

MAYOR OF LONDON

Neil Garratt AM

Chairman of the London Assembly Budget and
Performance Committee

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Our ref: MGLA160126-2128

Date: 17 March 2026

Dear Neil,

Thank you for writing to me on behalf of the Budget and Performance Committee with regard to my 2026-27 budget for affordable housing.

Please find enclosed my response to the five recommendations put forward by the Committee in annex one.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sir Sadiq Khan

Mayor of London

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Annex one

Mayor of London's response to the recommendations from the London Assembly Budget and Performance Committee on the 2026-27 affordable housing budget

Recommendation 1

The Mayor should supply this Committee with an analysis of the change in the subsidy level from the 2016-23 affordable homes programme to the 2021-26 affordable homes programme based on the final number of starts for each programme. The analysis should set out separately the impacts of increasing construction costs, a greater focus on social housing, a greater proportion of acquisitions and any other key factors driving this change. This analysis should also be used to underpin the target levels for starts under the 2026-36 Social and Affordable Homes Programme. This analysis should be supplied to the Committee by 30 June 2026, three months after the end of the programme funding period.

Greater London Authority officers are working with the Government to support the national evaluation of the Affordable Homes Programme 2021-26, which will also include an assessment of the London Affordable Homes Programme 2021-26. As the evaluation process is still being finalised, the Mayor is not yet able to provide further detail on its scope or to commit to sharing this information with the Committee by 30 June 2026. However, the Mayor commits to sharing the evaluation findings with the Committee once these are available.

As the Committee will be aware, in line with the national Social and Affordable Homes Programme 2026-36, delivery targets for the London Social and Affordable Homes Programme 2026-36 will be agreed with the Government following the closure of the initial bidding round.

Recommendation 2

The Committee recommends that the Mayor sets out by 13 February 2026 the conditions that are required to enable a reduction in subsidy levels for the new affordable homes programme and the risks around securing a reduction.

Several factors have contributed to the need for higher subsidy levels in the London Affordable Homes Programme 2021-26 to secure the delivery of much-needed social and affordable homes in challenging economic conditions. While some of these factors are sector and programme specific, like the reduced financial capacity and overall financial health of local authorities and housing associations and the prioritisation of delivering much-needed social rent homes, others relate to the perfect storm of conditions facing all housebuilders: a combination of high interest rates, Building Safety Regulator delays, the rising cost of construction materials, the impact of the pandemic and ongoing consequences of Brexit.

For subsidy levels to reduce under the London Social and Affordable Homes Programme 2026-36 while maintaining adequate output of homes, the financial position of local authorities and housing associations would need to improve significantly, pressures on building and construction costs would need to ease, and interest rates would need to continue to fall.

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The Mayor expects some of these pressures to ease over the medium to long term, particularly due to concerted efforts from central Government and City Hall. Measures such as social rent convergence, access to low-cost loans for housing associations, and enabling councils to combine Right to Buy receipts with affordable housing grants, among others, will support the gradual recapitalisation of London's affordable housing sector and help reduce subsidy pressures. On this basis, the Mayor expects real-terms subsidy levels, which takes inflation into account, to decrease over the lifetime of the London Social and Affordable Homes Programme 2026-36, and this expectation is shared by the Government.

Recommendation 3

The Mayor should set out in response to this Committee the profile of expected expenditure on the new 2026–2036 social and affordable homes programme delivery plan for the 10-year period, including how the funding will translate into delivery over time, once this has been agreed with the Government. This should be supplied within a month of the agreement with Government.

There are still several processes that must be undertaken in partnership with the Government before a profile of expected expenditure and a delivery plan for the London Social and Affordable Homes Programme 2026-36 can be established.

The Mayor has not previously published this information – including in-year delivery targets – for his previous affordable homes programmes, due to the risk of such information being market-shaping and therefore impacting our ability to deliver the maximum number of social and affordable homes with the grant available. In line with established precedent, at this stage, the Mayor does not anticipate publishing this information for his London Social and Affordable Homes Programme 2026-36.

Recommendation 4

The 2026-36 Social and Affordable Homes Programme incorporates interim delivery milestones throughout the 2026-2036 period, including expected numbers of starts and completions by specified dates, to allow monitoring and communication of progress throughout the programme.

As with previous affordable homes programmes, the Mayor will agree on delivery milestones for his London Social and Affordable Homes Programme 2026-36 in partnership with the Government. It is not anticipated that delivery milestones – such as expected numbers of starts and completions by specified dates – will be published, due to the potential for this information to be market-shaping and therefore impacting our ability to deliver the maximum number of social and affordable homes with the grant available.

However, as with previous affordable homes programmes, the Mayor will inform the Committee of the overall delivery targets agreed with the Government for his London Social and Affordable Homes Programme 2026-36. The Mayor will also continue to publish data on starts and completions under the Programme on both a quarterly and annual basis.

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Recommendation 5

The Committee recommends that the Mayor sets out for the new London Social and Affordable Homes Programme, the expectation once agreed with Government on:

- the number of social rent homes;
- the number and type of intermediate homes;
- the number of accessible units by tenure and
- the distribution of unit sizes by tenure, including family-sized homes.

This should be supplied within a month of agreement with Government.

At the appropriate time, the Mayor will publish funding allocations for his London Social and Affordable Homes Programme 2026-36. In line with published funding allocations under the Affordable Homes Programme 2021-26, the allocations data for the London Social and Affordable Homes Programme 2026-36 may include information on the expected tenure of homes to be delivered by partners that have been allocated funding.