based approach to producing borough-level housing targets;
- The new method has produced some extreme results, largely due to a misunderstanding that more housing will reduce housing prices to improve affordability which is not the way it operates in practice for London, especially Inner London and the extreme results of using “need” as the proposed “target” would undermine the credibility of the new standard method as it is not fit for purpose; and
- The distribution of the new assessment of London’s housing need should be undertaken by the GLA, using a new Strategic Housing Land Assessment, produced in consultation with London boroughs and other stakeholders, and the resulting housing targets for each borough should be adopted as a partial review of the London Plan.

Translating London’s housing need into borough-level housing targets

In London, the processes for a Strategic Housing Market Assessment (SHMA), to establish the level of housing need for London and for each borough, and a Strategic Housing Land Availability Assessment (SHLAA) working closely with the boroughs to establish the capacity have both commenced. The final targets for London and each borough, seek to reconcile meeting need with the capacity.

However, the housing targets proposed by the replacement standard method described in the current consultation on an amended NPPF seem to ignore whether there is sufficient capacity to accommodate or build them out and has resulted in totally unrealistic housing targets for half a dozen boroughs in high-priced parts of London.

An example is for Kensington and Chelsea for which the method produces an unachievable housing target of 4,271pa (compared to 448pa in the 2021 London Plan). The land of that local authority is almost completely built up at the highest density in the country, with few available sites, 75% coverage by conservation areas and most of the housing, even in the social housing sector, over 100 years old. Other Inner London boroughs with much increased “need” figures include Westminster, Hammersmith and Fulham, Islington and Wandsworth.

However, many Outer London boroughs, which have lower house prices and have the capacity for more development (such as Barking, Greenwich and Hounslow) have significantly lower “need” figures in the targets the Government has now set for them.

This will not only fail to inspire many boroughs to achieve their potential, but will result in demotivation and failure for at least six Inner London boroughs with seriously unrealistic targets. It will not achieve the Government's aim in "directing homes to where they are most needed and least affordable" as in paragraph 5. c. of the NPPF consultation document.

Does the new standard method algorithm work in London, especially Inner London?

The large increases are mainly due to the weight given in the formula to “affordability” considerations, because the algorithm seems not to take into account how housing markets work in dense, constrained inner urban areas.

The high home prices in London have resulted in the wrong housing target figures for many local authorities due to the new use by DHCLG of workplace-based median house price to median earnings ratio to adjust the proposed new standard method's baseline.

The reduction in the housing target for London using the replacement standard method to 81,000 annually results in a figure still too far above the rate of applications in recent years and schemes already given permission are not being built. Unless the Government addresses the latter problem, the target will not be met.

The NPPF consultation poses the question on whether or not the standard method should factor in evidence on rental affordability. That is another consideration for London but it is not clear how it would be applied.

The Way Forward:

The London Forum of Amenity and Civic Societies urges you and your Ministerial colleagues to work with the Mayor on translating these standard method issues in London to devise a housing target which will be apportioned then by the Mayor to local authorities based on new SHMA and SHLAA outcomes.

Yours sincerely,

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The London Forum represents over 130 civic and community groups in local authorities across London