

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2682

Title: The impact of affordable housing on London’s economic productivity

Executive summary:

This decision requests approval of expenditure of up to £60,000 to undertake an empirical modelling of affordable housing’s effect on economic productivity in the London context.

Earlier this year, GLA Economics (GLAE), in collaboration with London Councils, produced a paper that sought to enrich the available evidence base on how London’s housing affordability crisis has negatively impacted the city’s economic productivity. The paper set out an economic framework that links affordable housing to productivity.

Given the severity and significance of the affordability crisis, the London Partnership Board is keen on this work to expand the existing evidence base and better inform future Mayoral initiatives. Most of the research will be done internally via collaboration between relevant stakeholders (GLA, London Councils, and others). However, we currently do not have a number that clearly tells us by how much investment in affordable housing (e.g. social housing) would boost productivity (i.e. by what percentage). This work requires a vast array of datasets and complex modelling that would require commissioning to an economic consultancy with expertise in this field.

Decision:

That the Interim Executive Director of Strategy and Communications approves expenditure of up to £60,000 to procure a report on the impacts of affordable housing on economic productivity

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor’s plans and priorities.

It has my approval.

Name: Luke Bruce

Position: Interim Executive Director,
Strategy and Communications

Signature:



Date:

22/02/2024

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Over the past two decades, housing affordability has increasingly become a serious challenge to the attractiveness and competitiveness of London as a global city. With just under 9 million residents and a near-25 per cent contribution to the UK's national output, London clearly plays a crucial role in the UK's prosperity and serves as the country's economic engine. Vital to sustaining this role is economic productivity, which can be defined as the amount of output the economy generates either per hour of work or per workforce job.
- 1.2. London's productivity (much like the UK's) has flatlined ever since the 2008 financial crisis. Reasons for this are numerous and complex, but there is increasing agreement amongst academics and researchers that housing has become so unaffordable in the city that it started to undermine the capital's productivity¹.
- 1.3. Making housing in London more affordable is a key Mayoral commitment. More recently, the London Partnership Board stressed the need for further research on housing affordability's economic and social impacts, looking in particular at numerically estimating the percentage growth in productivity that affordability measures (e.g., investment in social housing or shared ownership arrangements) would contribute.
- 1.4. London Councils and GLA Economics are leading this collaborative effort to enhance the existing database. In October 2023, London Councils presented a paper jointly authored with GLAE that included a framework on how affordability pressures impact productivity.
- 1.5. This framework highlighted four mechanisms or channels: unaffordable housing makes it more difficult for London to attract and retain talent, it fuels precarious housing arrangements that impede labour force participation, it crowds out investment in other (more productive) areas of the economy, and it increases household debt that in turn reduces overall savings and future investment.
- 1.6. Most of the information required to demonstrate these channels in the London context is available. However, to date, there has been no analysis that numerically puts a £ figure on the extent to which investment in housing affordability (e.g., investment in social housing) would boost the city's economic productivity and growth. To attain such an estimate would require a vast array of data sources and complex modelling that is not available to either the GLA or London Councils. This is why this part of the work is being commissioned to a specialist economic consultancy.

2. Objectives and expected outcomes

- 2.1. The key objective of this work is to arrive at a London-specific figure that empirically demonstrates by how much of a monetary investment in social housing would increase London's productivity and growth (whether in £s or percentage).
- 2.2. A second objective of the work is to model the difference in impacts that alternative housing affordability arrangements (e.g., social housing vs. shared ownership) would have on productivity. This would permit us to compare which strategy is more cost-effective in promoting London's productivity and growth.

¹ See [Capital losses: The role of London in the UK's productivity puzzle | Centre for Cities](#) for example

3. Equality comments

- 3.1. In carrying out any functions in respect of his skills and employment programmes, the Mayor will comply with the public sector equality duty under Section 149 of the Equality Act 2010.
- 3.2. Under Section 149 of the Equality Act 2010, as a public authority, the GLA must have 'due regard' of the need to:
 - eliminate unlawful discrimination, harassment and victimisation
 - advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.3. Previous research has noted that, when it comes to housing affordability, Londoners with protected characteristics (including, women, Black and Minority Ethnic Londoners, and Londoners with disabilities) are more likely to be affected by adverse outcomes – such as a higher cost of living, homelessness, and temporary accommodation². Quantifying this impact would allow us to focus on lobbying the government to mitigate the adverse effects to the benefit of London and the city's under-represented groups.

4. Other considerations

- 4.1. The contract will be managed via TfL procurement under the existing GLA Economics procurement framework.

Risks and issues

- 4.2. If this analysis was not carried out, it would limit the GLA's ability to plan how best to respond to the affordability crisis based on the most recent and robust evidence.
- 4.3. While prospective consultants would likely provide a timeline to deliver the project on time and on budget, there is always a risk of delay in project delivery for unforeseen reasons related to, among other possible factors, resource allocation or insufficient data availability. As a mitigation, GLA Economics could provide the required data and provide support to help complete the work.
- 4.4. Any consultancy to which this work would be commissioned would likely need to possess significant previous expertise in performing similar work. It would need to possess access to the required datasets as well as a state-of-the-art macro-econometric model that would isolate affordability impacts at the London level. Finally, it would need to familiarise itself with existing Mayoral strategies, particular the London Plan and the London Housing Strategy.

Link to Mayoral strategies and priorities

- 4.5. Promoting London's economic interests and competitiveness on the international stage and at home is one of the Mayor's key priorities. Supporting start-ups, scale-ups, and small and medium-sized enterprises, and protecting them from the potential adverse impacts of housing affordability on this competitiveness remain fundamental to fulfilling this priority.
- 4.6. At present, no modelling endeavour has sought to empirically establish the extent to which productivity and growth in London have been hurt financially by affordability – whether through

² See for examples: [Black people are more than three times as likely to experience homelessness - Shelter England](#) and [New research highlights 'shameful' racial disparities in housing system | Joseph Rowntree Foundation \(jrf.org.uk\)](#)

diminished investment; reduced flow of skilled workers; or reduced household savings. This work seeks to address this major gap linked to Mayoral business priorities.

- 4.7. Supporting Londoners (especially those with protected characteristics) during the cost-of-living crisis is another major priority. Housing affordability concerns are impacting an increasingly large share of Londoners, with implications for London's economic sustainability. As such, we need the evidence base on which the Mayor could better put in place the strategies necessary to shield Londoners from the adverse impacts of this crisis.

Conflicts of interest

- 4.8. This work entails an objective assessment of economic impacts by an independent consultant with no particular links to any GLA-affiliated staff. As such, it does not present any potential conflict of interest.

5. Financial comments

- 5.1. This decision requests approval for up to £60,000 for the commission of empirical modelling of affordable housing's effect on economic productivity in London. The work is expected to start in March and conclude by June 2024, therefore splitting the cost over two financial years.
- 5.2. The total procurement amount of £60,000 will be partly funded by the GLA's City Intelligence Unit in the Strategy and Communications Directorate, as well as a contribution from London Councils. Therefore, it is expected that the GLA contribution is likely to be a third of the total cost, and therefore a maximum of £20,000, as confirmed in January 2024.
- 5.3. There is sufficient budget within the GLA's City Intelligence Unit in this financial year and next year's planned budget to cover this cost.

6. Legal comments

- 6.1. The foregoing sections of this report indicate that the decisions requested of the Executive Director of Strategy and Communications concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further – or that are facilitative of, or conducive or incidental to – the promotion of economic development and wealth creation, social development or improvement of the environment, in Greater London.
- 6.2. In implementing the proposals in respect of which a decision is sought, officers should comply with the GLA's related statutory duties to:
 - pay due regard to the principle that there should be equality of opportunity for all people
 - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - consult with appropriate bodies.
- 6.3. In taking the decisions requested, as noted in section 3 above, the Executive Director of Strategy and Communications must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010; to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, age, sex, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and

persons who do not share it. To this end, the Executive Director of Strategy and Communications should have particular regard to section 3 (above) of this report.

- 6.4. Section 1 of this report indicates that part of the sought budget will amount to the provision of services. The services required should be procured in accordance with the Code. Officers must ensure that an appropriate contract documentation is put in place and executed by the GLA (with the assistance of Tfl Legal) before the commencement of services.
- 6.5. The procurement to commission consultancy services is valued at £60,000, whereby the GLA's payment for services will be covered by the overall expenditure requested under this DD. Section 9 of the GLA's Contracts and Funding Code requires that the Authority undertake a formal tender process or make a call off from an accessible framework for procurements with a value between £10,000 and £150,000.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	February 2024
Delivery start date	March 2024
Delivery end date	mid-May 2024

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will be published either within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Adam Yousef has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Jeremy Skinner has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 12 February 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

12/02/2024