

INSIGHT
DECEMBER 2020

Mind the Gap

Is land supply on track to meet London's new housing targets?



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Executive summary

Setting a housing target is one thing; ensuring land comes forward to meet it is quite another. In this Insight, Lichfields has reviewed London's housing land supply from the perspective of the 32 London Boroughs, looking at what land supply they have identified and considering whether it is likely to be sufficient – in reality – to meet the New London Plan (2019) ('NLP') minimum ten-year net housing target. Crucially, for this exercise we have benchmarked previous estimates of housing land supply against what was actually delivered, to understand how far they have been realistic measures of housing delivery.

From this review, London's 32 boroughs have identified enough land for all the homes needed (and a bit extra) to meet the NLP (2019) housing requirement based on current monitoring data. However, that assumes the estimates of land supply are wholly accurate.

Our review of historic housing land supply assumptions compared with actual completions shows systematic optimism bias across most Boroughs (for which there is data) with developments not coming forward as anticipated. If realistic assumptions about housing land supply based on past trends (removing optimism bias) are rolled forward, there is, in fact, a shortfall of c.86,000 homes against the NLP ten-year net housing target – a situation likely to be made worse (at least in the short term) by the COVID-19 pandemic. Boroughs, the GLA and others involved in land supply will need to work proactively to bridge the gap and ensure London meets its housing ambitions through delivery.

Our key findings are:

1 Taking the Boroughs' housing land supply forecasts at face value, the total supply is just under 12,000 dwellings in excess of the total London-wide ten-year net housing targets in the NLP (2019) from 2019-2029:

This is notwithstanding the fact that the data set is incomplete to 2028/29, so more supply will inevitably come forward in this period.

2 The production of future housing land supply assessments by the Boroughs is inconsistent:

Only two thirds of Boroughs have an Annual Monitoring Report reviewing a recent monitoring year. Worryingly, at the time of writing, only a single Borough has published a 5YHLS position statement that both references the current 2019 NPPF and publishes 'clear evidence' to justify it, in accordance with the definition of a 'deliverable' site in the new Framework.

3 The Boroughs' past evidence has often been inaccurate in estimating housing supply even for the next year, suggesting optimism bias – over-estimating the deliverability of sites and how quickly homes will be built:

A comparison of forecast housing delivery with actual completions data shows that Boroughs have, on average, overestimated their supply by some 20% in the following monitoring year.

4 Boroughs should be proactively supporting release of more land for housing to allow for the significant London problem of turning permissions into completions – this may need to be through their local plans and – where relevant – include Green Belt review. A benchmark adjustment for optimism bias would suggest more land for c.86,000 additional homes is needed over the NLP period:

This puts into sharp focus the reality of the task London is facing to meet its new ten-year net housing target – equivalent to identifying more than two years' worth of the NLP housing target figure.

5 Our findings of systemic optimism bias have implications for the design of the future planning system as envisaged by the White Paper:

Quite simply, the realism of housing land supply forecasting in London will need to improve if the White Paper proposals to set binding housing requirements and remove the requirements for maintaining a 5YHLS are to be compatible with the objective of meeting housing need.

Key figures

498k

Total identified supply across the 32 Boroughs

c.12k

Surplus identified above the Borough's combined ten-year net housing target

15

Boroughs which – on paper – have enough identified supply to meet NLP ten-year target

21

Boroughs with a recent AMR monitoring year

18

Boroughs with a recent 5YHLS base date

1

However, only one Borough publishes 'clear evidence' in support of Category B sites in its latest 5YHLS position

20%

Average rate by which housing supply forecasts are overestimated for the next monitoring year

86k

Gap to meet the Borough's combined NLP ten-year target, adjusting for past rates of 'optimism bias'

O1

Introduction

The housing targets proposed in the New London Plan (NLP) are ambitious, and they need to be. London has an imperative to be delivering more homes by every measure of need. However, an interrogation of the latest housing supply forecasts prepared by the London Boroughs suggest a lot more land is needed for these housing targets to be met.

In the three years to 2019, London has built an average of c.39,000 net additional dwellings. Achieving the proposed annual average NLP target of 52,000 between 2019 to 2029 will clearly be a major step up in delivery. The NLP Inspectors concluded the ambitious new target to be 'deliverable', but the figure was capacity-driven and below assessed need. It was based on a top-down London capacity study prepared by the GLA (the 2017 SHLAA). Theoretically, then, there should be enough land supply in London based on this 'macro' assessment; but it leaves little wiggle room if any supply falls through or comes forward later than anticipated. To date, the question of five-year housing land supply (5YHLS) has not typically been part of the planning landscape in the way it is outside the M25, but the NLP ambitions – coupled with the sharper focus on deliverability in the 2019 NPPF – place a greater emphasis (than has hitherto been the case) on maintaining a realistic approach to land supply by individual Boroughs tasked with implementing the Mayor's vision.

In this Insight, we have looked at London's supply from a 'bottom up' perspective to see whether the 32 Boroughs (excluding The City of London and the development corporations) themselves have identified sufficient sites to meet the emerging NLP ten-year target to 2029. This provides a gauge as to what additional – if indeed any – supply needs to be identified to have a realistic chance of meeting the NLP's capacity-based targets.

Our research goes a step further and considers how accurate the Borough's housing forecast of future housing supply might be by comparing their previous forecasts with actual delivery. The



development of housing – especially in the context of London – is inherently uncertain. Turning theoretical capacity into actual supply is difficult and lapses in planning permission are commonplace. Delays are normal. Brownfield development brings complications. This Insight looks at whether these risks are accurately reflected in the Borough's forecasts and, if they are not, what implications this would have for meeting the NLP ambitious targets; for each Borough in demonstrating a rolling 5YHLS as required by the NPPF; and future planning under the proposals of the White Paper.

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O2 London's identified housing supply

6

The number of Boroughs that haven't published a trajectory up to 2029 to date

498k HOMES

The combined housing target for the 32 London Boroughs

In this section we review the data assembled by London Boroughs to identify how much housing land they have identified to help meet the London Plan's housing targets to 2029.

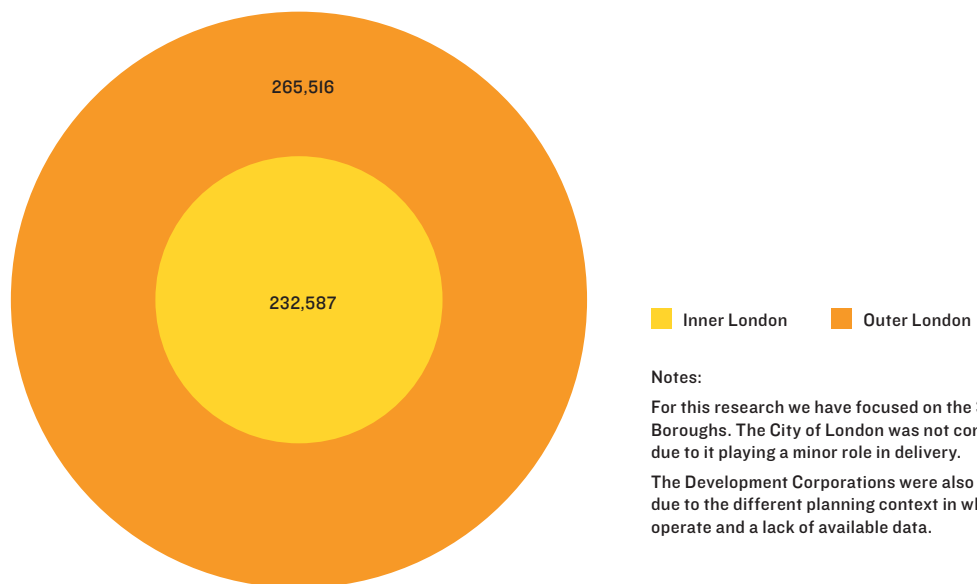
Calculating the combined supply to 2029

In sourcing the data on housing supply in London, it became clear that the available evidence varies from Borough to Borough. We have, however, sought to use the most up-to-date trajectory of projected supply to 2029. In the majority of cases, the data is sourced from recent Annual Monitoring Reports (AMRs) many of which include a housing trajectory with stated year-by-year completion figures. Other data sources include local plan examination documents; the local plan itself; or in a few cases 5YHLS reports¹. Some of the data has also been pro-rata'd where completions for certain time-periods are given instead of year-by-year completions. Finally, from our review six Boroughs have not published (at least publicly) projected completions for all years to 2028/29. This ranges from five-years missing in the case of Hillingdon to one-year in the case of Westminster².

Given the above, the findings of this Insight are caveated insofar as they are based on the amalgamation of – in some cases – patchy data obtained from multiple sources. However, this is a finding in and of itself: there is no consistent and up-to-date set of reporting data for housing land supply across the Boroughs. Despite this, the published supply identified by the Boroughs is what they themselves consider to be either 'deliverable' or 'developable'. Were 5YHLS to be considered at a s.78 appeal, it is this data that would be scrutinised to see whether a Borough was meeting the requirements of NPPF para 73. At a local plan examination, this is the evidence that will be scrutinised by an Inspector in terms of NPPF para 67. So, while our estimate is a bit 'Frankenstein' in one sense, it is the best publicly available data to answer our research question.

Finally, it is important to note that the Boroughs housing forecasts were made in a pre-COVID context. The impact of the COVID-19 pandemic are discussed later in this report.

Figure I: The combined 32 Boroughs housing supply



Notes:

For this research we have focused on the 32 London Boroughs. The City of London was not considered due to it playing a minor role in delivery.

The Development Corporations were also omitted due to the different planning context in which they operate and a lack of available data.

¹ These have been used either where the Council has not published a trajectory beyond the 5-year period (as a last resort) or where they project beyond the five-year period.

² Westminster does publish a trajectory to 2033 but no figure for 2028/29 is given.

Source: Lichfield Analysis (Data collected up to the end of September 2020)

The Borough's combined supply

Our research – reviewing data to the end of September 2020 – suggests the Boroughs have an identified supply totalling c.498,000 homes that are expected to be delivered over the 10-year period to 2028/29. This is just above – by just under c.12,000 homes – the Boroughs' combined ten-year housing target (NLP Table 2.1) of 486,200 homes³ (NLP total including development corporations and The City of London is 522,870 by 2028/29).

The inner London Boroughs also appear to have a greater supply relative to their requirement than the outer London Boroughs. Inner London Boroughs have sufficient supply on paper to exceed their combined target by 6.5% (c.14,000 homes) while Outer London Boroughs currently expect to fall short of its targets by just under 1% (c.2,300 homes). However, the Outer London Boroughs expect to deliver more

housing in absolute terms; not unexpectedly give they are more numerous (19 outer c.f. 13 inner) and have larger land areas. Finally, on an individual basis 15 Boroughs have already identified sufficient supply to meet their emerging minimum ten-year target. Of course, this leaves 17 authorities that are yet to do so and will need to identify more sites through their local plans.

Proportionally, Kensington and Chelsea is more than pulling its weight; identifying 59% more homes than its minimum target. Hounslow has identified the most homes above its target in absolute terms: some c.9,900 homes. At the other end, Waltham Forest has the greatest gap, needing to identify c.4,500 additional homes to meet its NLP target. Ealing also has a much larger gap of c.12,000 homes on paper but is missing three-years' data.

c.12k HOMES

The surplus above the Boroughs combined housing target

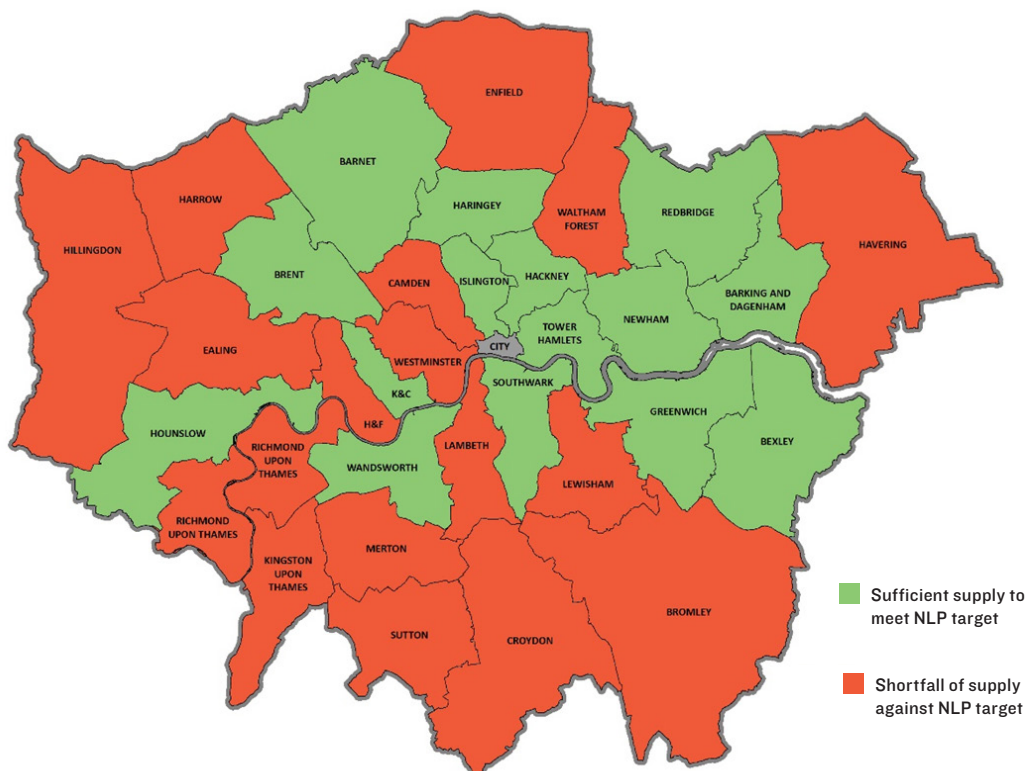
c.32k

More homes are expected to be delivered in outer London Borough's than in Inner

6.5%

The proportion that Inner London Borough's expect to exceed its combined requirement

Figure 2: Boroughs with sufficient identified supply on paper to meet NLP ten-year targets



Source: Lichfields Analysis (Data collected up to the end of September 2020)

³The Total NLP Ten-Year Housing Target is 522,870 units which includes development in the City of London and the Development Corporations.

6 YEARS

The number of years the London Borough's expect to build above the Boroughs' NLP target

London's housing trajectory

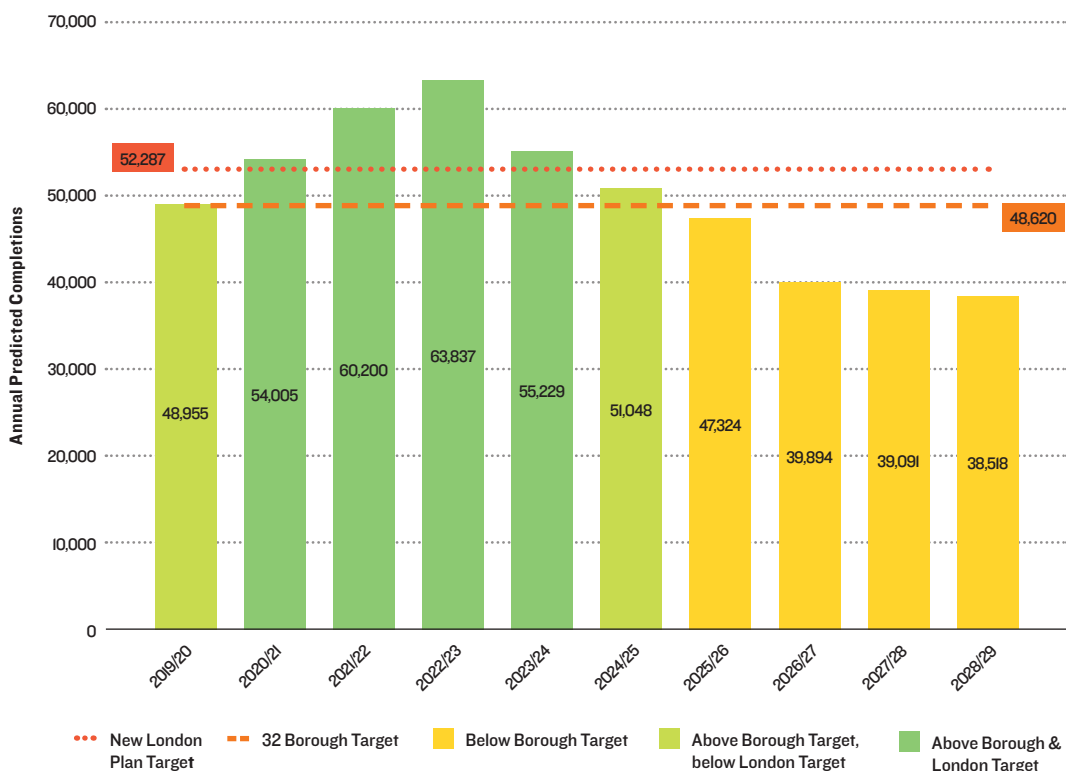
Figure 3 below shows the projected year-by-year completions data of the Boroughs combined (i.e. the total 498k supply as identified in Figure 1, which is above the NLP Borough's 486k target). This shows that the Boroughs already expect to exceed their combined annualised target in the first six years to 2024/25. Indeed, in four of these years the forecasts indicate that the Boroughs themselves (i.e. irrespective of delivery from the development corporations and the City of London) will deliver above the annualised average NLP target of c.52,000. This front-loading of the supply is to be expected given opportunities that could deliver in later years may not yet have been identified.

Summary

Taking the data at face-value, the London Boroughs have identified enough supply to meet the NLP ten-year housing targets to 2029. The delivery rates projected are, however, quite a jump from the c.44,000 homes delivered in 2018/19. In addition, there will inevitably be future opportunities that have not yet been identified and some missing years in the data to 2028/29 to plug.

However, the question that follows is whether this data is realistic as a measure of prospective housing supply as opposed to simply identifying land that might deliver homes; and if it is not, what then would be the implications? In the next chapter we consider how up-to-date is the data collated (the Insight has already alluded to the fact that data has gaps) and how accurate is it as a forecast of delivery given what has happened in the past.

Figure 3: The London Borough's housing trajectory



Source: Lichfields analysis of London Borough's monitoring data and trajectories. (Data collected up to the end of September 2020)

03 Is this supply position up-to-date?

Monitoring development in a timely manner is a requirement of all Local Planning Authorities ('LPA') by both law (for AMRs) at section 35 of the Planning and Compulsory Purchase Act 2004, as amended by section 113 Localism Act 2011, and by national policy in the revised NPPF (2019) (for 5YHLS). It is undoubtedly a time-consuming, resource-intensive, annual (or sometimes more often) endeavour for each LPA. However, we have found that production of evidence on monitoring and forecasting housing supply is not consistently maintained by all London Boroughs. Unfortunately, without timely monitoring there is no other realistic measure of what deliverable and developable housing sites are in the pipeline. Without it, individual LPAs (and in the case of London also the GLA) are unable to identify problems and implement solutions to meet adopted housing targets where there is a risk of under delivery.

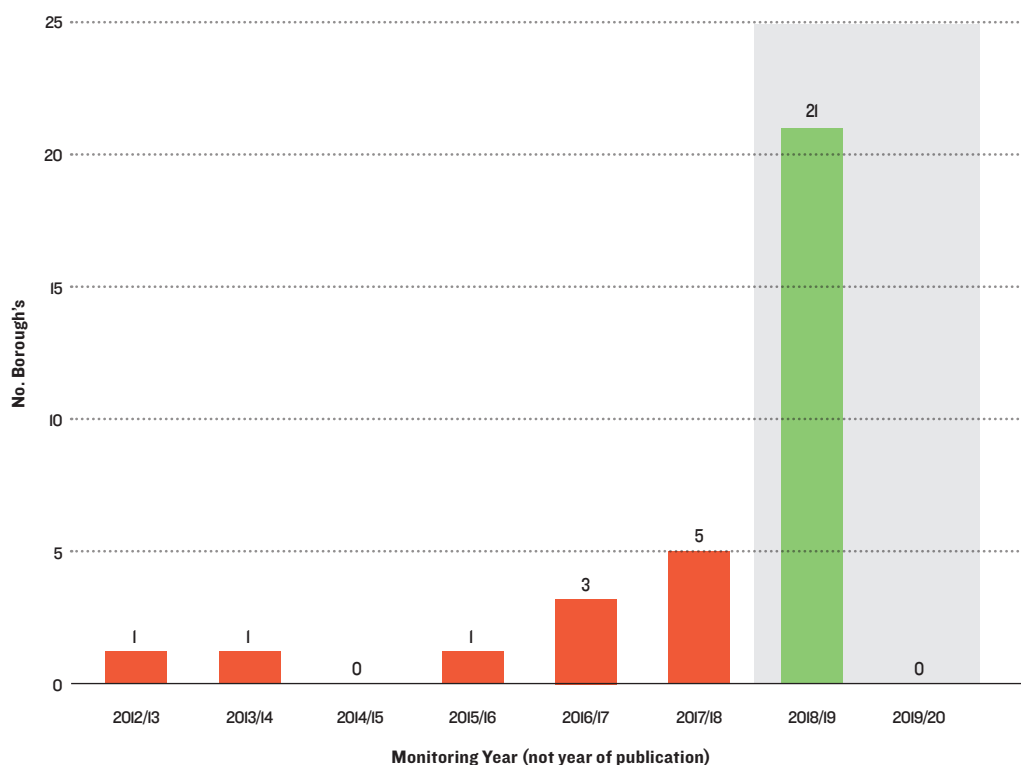
Annual Monitoring Reports

All London Boroughs are required by law to publish AMRs. However, only 21 Boroughs have an AMR (or AMR housing 'bulletin' or 'topic paper' in some cases) on their website which covers a recent monitoring year (i.e. 2018/19 or 2019/20). With the oldest published data, Hillingdon's 'latest' AMR covers the 2012/13 monitoring year and Ealing's latest AMR covers 2013/14. At the time of data collection, no Boroughs have published an AMR for the 2019/20 monitoring year – albeit we note that across England LPAs often publish AMRs throughout the year. It takes time to collate and cleanse this data and it often requires liaison with different council departments. As such dependent on resourcing it can take some months after the end of the monitoring period (typically end of March) before an LPA is ready to share the previous year's completions.

21

The number of Borough's that have published an AMR covering a recent monitoring year (or housing topic paper)

Figure 4: Review of Annual Monitoring Report 'Monitoring Years' of London Boroughs



Source: Lichfields Analysis (Data collected up to the end of September 2020)

Five Year Housing Land Supply

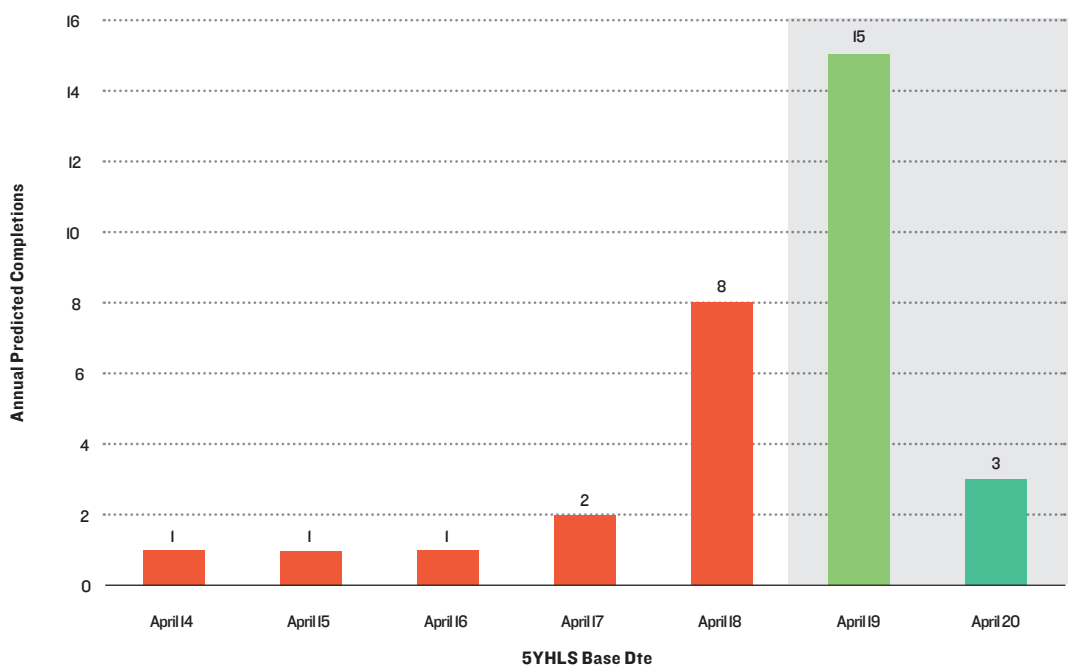
Paragraph 73 of the NPPF (2019) requires that LPAs must publish and annually update a supply of specific ‘deliverable’ sites sufficient to provide for a minimum of five years’ worth of housing against their requirement. From our review, only 18 Boroughs have published a 5YHLS position with a recent base date (i.e. 1st April 2019 or 2020). Clearly, many of the Borough’s simply are not publishing timely 5YHLS positions; however, Sutton, Bexley and Bromley should be highlighted as having very recently published new 5YHLS positions with an April 2020 base date.

A key policy change to assessing 5YHLS in the revised NPPF (2019) was a new definition of a ‘deliverable’ site. Crucially, this now requires the production of ‘clear evidence’ in support of certain types of sites to be ‘deliverable’: such as those with outline permission only or simply an allocation. Without this evidence, such sites cannot be considered deliverable.

Obviously, with so many Boroughs failing to publish up-to-date 5YHLS positions, most of what is published simply fails to engage with any of the revised NPPF (2019) tests due to timing. In addition, another recent change to the 5YHLS calculation is the introduction of the Housing Delivery Test results in terms of defining an LPAs appropriate buffer.

What is surprising is that while 18 Boroughs have a ‘recent’ 5YHLS report only 15 actually reference the revised NPPF (2018 or 2019 version) tests, and only one of these Boroughs (Havering) publishes supporting ‘clear evidence’. It should, however, be noted Bromley did publish ‘clear evidence’ in its previous 2019 position but chose not to do so in its updated 2020 position. This though seems to be because it relies only on ‘Category A’ sites which do not require clear evidence to demonstrate they are deliverable. Other Boroughs may have published such evidence for submission at appeals, but this evidence has not been amalgamated into a published public-facing position and therefore is not referenced in this Insight.

Figure 5: Review of 5YHLS Reports of London Boroughs



Source: Lichfields Analysis (Data collected up to the end of September 2020)

Summary

At a Borough level, the timely monitoring and publication of future housing supply is not occurring consistently across all London Boroughs. Furthermore, the majority of 5YHLS material published by the London Boroughs does not engage with the revised NPPF tests. What does this mean for London and the total supply identified in the previous section?

The first point to make would be that neither the GLA nor many of the Boroughs themselves, have an up-to-date supply trajectory: at least based on what data has been published publicly. This means that London as a whole probably does not know where its gaps in housing land provision truly are. This limits the ability of the GLA or individual boroughs to effectively respond to any shortcomings in delivery against the NLP ten-year housing targets. Of course, developers are also unable to identify Boroughs where there might be gaps in supply. It also means that we should treat some of the Boroughs' housing supply forecasts with an inherent degree of caution.

Secondly, the Boroughs are leaving themselves vulnerable to 5YHLS challenges in future s78 appeals. Anecdotally, we know that 5YHLS has not been part of the London planning lexicon (and has not always needed to be) in the way it is outside the capital. In many cases, it has not been as necessary to run a 5YHLS argument at appeals in London: primarily due to the underlying need for (and consequently weight given to) housing delivery. Many Boroughs are also seen as pro-development, with contested issues relating to site-specific matters. This helps explain why there is seemingly a lack of engagement by the Boroughs in publishing and monitoring 5YHLS positions; with only those such as Bromley and Havering (who have been peppered with s78 appeals on housing schemes) being forced to prepare more robust positions. But a combination of higher housing requirements and a complete lack of up-to-date and policy compliant 5YHLS positions could mean such challenges become more prevalent. If it is easy to demonstrate a lack of 5YHLS it seems obvious that many developers – either through applications or appeals – could use this

to engage the tilted balance for consideration of their proposals.

Thirdly, the NLP targets are capacity-based which leaves very little room for manoeuvre should identified supply not come forward. Easy engagement of the presumption in favour of sustainable development via a lack of 5YHLS could therefore aid non-policy complaint development to come forward (this could include development on Green Belt land, Metropolitan Open Land, Strategic Industrial Land and other lesser designations).

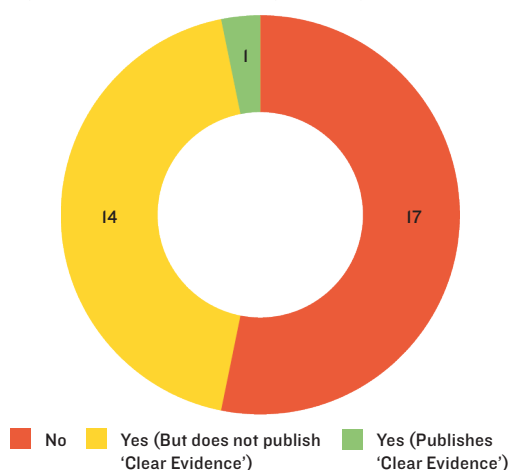
Finally, under the proposals in the White Paper, there will be no forward-looking throttle for managing the release of housing land supply other than through future local plans which will designate land as 'growth', 'renewal' or 'protect' areas with plans with ten-year horizons unlikely to be updated more than every five years. In a London context, it will be important that those local plans are founded on realistic estimates of housing land supply, otherwise they will not provide sufficient land to meet future needs. This could also relate to whatever method the Government adopts for setting binding housing requirement figures; if it is supplied with data that is not reliable, it could distribute its housing targets in a way that proves not to be effective.

This takes us onto the next chapter, which looks at whether forecasts of housing land supply are realistic.



Neither the GLA nor many of the Boroughs themselves have an up-to-date supply trajectory: at least based on what data has been published publicly

Figure 6: The combined 32 Boroughs housing supply



Source: Lichfields Analysis (Data collected up to the end of September 2020)

04 Is the data realistic?

Forecasts are just that: a future projection based on both what has happened in the past combined with what we think will happen in the future. They will rarely, if ever, be 100% accurate because there are so many inherent uncertainties with the development of housing, especially in London. However, a reasonable degree of realism is vital for forward planning.

We know that development in the capital is inherently uncertain – perhaps more so than other areas of the country. Lapses of planning permissions in the capital are common and it is not unusual for many iterations of a scheme to be approved, and expire, sometimes passing through changing landowners before one is actually built out⁴ (Battersea PowerStation is the often-cited example). This is not a new phenomenon; indeed the issue of lapse rates (the non-implementation of planning permissions) was discussed in great depth at the Examination in Public into the Further Alterations to the London Plan (FALP) and is addressed in the Inspector’s report to the Mayor in November 2014. The London SHLAA (2013) had considered the issue in some detail and the FALP Inspector concluded that a sustained quantity of land well above objectively assessed housing needs would be required to meet housing needs due to lapses in planning permissions:



It is not enough to identify capacity. Delivery is critical to meeting the pressing need for new housing in London and one must consider whether and when these sites will deliver the number of homes envisaged in the SHLAA. The SHLAA identifies sites with planning permission and those allocated in development plans. Although it is reasonable to consider sites with planning permission as commitments, the Mayor’s ‘Barriers to Housing Delivery – Update’ of July 2014 looked at sites of 20 dwellings or more and reports that only about half of the total number of dwellings granted planning permission every year are built. This can also be seen in Table 3.20 of the SHLAA which shows average completions between 2004–2012 of 24,694 pa compared to an average of 58,167 dwellings permitted each year.

Para 37 of the FALP Inspector’s Report

Extrapolating the same data from the London SHLAA (2013) from 2012/13 to 2017/18 shows that this trend has continued, despite approvals and completions increasing on average, the rate of implementation is very similar to earlier periods.

Table 1: Rate of planning permission implementation in London (GLA)

	Completions average 2004- 2012	2004- 2012 average approvals	Completions average 2008- 2012	2008- 2012 average approvals	Completions average 2012/13 to 2017/18	2012/13 to 2017/18 average approvals
	24,694	58,167	23,281	54,911	31,309	71,287
Percentage of permissions completed	42.45%		42.40%		43.92%	

⁴‘Barriers to Housing Delivery – Update’ (2014)

Source: The SHLAA 2013 Table 3.20

On the basis of the significant gap between permitted dwellings and dwelling completions in London, it is clear that this must be factored into the Boroughs' housing trajectories to ensure they are a realistic indicator of their future housing supply over the NLP period. In reality, as the FALP Inspector concludes, it is not enough to identify capacity, it must be delivered; therefore, to factor in lapses, housing land supply significantly above housing requirements will be needed. This is necessary at the macro London level, or on an individual Borough basis, with the degree of flexibility in inverse proportion to the quality of evidence on site deliverability.

Outside of London, there is an example of the application of macro adjustments to a supply trajectory for 5YHLS purposes. At the 'Land off Castlethorpe Road' appeal in Milton Keynes (ref. 3214365) the appellant argued for a macro-adjustment: that an increased 25% reduction should be made to the LPAs supply figure on the basis the LPA had consistently over estimated supply: under the concept of 'optimism bias'. The Inspector agreed, albeit not to that specific rate, noting the Council had consistently not achieved the delivery rates expected. The Council sought to challenge the decision, but this was rejected by the High Court.

There is no formal requirement to account for 'optimism bias' in the NPPF when considering 5YHLS at an individual Borough level. Arguably it already is factored into that process, given the need for an additional buffer (5% or 20%) of supply and assuming the sites included in the five year period are properly justified against the NPPF definition of deliverable (with clear evidence, if required). For this reason, Milton Keynes Council (from the above appeal) no longer applies such a discount to its latest position. However, measuring the accuracy of an LPA's delivery assumptions by comparing its previous forecasts to actual delivery in those years, can be a useful benchmark for the accuracy of such forecasts, particularly in the context that with most London Boroughs are not currently demonstrating their 5YHLS with reference to the policy requirements of the NPPF and guidance in the PPG. It is also a useful measure for informing the approach of London Boroughs as they turn to producing Local Plans that execute the policies of the NLP.

We have therefore undertaken this exercise for the London Boroughs below to understand whether the findings on the SHLAA 2013 remain true today; that there is a significant gap between land identified/ permitted dwellings and housing completions.

Assessing Accuracy: Methodology

To calculate a level of 'optimism bias', we have compared what each Borough expected to deliver in a given year with what was actually then delivered in that year. The supply forecasts have been collected from historical AMRs and 5YHLS position statements over the five-year period before the base date of the NLP target: i.e. between 2014/15 to 2018/19. We have then compared these figures to recorded completions as detailed in the GLA's AMRs for each year except 2018/19; this is because the GLA AMR 16 (covering 2019/20) has yet to be published; therefore, we have used the MHCLG completions data for this year only⁵.

From this data, we have calculated the level of over or under-estimation for each Borough in 'Year 1' of the forecasts. This is the year following the publication of a given forecast. This would be the year in which a Borough would logically be most confident in terms of forecasting its supply. This is our primary measure of optimism bias in our research. It is worth noting that by looking at successive 'year one' estimates, some schemes may therefore be captured more than once, by virtue of the undelivered elements having been delayed from the first year and pushed back to the following year in the subsequent trajectory.

We have also calculated the level of over or under-estimation in 'Year 2' and 'Year 3' of the forecasts where the data allows. As an example, if a 5YHLS position's base date was 2013/14, the 'Year 1' forecast would be the delivery expected in 2013/14, 'Year 2' would be 2014/15, and 'Year 3' would be 2015/16. We have also graded the data collected by how many years data there is available. Some Boroughs have consistently published AMRs and 5YHLS positions on an annual basis while others, as noted in the previous section, have not.

The data tables with relevant figures and sources are at Appendix 1. The findings are set out in the next section.

⁵ MHCLG Live tables on Housing Supply

05 Accuracy review findings

KEY FINDINGS

Boroughs that monitor more often, are generally more accurate

20%

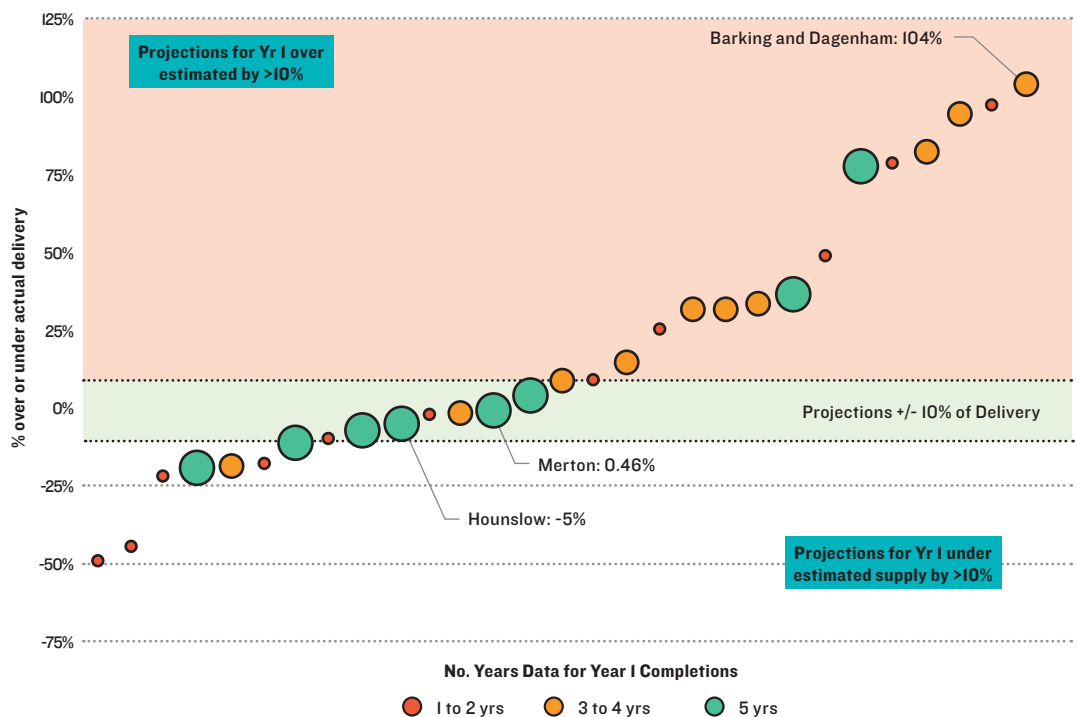
The average Year 1 forecasts are over-estimated

From the data, we were only able to review 29 Boroughs' forecasting accuracy. Our findings show that just under half of Boroughs overestimated their Year 1 supply by more than 10%; while five underestimated the supply by more than 10%. The least 'accurate' Borough was Barking & Dagenham (four-years' data). It over-estimated its year one supply by 104% in 'Year 1' of its forecasting based on the data available. This is because between 2014/15 to 2017/18 only 2,238 units were built compared to the 4,576 homes that were expected in the combined total of the first year of each annual forecast (in that first year, its expectation for the period to 2014/15 - 2017/18 was even higher at 4,998). The most 'accurate' Borough was Merton (five-years' data), where forecasts were just 0.46% above what was actually delivered: off by just 11 units.

On average through, the Boroughs' Year 1 forecasts over-estimated the 'Year 1' supply by 20% while the median figure is 9%: showing there is a large variation in the data.

From the above, it can also be inferred that Boroughs that publish monitoring data more regularly are more accurate. The average over-estimation of supply for Boroughs with five years of data (eight Boroughs) was 9% compared to 38% for those with 3-4 years' data (ten Boroughs). For the twelve Boroughs with only 1-2 years data, the average over-estimation was 10%; however, six Boroughs only had a single data point. Consequently, this figure is far more volatile than the figure for Boroughs with more data.

Figure 7: Accuracy of Future Housing Projections

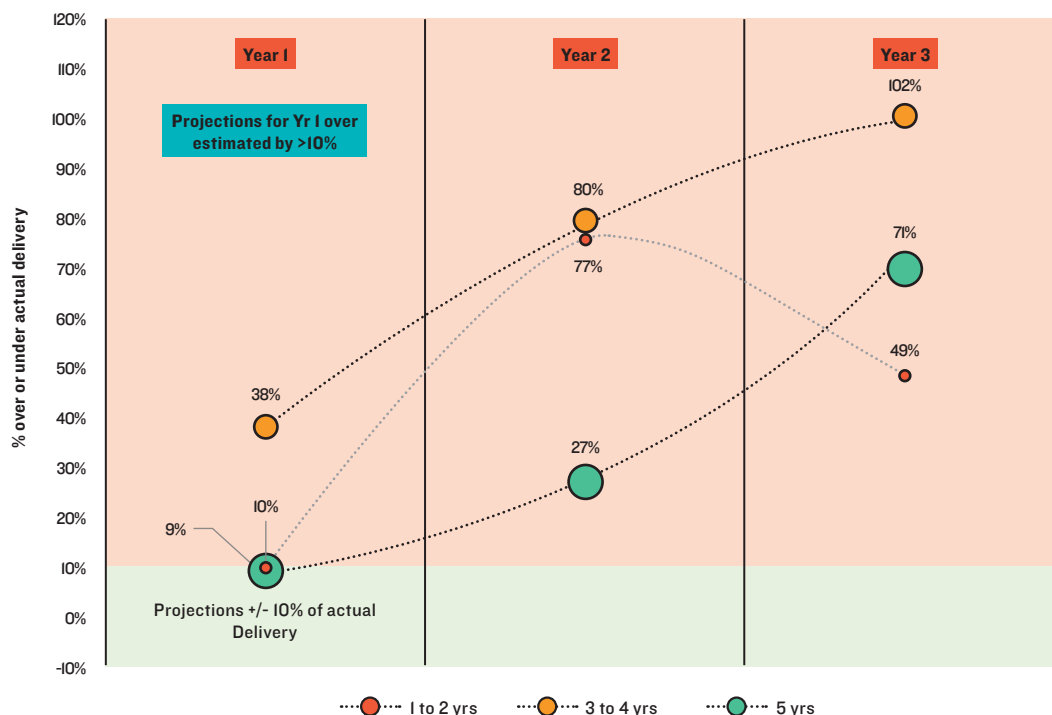


Source: Lichfields Analysis of London Borough's monitoring data (Data collected up to the end of September 2020)

Looking beyond 'Year 1' forecasts, the data shows that in 'Year 2' and 'Year 3' the Boroughs' forecasting becomes far less accurate. This highlights that, not surprisingly, the further from the base-date one gets, the harder it becomes to be accurately forecast housing supply. This is of course reflected in the NPPF's different tests for 'deliverable' and 'developable' sites, with greater emphasis on evidencing the delivery of 'deliverable' sites for the immediate five years. Also, sites will have come forward in these years that at the base date of the assessment the Borough would not have been aware of or maybe not yet approved. Therefore, inevitably these projections will be less accurate and the data beyond 'Year 1' is more volatile.

While one could never expect any LPA to be 100% accurate in forecasting its supply, our analysis shows the London Boroughs forecasts are – on average – overestimating the supply of homes by a significant margin. Borough forecasts do not appear to be accounting for the reality of the difficulty in converting permissions into completed dwellings in the capital.

Figure 8: Accuracy of Future Housing Projections



Source: Lichfields Analysis of London Borough's monitoring data (Data collected up to the end of September 2020)

06

What might London's adjusted supply look like?

1 YEAR

When adjusting for optimism bias, the Boroughs are only expected to meet their combined target in a single year

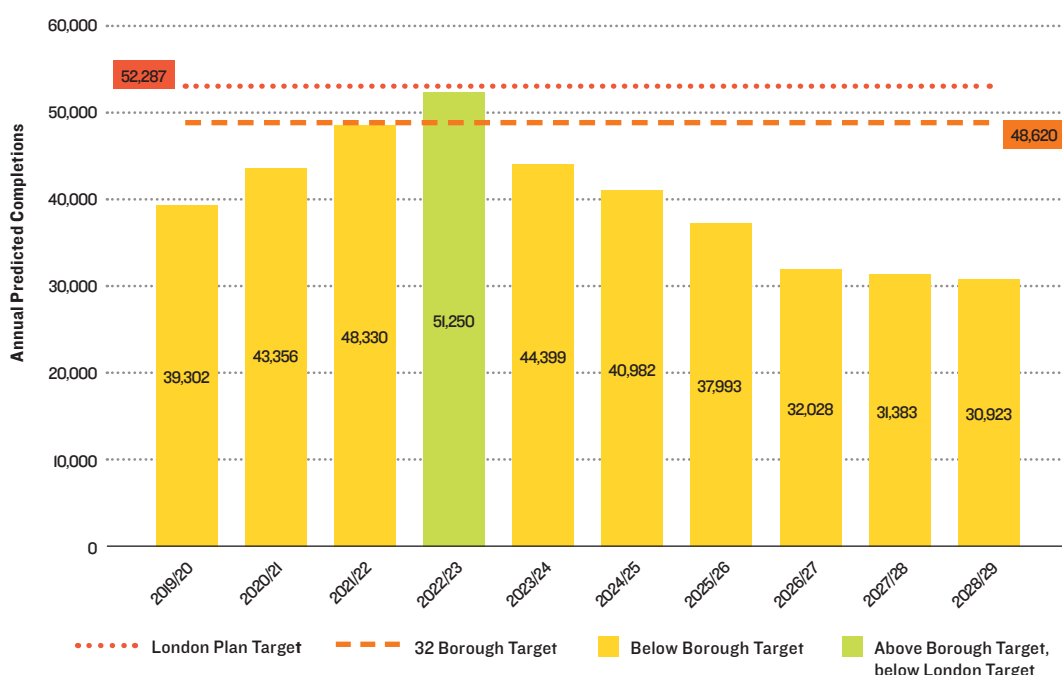
Our analysis shows that development monitoring/forecasting in London is patchy at best and certainly not consistent between Boroughs. Furthermore, where housing supply is forecast, it appears to be overly optimistic and does not always account for the real complexities of converting identified land and housing permissions to dwelling completions. Few Boroughs consistently monitor annually (at least publicly) and – overall – there is an ‘optimism bias’ of some 9% in the forecasts. It would therefore appear that the London Boroughs’ amalgamated supply figure of c.498,000 homes identified to meet the NLP housing targets to 2029 is unlikely to be an accurate reflection on what development is likely to be built over that period.

We are not able to update each Borough's own monitoring data to bring it up to date to bridge the monitoring gap we identified in Section 3. But we can adjust for the forecasts' likely inaccuracy based on the level of optimism bias calculated. Adjusting the Boroughs' total supply figure by the average ‘Year 1’ optimism bias (the year of which Boroughs should have been most certain) suggests a stark risk to the reality of meeting the NLPs emerging ten-year housing targets.

As shown in Figure 9, making this adjustment would mean that in only one of the ten years 2019 to 2029 would the Boroughs meet combined housing supply target of c.48,600 dpa based on current identified supply. The overall gap to meeting London's NLP target would stand at c.86,000 units. Also, when accounting the average optimism bias, only four Boroughs – Kensington & Chelsea, Southwark, Hounslow and Redbridge – would still have sufficient supply to meet their respective Borough target.

As set out in Section 5, it would appear that where Boroughs monitor more regularly the forecasting is more accurate. Even if one took a benevolent approach and applied a 9% optimism bias (the average for Borough's with five-years monitoring data and the median optimism bias of all Borough's) the gap between the NLP ten-year housing target for London would still stand at c.33,000 homes.

Figure 9: London's Supply Trajectory Accounting for Optimism Bias (20%)



Source: Lichfields Analysis (Data collected up to the end of September 2020)

The reality of London's supply

The London SHLAA (2013) found that there was a significant gap between the number of permissions granted and those delivered over the period 2004 to 2012. Our analysis goes one stage further comparing Boroughs' forecast housing delivery with what actually occurred, i.e. more accurately tracking the status of individual permissions. Both pieces of analysis show that significantly more supply needs to be identified (allocated and permission subsequently granted) than the housing target, to ensure enough homes are provided. It is almost inevitable that Boroughs will need to accept supply coming from alternative sources (including Green Belt sites) to meet the shortfall because the housing target is capacity-based (and below current housing need), meaning if there were more sites from current sources of land, the housing targets would simply be higher. Furthermore, in producing local plans pursuant to the NLP, an LPA would typically include a supply buffer above its minimum requirement to allow flexibility in supply coming forward – a Borough constraining itself to the capacity-based targets used in the London Plan process would not be able to square the

circle. The lack of wriggle-room could force Boroughs struggling to demonstrate a 5YHLS (and vulnerable the provisions of NPPF para 11 d) to rely on schemes that come forward outside the current London and local policy framework.

The COVID factor

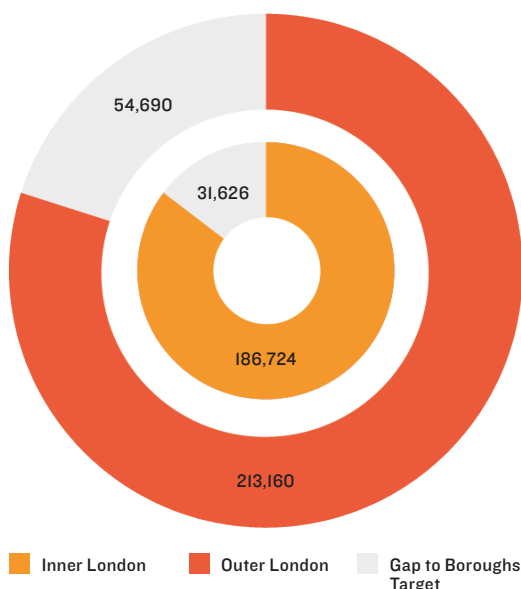
As of writing we know we are amidst a period of economic turbulence due to the global COVID-19 pandemic. Its impacts on the matters considered in our analysis remain to be seen, but one can speculate on some potential areas of change.

Firstly, as with any economic downturn there is significant risk to the housing market. The financial resilience of developers will be impacted as will the ability of some schemes to come forward viably. This might particularly be the case for mixed use schemes that might have combined residential with commercial space. Secondly, looking in the medium term, there are anecdotal accounts of changes in housing aspirations given the working-from-home revolution and the increased recognition of the value of private open space. Whether this impacts on density assumptions for identified land remains to be seen. Finally, we do not yet know whether there will be a long-term adjustment in the level of housing need in London; quite simply, will fewer people want to continue to live in the capital in future?

On a more immediate practical note, construction output dropped overnight when the first lockdown was enforced. From this, we know that there will be a permeant scar in delivery in 2020/21 and possibly into 2021/22 monitoring year onwards.

Will developers be able to catch up on lost supply by 2029? Will existing permissions need to be re-planned given impacts to viability or market demand? What impact will any financial interventions by Government have on house building? At this stage, these questions cannot be answered, but it is safe to say that the challenge of meeting the NLP capacity-based target has likely increased. More so than ever, accurate and up-to-date forecasting is needed to flag gaps in supply and help identify the need for plan-led solutions.

Figure 10: London Boroughs Supply Accounting for Optimism Bias (20%)



Source: Lichfields Analysis (Data collected up to the end of September 2020)

07 Conclusions

Meeting the emerging NLP ten-year housing targets was always going to be a tall order. The 32 London Boroughs are being set the task of delivering the majority of London's new supply in the ten-year period from 2019/20 to 2028/29: some 486,200 homes (with the development corporations and City of London also contributing). From a bottom-up perspective,

having amalgamated the Boroughs' housing supply forecasts, it would appear – at face value – that the Boroughs have just enough supply to achieve that. However, we have also found that the Boroughs' own supply projections are largely not up-to-date nor likely to be an accurate reflection of the housing completions that will realistically be achieved.

Key findings:

1 Housing supply monitoring in London is inconsistent across the Boroughs. Not only do many Boroughs not publish up-to-date data, but that which is published does not (in the main) adhere to current policy requirements. This leaves Boroughs particularly vulnerable to 5YHLS challenges in the future and blind to impending supply challenges: particularly taking into account the impacts of COVID-19 on housing delivery in the short term and market demand in the medium to long term.

2 London has a specific problem with turning planning permissions into completions with significant lapse rates prevalent in the Boroughs for more than a decade. The analysis has found that Borough supply forecasts are often inaccurate, with an average 'optimism bias' of 20% (9% median). Simply, the forecasts of supply do not appear to account sufficiently for the scale of lapses to permissions in the capital.

3 However, where Boroughs monitor more regularly, their forecasting is generally more accurate (9% 'optimism bias' compared to the 20% average). This likely reflects a greater understanding of what is happening on the ground and therefore what might more realistically happen in the immediate future. This also highlights the importance of regular monitoring to enable Boroughs to identify problems earlier and be in a position to implement solutions.

4 Accounting for the 'optimism bias' in the amalgamated supply figure means there might be a need to identify an additional c.86,000 homes in London just to meet the minimum capacity-based NLP target for the Boroughs alone. This figure is based on a pre-COVID dataset. The reality may now be even greater.

5 Finding significant additional supply of housing sites when the housing target is capacity-based is challenging, at least within the current policy envelope. In reality, Boroughs will need to explore alternative sources of land supply – such as Green Belt, where applicable – to ensure they can make up some of the shortfall.

And what about the planning system proposed in the White Paper Planning?

This Insight throws up questions about how London can effectively plan to meet its NLP housing target under the current planning system. But far reaching changes to the current planning system are on the horizon, as proposed in the White Paper 'Planning for the Future'. Two key issues emerge from our research.

Firstly, the White Paper proposes that Government will give LPAs a binding housing target that takes account of need and – crucially – constraints. The White Paper also proposes that the Mayor of London would have a role in distributing needs across the capital (albeit without explicit confirming this would be achieved through a Spatial Development Strategy as defined by current legislation and practice). As has emerged from the NLP (2019) examination, the biggest constraint in London will likely be the lack of available land, and our research flags the inherent difficulty in accurately estimating – through evidence – the rate at which identified land capacity (including that with permission) is converted to housing completions when expected. Both the Government (in distributing a binding target to either London or individual Boroughs) and the Mayor (in distributing) will need reliable

data to inform their judgements. The question of how land constraints – including Green Belt, but also policy judgements about Metropolitan Open Land and Strategic Industrial Land – will be part of this matrix and is something with which the Government will need to grapple as it formulates its new national policy.

Secondly, the White Paper proposes to remove 5YHLS as a test, relying instead on the deliverability of new allocations (granted in effect outline consent in 'growth' areas) via plan-making and then relying on plan reviews and the Housing Delivery Test to remedy shortfalls post hoc. Given the inevitable lead-in times associated with bringing forward additional land if required, a failure to identify sufficient sites to realistically meet housing targets in a Local Plan will not be capable of immediate remedy or ongoing challenge via the usual 5YHLS process. For this new system to be effective, the Government would need to be very confident that the apparently systemic problems of optimism bias that we have identified in accurately forecasting housing land supply in London will be remedied. A more prudent approach might be to maintain the requirement for a 5YHLS as a forward-looking check on the system. In a nutshell, any new planning system will need to think about the unique challenge of housing land supply in London and "mind the gap".

Appendix 1: Calculating ‘Optimism Bias’

The below sets out the background data and sources for how we calculated the ‘Optimism Bias’ for each London Borough. As set out in the Insight, completions data is sourced from the GLA Monitoring Reports (specifically GLA AMRs 12 to 15). Given the GLA AMR16 has not been published at the time of writing – which will contain completions data for 2018/19 – we have used MHCLG Data in its place. The ‘Year 1’ figure is highlighted in each table below.

As a guide for the below:

- If a Borough projected a total ‘Year 1’ delivery figure of 1,000 units overall and it went on to deliver 1,000 units, its ‘Optimism Bias’ would be 0% as there was no difference between delivery and supply – i.e. there was no ‘Optimism Bias’;
- If a Borough projected a total ‘Year 1’ delivery figure of 1,100 units overall and it went on to deliver 1,000 units, its ‘Optimism Bias’ would be 10% as there was a 100-unit shortfall between delivery and projected supply – i.e. there was a 10% ‘Optimism Bias’
- If a Borough projected a total ‘Year 1’ delivery figure of 900 units overall and it went on to deliver 1,000 units, its ‘Optimism Bias’ would be -10% as there was a 100 unit over delivery between delivery and projected supply – i.e. the Council underestimated its supply by 10%.

LPAs with no available data

We were unable to review the following LPAs given data constraints:

- **Bromley:** The Council only publishes its latest 5YHLS on its website with past ones removed from the main web page. It does however publish historical AMRs but these do not include a projection of future supply;
- **Croydon:** The Council’s latest trajectory (17/18) projects supply from 2019/20 onwards. There is no historical data on the Council’s main website.
- **Southwark:** The Council provides a full set out housing completions data from 2004/05 but does not publish historical yearly projections which we can appraise on a rolling basis.

Source	Year of Projection	Year of Delivery					Total Expected Delivery Across Period	Total 'Year I' Projected Delivery
		2014/15	2015/16	2016/17	2017/18	2018/19		
Hammersmith and Fulham								
AMR (2013/14) – Figure 3	2013/14	2,781	1,673	1,508	1,513	1,206	8,681	
AMR (2014/15) – Figure 3	2014/15		1,030	1,082	1,172	1,079	4,363	
AMR (2014/15) – Graph I	2015/16			1,594	1,569	1,557	4,720	
No Data	2016/17				?	?	?	
No Data	2017/18					?	?	5,405
Actual Delivery		254	1,044	n/a	n/a	~	2,824	7,863
Difference (Projected 'Year I' figure – Actual)		776	550	n/a	n/a			2,581
'Optimism Bias'								91%
Kingston upon Thames								
AMR (2014) - Table 2	2013/14	848	502	671	1,231	707	3,959	
AMR (2014/15) – Table 2	2014/15		954	643	1,070	1,354	4,021	
AMR (2015/16) – Page 73	2015/16			275	1,255	405	1,935	
AMR (2016/17) – Table 2	2016/17				1,201	637	1,838	
No Data	2017/18					?	?	3,278
Actual Delivery		608	365	319	397	n/a		1689
Difference (Projected 'Year I' figure – Actual)		240	589	-44	804	n/a		1,589
'Optimism Bias'								94%
Redbridge								
No Data	2013/14	?	?	?	?	?	?	
Signs of Success – Redbridge Monitoring Report (2013/14) - Figure 21	2014/15		917	1,511	2,240	2,019	6,687	
No Data	2015/16			?	?	?	?	
CED053 (updated phase I sites and figure 12 housing trajectory oct 2017)	2016/17				1,350	1,994	3,344	
AMR (2017/18) – Figure 4.1	2017/18					962	962	3,229
Actual Delivery		n/a	531	n/a	481	764		1,776
Difference (Projected 'Year I' figure – Actual)		n/a	386	n/a	869	198		1,453
'Optimism Bias'								82%
Sutton								
No Data	2013/14	?	?	?	?	?	?	
No Data	2014/15		?	?	?	?	?	
AMR 15/16 – Figure 4.4	2015/16			661	653	636	1,950	
AMR 16/17 – Figure 4.4	2016/17				699	624	1,323	
AMR 17/18 – Figure 4.4	2017/18					950	950	2,310
Actual Delivery		n/a	n/a	831	600	575		2,006
Difference (Projected 'Year I' figure – Actual)		n/a	n/a	-170	99	375		304
'Optimism Bias'								15%
Westminster								
No Data	2013/14	?	?	?	?	?	?	
No Data	2014/15		?	?	?	?	?	
5-15 Year Housing Supply Schedule 2016 (Net units)	2015/16			646	1,529	4,970	7,145	
5-15 Year Housing Supply Schedule 2017 (Net units)	2016/17				1,413	3,419	4,832	
5-15 Year Housing Supply Schedule 2018 (Net units)	2017/18					2,095	2,095	4,154
Actual Delivery		n/a	n/a	1,521	779	803	~	3,103
Difference (Projected 'Year I' figure – Actual)		n/a	n/a	-875	634	1,292		1,051
'Optimism Bias'								34%

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