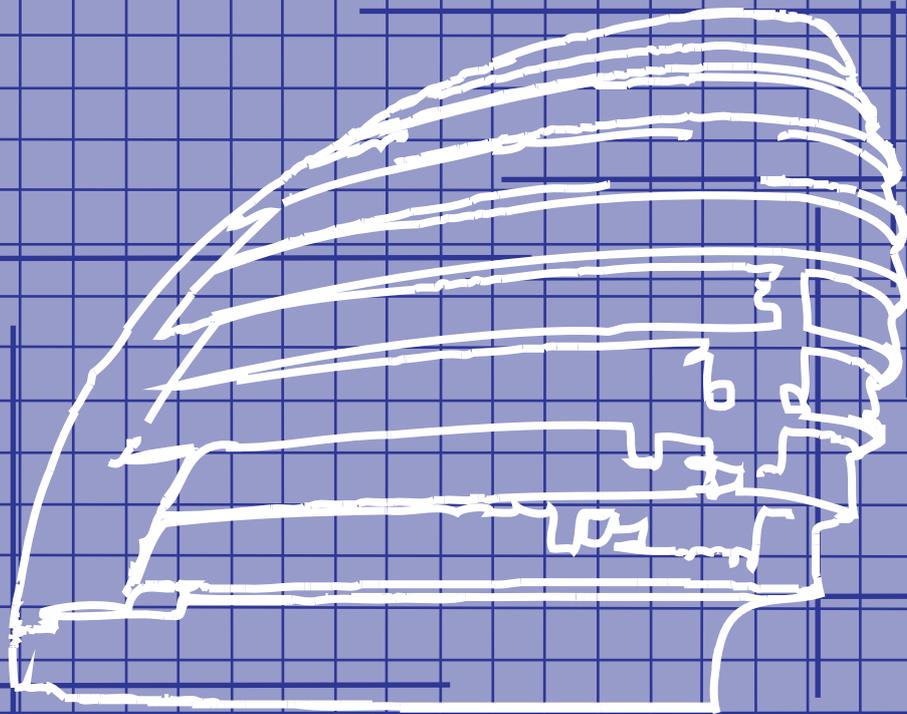


# Homes for Londoners

A blueprint for how the Mayor can deliver the homes London needs



July 2016

**London First**

Middlesex House  
34-42 Cleveland Street  
London  
W1T 4JE

Jonathan Seager  
Housing Director  
T: 020 7665 1584  
jseager@londonfirst.co.uk  
[www.londonfirst.co.uk](http://www.londonfirst.co.uk)

**Dentons UKMEA LLP**

One Fleet Place  
London  
EC4M 7RA

Stephen Ashworth  
Partner  
T: 020 7320 6134  
stephen.ashworth@dentons.com

Katie Scuoler  
Associate  
T: 020 7246 7386  
katie.scuoler@dentons.com  
[www.dentons.com](http://www.dentons.com)

# Contents

<b>1.</b>	<b>Summary</b>	<b>1</b>
<b>2.</b>	<b>Introduction</b>	<b>3</b>
<b>3.</b>	<b>The Greater London Authority and its powers</b>	<b>7</b>
<b>4.</b>	<b>Harnessing the Mayor's powers to support housebuilding</b>	<b>11</b>
<b>5.</b>	<b>Homes for Londoners: land</b>	<b>14</b>
<b>6.</b>	<b>Homes for Londoners: central resource and policy advocacy</b>	<b>19</b>
<b>7.</b>	<b>Homes for Londoners: transport and wider infrastructure</b>	<b>23</b>
<b>8.</b>	<b>Homes for Londoners: affordable housing</b>	<b>26</b>
<b>9.</b>	<b>Homes for Londoners: financing and funding</b>	<b>29</b>
<b>10.</b>	<b>Homes for Londoners: skills and innovation</b>	<b>31</b>
<b>11.</b>	<b>Conclusion</b>	<b>33</b>

# Summary

## 1

London's housing crisis dominated the mayoral election campaign with the new Mayor, Sadiq Khan, calling the election a 'referendum on housing'. During the campaign, Khan made it clear he wanted to see more homes built, particularly affordable homes. A new Mayor saying he will significantly increase supply is welcome. Achieving that is more difficult; words must now be turned into action.

London's high house prices – the average price is now approximately £530,000 – underpinned by a lack of supply is a systemic problem. The city is failing to build the homes it needs. The latest housebuilding figures show that only 27,819 new homes were built in 2014-15 set against a housebuilding target of 49,000 homes a year, with demand for new homes only set to increase as the capital's population is projected to hit 10 million in the 2030s.

London must double its rate of housebuilding if it is to adequately house its growing population. A failure to do so is not just a social issue: it poses a threat to the capital's economic competitiveness. Businesses in London are increasingly concerned that a growing number of talented people across many levels of income will be driven away, or put off London in the first place because the city cannot build the homes it needs and housing costs continue to rise.

There are a complicated set of factors that continue to hold back development, but it is clear that new ways of working with all those who build homes in London is required. Sticking with the status-quo will at best deliver incremental growth, when what is actually needed is a fundamental and immediate step-change in housebuilding.

The Mayor has proposed setting up Homes for Londoners (HfL) to "bring together all the Mayor's housing, planning, funding, and land powers alongside new experts to raise investment, assemble land, make sure Londoners get a fair deal from developers, and commission and construct new homes"<sup>1</sup>.

We back the creation of HfL and believe the Greater London Authority (GLA) must evolve from an organisation that sets policies and distributes limited government money to fund housebuilding, into an organisation that pushes, and where necessary intervenes, to drive the delivery of more homes. HfL can enable this shift, and this report sets out a blueprint for what HfL should concentrate on, from the perspective of London business.

**As a first step, we believe HfL's primary role must be getting public land ready for development. Where practicable, HfL, on behalf of the GLA, should assemble sites around core public land-holdings; set out an acceptable level of density for development; and offer them to the market with clear requirements about the mix of tenures required. Securing a new pipeline of developable land owned by, or the disposal of which is controlled by, HfL provides the Mayor with the ability to directly influence and enhance housebuilding.**

1. [http://www.sadiq.london/homes\\_for\\_londoners\\_manifesto](http://www.sadiq.london/homes_for_londoners_manifesto)

Beyond the primary role of getting a pipeline of public land ready for development HfL should also:

- provide additional resource to support London's boroughs in planning for and delivering more homes, and work to influence policy in London and central government to support an increase in housebuilding;
- direct GLA resources, as far as possible, towards transport and wider infrastructure investment which support the delivery of new homes;
- forge a new relationship with housing associations to increase supply and coordinate the pan-London delivery of affordable homes;
- use the limited funds available to support HfL's public land programme and to more generally offer financial assistance to support a greater variety of home providers in London; and
- ensure there is a skilled workforce able to provide the homes London needs, and that innovative construction methods are proactively explored where this can accelerate supply.

Concentrating on these areas would support the main focus on public land but they are also, in their own right, important to increasing supply. Crucially, the Mayor has extensive powers here and can drive a fundamental step-change in housebuilding if these powers are harnessed.

Additional resource will be required to ensure HfL succeeds but given this is a Mayoral priority we would expect this to be found from within the existing GLA budget. Of course the devolution of additional powers and significantly more public funding would be welcome, allowing HfL to go further and faster, but this should not delay action in the short term through existing powers.

HfL will need to adopt multiple ways of working depending on the issue it is addressing. In some instances, the core staff of HfL should take the lead, in others it might be different parts of the GLA family or boroughs. The relationship between HfL and the boroughs will be important. The Mayor should seek to establish a healthy working relationship with the boroughs and develop a clear sets of asks from them, using HfL as a resource to support them.

Sadiq Khan's manifesto said "the housing crisis is the single biggest barrier to prosperity, growth and fairness facing Londoners today"<sup>2</sup>. The success of his Mayoralty will be judged against how far he knocks down this barrier by getting more homes built. This is a significant but not impossible challenge. In order to succeed, the Mayor must show strong political will and leadership. He must ensure that action is being taken on all fronts to increase housing supply, and at the heart of this effort should be Homes for Londoners.

# Introduction

## 2

In 2014 London First published Home Truths<sup>3</sup> which called for a bold approach to increasing housebuilding in London. The report made twelve recommendations including:

- using new transport infrastructure as a catalyst to unlock more housing development;
- introducing a 'Domesday Book' for surplus public land in London and coordinating the release of this land for housing;
- pursuing a policy of densification in London to make the best use of land;
- creating stronger financial incentives for boroughs to meet their housing targets and removing planning powers from those that consistently fail; and
- providing more support to boroughs that want to start building again by abolishing restrictions on local authorities borrowing against the value of their housing stock where this would be within prudential limits.

Home Truths makes it clear there is no simple solution to London's lack of housebuilding – increasing supply requires action on multiple fronts. This means changing both policies and structures. The Mayor has already signalled that he intends to establish Homes for Londoners (HfL) – a team of experts at City Hall working to get more homes built. This report argues, from the perspective of London business, the case for creating HfL; what its priorities should be; and how most of the powers it needs to succeed already exist.

### London's housing need

Since the first London Plan – the Mayor's spatial development strategy – in 2004, its housebuilding target has increased with each iteration, rising from 23,000 in 2004 to 30,500 in 2008, 32,210 in 2011 and 49,000 in 2015<sup>4</sup>. Unfortunately, actual housebuilding has not kept pace; the latest housebuilding statistics (see Figure 1) show that only 27,819 new homes were built in 2014/15.

Figure 1: Net housing supply in London 2004/05 – 2014/15

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Conventional</b>	24,685	25,603	27,158	28,247	29,567	24,739	18,934	22,709	22,205	25,308	27,819
<b>Non-Conventional</b>	4,164	449	2,967	1,284	2,408	1,426	1,922	1,491	2,639	4,298	4,075
<b>Vacants back in use<sup>5</sup></b>	2,519	-61	3,608	287	-398	2,223	4,882	5,670	2,018	1,057	
<b>Total</b>	<b>31,368</b>	<b>25,991</b>	<b>33,733</b>	<b>29,818</b>	<b>31,577</b>	<b>28,388</b>	<b>25,738</b>	<b>29,870</b>	<b>26,862</b>	<b>30,663</b>	<b>31,894</b>

Source: London Plan Annual Monitoring Report 12, 2014-15, Greater London Authority: March 2016

3. Home Truths: 12 Steps to Solving London's Housing Crisis, London First: March 2014.

4. The 49,000 figure comprises of a minimum target of 42,000 homes with the Plan also requiring boroughs to demonstrate in their Local Plans how they will exceed their minimum target to ensure London delivers 49,000 new homes. See policy 3.3 and paragraph 3.19i in The London Plan, Greater London Authority: March 2015.

5. **Conventional completions:** self-contained homes from new build, conversions or changes of use;

**Non-conventional completions:** non-self-contained housing such as bedrooms in hostels or halls of residence;

**Change in long-term empty homes** (those empty for more than six months), where a decrease is an addition to supply and an increase is a subtraction.

At the same time, London's population has been growing rapidly surpassing its historic peak and is projected to reach 10 million in the 2030s. The number of households is also projected to increase by just under 30 per cent to over 4 million by 2031, driven by population growth and by a fall in the average household size<sup>6</sup>. The imbalance between supply and demand has been a significant factor in rising house prices with the average home in London now costing just over £530,000<sup>7</sup>.

### **Economic competitiveness**

This continued undersupply of housing in London is not just a pressing social issue; it also poses a threat to economic competitiveness. London's success is built on attracting and retaining talent – both home-grown and from around the world – and there is increasing concern from across the business community that a growing number of talented people from many levels of income will be driven away, or put off coming to London in the first place. Three-quarters of businesses surveyed in 2014 warned that the lack of new homes and rising housing costs are 'a significant risk to the capital's economic growth'<sup>8</sup>. Furthermore, recent research has shown the negative impact that high housing costs have on consumer spending and economic output<sup>9</sup>.

### **Planning permission doesn't always mean development**

As there is no single solution to the challenge of building more homes in London, similarly there is no single reason why London is not building the homes it needs. There is a complicated set of factors – analysed at length in several reports – that continue to hold back development<sup>10</sup>.

The planning system is often cited as a barrier to delivery; more can be done to increase the speed and, critically, reduce the complexity of the process. Yet data shows that from 2004-05 to 2012-13 there were, on average, over 50,000 planning approvals for new homes in London each year and, cumulatively, the stock of unimplemented planning permissions is approximately 215,000 homes<sup>11</sup>.

6. The London Plan, Greater London Authority: March 2015 and Homes for London, The London Housing Strategy, Greater London Authority: June 2015.

7. Land Registry, House Price Index, February 2016, nominal terms.

8. Moving Out: How London's housing shortage is threatening the capital's economic competitiveness, London First and Turner and Townsend: September 2014.

9. London housing – a crisis for business too. A report for Fifty Thousand Homes, Centre for Economic and Business Research: October 2015.

10. See in particular Barriers to Housing Delivery, Greater London Authority: December 2012 and Barriers to Housing Delivery – Update, Greater London Authority: July 2014.

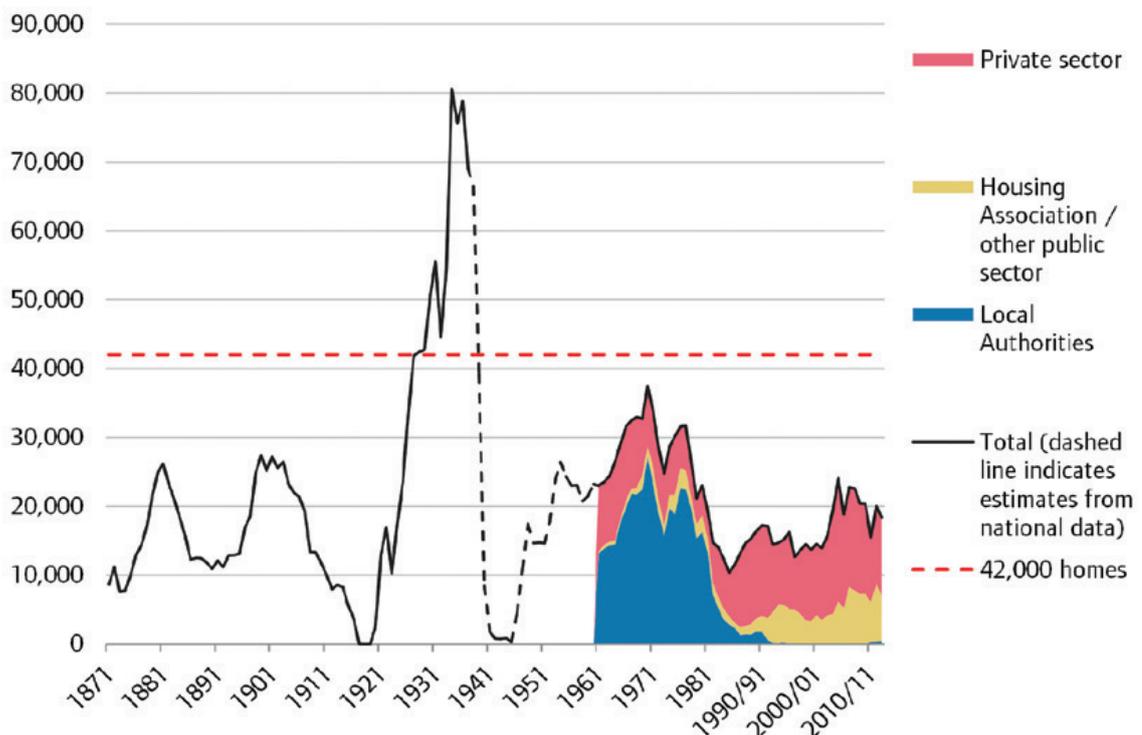
11. The Homes London Needs, Part 2, Mass-delivery of Manufactured Homes for Rent, Policy Exchange: February 2016.

These headline figures must be treated with caution. Having planning permission in place does not mean development can start straight away. There are often protracted negotiations about other permissions and practical implementation issues, such as detailed design and use of materials. A delay in supporting infrastructure, such as road or rail connections, can halt development. More fundamentally, wider economic factors can make a specific scheme no longer viable. In addition, much of London’s housing pipeline is part of large developments that are built out in phases, which take time to deliver.

### A change is needed to build significantly more homes

The last time London built over 49,000 homes a year was the inter-war period (see Figure 2). Supply then was boosted by cheap land, the expansion of the transport network and the easy availability of finance. During the 1960s and 1970s, higher completion numbers were driven by the provision of council housing<sup>12</sup>.

Figure 2: new homes built in Greater London, 1871 to 2012-13



Source: GLA, London Housing Strategy, November 2013.

12. Housing in London 2015, The evidence base for the Mayor’s Housing Strategy, The Greater London Authority: September 2015.

The present lack of skills, resources and financial capacity are significant barriers to the public sector replicating roles previously undertaken in the twentieth century.

Some boroughs are, however, quite rightly exploring what they can directly do to build more homes through the use of local housing companies and joint ventures. While clearly an increase in public funding would provide a boost to such initiatives, this is unlikely to occur in any significant form during the four years of the new Mayoralty. However, that does not mean the Mayor is powerless to make a difference – indeed the opposite is the case.

### Homes for Londoners

Housing was the central issue of the Mayoral election and Sadiq Khan has made it clear that building more homes, particularly affordable homes is his top priority. His manifesto promised to “tackle the housing crisis, building thousands more homes for Londoners each year”<sup>13</sup>.

The case for Homes for Londoners is clear. London must double its rate of housebuilding if it is to adequately house a growing population and keep the city economically competitive. The status-quo may see housebuilding increase incrementally but a step-change in delivery is required now. In the past, the public sector has led drives to increase housebuilding. While the nature of this role must change to suit current circumstances, the Mayor, through the GLA, has both the convening legitimacy and a set of powers and resources, which complement those of the boroughs, to help get more homes built.

The Mayor should use HfL as a way to drive delivery as opposed to just creating the conditions for the market to deliver. This means the GLA must evolve from an organisation that sets policies, strategies and distributes limited government money to fund housebuilding, into an organisation that proactively pushes, and where necessary intervenes, to support the delivery of more homes. Addressing this issue at a pan-London level makes sense as the need for more homes applies across the entire capital.

The next chapter explains the range of powers the Mayor has over housing, transport and land-use planning and policy. Chapter four sets out our views on what the aim and strategy of HfL should be, as well as discussing how it might be structured. Finally, chapters five to ten outline the core work streams and policies on which we believe HfL should focus.

13. [http://www.sadiq.london/homes\\_for\\_londoners\\_manifesto](http://www.sadiq.london/homes_for_londoners_manifesto)

# The Greater London Authority and its powers

## 3

London-wide government in its current guise, a directly elected Mayor scrutinised by an elected London Assembly, came into existence in 2000 with the creation of the GLA. The GLA has three principle purposes set out in statute: to promote economic development, social development and the improvement of the environment<sup>14</sup>. It has a wide general power to do anything which it considers will further promote these three core principles. In particular, the Mayor may acquire or dispose of any property and has wide power to invest and borrow within prudential limits<sup>15</sup>.

The GLA is London's strategic authority, with London's 33 councils (32 boroughs and the City of London, together referred to in this paper as 'the boroughs') providing the majority of local government services. In housing terms this means that, for example, the Mayor has a responsibility to produce a housing strategy and spatial development strategy for the whole of London. The boroughs set local versions of these strategies – their local plans – which have to take into account the Mayor's strategies. Although not the focus of this report, boroughs also have a number of other housing roles including: allocating social housing; owning and managing social housing; administering housing benefit (under the direction of central government); and they also have a statutory responsibility to provide accommodation to certain categories of people who are homeless in their area.

Successive governments have devolved additional powers to the Mayor, many of which have bolstered his powers in relation to housebuilding and regeneration, which were originally relatively constrained (see Figure 3 for a summary). Notably, the Localism Act 2011 provided the Mayor with the ability to designate Mayoral Development Corporations (MDC) and enabled the land acquisition and social housing powers of the Homes and Communities Agency (HCA) to be exercised by the GLA in London, together with power to distribute housing grants from government.

The Mayor has gained, or will be gaining, further powers through the Housing and Planning Act 2016 including:

- an extension of existing powers to take over planning applications for determination;
- the power to intervene in boroughs' development plan documents, if permitted by the Secretary of State, where that borough is failing to prepare, revise or adopt its development plan documents; and
- the power to make grants to private registered providers in respect of right to buy discounts in London.

The Neighbourhood Planning and Infrastructure Bill announced in the Queen's speech may offer the opportunity for the devolution of further powers.

14. Section 30(2) Greater London Authority Act 1999.

15. Sections 1, 3 and 12 Local Government Act 2003.

Figure 3: current Mayoral powers

<b>Housing, land and regeneration powers</b>		
<b>Housing Strategy</b>	<b>Housing investment</b>	<b>Compulsory acquisition</b>
The Mayor has a statutory responsibility to produce a Housing Strategy which sets out how London's housing needs will be met.	The GLA is responsible for the government's Affordable Homes and National Affordable Homes Programmes in London. It also runs investment programmes such as the Housing Zones initiative and the London Housing Bank, amongst others.	The GLA has the right to acquire land and rights compulsorily for the purpose of housing or regeneration subject to the authorisation of the Secretary of State <sup>16</sup> .
<b>Mayoral Development Corporation</b>		<b>Control and disposal of public land</b>
The Mayor can designate MDCs to lead the regeneration, and be the planning authority for those areas <sup>17</sup> . So far two MDCs have been created: The London Legacy Development Corporation (around the Olympic Park) and the Old Oak Common and Park Royal Development Corporation.		The GLA inherited substantial land holdings from the HCA, London Development Agency and London Thames Gateway Development Corporation; and has broad powers to acquire and dispose of land. The GLA has established a London Development Panel to procure development opportunities on its own land (and for other public bodies who choose to use it).

16. Section 333ZA Greater London Authority Act 1999 (introduced by section 187 Localism Act 2011).

17. Section 202 Localism Act 2011.

<b>Land-use planning powers</b>	
<b>Plan making</b>	<b>Determination of applications</b>
The Mayor is responsible for producing and keeping up-to-date the London Plan, including associated planning documents such as Supplementary Guidance and Opportunity Area Frameworks. The Mayor can make representations on emerging Local Plans in London with this carrying significant weight in helping to shape those plans. This role will be enhanced with the new power of direction in the Housing and Planning Act 2016.	The Mayor is consulted on all planning applications that are of potential strategic importance, which includes development of over 150 homes (soon to be lowered to 50 homes). The Mayor has powers to direct refusal on an application that has been referred to him and take over applications for his determination as the local planning authority.

<b>Transport and infrastructure powers</b>		
<b>Transport for London (TfL)</b>	<b>Wider infrastructure</b>	<b>Community Infrastructure Levy (CIL)</b>
Created by statute, TfL is a functional body of the GLA with an income of £11.5 billion (2015/16) <sup>18</sup> . It exercises the Mayor's duties in relation to transport including, running London's transport network and helping to produce and implement the Mayor's Transport Strategy.	The Mayor does not have statutory powers over wider infrastructure such as digital, energy or water. However, the Mayor has produced the London Infrastructure Plan 2050 <sup>19</sup> which identifies, prioritises and costs London's future infrastructure needs. In addition, through the London Enterprise Partnership, the Mayor has established an Infrastructure Delivery Board <sup>20</sup> to coordinate policy.	The Mayor, as a charging authority (in addition to the local planning authorities), introduced the Mayoral CIL in April 2012 to part-fund the construction of Crossrail.

18. <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-funded>

19. <https://www.london.gov.uk/what-we-do/business-and-economy/better-infrastructure/london-infrastructure-plan-2050>

20. <https://www.london.gov.uk/WHAT-WE-DO/BUSINESS-AND-ECONOMY/BETTER-INFRASTRUCTURE/londons-infrastructure-delivery-board>

## Mayoral powers could be strengthened

While the Mayor has a broad set of powers these are not absolute. For example:

- the Secretary of State's consent is required for the disposal of (i) any freehold interest in land which is or has been operational land in the last 5 years and (ii) the grant of a leasehold interest of more than 50 years<sup>21</sup>. This is related to the statutory inhibitions on disposals for less than best consideration;
- Compulsory Purchase Order (CPO) powers are split between bodies of the GLA group: the GLA has the power to acquire land compulsorily for housing or regeneration whilst TfL has a compulsory acquisition power in relation to its transport functions - there is no overarching and integrated compulsory acquisition power;
- the GLA does not have the power to manage and utilise land on a commercial basis with a view to making a profit unless it does so through a taxable body;
- the GLA's powers are fettered by expenditure constraints which prevent it from incurring expenditure for anything which may be done by TfL or by an MDC;
- even if the Housing and Planning Act proposals are brought into force, the Mayor cannot directly intervene where a borough is failing to progress the preparation of adoption of a development plan document.

These restrictions, although irritating, are not critical. The existing legal framework provides scope for the Mayor to achieve a step-change in the levels of housing delivery, although additional powers could certainly increase the pace at which this could occur.

Perhaps more importantly, the GLA is very constrained in its ability to raise revenue. Approximately only seven per cent of all the tax paid by residents and businesses in London is retained by the Mayor and the boroughs. The London Finance Commission<sup>22</sup> put forward a case for, amongst other things, greater devolution of fiscal powers to London, specifically calling for the devolution of property taxes to London government in a pound-for-pound swap with government grant meaning this change would be fiscally neutral at the outset. Such changes would provide London government with greater certainty of income against which to plan, borrow and potentially raise additional money to help fund specific projects.

The Government has not yet accepted the case for wholesale property tax devolution, but the 2016 Budget did announce a move to the full retention of business rates by the Greater London Authority from April 2017, three years earlier than originally proposed.

21. Section 163(1) and (3) GLA Act 1999.

22. Raising the Capital, the report of the London Finance Commission: May 2013.

# Harnessing the Mayor's powers to support housebuilding

## 4

As outlined in the previous chapter, the GLA already has most of the necessary legal powers that a public body needs to encourage and facilitate the delivery of housing, although more powers and particularly greater public funding would clearly help. The challenge for the Mayor is to harness these existing powers and resources to double the rate of housebuilding. This will require a muscular approach to delivery and strong political will. The creation of HfL can provide a focal point for these efforts. This chapter outlines the proposed objective and strategy of HfL, together with some suggestions about how the organisation could be structured.

### Objective

HfL's one simple but difficult objective should be to ensure that all of London government plays an effective part in increasing housebuilding in London to 50,000 homes a year.

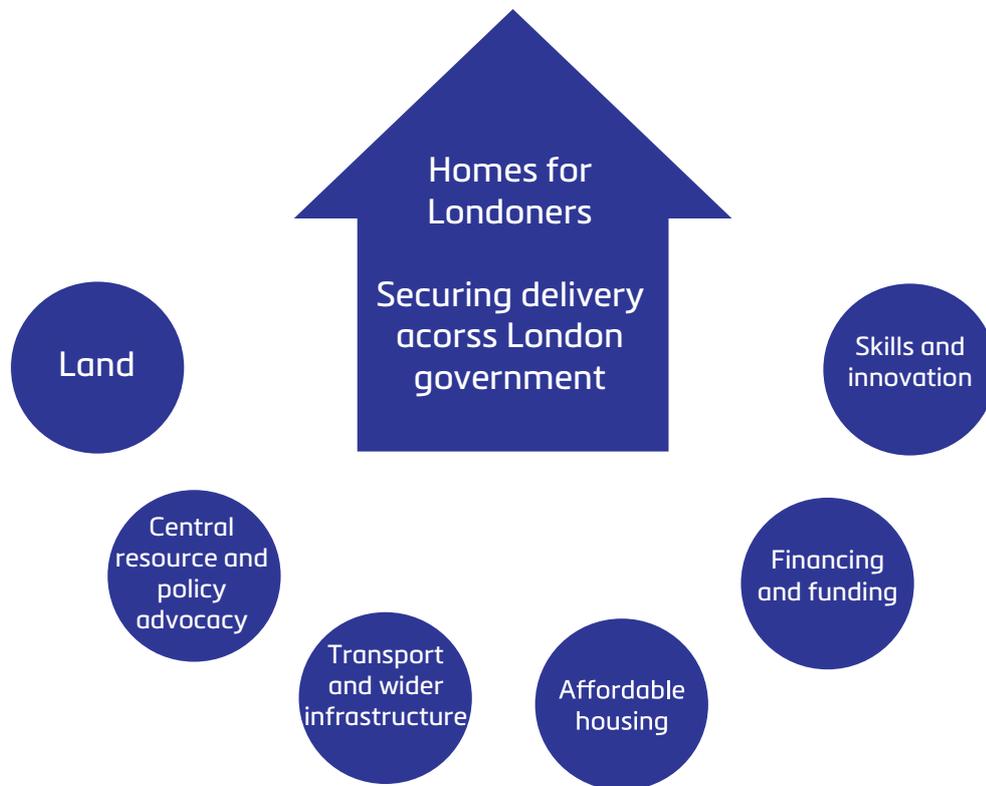
### Strategy

The overarching strategy for HfL should be to coordinate and drive London government, and to work with all those who build homes in London, to achieve its aim. This will involve working with and seeking to influence national government and, where relevant, local government outside of London. The organisation should have multiple ways of working depending on the issue it is addressing.

In some instances, the core staff of HfL should take the lead, in others it might be different parts of the GLA family or boroughs. Sitting under the overarching strategy should be six areas of focus: land; central resource and policy advocacy; transport and wider infrastructure; affordable housing; financing and funding; and skills and innovation. Each of these needs to be underpinned by fit-for-purpose planning and delivery competences.

HfL must strike the right balance between having an agenda that reflects the wide range of levers that need to be pulled to support the delivery of more homes and not spreading its resource too thinly across all areas, dissipating its impact. To that end, this report recommends the key immediate focus of HfL should be getting public land ready for development. The other areas of focus complement the public land role but are also issues in their own right which are important to increasing supply.

Figure 4: areas of focus for Homes for Londoners



### Organisational structure and resource

This report does not comment extensively on the detail of the organisational structure for HfL, but rather makes one suggestion and poses one question.

The suggestion is that in order to make a quick start, HfL is initially set up from the GLA's existing Housing and Land Directorate. Subject to complying with consultation requirements and internal governance approval, there are no legal barriers to doing this. There are approximately 100 people in the GLA Housing and Land Directorate today, managing a spending programme of £1.8bn between 2015 and 2018. This capacity and resource will need to be re-orientated and strengthened to manage its new broader strategic objective. Clear boundaries and lines of accountability between HfL and other GLA functions, such as the planning, regeneration and economic development teams, and other parts of the GLA family such as TfL, will need to be put in place, along with a modus vivendi with the boroughs (discussed in further detail below).

A question is whether, over time, HfL should become a separate body? The advantages of this structure would be to use its one-step-removed nature to reduce the politicisation of housing delivery, and secure borough, business – including private sector development expertise – and other stakeholder cooperation through its governance arrangements and composition of the board.

There are a number of options for how HfL could move to become a separate body. It could be set up as a functional body along the lines of TfL, which would require new legislation. Theoretically, it could be established as a London-wide MDC focussed on increasing housebuilding, although this seems politically unlikely. Or, it could be created as an arms-length corporate vehicle, akin to GLA Land and Property Ltd, the GLA's property-holding company. As a private company, HfL would be able to develop property for a commercial return without the risk of political fetter on the extent of those powers. This would be a bold move, with considerable care to be taken as to how such a body acted in relation to the GLA's statutory responsibilities.

Whatever organisational structure is chosen, set against a background of the government supporting more City Deals and 'Metro mayors', the Mayor of London should have considerable scope to organise and develop HfL as he considers locally fit.

### **Working with the boroughs and transition**

Whether or not London's boroughs are formally involved in the governance of HfL, it will be crucial for the new body to establish a healthy working relationship with them. Having 33 boroughs with 33 different sets of policies and political views poses a challenge for any Mayor to ensure that the whole of London is pushing in the same direction with regard to housebuilding.

Many of this report's suggestions on HfL's focus complement the role of the boroughs. In many instances, HfL should be bolstering the resources and skills of the boroughs, helping them to get more homes built by supporting the disposal of borough-owned land or through progressing development in Opportunity Areas, to give but two examples. However, in some instances HfL will need to challenge boroughs to do more, and the Mayor should be prepared to use his powers to ensure this happens. If the Mayor is clear from the outset on what he expects from the boroughs, and offers HfL as a resource to help London collectively, then a constructive relationship can be achieved between all of London government.

Similarly, the Mayor will need to provide all those who build homes in London with a clear view of how he sees HfL working with the market. Pushing to secure 50,000 homes a year in London requires new ways of working. A smooth transition from the existing system to one where HfL exists is required.

The remaining chapters of the report outline the detail of the six suggested core work streams HfL should focus on, starting with the primary role on public land.

# Homes for Londoners: land

## 5

### Aim

To secure an effective pipeline of un-/under-utilised public land for development across London to provide housing.

### Context

The GLA has made significant progress with its property portfolio. Of the 635 acres of land inherited from central and London government bodies in 2012, almost all has been developed, is in the course of development, is contractually committed or is currently being marketed. This means the main pipeline of land left under the Mayor's direct control is that held by TfL. While TfL's property portfolio is considerable, it can only provide a relatively small amount of the homes London needs. There are, however, many other parts of the public sector – government agencies to NHS Trusts through to boroughs – who could use their land and assets in London to help build more homes. Getting more public land into development is not a panacea, but a sensible starting point. Work will also need to be done to bring more private land forward for development<sup>23</sup>.

### Actions

HfL should provide the Mayor and other public landowners in London with a one-stop-shop of the skills and resources needed to get more public land into development. This should be the primary and immediate focus for the new body, concentrating on the following areas:

- advising the Mayor on a strategy for TfL land, from the perspective of maximising housing delivery;
- advancing the work of the London Land Commission;
- providing a centralised competency for CPO powers;
- providing a source of expertise and guidance in surmounting perceived or real constraints around 'best consideration', procurement and state aid.

### Establishing a strategy for TfL land

TfL is one of London's largest landowners and is making good progress in identifying and releasing sites for development. The first wave of sites under its new property strategy should deliver around 10,000 new homes alongside new commercial development over the next ten years. The second and subsequent waves of sites are being reviewed. The money raised from development is planned to support transport investment.

23. We have set out elsewhere how the Mayor could address the issue of getting more private land with unimplemented planning permissions into development. See recommendation 5 in Home Truths: 12 Steps to Solving London's Housing Crisis, London First: March 2014.

The challenge for the Mayor is to ensure that TfL's current ambitions are delivered while identifying and implementing opportunities to go further and faster. There will be trade-offs in the way in which TfL's assets are used: for example, the biggest commercial return is unlikely to be the one that maximises the amount of affordable housing. Similarly, there is a trade-off between taking a long-term stake in a development, which will offer a long-term income stream, and securing an upfront capital sum to pay for new transport or housing schemes elsewhere.

HfL can help advise the Mayor in establishing a clear strategy for TfL from the perspective of maximising housing supply. This advice will need to be balanced with TfL's need for investment. How this balance is struck is ultimately a political choice, but it should be made transparently, and taken against the pressures on London government in the round. Once the strategy is in place, HfL in conjunction with TfL needs the capacity to drive delivery.

### London Land Commission

Established in 2015, the London Land Commission has sought to identify brownfield land in public ownership for development and helped to coordinate and accelerate the release of land for housing. As part of this work, the LLC compiled a register of all publicly owned land and property in London. The Mayor should build on the work undertaken to date by the LLC by adopting a bold approach that:

- provides the LLC with significantly more resource through HfL so that it can more effectively engage with public landowners in London; and
- puts in place a strategy for ensuring the disposal of relevant land identified on the register by either acquiring this land (via transfers or purchase), or by coordinating its disposal with the public landowner.

HfL needs the capacity to challenge all public bodies to bring forward potential development land, offering and targeting support as required. It should also, on a prioritised basis and where this is not already happening, help London's public sector in the round to review its occupational requirements which in turn will create opportunities for new development.

Where practicable, HfL should seek to enhance the value of the land it acquires or is coordinating the disposal of in two ways. First, it should acquire adjacent privately-owned land where this can create scale (this would be supported by an enhanced CPO competency – see below). This approach should only be pursued where it could be clearly justified that it is within the public interest and demonstrably increases the number of, or speed with which, homes could be built. Second, HfL should ensure that the site delivers an appropriate level of housing density.

HfL should then provide greater certainty for developers when bringing land to the market by setting clear requirements about the quantum and mix, including affordable homes (be they for rent or sale), it wants. These requirements should have a clear development plan basis, and ideally be agreed by the GLA with the local planning authority. If the local planning authority resists the proposals then, subject to proper governance, there will always be the option of the Mayor taking over the application for his own determination.

In some instances, HfL may also seek to enter into development agreements that include long-stop dates. The GLA's standard form of London Development Panel Development Agreement includes an option for the GLA, in its role as landowner, to terminate the agreement if the developer fails to complete the development by the agreed date. Breach of the Development Agreement obligations may also entitle the GLA to withhold transfer of its land. A bold approach to Development Agreements is needed to ensure that there is a clear incentive to deliver in accordance with agreed milestones accepting that the price paid by developers is likely to reflect these obligations and level of risk involved.

To support HfL making the most of its land role, the GLA should seek additional powers to support the work of the LLC. This would include a statutory duty for all public landowners in London to cooperate with LLC work so that, for example, all relevant data and information about property holdings are shared in a timely manner.

### **Compulsory Purchase Order power**

Legislative powers<sup>24</sup> already exist for the Secretary of State to require the disposal of land interests held by certain types of public bodies – including London boroughs, the GLA, TfL and statutory undertakers – where that land is not being used or sufficiently used for that body's functions. A request for disposal can be initiated by individuals or private companies. HfL should publicise these powers, perhaps by seeking to use them or supporting others wishing to do so. Over the long-term, the GLA should be given the power to make orders in relation to property in London.

It will, however, still be necessary to use CPO powers to bring land to the market. As already noted, these powers might be exercised to create bigger and better development opportunities anchored by public land or in some instances used to unlock a private sector led regeneration schemes held back by fragmented ownership. TfL has a strong track record in making and promoting compulsory purchase orders but the GLA has been less active. Four years after first being given the power, The Greater London Authority (Regeneration of Southall Gasworks) Compulsory Purchase Order 2014 - confirmed in January 2016 - was the GLA's first use of its compulsory acquisition powers for housing purposes.

24. Section 98 Local Government, Planning and Land Act 1980.

The GLA needs to be bolder in its approach to compulsory acquisition and HfL should be responsible for this by:

- building on existing CPO technical competences in TfL, by creating a CPO unit that has the capacity to undertake housing-focussed CPOs, either directly on behalf of the GLA or for boroughs and other public authorities; and
- creating a loan fund for acquisition and compensation costs so that boroughs and other public bodies only bear the risks of the procedural costs of a CPO. As part of this HfL could offer loan funding to cover early stage compensation following the service of a blight notice.

The Mayor has the necessary powers to make housing and regeneration CPOs, although there is still scope to improve the clarity, fairness and speed of the CPO process which the Government is seeking to do in the Neighbourhood and Infrastructure Planning Bill. For HfL, it is a question of mobilising the resources in terms of personnel and funding to exercise the power more muscularly.

### **Dealing with constraints on disposals**

Legal constraints are sometimes cited by public bodies as a reason why a site has not been developed or has been sold to the highest bidder irrespective of the consequent timing, quality or nature of the development. In practice these constraints are limited, and where legitimate concerns are raised they can be addressed. HfL can help tackle this important issue by developing best practice to give public bodies the confidence that they can achieve housing delivery of the right sort, at the right price and at the right time.

### **Best consideration**

The GLA cannot dispose of land which it holds for the purposes of housing or regeneration for less than best consideration without the approval of the Secretary of State. A similar restriction applies to local authorities and, effectively, to most public bodies. But this is not a bar to selling land at anything less than the highest bid where it is in the wider public interest to do so; although at a time when the public sector is having to make substantial cuts there will always be a temptation to accept the best immediate price.

HfL should become a centre of expertise on this issue, helping the public sector in London to achieve the right outcome. In areas where housing need is clearly evidenced, a stronger case can be made that the delivery of housing is in the wider public interest. HfL should:

- develop best practice for best consideration that provides clear examples of how disposals do not have to be driven just by the need for an early cash receipt, but can take account of the longer term values being created;

- support the public sector to innovate in terms of land disposal arrangements. Public authorities already use build-now-pay later models and overage agreements on land disposals. Other possible approaches include, for example, taking payment in kind – new housing on the development – or taking an equity stake in the scheme; and
- act as a clearing house for requests to sell at less than best consideration for public bodies in London, and supporting applications to the Secretary of State. The aim should be that applications supported by HfL should be fast-tracked.

In the long term, the Mayor should seek to take over the role of the Secretary of State in signing off disposals at less than best consideration and in issuing general consents in London.

### Procurement and state aid

Regulated procurement is too often made more difficult than it needs to be and a similar story is true about addressing concerns over state aid. Navigating these issues is a necessary step but when done in an overly cautious manner can cause significant delay to development, and in some instances deter investment in the first place.

The procurement regime imposes a system of tender procedures on public authorities for contracts over a certain threshold (which vary depending on the nature of the contract). This is to ensure that contracts are awarded fairly and potential bidders are treated equally. However, the process is often unnecessarily long winded and expensive. HfL should develop best practice on the quickest way to carry out a regulated procurement, building on the experiences of the GLA and the London authorities.

HfL should also make it clear that, in many cases, public authorities do not actually need a level of land ownership controls over the nature of the development that engages the regulated procurement regime. Instead arrangements can be structured with trigger, termination and overage provisions that incentivise delivery without the need for a formal procurement process.

There are an increasing number of challenges to development proposals and disposals of sites on state aid grounds. Of course, care needs to be taken when property is being sold at less than open market value to ensure that it does not amount to state aid to the purchaser. Similarly, where land is acquired compulsorily or against the background of a threat to CPO, this might lead to state aid concerns.

The issues raised by procurement and state aid are not insurmountable. HfL should lead by example, developing best practice on both issues and becoming a centre of expertise for public bodies in London.

# Homes for Londoners: central resource and policy advocacy

## 6

### Aim

To provide additional resource to support London's boroughs in planning for and delivering more homes, and work to influence policy in London and central government to support an increase in housebuilding.

### Context

At a time when many boroughs are having to make substantial savings, finding sufficient resource and the right skills to, for example, oversee long-term, complicated regeneration schemes is a substantial challenge. The GLA already has considerable expertise across housing and planning, which HfL could supplement and offer to boroughs to support their efforts to increase housing supply.

Equally, HfL expertise can play a broader role in helping the Mayor to formulate strategies and policies and to make investment decisions. The Mayor has a competing set of priorities. HfL should be making the case for housing internally within the GLA, externally to the boroughs and, when necessary, to central government.

### Actions

HfL should be making the case for going further and faster on increasing housebuilding. It can do this by providing expertise and resource to London government and being an internal and external housing advocate. Specifically, it should:

- act as a centre of expertise to support boroughs in planning for and delivering more housing;
- provide data to establish a target and incentive-based approach to housing delivery with the boroughs;
- help inform London's policy framework, and where relevant national policy, to create the right environment for housing delivery.

### Centre of expertise

HfL should be a central resource working in partnership with London government and the development sector to increase housebuilding. In order to achieve this HfL should draw-on the existing expertise from across the GLA family, and also recruit the strongest possible talent where skills gaps exist.

At a basic level, HfL should disseminate best practice, developing a resource of precedent documents, framework structures and other information that boroughs could use, particularly in relation to land disposals, compulsory purchase the procurement process and state aid, as noted in chapter five. At a more detailed level, there are several areas where HfL's centralised, multi-disciplinary team could assist boroughs to support delivery. This resource will be limited so it should be targeted and exercised in conjunction with existing teams in the GLA. It could focus on the following areas:

- driving delivery in Opportunity Areas and Housing Zones (discussed in more detail in chapter seven);
- marshalling discussions with local authorities outside London to create a joined-up approach to housing and transport investment across London and the south-east (as London's functional economic area and housing market extends beyond its political boundary);
- supporting boroughs to compile their brownfield land registers<sup>25</sup>;
- offering support to boroughs to assess major planning applications for residential development where the borough lacks sufficient resource;
- considering how greater consistency in the preparation, scrutiny and reporting of development viability appraisals could be achieved.

### **Establishing a target and incentive based approach to housing delivery with boroughs**

The London Plan sets annual housebuilding targets for the boroughs but there are no real consequences if a borough misses its target – something that routinely happens. Between 2010 and 2013, 18 boroughs met or exceeded their average annual housebuilding target, while 15 fell short<sup>26</sup>. Where targets are not being met, some boroughs are planning positively and working hard with landowners and developers to facilitate development. In other instances, some boroughs could improve their performance by adopting a more positive approach to housebuilding, smoothing the planning process and reducing obstacles to development.

25. The Housing and Planning Act 2016 introduces local land registers which the Secretary of State intends to use to identify sites suitable for housebuilding and allocating some or all of these for automatic 'permission in principle' for development subject to the approval of a technical consent.

26. Carrots and Sticks: A targets and incentives approach to getting more homes built, London First and Nathaniel Lichfield and Partners: May 2015.

HfL should monitor borough housebuilding performance against the London Plan housebuilding targets, and broader indicators of performance such as having an up-to-date local plan in place, as well as borough timeliness in determining major applications for residential development. We have set out elsewhere detailed proposals about how such a system could operate<sup>27</sup>. This system is designed to provide a more nuanced approach than just assessing the number of homes built each year. This information could then be used by the Mayor to inform a broader relationship with boroughs about housing delivery. Such an approach would:

- offer boroughs financial incentives to meet their housebuilding targets, for example through GLA family funding streams, such as TfL's Local Implementation Plan (LIP) funding; and
- intervene where boroughs are consistently failing to deliver: for example through the proactive use of the Mayor's ability to take over the determination of planning applications - the threshold for residential applications is soon to be lowered to 50 homes; or through the creation of more Mayoral Development Corporations.

It would be for the Mayor to exercise these powers in accordance with his statutory planning responsibilities and independently of HfL.

### **Inform the policy framework in London**

HfL should work with all parts of the GLA and boroughs to create a policy framework that supports an increase in housebuilding. This requires advocacy and leadership, making and selling the case for more homes to whoever needs convincing. HfL should have an influential voice in internal policy debates at City Hall. The proposed work on land – as outlined in chapter five – will provide a good understanding of market conditions which can be used to inform policies in the London Plan, Housing Strategy and Transport Strategy, although the production of these strategies would remain with their respective teams at the GLA. HfL can also play a role in helping the Mayor to engage with central government, whether by gathering evidence to support Comprehensive Spending Review submissions, or making the case for further devolution of powers which would help to get more homes built.

27. Ibid

The list of policy areas that HfL could seek to influence is large but focusing on the following areas would be a good start:

- **providing greater support to build to rent development:** this is new investment into housebuilding - more companies looking to build more homes can only be a good thing in terms of increasing supply. It can also provide the public sector with an income stream to help fund more housing development or other priorities. Boroughs are still getting to grips with the different financial model that build to rent has compared to market sale homes, which can lead to considerable variations in outcome when planning applications are submitted. More can be done to establish a London-wide framework to increase this type of development.
- **facilitating the redevelopment of housing estates in need of renewal:** done well, this can improve residents quality of life, deliver better places and more homes. There are challenges to overcome such as gaining the initial support and continued trust of existing residents and finding the right development model to deliver what are often long and complex projects. HfL could support boroughs to assess the latter and inform the emergence of policy on the former – something the Mayor made clear in his manifesto he wants to address.
- **making the case for the best use of land through housing densification:** an increase in density is inevitable as the city's population grows - the question is whether these new Londoners will live in increasingly poor conditions in the city's existing housing stock or be properly accommodated in new homes. While meaningful international comparisons are often hard to make, even London's densest boroughs are low density compared to other international cities. Higher density is possible across London, and HfL could promote this message both in the forthcoming review of the London Plan and by encouraging boroughs to focus on densifying town centres, suburbs and public land, including housing estates in need of renewal.
- **reviewing London's green belt;** working with boroughs to consider how the land within London's green belt that is of poor environmental quality, of little or no public benefit and has good connectivity could be re-designated for high-quality, well-designed residential development that incorporates truly accessible public green space.

# Homes for Londoners: transport and wider infrastructure

## 7

### Aim

To direct GLA resources, as far as possible, towards transport and wider infrastructure investment which support the delivery of new homes.

### Context

Transport improvements can unlock new sites for housing development. However London is experiencing growing congestion across all of the main modes of transport, while funding from central government is shrinking, putting increased pressure on both TfL's operational efficiency and the generation of additional commercial revenues. The Mayor needs to reconcile these competing pressures.

Equally important to increasing housing delivery is the provision of wider infrastructure – water, waste, digital and power – but the Mayor has less control over private, regulated infrastructure providers. The previous Mayor set up an Infrastructure Delivery Board to coordinate and accelerate delivery.

### Actions

HfL should act as an internal champion in the GLA on the need for infrastructure to support housing investment. It should ensure that where decisions about transport and wider infrastructure investment are made, appropriate weight is given to whether such investment also supports the delivery of new homes. There needs to be some realism about this area of work as funds are limited but nonetheless HfL should focus on two issues:

- working with TfL to guide future investment decisions; and
- focusing on Opportunity Areas and Housing Zones, prioritising support to help speed up development.

### TfL investment

New transport infrastructure which could unlock land for new development – for example, extensions to existing underground and rail lines – can often fare poorly in traditional transport assessment. This is because there is, of course, a lack of existing transport demand in inaccessible areas where people don't currently live. However, should the transport infrastructure be provided this would support new development which in turn would generate demand for public transport. HfL should work with TfL to ensure that future investment decisions take into consideration the ability for transport infrastructure to unlock new development opportunities.

A clear, albeit medium-term example, is Crossrail 2 which TfL says has the potential to support the development of up to 200,000 new homes. Opportunities have arguably been missed with regard to maximising the housing development associated with Crossrail stations outside of central London. The choice of route and station locations for Crossrail 2 should therefore all be informed by an understanding of which would maximise the number of new homes. To ensure this happens, HfL should work with TfL to, amongst other things, formulate an integrated land ownership and planning policy framework that allows for greater housing densification along the route.

There will be other transport projects brought forward in the short to medium term where the approach outlined above should also be adopted. These might include tube extensions such as to the Bakerloo Line into south east London, extending the Dockland Light Railway eastwards, or to the Overground network.

There may also be a role for HfL to provide confidence to the market that TfL investment in new transport infrastructure will happen in areas where projects are planned but yet to be delivered. At present developers are wary about relying on future TfL investment, and are often constrained by planning obligations and conditions (so called Grampian conditions) that require transport investment to be in place before housing and offices can be occupied. HfL could offer advice to boroughs about the appropriate use of Grampian conditions in such cases, perhaps coupled with “infrastructure delivery guarantees”, setting the dates by which TfL (and other delivery bodies) will provide their infrastructure – dates which could then be used in planning conditions. And through its public land role (outlined in chapter five), HfL could send a strong signal to the market that development in these areas will happen. In some cases, HfL may be able to act as master developer, having sufficient confidence about TfL delivery to start the core works on sites being opened up by new transport investment.

### **Opportunity Areas and Housing Zones**

The London Plan identifies 38 Opportunity Areas (OAs) - large tracts of brownfield land in need of regeneration, which have the potential to provide over 300,000 new homes and over 500,000 new jobs<sup>28</sup>. Similarly, the Mayor in partnership with boroughs, has set plans for 31 Housing Zones (HZs) involving a total of £600 million in funding to support the construction of 75,000 new homes (and 150,000 associated jobs) over the next ten years<sup>29</sup>.

The boroughs should lead the regeneration of their OAs, but progress in moving from planning to delivery has often been slow. The GLA has begun the process of categorising and prioritising the OAs, from those vigorously underway (such as Kings Cross) to very long term projects (such as Old Oak Common or the Upper Lea Valley, that need significant coordination of strategic infrastructure and land assembly).

28. Chapter 2, London Plan, Greater London Authority: March 2015.

29. <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/housing-zones>

We have set out elsewhere detailed proposals about how the GLA could unlock the development potential of OAs<sup>30</sup> including making the London Plan clearer about what is expected of boroughs by issuing Supplementary Planning Guidance (SPG) for OAs. The SPG would require boroughs to introduce simpler planning rules across all OAs, including rules about the preferred approaches to the introduction of the Community Infrastructure Levy and planning obligations including affordable housing requirements in the early phases of schemes to make them commercially viable.

However, issuing additional guidance must also be backed up by resource on the ground. HfL should be this resource, with a dedicated team to support the boroughs to meet the requirements of the SPG, and to create detailed work plans, equivalent to a business plan, to provide greater certainty to the private sector. This team would also continue the positive work done by the GLA to date to drive forward the HZs initiative.

The provision of new infrastructure sits at the heart of maximising the development potential in OAs and HZs. At a granular level in OAs and HZs, HfL should help broker agreements with infrastructure providers to achieve a more efficient and integrated approach to the provision of infrastructure. Such a role might even be undertaken outside of OAs and HZs as boroughs start to collect CIL payments to help fund the infrastructure necessary to support development. Since CIL is generally only going to cover part of the cost of this infrastructure, there may be opportunities for HfL to broker solutions/investment programmes across borough boundaries.

At a more strategic level, HfL should participate in the Infrastructure Delivery Board and should assist the Mayor in lobbying for regulatory changes to allow greater investment ahead of need in utility infrastructure by providing supporting evidence and case studies which show the inadequacies of the current investment framework.

30. Opportunity Knocks: Piecing together London's Opportunity Areas, London First and Terence O'Rourke: July 2015.

# Homes for Londoners: affordable housing

## 8

### Aim

To forge a new relationship with housing associations to increase supply and coordinate the pan-London delivery of affordable homes with boroughs and the development industry.

### Context

The London Plan housebuilding target includes a target for affordable homes<sup>31</sup>. The Mayor has made it clear that overtime he wishes to see 50 per cent of new homes built in London being affordable (but not applying this on a site by site basis). Meeting this aim is complex: the 33 boroughs have 33 different approaches to the type and amount of affordable housing they want, which poses a challenge to meeting the London-wide need.

More broadly, cuts to public spending have ushered in significant changes to the grant-led model for building affordable housing. Many large housing associations have moved away from relying on grants to build affordable homes and are instead increasing the proportion of market homes they build – both for sale and rent – to provide cross-subsidy to build affordable homes. At the same time, the Government is also considering what type of housing counts as affordable by consulting on expanding the definition to include Starter Homes – a discounted market sale product – and reorienting what remains of grant funding to support its construction (away from traditional sub-market rented products). Furthermore, greater levels of homeownership are being promoted through the extension of the right to buy to housing association tenants funded through the sale of high-value council homes.

### Actions

Set against this changing landscape, London government needs a fresh approach to the way it supports the delivery of affordable housing. HfL can help the Mayor achieve this by providing expertise to:

- create a new approach to working with housing associations; and
- seek to coordinate the delivery of affordable homes across London by:
  - analysing the different approaches taken by boroughs to affordable housing with a view to ensuring these individual efforts work for the whole of London;
  - amend the London Plan to create a London-wide approach to off-site delivery; and
  - establish an 'exchange service' to support boroughs to provide affordable homes across London.

31. The current target is an average of at least 17,000 more affordable homes per year (policy 3.11).

## **A new approach to working with housing associations**

HfL can help the GLA adopt a new approach to working with housing associations. For larger, developing associations, this means moving away from the historic grant based relationship and into a broader contractual programme building on the existing range of delivery agreements. The aim of the programme should be to increase the number of homes built by associations with the GLA supporting this by unblocking obstacles to development through a combination of some grant, public land and its transport investment (and ideally also through further de-regulation but accepting this is beyond the control of the Mayor). A good example of this type of approach is the recent development agreement between the GLA and L&Q for Barking Riverside.

This would not mean an end to the traditional grant-based affordable housing programme and other funding programmes such as the London housing bank. These programmes could be re-sized and appropriately resourced to support medium to small-sized associations for whom grants can make a substantial difference to the number of homes they build.

## **Coordinate the delivery of affordable homes across London**

Having adopted a new strategy with regard to housing associations, this should form part of a broader role that HfL plays to coordinate the delivery of affordable homes across London. The boroughs agree on many issues and on some act collectively - but with regard to affordable housing they have different policies in place, differing interpretations of central government and Mayoral policy, and (obviously) different political priorities. HfL should analyse these different approaches with a view to ensuring the Mayor is working with all the boroughs to pursue their local aims but in such a way that delivers for the whole of London.

In addition to the broader contractual programme with housing associations discussed above, outlined below are two other tools the Mayor could use to support the London-wide need for affordable homes.

## London-wide approach to off-site delivery of affordable housing<sup>32</sup>

Residential developers are required to build a proportion of housing as affordable homes, normally on-site, but in some circumstances on a 'donor site' (off-site) or a payment in lieu is made in exchange. This system gives rise to two key issues. First, there is a lack of consistency; rules for how the system operates vary from one borough to the next. Second, it is not always clear how payments in lieu are spent.

HfL should work with the London Plan team to amend the Plan to:

- offer guidance to help developers and local planning authorities to assess the suitability of the off-site delivery of affordable housing, which takes into account factors such as land values, the physical constraints of the site and the type of housing mix needed in the local area;
- standardise how payments in lieu of affordable housing are calculated, monitored and used. In the long-term, the Mayor should lobby Government for powers to set local planning authorities a fixed time limit of three years to commit payment in lieu funds to affordable housing projects – after which the money should be transferred to the Mayor to use for affordable homes provision.

## Cross-boundary provision of affordable homes across London

Off-site delivery and payments in lieu raise the issue of cross-boundary provision of affordable homes. Typically, but not exclusively, this relates to central London schemes that could support more homes in other parts of London where there is more space to accommodate housing growth and lower land values mean increased numbers of homes could be built.

HfL through the GLA, with its London-wide remit, could act as an 'exchange service' to facilitate the cross-boundary provision of new affordable homes in London where boroughs want to enter into such arrangements. Any system would need clear rules and transparency, particularly in relation to how nomination rights between boroughs are addressed.

It looks likely that this cross-boundary facilitation role will be required irrespective of whether boroughs opt to proactively enter into such arrangements. This is because the Housing and Planning Act requires boroughs to deliver two affordable homes for every one high-value council home sold (to fund the right to buy for housing association tenants). It seems unlikely, for numerous reasons such as high land values in central London, that some boroughs will be able to meet their obligations by building all the new homes in their boroughs alone.

32. For detailed proposals on this see, The Off-Site Rule, Improving planning policy to deliver affordable housing in London, London First and Turley: February 2016.

# Homes for Londoners: financing and funding

## 9

### Aim

To use the limited funds available to support HfL public land programme and to more generally offer financial assistance to support a greater variety of home providers in London.

### Context

There will be limited public money available during this Mayoralty. Grant funding opportunities for development will be restricted but there could be scope for some additional financing, using some of the loan fund mechanisms already being used in Housing Zones, for example. Much of this will depend on how flexible the government is prepared to be in allowing the Mayor to develop new proposals in this area.

### Actions

Set within a constrained financial environment, HfL should:

- develop a financial strategy to support the GLA's land strategy (as set out in chapter five);
- consider what can be done to support small and medium-sized developers; and
- aim to put in place a counter-cyclical investment strategy.

### A financial strategy to support land portfolio

Subject to the availability of funds and borrowing capacity, HfL (more broadly the GLA) can acquire a land bank or undertake borrowing to fund acquisitions. Where HfL is acquiring land from other public sector partners there should be opportunities for "buy now, pay later" models, and partnerships where payment is made once assembled sites are brought to the market. Overtime, any land bank HfL assembles will have an asset value and could provide security for borrowing. Although there are risks associated with acquiring land for development, these can be managed.

Two ways in which the GLA can finance its strategy on public land from its own resources, which are not mutually exclusive, are:

- reinvest some of the receipts from the disposal of the existing GLA land and property portfolio. Whilst many of the sites have already been disposed of, receipts are still being obtained as payments are often phased over the course of the development; and
- borrow at the GLA group level, although headroom for extensive borrowing will be limited by existing commitments and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Local Authority debt levels, along with, in practice, what the government would consider an acceptable level of borrowing.

Funding, that is to say the repayment of this finance, would be secured through the sale of the land and/or the income obtained by assets that HfL may retain equity stakes in, with build to rent developments and retail units as part of mixed-use developments being good examples of the latter.

### **Supporting small and medium-sized developers**

There is significant potential to increase housebuilding on small sites (i.e. those less than 0.25 ha). However, it is often thought that a key stumbling block for small and medium enterprises (SMEs) to deliver on these sites is a lack of bank finance. In light of lower cash receipts, banks take a more cautious view to lending. This makes the upfront costs of progressing a planning application and discharging pre-commencement conditions a particular challenge for SMEs. HfL should test the market to explore if there is a genuine funding gap for SMEs and if there is a financing role that the GLA could play in bridging that gap. HfL could also act as an access point to available central government funds earmarked for this purpose<sup>33</sup>.

### **Counter cyclical investment strategy**

If 50,000 homes are to be built on average every year over time, an investment strategy which takes account of the economic cycle needs to be established and implemented. Notwithstanding the considerable current financing and funding constraints, HfL should seek to create such an approach, perhaps initially focused around counter-cyclical public land disposal and increased flexibility over planning policies.

33. <https://www.gov.uk/government/news/100-million-boost-for-small-housebuilders>

# Homes for Londoners: skills and innovation

## 10

### Aim

To ensure there is a skilled workforce able to provide the homes London needs and that innovative construction methods are proactively explored where this can accelerate supply.

### Context

London is facing a serious skills shortage in a number of professions associated with the built environment. The skills gaps are prevalent at all job levels and across sectors. At the heart of this problem is an ageing workforce and insufficient new talent entering the industry. Skills shortages cause delay, increase cost in the development process and create an upward pressure on wages - without change this will act as a significant barrier to increasing development. Addressing this issue requires more skilled labour, and also encouraging innovation to ensure that new skills and modern methods of construction are fully exploited.

### Actions

London's future growth can only be delivered if the skills base is in place to deliver it. HfL can play a role in two areas by:

- developing a London-wide built environment skills strategy;
- supporting innovative construction methods.

### London-wide built environment skills strategy

To address skills gaps in the built environment sector, as in other sectors, it is critical that London has a skills system that is responsive to the needs of its employers and supports Londoners to develop the right skills to compete for the jobs available. This is best managed by London rather than national government.

The prospect of skills devolution to London has never been greater. The signs are positive that London will gain control of the post-18 adult skills budget (approximately £400m a year), alongside powers to shape the strategies of post-16 skills provision by 2018-19. The Mayor is therefore well positioned to set the strategic direction of travel for skills policy in general, and HfL should help to advise on its built environment component.

The first step must be to produce a comprehensive London-wide built environment skills strategy which addresses skills deficits from traditional construction trades such as carpentry and bricklaying through to town planning and project management, taking into account skills shortages identified by the London Enterprise Panel. As part of this strategy, a number of actions should be taken, including:

- working with schools, colleges and employers to promote career opportunities in the built environment and ensure that training courses are responding to industry demands;
- working with the Construction Industry Training Board and the Skills Funding Agency on a London approach to apprenticeships which seeks to boost the number of apprentices and helps employers get to grips with the new apprenticeship levy; and
- working with boroughs, developers and contractors to support unemployed Londoners into work by instigating a pan-London approach to local labour requirements in section 106 commitments. This would mean all Londoners, regardless of where they live, can access these opportunities and employers are not penalised for allowing apprentices to work on development sites in different boroughs.

## Innovation

The Housing and Planning Minister recently observed that significant productivity gains had been made in the way that cars, planes and trains are manufactured and there was no reason why the construction industry should not follow suit<sup>34</sup>. Off-site manufacturing and installation is growing, with around 12 per cent of construction now done off-site and this is likely to expand in the future<sup>35</sup>.

If off-site manufacturing can deliver more homes and at a faster pace than traditional construction methods, it should be embraced as a way to increase housebuilding in London. The speed of construction could, for example, help to reduce the complexity of the renewal of housing estates, allowing residents to move more quickly from their existing homes into new ones without having to be housed in alternative accommodation for a long period of time. HfL should help in two ways:

- bringing forward a range of development opportunities to pilot off-site manufacturing in London;
- working with those in the private sector that have already invested in this technology to understand what the barriers are to increasing its use, and consider how they can be overcome.

34. <http://www.estatesgazette.com/blogs/jackie-sadek/2016/04/new-motor-housing-construction/>

35. Technology and Skills in the Construction Industry, UKCES: 2015

# Conclusion

## 11

This report sets out a blueprint for HfL. It is predicated on the GLA evolving from being an organisation that sets policies and distributes limited government money to fund housebuilding, into an organisation that pushes, and where necessary intervenes, to support the delivery of more homes.

HfL's primary initial role should be getting public land ready for development. Where practicable, HfL should assemble sites around core public land-holdings; set out an acceptable level of density for development; and offer them to the market with clear requirements about the mix of tenures required. A set of complementary work should also be undertaken across a range of other areas. In time, priorities will change and HfL might seek to expand its existing focus or adopt new ways of working. But there is a danger of trying to do too much too soon - we believe the report's blueprint strikes the right balance between focusing on what the Mayor can realistically do and what will make a difference.

The Mayor has a million vote mandate – the largest personal mandate of any politician in the country – to increase housebuilding in London. He must now stand true to his election pledges and increase supply. London First and its members stand ready to help the Mayor deliver the homes London needs.







**Contact us**

London First

Middlesex House

34-42 Cleveland Street

London

W1T 4JE

+44 (0) 20 7665 1500

[inquiry@londonfirst.co.uk](mailto:inquiry@londonfirst.co.uk)

[www.londonfirst.co.uk](http://www.londonfirst.co.uk)