

MAYOR OF LONDON

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Dear Tom

Thank you for your letter of 22 July enclosing your report 'Knock it Down or Do it Up? The Challenge of Estate Regeneration' and seeking my views on the recommendations of the Committee.

I would like to thank the Committee for producing this valuable report, which is a helpful contribution to the ongoing debate around estate regeneration. As the report makes clear, there is a wide range of experience and practice, and boroughs are in many cases producing excellent results for their communities whilst also boosting the supply of housing to meet the needs of London's growing population. I welcome the report's finding that, of the estates studied, there was both an increase in the supply of affordable housing as well as a doubling in the overall number of homes. My response to the report's recommendations is below:

Recommendation 1 – The Mayor should build on the principles of the Estate Regeneration Fund, by contributing wherever he can to provide counter-cyclical funding. This would mitigate the worst effects of providers' heavy reliance on volatile land and property markets. Defraying front-loaded costs is particularly important in getting schemes off the ground.

I lobbied for London to receive the maximum amount of funding possible from the £150m Estate Regeneration Fund, and I was very pleased to see that the entirety of the fund was awarded to four London estates. The principle of providing repayable upfront funding of these projects is a critical one, and one that I am also pursuing in my Housing Zones, where projects that require short term funding that can be repaid over the longer term have been prioritised.

Recommendation 2 – The Mayor should review the level of affordable housing grant, to enable providers to pursue the best option rather than simply the one which can be made to fit current funding programmes.

Estate regeneration will always require a careful balancing of resources to ensure development viability. I know that this can vary over the life cycle of developments, especially ones that span several years, as is the case with most estate regeneration programmes, and I ensure affordable housing grant levels are looked at on a scheme by scheme basis so that additional costs on estate regeneration schemes can be taken into account.

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Recommendation 3 – The Mayor should ensure that our stated Effective Practice indicators are taken into consideration when applications for the Estate Regeneration Fund, and other similar funds, are reviewed.

The Committee's report sets out a range of helpful issues to consider when undertaking estate regeneration. Although the delivery of the Estate Regeneration Fund is delegated to the Homes and Communities Agency, the Greater London Authority contributed towards the local aspects of assessment. The examples of best practice mentioned in the report are exactly the type of issue that should be considered in large scale redevelopment of existing homes.

Recommendation 4 – The Government should lift the Housing Revenue Account borrowing caps so that councils can leverage their housing assets now to support strategic regeneration.

I agree, and have called for this to happen. In the meantime, the GLA has supported boroughs in the extension of Housing Revenue Account (HRA) headroom announced by the Government, and has administered the almost £100m of extra headroom allocated to the boroughs since 2013.

Recommendation 5 - Reduce the VAT disparity between new build social housing (which is zero-rated) and estate refurbishment works (currently charged at the standard 20 per cent), to make a more level playing field between refurbishment and demolition as regeneration alternatives.

The GLA is not responsible for VAT policy. However, I recognise that this is a long running debate with many strong arguments for and against, and I will consider it carefully.

Yours ever,



Boris Johnson
Mayor of London