Response to the Mayor's housing strategy consultation with the London Assembly

1. Background

1.1 The GLA Act 2007, which contains measures that devolve responsibility to the Mayor for producing a housing strategy and directing public investment in housing, received Royal Assent on 23 October 2007. In advance of this the Mayor produced a draft housing strategy in September.

1.2 The Mayor wrote to the Chair of the Assembly on 9 November 2007 to announce that he was formally consulting the Assembly and functional bodies on the strategy. The consultation period closes on 11 January 2008.

1.3 The Assembly has previously published reports on housing in London and commented on "Towards the Mayor's housing strategy " the precursor to the draft strategy. The Assembly has also published its views in a number of matters related to the further Alterations to the London Plan and the associated Examination in Public. This previously agreed work has been used in preparing the draft of the Assembly's response to the formal Mayoral consultation.

1.4 The Assembly would welcome a timetable from the Mayor as to when the targets and the underlying capacity studies will be reviewed.

2. Meeting housing demand and providing affordable homes

2.1 As the Mayor's Housing Strategy makes clear London faces multiple housing challenges: 60,000 London households are in temporary accommodation; 190, 000 families living in overcrowded conditions and over 300,000 families on house waiting lists. The Mayor wants to increase housing supply in London across all tenures to deliver his target of 30,500 new homes a year, and within this target his priority is to increase the supply of social rented and larger family homes. The investment plan and other policies in the strategy will deliver over 50,000 new affordable homes in the three years starting in April 2008.

2.2 Within this aspiration the Assembly notes the reflection of the Mayor's London Plan housing targets that 50 per cent of net new homes should be affordable, of which 70 per cent should be social rented and 30 per cent intermediate.

2.3 The Assembly welcomes the strategy's focus on increasing the supply of new homes in London across all tenures.

2.4 The Assembly also welcomes the intention to increase the proportion of social rented homes with three or more bedrooms in order to tackle overcrowding. Similarly the aspiration to increase the proportion of larger intermediate homes is commended. These views have previously been reflected in the Planning and Spatial Development Committee's report "Size matters" and in its response to "Towards the Mayor's housing strategy". Given the cost implications for making family-sized intermediate housing affordable **the draft strategy should explicitly support shared equity schemes and community land trusts.**

2.5 The Assembly supports the Mayor's endorsement of the government's targets to halve the number of households in temporary accommodation by 2010. However, given the scale of homelessness in the capital, coupled with government cuts to housing benefits, the Mayor will need to lend strategic and financial support, through the London Development Agency, to the boroughs and non-governmental organisations working to get London's homeless off the streets and into work.

2.6 Notwithstanding this support for the policies designed to raise home building targets to address affordability, overcrowding and homelessness, the Assembly notes that the draft strategy is reliant on the ability of the private sector to deliver a volume of new housing units well above recent levels, and at a time when the outlook for the housing market is highly uncertain; and with a number of indicators pointing to a slowdown in turnover.

2.7 The recently published Callcutt review into housing delivery (November 2007) concluded that the house building industry is capable of delivering the Government target of 240,000 homes a year by 2016. However, the review noted that in terms of risk management in an inherently unpredictable housing market house builders tend to react very quickly to downturns; firstly through their marketing and pricing policies, then through re-planning, stopping production of houses and eventually consolidating their operations.

2.8 **The Mayor should consider the impact of a declining housing market on completions and set out what impact a possible sustained downturn in the housing market in London might have on achieving his key targets.**

2.9 The strategy states that boroughs should review and revise their housing strategies to bring them into general conformity with the Mayor's Housing Strategy by December 2009. Additionally they should plan to achieve or exceed the borough targets for new homes set for them in the London Plan.

2.10 **There are significant challenges to the delivery of the current housing targets. Given this, the possibility that further capacity will be identified and even higher targets set should be carefully considered in the light of market conditions.**

Access to housing outside London

2.11 The Assembly supports the Mayor's policy to work with the regions adjacent to London to maximise housing development and to create more affordable housing opportunities for Londoners in the housing growth areas and also seek to expand the Seaside and Country Homes scheme.

2.12 The Assembly notes the developments, since the draft strategy has been published, in terms of the final funding levels set out in the Comprehensive Spending Review and the additional resources for London including £120 million more than when the strategy was being drafted. Other new factors announced included 30 per cent of new homes in key growth areas (including Milton

Keynes, Ashford and the London Stansted Cambridge corridor) will be available to Londoners wishing to move out of the capital – and in the event that this allocation is not fully taken up the money would be redirected to London.[1]

2.13 **In the light of this welcome additional funding and greater opportunities for Londoners to access housing outside the capital the Assembly would wish to see the final housing strategy detail how these new opportunities will be accessed and what are the Mayor's intended priorities for any "unspent" grant which is returned to London? The Assembly would welcome any statement from the Mayor that would clarify whether the additional funding will be used to consolidate existing house building targets and to ensure that new homes will meet the challenging environmental targets set by both Government and the Mayor.**

Making better use of existing homes

2.14 The Assembly notes the aspiration that by 2016 empty homes should account for no more than 2.5 per cent of London's housing stock, and privately owned long term empty homes should account for no more than one per cent of private properties overall and that there should be further targeted measures to tackle under occupation of social rented homes.

2.15 There are 87,218 empty homes in London, which represents 2.7 per cent of the total stock. Over 69,000 private sector homes are empty, of which 29,000 have been empty for more than six months.

2.16 Additionally, 7 per cent of households in the social rented sector are under occupying their homes by two or more bedrooms – around 58,000 households but less than one in eight of these are on the transfer list.

2.17 **The Assembly notes the significant number of empty private sector homes and under occupied homes in the social rented sector. While there is no doubting the need for new housing to be built in London making better use of existing stock can make a significant contribution to meeting housing need in the short term. The Assembly would like to see more ambitious targets for reducing empty homes and under occupation and greater incentives/resources for the boroughs to deliver more effective empty homes strategies. The Housing Strategy should more explicitly consider schemes such as lobbying central government to endorse proposals to use the council tax system or compulsory purchase powers to discourage people from leaving their homes empty or to promote incentive schemes such as seeking cuts on VAT on repairs and refurbishment.**

2.18 **Given the Strategy's commitment to increase the provision of larger homes it might also usefully consider whether there is scope to review the level of funding for schemes such as extensions and de-conversions.**

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[1] Assembly Plenary meeting 24 October 2007

Acceptance of social housing grant where available

2.19 The draft strategy highlights situations where boroughs do not take up Housing Corporation Social Housing Grant when it is available. The Mayor wants to ensure that boroughs and developers make full use of public sector grant. [2]

2.20 There are circumstances however when seeking Social Housing Grant is not the most efficient use of such subsidy for the provision of affordable housing. In high value areas there is evidence that the developers subsidise social housing up to one third the cost of providing it.[3] Additionally some boroughs will allow for the use of council owned sites at nil or discounted value to make up the public subsidy contribution to make schemes viable.

2.21 The Housing Corporation have told the Assembly (in response to "Unintended Outcomes") that in many high value locations it has become increasingly viable to provide affordable housing with developer contributions and without grant. For this reason the Housing Corporation will only make grant available where it brings clear additional benefits over and above on-site developer contributions.

2.22 The Mayor recognises the contribution of the various elements of subsidy and he has a policy to ensure that section 106 contributions, affordable housing grant and other public investments are combined in the most effective way to deliver his housing aims (policy 1.2d).

2.23 **The draft strategy could be clearer in these circumstances that boroughs will not be penalised for not seeking Housing Corporation grant if new affordable housing can be funded through other areas of subsidy such as developer contributions. The priority should be that the housing grant available for London is used most effectively.**

The private sector and buy to let housing

2.24 The Mayor recognises that the private sector will deliver most of London's new homes and so the draft strategy seeks to influence the way the private sector approaches development and risk in the housing market. The draft strategy explores ways of reducing the market risks faced by developers in order to increase confidence and support faster delivery of new homes and supporting joint venture partnerships where the risks and rewards are shared between public, private and not for profit sectors. **The Assembly welcomes this partnership approach.**

2.25 Within the private sector a large investor and buy to let market has developed in London within the last decade. **Commentary in the draft strategy on the buy to let sector is, however, relatively sparse and the Assembly suggests that this relatively new, but important, component of the housing market is considered as part of the draft housing strategy.**

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[2] In "Unintended Outcomes" a minority report set out arguments why nil grant schemes should be included within sub regional housing totals in calculating nomination obligations.
[3] Unintended Outcomes? Royal Borough of Kensington and Chelsea written submission

2.26 A recent GLA report[4] suggested that two thirds (67 per cent) of the first purchasers of new-build market homes in London are investors, with the remaining one third being sold directly to owner-occupiers. The report concluded that greater investment is likely to have been attracted into the residential market as a result of private individuals choosing Buy to Let over other forms of savings and investment. The report also concluded that if the investment market were to shrink there is a real danger that the number of new homes being built would fall to the detriment of all.

2.27 A slow down in demand for properties, lower rents and higher "buy to let" mortgage rates (often priced off inter bank rates rather than the Bank of England's base rate) will impact on these investors. In those circumstances, one in five respondents said they would consider selling one or more of their properties while 8 percent said they would get out of the buy-to-let market.[5]

2.28 **The draft strategy should address the likely impact a sustained slowdown in the buy to let market would have for house building in London and the implications for achieving overall housing targets.**

The accountability of Housing Associations

2.29 **Assembly members have a number of concerns about overall housing management performance and capacity amongst Housing Associations in London. This includes in particular how Housing Associations deal with anti-social behaviour and crime, how they deal with tenant concerns and the persistent lack of responsiveness of some Housing Associations to queries and requests for information by elected representatives. The Assembly would welcome additions to Policy Statement 3.2 to directly address that issue. This may involve guidance to the Housing Corporation or to the London Housing Federation.**

3. Improving housing design and tackling climate change

3.1 The Mayor wants to ensure that increasing the supply of new homes is not at the expense of quality - and wants to put design at the heart of housing delivery. All new housing developments should be compatible with the local context and with existing and planned infrastructure, achieve high environmental and accessibility standards and deliver high quality homes and public realm.

3.2 **The Assembly supports the Mayor's desire that all new homes should be of high quality design and notes the intention to promote a Housing Design Guide. This guide should seek to reflect the fact that London has a range of urban and suburban environments and so should allow development styles that are appropriate to their context while retaining excellence**.

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[4] Who buys new market homes in London? January 2007 http://www.london.gov.uk/mayor/housing/docs/who-buys-new-market-homes.pdf

[5] http://today.reuters.co.uk/misc/PrinterFriendlyPopup.aspx?type=personalFinanceNews&storyID=2007-09-22T115331Z_01_HIL242669_RTRUKOC_0_PROPERTY-BRITAIN-BUYTOLET.xml

3.3 The Assembly welcomes the commitment to require future development to meet the highest standards of accessibility and inclusion and to ensure that all new housing is built to Lifetime Homes standards and ten per cent is designed to be wheelchair accessible or easily adaptable for residents who are wheelchairs users. **However, there is not yet an effective mechanism in place to monitor provision of wheelchair accessible housing across the capital. The Assembly would welcome a commitment from the Mayor to work with boroughs to put in place such a mechanism.**

3.4 The Assembly remains concerned about the ability of the new Housing Health and Safety Rating System to effectively tackle some of the difficult issues in the private sector, such as poorly maintained properties and unsafe equipment, and in particular the lack of funding to the boroughs to introduce HMO (house of multiple occupancy) licensing in an effective and comprehensive way.

3.5 London's 3.1 million homes account for 16.7 million tonnes of carbon emissions each year - 38 per cent of London's total excluding aviation (or 25 per cent including aviation). Most domestic emissions come from space and water heating, including gas for cooking and heating as well as electricity for lights and appliances.

3.6 The draft housing strategy states that the Mayor will, and boroughs and members of the Housing Investment Panel should, aim to reduce London's carbon emissions by 30 per cent by 2025 (including a 30 per cent reduction in domestic emissions). To meet this target, annual carbon emissions from housing will need to be reduced by 7.7 million tonnes by 2025.

3.7 The draft strategy states that all new homes in receipt of public subsidy should achieve a minimum requirement of level 3 of the Code for Sustainable Homes for the three-year investment programme commencing in 2008/09, providing the platform for moving towards zero carbon by 2016.

3.8 The Assembly supports these general targets but has a number of concerns about how they can be achieved.

3.9 Code Level 3 is more challenging than EcoHomes Very Good and there is a cost premium associated with achieving Code level 3 in comparison to the EcoHomes standard.

3.10 The London Housing Federation told the Assembly that the major reductions in carbon dioxide emissions and water consumption account for the majority of this additional cost. These costs vary depending on the house type and the feasibility of using different carbon saving technologies (e.g. micro-wind turbines). Additional build costs for reaching standards above EcoHomes Very Good are expected to range between £643 to £4900, and the percentage increases from +0.4 per cent for a medium to high rise flat up to + 6.2 per cent for a traditional house.

3.11 The draft Mayor's Housing Strategy has specified that schemes benefiting from public resources will be given priority if they go beyond the government targets of Code Level 3. Housing associations in London will therefore incur even greater costs than those outlined above in their efforts to build beyond the statutory level.

3.12 **To be achievable it is essential that these additional costs will need to be recognised and reflected in the Housing Corporation grant rate for 2008-2011. It would be helpful if the strategy could be more explicit on how the Mayor sees the additional build costs can be subsidised; how much money is available in the innovation fund to support zero carbon developments in London and what is the likely impact of this in terms of new units; how long will it take for housing providers to fully gear up to the Mayor's carbon targets; and what developers need to do to bring forward more quickly the technologies needed to reduce the cost of low carbon technologies. There may be a need for incremental targets and guidance to help Londoners meet these challenging targets.**

3.13 **The Assembly welcomes the progress made by boroughs and housing associations to meet the Decent Homes standard. However the Assembly is concerned that the programme to meet the existing standard is now largely committed. The Assembly would welcome further detail from the Mayor as to how he wishes to take forward his proposed new Decent Environment standard and what the funding resource for the programme will be.**

4. The approach to pan-London housing mobility

4.1 The Mayor wants to give Londoners seeking affordable housing similar choices over mobility as those seeking market housing and to reduce worklessness and poverty, especially among social housing tenants and homeless people.

4.2 The draft strategy reflects the Government's view that all local authorities should have a choice based lettings system in operation by 2010. However the Mayor goes further than this – policy 3.2b states that:

> *The Mayor will, and boroughs and members of the Housing Investment Panel should, ensure that all affordable (social rented and intermediate) homes developed in London are offered to applicants across London through Capital Moves by January 2009. This should include all new social rented supply, and the relets that will flow from these, and a proportion of all landlords' other relets. The Mayor will annually review the minimum proportion of relets to be offered through Capital Moves, moving from the current level of five per cent to 25 per cent by 2012.*

4.3 **The Assembly notes the agreement between the Mayor and London Councils that the proportion of re-lets of existing homes available for Pan-London mobility will now be kept at five per cent for the time being[6]. Discussion are on-going as to the policies that will underpin how new supply is distributed.**

4.4 Existing sub-regional arrangements currently enable the housing needs of one area to be partially served by "spare" capacity within another borough. Housing delivered with Housing Corporation grant is eligible for "pooled" nominations from across the sub region. Each sub region negotiates a formula for calculating the percentage of units in any new scheme that are eligible for pooling across the sub region. This allows a degree of mobility within the various sub-regions – covering several London boroughs.

4.5 The Assembly report "Unintended Outcomes" highlighted what may be problems with reduced supply of new affordable housing when the "host" borough's share of nominations is reduced. The report recommended that there should be a review of the nominations reconciliation process to ensure that fears of "winners and losers" do not affect the number of schemes supported by the boroughs. [7]

4.6 **The Assembly recommends that the Mayor accept that some lettings are ring-fenced for local boroughs. The Assembly would not want to see the supply of affordable housing being hindered by fears of lack of new homes to satisfy local housing need.**

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[6] This agreement is still to be confirmed in writing.

[7] Recommendation 1 – "Unintended Outcomes?" Planning and Spatial Development Committee, July 2007 http://www.london.gov.uk/assembly/reports/plansd/unintended-outcomes.pdf

5. Strategic investment and delivery of the housing strategy

5.1 The Mayor is now responsible for allocating London's share of the national resources for building new and improving existing homes in London (the Regional Housing Pot) worth some £1.7 billion for the period 2006/08 and £3.97 billion for 2008/11 (this is £120m more than planned for in the draft Housing Strategy). This is the main vehicle for delivering the regional policy objectives in the draft housing strategy. **The Assembly would welcome confirmation from the Mayor that any unspent grant will be ringfenced for housing in London.**

5.2 The Assembly notes that the Mayor has established new structures for stakeholder consultation and participation through the Mayor's Housing Forum, Housing Equalities Standing Group and his Housing Investment Panel.

5.3 The members of the Housing Investment Panel are to be the key public sector agencies responsible for housing related investment – LDA, English Partnerships, Housing Corporation, TfL, London Thames Gateway Development Corporation, and London Councils. It is also proposed that DCLG and GOL be invited to attend.

5.4 The Assembly understands that the membership of the investment panel should be strategic, and by virtue limited to the major investors in housing in London, however the Mayor may wish to consider **whether the housing associations**, which bring forward additional significant investment into housing in London, for example in 2006 the fifteen largest housing associations in London committed £1.6 billion into provision of new affordable homes, **should be represented on the investment panel**, perhaps through the London Housing Federation.

The Assembly looks forward to the Mayor's response to these recommendations.