

# CITY PLAN 2019 – 2040

## HOUSING CAPACITY

EVIDENCE TOPIC PAPER

JUNE 2019



## Executive summary

The National Planning Policy Framework requires each local planning authority to determine its minimum annual housing need. The government's standard methodology sets our housing need at 1,495 homes per year. Westminster's current housing target of 1,068 new homes each year is set by the adopted London Plan (2016). The draft London Plan - expected to be adopted by the end of 2019 - sets out a lower figure of 1,010 homes per year. This figure is based on findings from the London Strategic Housing Land Availability Assessment (2017) and takes into account heritage constraints and current planning policy.

The council has sought to address the gap between 1,010 and 1,495 homes per year through rigorous investigation of further sources of housing provision. We have assessed sites with planning permission, sites which had previously had permission that has either since expired or has not been implemented, council-owned sites with redevelopment potential, and all other potentially suitable land.

We have detailed our Key Development Sites in Appendix 1 of the City Plan. Whilst the majority do not have planning permission, redevelopment is anticipated during the lifetime of the plan with an expected yield of 4,770 units in total. In addition to this, we have evaluated the 'large windfall' potential to deliver in the region of 6,300 units from sites with planning permission or under construction.

Within the draft London Plan, the Mayor has also issued a directive of 529 'small sites' each year; small sites being defined as those with 25 units or fewer. Based on our findings – and taking account a positive shift in planning policy - we anticipate the greatest proportion of our supply will come from larger sites. We therefore suggest that a more achievable figure would be around 500 units each year.

We are, however, confident that we can deliver 1,495 units per year over the first ten years of the plan, and therefore be in accordance with the government's target. In reality, the delivery of our larger sites will be spread across several years and we therefore expect to deliver somewhere in the region of 7,674 units over the first five years of the plan. Based on these projections, we would also exceed the new draft London Plan target of 1,010 homes per year over the next 20 years. A breakdown of our five to 15-year housing supply is detailed on our housing supply schedule on the council's website.

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## Housing Need and Housing Targets

The National Planning Policy Framework (NPPF) paragraph 60 states that local planning authorities should use a “local housing need assessment, conducted using the standard method in national planning guidance” to determine the level of need for new homes. The PPG confirms that an assessment of housing need is “an unconstrained assessment of the number of homes needed in an area”, and that it “identifies a minimum annual housing need figure. It does not produce a housing requirement figure”.

### The Standard Method

The PPG sets out the government’s standard method for assessing local housing need. There are three steps to calculating need using this method:

1. Setting the baseline.
2. An adjustment to take account of affordability.
3. Capping the level of any increase.

To set the baseline, the standard method uses the 2014-based household projections. These are projected forward over a 10-year period with the current year as the starting point. For Westminster, this gives an annual growth of 1,440.3 households across the 10-year period.

The affordability adjustment is calculated using the following formula:

$$\text{Adjustment factor} = (\text{local affordability ratio} - 4/4) \times 0.25 + 1$$

The local affordability ratio is taken from the most recent median workplace-based affordability ratio, published by the Office for National Statistics. In Westminster, this ratio is 24.41. The adjustment factor for Westminster is therefore 2.275625. When this is multiplied by the annual household growth of 1,440.3 households, this gives a requirement figure of 3,278 homes per year.

The level of increase is then capped. The way the cap is calculated depends on the current status of relevant strategic policies for housing. In Westminster, these policies are set through the London Plan, the most recent iteration of which was adopted in 2016. The London Plan figure for Westminster is 1,068 homes per year. The cap then increases this by 40%, leading to an annual requirement of **1,495** homes per year over the period 2019-2028.

### The draft London Plan housing target

The draft London Plan is currently undergoing examination by the Secretary of State. It is expected to be adopted by the end of 2019. The draft London Plan sets an annual requirement for Westminster of **1,010** homes per year. Within this overall annual

target, there is also a target for 'small sites' of 529 homes per year. 'Small sites' are defined as those yielding 25 or fewer net units.

The draft London Plan target is based on the 2017 London Strategic Housing Land Availability Assessment (SHLAA), which assessed potential capacity of development sites across London, taking into account known constraints such as heritage status and adopted planning policy.

### Difference between the two targets

To address the gap between the draft London Plan target and the housing need figure obtained from the government's standard method, we have undertaken further investigation of sources of housing land in Westminster. With this information we have set a housing target for Westminster of 22,222 new homes between 2019 and 2040 with 1,495 homes delivered every year for the first ten years.

## Sources of supply

To assess housing capacity in Westminster, we have used the following sources of land supply:

- Sites with planning permission
- Sites where the principle of residential use has been established through previous planning permissions that have now expired or are not currently being implemented
- Suitable sites undergoing pre-application discussion
- Council-owned sites with redevelopment potential
- Key Development Sites

We have also made assumptions on the potential of small sites, based on historic levels of windfall delivery and future trends based on the changing national, regional and local policy framework currently being developed. This includes the focus on small sites in the recently revised NPPF (paragraph 68), the draft London Plan's policy on small sites (Policy H2), and the proposed policies in Westminster's draft City Plan on upwards extensions (Policy 41).

### Key Development Sites

Appendix 1 of the draft City Plan contains a list of Key Development Sites. These sites include those with development potential for over 50 net residential units over the plan period. The majority do not have a live planning permission but are expected to be redeveloped over the lifetime of the plan. An indicative 5-year period is recorded

against each site to show when it is expected to come forward. In total these sites will yield 4,770 units over the plan period.

Each of the Key Development Sites has undergone a preliminary assessment to consider the developable area of the site and potential development typologies including form and massing. This has resulted in each site being given an indicative number of residential units. Whilst this is not definitive, it represents a minimum figure required from each to ensure the sites are optimised and contribute to the overall plan target being met. This is particularly important for those sites expected to come forward in the first 10 years of the plan.

### Other large sites

There are several other large sites delivering over 50 net units under construction, with planning permission, or undergoing pre-application discussion that have been factored into our housing trajectory as 'large windfalls'. They are not included as Key Development Sites because they are being delivered using a planning permission already granted, or where pre-application discussions have already established the principal of development and the number of units to be delivered. These sites will deliver around 6,300 units. The majority of these sites are expected to be completed within the first five years of the plan period. After the first five years it is less certain that sites of this size will continue to come forward over the plan period where they have not already been identified. Therefore, no further assumption has been made that such large windfall sites (that are not already identified as Key Development Sites) will continue to come forward for redevelopment.

### Medium sized sites

There are several sites within our 5-year housing land supply that do not fall within the parameters of either large windfalls or Key Development Sites as they will not yield 50 or more units; however, they also do not meet the Mayor's definition of a 'small site' because they will yield more than 25 units. Based on our knowledge of these sites and our delivery of similar sized sites over the previous five years, a rolling average for the whole plan period of 195 units per year has been added to the trajectory as an allowance for 'other windfalls' between 26 and 49 units. This figure is based on a 5-year average of these sites within our 5-year land supply.

### Small sites

The Mayor has set a small sites target for Westminster of 529 units per year, to come from sites yielding 25 units or fewer; however, our trajectory indicates that a higher proportion of our supply will come from larger sites as detailed above. After additional investigation considering our 5-year housing land supply and figures for recent delivery of sites of 25 units or fewer, we consider that around 500 units a year can be delivered on sites of 25 units or below, as set out in our housing trajectory.

This figure has been calculated using the following data sources: firstly, our recent record of delivery of sites of this size over the previous five years has been compared against sites of this size we are aware of that are expected to come forward over the next five years. These sources have been combined to form an assumed annual average supply of 185 units per year.

Secondly, an assumption has been made that further small sites will come forward over the plan period because of the more permissive planning policy framework now being put into place at a national, regional and local level. This framework is more positive towards proposals for changes of use through permitted development, extensions (including upwards extensions), in-fill development and the development of other small sites to boost housing supply. We have modelled potential capacity in the city, excluding key heritage designations, to establish an annual supply from small sites. This gives an annual average supply of 295 units per year.

Finally, two assumptions from the London Plan SHLAA have been taken forward into our housing trajectory relating to vacant housing returning to use and the supply of non-self-contained housing, both of which provide an annual average supply of 10 units per year.

**Table 1: Summary of sources of housing supply, 2019-40**

Source of supply	Total Units
Key Development Sites	4,770
Large windfalls (50+ units)	6,300
Other windfalls (26-49 units)	4,290
Small sites (25 units or below)	10,560
Vacant and non-self-contained	440
<b>TOTAL</b>	<b>26,360</b>

## Summary of Westminster's 5-year land supply position

We are confident that we can demonstrate a five-year supply of housing land to deliver to the government's standard method figure of 1,495 units per year over the first five years of the plan period.

Our most recent 5 to 15 year housing supply schedule can be found here: <https://www.westminster.gov.uk/housing-supply-schedule>. This shows that between 2018/19 and 2022/23 there is an overall supply of 8,389 net units; however, this is based on each site delivering all its units within a single year. In reality, the delivery of larger sites can be spread across several years of the plan period. Consequently, after further analysis, our housing trajectory identifies an overall supply of 7,674 units over the first five years of the plan period. This is broken down annually as follows:

**Table 2: Westminster's 5-year housing land supply by year**

<b>Year</b>	<b>Net units</b>
2018/19	1,538
2019/20	1,543
2020/21	1,535
2021/22	1,537
2022/23	1,521
<b>Total 5-year supply</b>	<b>7,674</b>

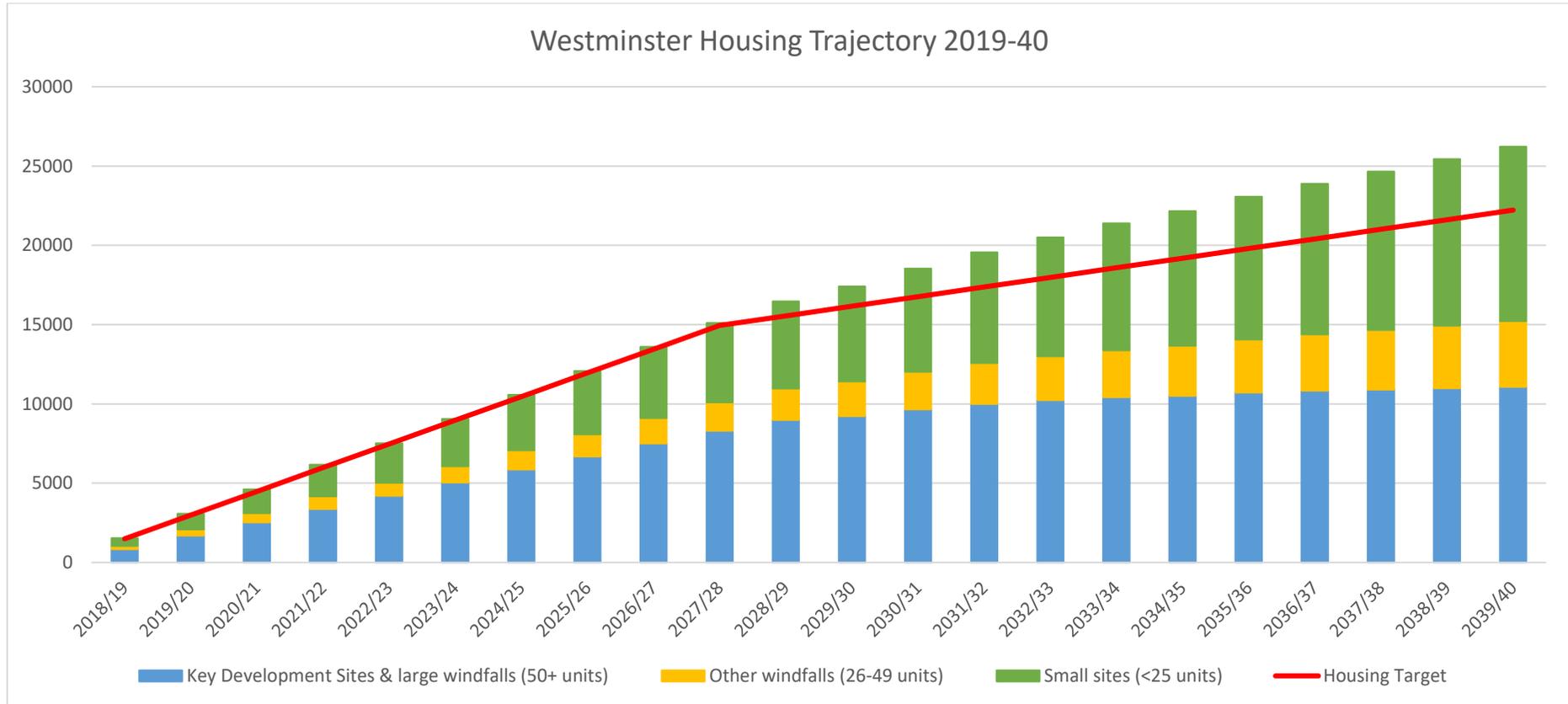
## Westminster's Housing Target

The draft City Plan sets an overall minimum target of 22,222 homes to 2040, based on delivering against the standard methodology figure (1,495) in the first ten years and exceeding the draft London Plan target overall across the plan period (1,010 homes per year over twenty years). We are confident in exceeding this level of supply, particularly through meeting the higher figures during the first 10 years of the plan period.

In the latter part of the plan period, our housing trajectory shows that we expect growth to continue; however, we cannot say with certainty that sufficient sites will come forward to meet a continued annual target of 1,495 homes per year. We will ensure we continue to meet the overall London Plan target over the latter part of the plan period, which equates to an annual minimum requirement of 606 homes per year between 2028 and 2040. However, our housing trajectory indicates that we will exceed this annual target through continued delivery of small and medium sized sites in the latter half of the plan period.

Following adoption of the City Plan we will continue to monitor the housing delivery in the city from the various sources identified in this paper. The plan, including the housing target, will be reviewed within five years of adoption, in line with NPPF paragraph 33.

Appendix A: Westminster's Housing Trajectory 2019-40



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City of Westminster