

Homes for Londoners Board

Date of meeting: **28 March 2017**

Title of paper: **Towards a New London Housing Strategy and London Plan**

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Classification: **Public**

1 Executive Summary

- 1.1 The Mayor has asked officers to begin work on a new London Housing Strategy (LHS). Officers are also preparing a new London Plan, which will include many policies relating to housing. This paper provides an initial summary of the issues, challenges, opportunities and trade-offs that will need to be addressed by these documents.

2 Recommendation

That the Board:

- 2.1 Comments on whether the issues identified are the key ones for the London Housing Strategy, identifies any that may be missing and suggests how these could be shaped to address the main housing challenges, opportunities and trade-offs in policy development; and
- 2.2 Notes that:
- a) Members will be offered the opportunity to feed into the development of specific housing policies through engagement outside Board meetings; and
 - b) A more developed draft of the London Housing Strategy will be presented to the Board for review at its next formal meeting, prior to publication of the strategy for consultation.

3 Introduction and Background

- 3.1 The LHS and London Plan are currently being developed alongside one another. The new LHS will bring together in one document everything the Mayor is doing, and expects partners to do, to address the London housing crisis. This includes things he is doing or proposes to do through the planning system. The LHS and the London Plan will both draw on the same evidence base and will contain similar policies, but will be parallel documents seeking to address London's housing needs. There is no hierarchical structure to these documents, and the policies in the LHS relating to environmental/spatial/development matters will always defer to the London Plan. The LHS guides investment decisions and housing policy but does not set GLA planning policy. It will say what the Mayor has done or is intending to do through the London Plan as it relates to housing.

3.2 Due to its wider scope and more extensive evidence base, the draft of the London Plan will take longer to finalise for consultation than the LHS. Due to the different sets of regulations in relation to their adoption, the LHS is anticipated to be adopted almost two years earlier (in spring 2018) than the London Plan.

London Housing Strategy

3.3 The Mayor's statutory powers and responsibilities with regard to the LHS are set out in the GLA Act 2007 as amended by the Localism Act 2011. The key provisions are as follows:

- that the Mayor must prepare, publish and keep under review, a statutory London Housing Strategy;
- that this strategy should set out his assessment of housing conditions in London and the need for further housing provision, his policies and proposals to meet needs and improve housing conditions and measures that other bodies are to be encouraged to take to achieve the aims of the strategy;
- that he must set out a statement of his spending proposals for the spending round;
- that these proposals should include plans for how the GLA will provide financial assistance for housing, the amount of housing financial assistance to be given for different activities or purposes and the number, type and location of houses to be provided by means of this housing financial assistance; and
- that these proposals should also include a statement of how much should be allocated to boroughs and his expectations as to how the boroughs will use the money granted to them (nb. this was written in the era of very large borough allocations for the Decent Homes Programme).

3.4 Any statement of a borough's housing policies or proposals must be in "general conformity" with the LHS (GLA Act 2007). In preparing or modifying their social housing allocations schemes, boroughs must "have regard" to the LHS (Localism Act 2011). We expect to publish a draft LHS in summer 2017. The final version, which is subject to a vote by the London Assembly and approval by the Secretary of State, should be published in spring 2018.

3.5 The GLA publishes *Housing in London* on a roughly annual basis. This forms the statistical evidence base for the LHS, summarising key patterns and trends across a wide range of topics relevant to housing in the capital. Board members are invited to consult the latest version of *Housing in London*, [published last month](#), for a summary of the scale of the housing crisis facing London.

3.6 Beyond this initial opportunity to comment, Board members or their representatives have been invited to join a Steering Group, chaired by the Deputy Mayor for Housing and Residential Development, to work through the key issues for developing the LHS. In addition, GLA officers will convene a series of meetings and workshops focused around specific issues that will need to be addressed by the Strategy. Where the content of these is likely to be relevant or of interest to specific Board members, officers will ensure that they, or their nominees, are invited.

The London Plan

3.7 Under the Greater London Authority Act 1999 (as amended), the Mayor is required to publish a Spatial Development Strategy (SDS) for London. The London Plan, as it is more commonly known, provides a strategic framework for London

boroughs' local plans, neighbourhood plans, and for the taking of planning decisions.

- 3.8 The London Plan is part of each borough's development plan. The London Plan also provides an overarching framework for the Mayor's other strategies, by:
- providing a spatial (geographical and locational) framework and context for his other strategies (such as those on transport, economic development, housing and the environment);
 - bringing his strategies and policies together in a single, comprehensive framework, showing how together they will contribute to the sustainable development of London over the next twenty years; and
 - giving effect to those of the Mayor's policies that require the planning system for implementation.
- 3.9 On gaining office, the Mayor made clear his intention to produce a new London Plan. Early consultation on the Plan has taken place via the *City For All Londoners* consultation. This document set out the Mayor's vision for the capital which will be developed and taken forward through all his strategies. The Mayor used a range of media to consult on *City for All Londoners* and elicited many more responses than are usually generated by formal consultation on the Plan itself.
- 3.10 The timetable and process for the new London Plan is largely dictated by regulations. The draft plan will be published for consultation in autumn 2017 and the consultation will run for three months. An Examination in Public and approval by the Secretary of State and the London Assembly will follow, with final publication expected by the end of 2019.
- 3.11 A key role of the London Plan is balancing competing land uses and requirements and ensuring sustainable development. *City for all Londoners* outlines the Mayor's vision for accommodating this growth. The new Plan will move away from the idea that all growth is intrinsically desirable and focus instead on encouraging 'good growth'. This will have a strong social dimension and seek to address London's inequality (as far as is possible through land use planning). The Mayor wants a city where *"everyone, regardless of their background or circumstances, is able to share in and make the most of London's prosperity, culture and economic development ... where no community feels left behind and where everyone has the opportunities they need fulfil their potential"*.
- 3.12 The rest of this paper is structured around the five thematic chapters that will make up the new London Housing Strategy:
- increasing the supply of new homes;
 - providing more genuinely affordable homes;
 - supporting high quality and inclusive neighbourhoods;
 - improving the private rented sector; and
 - addressing homelessness.

4 Increasing the supply of new homes

- 4.1 The Mayor's aim is to significantly increase levels of housebuilding in London. Annually, London currently builds roughly half the number of homes that it needs.

This fundamental lack of housing supply underpins many of the housing challenges that we face, including:

- growing unaffordability of house prices and rents;
- declining home ownership;
- growing levels of housing need and homelessness;
- negative impacts on economic competitiveness and productivity; and
- changes to London's social mix.

4.2 The key issues that need to be addressed to deliver a step-change in housing supply are explored in more detail below.

a. Increasing the supply of land for housing development

4.3 The current London Plan identifies land capacity for around 42,000 homes per year. This falls short of the identified need for 49,000 homes per year, a figure that is itself likely to increase as we undertake the new housing needs assessment. We also know that London's land supply is over-reliant on large brownfield sites that are often very complicated and slow to build out.

4.4 Therefore, to meet London's growth, the new London Plan will need to identify additional land capacity for housing overall, while also ensuring that all types of land and all parts of London are playing their role in housing delivery. It will not be enough to rely on just one or two options. Key issues that will need to be addressed include:

- Density:** To meet London's growing needs London's density will need to be increased. However, account will need to be taken of the way residents feel about existing places, while acknowledging that London is always changing and that this is part of its appeal for many Londoners. The London Plan will seek to ensure that increased densities create genuinely sustainable neighborhoods, with more accessible and affordable housing and 'walkable' local services and social infrastructure. The Strategic Housing Land Availability Assessment, a project carried out in partnership with all London's Local Planning Authorities, is currently underway, with a clear focus on increasing capacity through increasing density across London.

Question 1: How can higher density development be delivered in a sustainable and acceptable way?

- Industrial land:** Surplus industrial land has been a key source of housing land over the last few years; many Opportunity Areas are ex-industrial areas. However, emerging research on London's supply of industrial land suggests that, given the amount of industrial land that has already been lost, and the growth in manufacturing in London, any further release will have to be managed very carefully. Supporting the co-location of industry and other uses in a way that does not undermine the industrial function of an area and also does not increase land owners' expectations of values on the sites will be key to opening up housing capacity in these areas in the future. We may also need to consider relocation within London or beyond. A key issue being addressed by the research is understanding just how much industrial land, which is really low cost business space protected as such by the planning system, is essential to the functioning of our economy as a whole.

Question 2: Should we seek to release more industrial land for housing. If so, how can we do so in an economically and environmentally sustainable way?

- iii. **Town centre intensification:** Restructuring within the retail sector opens up opportunities for new homes as well as creating challenges for local communities in maintaining access to services. This is likely to lead to greater emphasis in the Plan on town centre renewal through housing-led, higher density mixed use re-development, which can deliver homes but also breathe new life and vitality into town centres. Policies will seek to ensure the mix includes affordable workspace and ensure that the cultural offer of areas is celebrated and enhanced. Full scale redevelopment is only likely to be an option for a few areas given fragmented ownership, high land values and limited public funding. Therefore, areas immediately around town centres will also be important as opportunities for smaller scale redevelopment and intensification.

Question 3: What contribution to housing supply can town centre regeneration make and how can this be done at scale?

- iv. **Small sites and intensifying existing residential uses:** Small sites (less than 0.25 hectares) are an important source of housing supply. Research carried out by the Outer London Commission on barriers to housing delivery identified a fall in small site output as a key issue in housing delivery. We are exploring the scope for infill and intensification in areas across London, particularly those of lower existing residential density where there is decent public transport and/or opportunities to improve public transport and walking and cycling connectivity. This policy approach will also provide opportunities for SME builders, which should help to diversify the sector and accelerate delivery.

Question 4: What are the key barriers to more small sites coming forward for housing development?

- v. **Opportunity Areas:** Realising the capacity of brownfield Opportunity Areas will continue to be crucial: each can accommodate at least 2,500 homes and/or 5,000 jobs. Three or four potential new Opportunity Areas have been identified, and we will continue to work with boroughs and other partners to refine existing Opportunity Area development frameworks. These are long term sources of capacity where the key challenge is how to speed up delivery.
- vi. **Growth corridors:** Transport will be key to opening up new areas of growth. The Mayor has been clear about the importance of Crossrail 2 for London's future growth. The Bakerloo Line extension is also a priority.
- vii. **Public land:** We have now identified all public land in London. The next stage of the work is to identify which public land is surplus to requirements and potentially developable. The GLA, TfL and other functional bodies are leading the way with their own land, and many boroughs are also reviewing their land to support housing development. The Mayor is working with Government and boroughs to explore what can be done to speed up public land release, but currently London government lacks powers to coordinate and bring forward surplus public land. Also, it should be noted that surplus public land can only ever be a relatively small part of the land supply agenda.
- viii. **Green Belt and other protected open space:** The Mayor has been clear on his commitment to protect the Green Belt and Metropolitan Open Land. This

will make it even more important that the options above are fully explored and utilised.

b. Barriers to housing land coming forward for development

4.5 Even once sufficient land is allocated for housing there are a range of barriers that, in practice, stop this land coming forward for housing quickly enough. This is evidenced by the fact that roughly 50,000 homes are given planning permission each year yet only around 30,000 are actually delivered.

4.6 Some of the key barriers that need to be addressed are:

- lack of planning and coordination in areas where disparate land ownership make realising housing development opportunities difficult;
- inadequate powers for public sector organisations to acquire private land to unlock development (existing powers are also very costly and slow to utilise at scale);
- land with planning permission in the hands of organisations that are not developers, have no intention of developing homes, or whose business model militate against speedy delivery;
- delays caused by the planning system due to lack of resources, slow progress on section 106 agreements and discharge of planning conditions; and
- delays and blockages caused by key enabling infrastructure such as utilities.

4.7 Some of these (e.g. better coordination of strategic land opportunities) can be addressed through existing powers. However, others require a stronger role for London government to intervene or direct other agencies, or to be more active in London's land market through land assembly and acquisition powers.

Question 5: Are these the key barriers to housing land coming forward for development? What additional powers and measures need to be in place in order to unblock these barriers?

c. Public investment to support housing delivery

4.8 We already utilise public investment to support housing delivery in a variety of ways. For example:

- the affordable housing programme provides a significant capital subsidy for housing associations and other housing providers;
- the Housing Zones programme provides targeted investment to unlock strategic housing sites;
- investment in infrastructure, particularly transport infrastructure, enables housing delivery and higher densities;
- schemes such as Help to Buy de-risk housing delivery for private developers; and
- various funding streams, including Community Infrastructure Levy (CIL), help to ensure that local infrastructure is in place to support new development and minimise negative impacts for local communities.

4.9 However, we know that the scale of this investment needs to increase dramatically if overall housing supply is also to increase, and existing investment needs to be better coordinated to support housing growth. In particular, we need to see much more investment in transport infrastructure to help release additional land for

housing. The final report of the London Finance Commission provides a blueprint for how this investment could be secured through fiscal devolution.

- 4.10 In the shorter term we also need to secure a significant share of the additional £1.4bn of funding for affordable housing, announced at last year's Autumn Statement, and of the £2.3bn Housing Infrastructure Fund. The latter could be an opportunity to fund small and medium scale infrastructure schemes in order to support additional housing supply. There is also an opportunity shape and influence the Government's response to the Peace Review of CIL.

Question 6: How can existing public investment be better utilised to support housing growth, and what mechanisms should be explored to raise additional investment?

d. Domination of housebuilding industry by relatively few players

- 4.11 As the recent White Paper acknowledged, the housebuilding industry in London continues to be dominated by a relatively small number of private developers. Their contribution to housing supply must be protected but there are a range of structural reasons why they are unlikely to be able to deliver the required doubling in housing delivery:

- their capacity is limited by availability of finance and skills and appetite to take on significantly more development;
- as most large developers tend to build for sale, their business is highly dependent on wider market and economic factors and therefore tends to be cyclical; and
- in turn, this limits build out rates, particularly on large sites – this is often referred to as issues with 'absorption', i.e. local markets can only absorb a finite number of homes for sale at any given point.

- 4.12 Part of the solution to London's housing shortage is therefore to encourage more new organisations to start building homes, ideally utilising different sources of finance and building homes for a wider range of London's needs (thus reducing issues with 'absorption').

- 4.13 The key players that need to be supported through measures in the London Housing Strategy include the following:

- i. **Housing Associations:** Despite already building more than a third of London's homes, and the vast majority of its new affordable homes, housing associations have appetite to do much more. However, they face a significant barrier in accessing development land.

Question 7: What measures need to be taken to ensure that more land ends up in the hands of housing associations? What else do housing associations need to expand their capacity?

- ii. **Build to Rent:** These schemes utilise alternative sources of finance and are not dependent on the for-sale market, and so can theoretically support additional housing supply and build out at a faster pace. Recent moves by the Mayor and now the Government will support this sector to grow, but it remains to be seen whether it can become a major source of housing supply for the capital.

Question 8: Have recent reforms to support Build to Rent gone far enough, or should the LHS (and/or the Plan) explore additional measures?

- iii. **Smaller builders:** The decline of small and medium-sized builders has contributed to the concentration of most development activity within a relatively small number of large developers. A key reason for this is the decline in availability of smaller sites but there are also other issues such as the burden of planning obligations and CIL, access to appropriate finance, the complicated and risky nature of planning and development, and lack of available skills and labour.

Question 9: In addition to increasing the number of small sites, what more can we do to support smaller builders?

- iv. **Local authorities:** Despite recent increases, London boroughs still build far less housing than they did during the 1960s and 1970s. There are a range of financial reforms that would enable them to do much more – yet these are largely in the hands of Government, whose White Paper indicated very little additional flexibility. It also introduced a potential problem, by suggesting that homes built through Council housing companies may be subject to the Right to Buy.

Question 10: What further work needs to happen to persuade the Government of the case for empowering local authorities to build more homes? How can local authorities deliver on the Government’s aspirations for home ownership without undermining delivery?

- v. **Community-led, custom and self-builders:** though they make very small overall contributions to housing supply there is an opportunity to harness and encourage the sector to do much more.

e. *Construction skills and the need to modernise the industry*

4.14 It is now widely accepted that the construction industry faces a construction skills crisis. With around a quarter of London’s construction workers originating from European Union countries, and considerable uncertainty surrounding their status after Brexit, there is an urgent need to address this crisis. There are also wider issues at stake, including:

- the structure of the industry and its workforce;
- the lack of a strategic approach to apprenticeship training and considerable uncertainty surrounding the new Apprenticeship Levy;
- the industry’s attractiveness to younger people, ethnic minorities and, in particular, women; and
- the transition to modern methods of construction and off-site manufacturing.

4.15 At the same time, Government, the Mayor and boroughs continue to negotiate a skills devolution package that could go a lot further. There are also opportunities to shape the Government’s response to the Farmer Review and build on the Mayor’s new Skills for Londoners and Construction Skills Academy initiatives.

Question 11: What are the key capacity constraints, in terms of skills, labour and building methods, facing the industry? How can these be resolved?

5 Providing more genuinely affordable homes

5.1 Direct action will need to be taken to ensure housing in London remains affordable. The Mayor has already announced his plans to work towards his

strategic target of 50% of new homes being genuinely affordable alongside a target to start delivering 90,000 affordable homes by 2021.

5.2 Beyond this, the following challenges remain:

- ensuring the types of affordable housing most suitable for London's needs are prioritised;
- ensuring the planning system works harder to increase the proportion of affordable housing delivered in new schemes, including by looking at the role of viability assessments and embedding policy requirements into land values;
- securing additional investment from Government to support affordable housing delivery;
- providing more certainty (including rent-setting) for social landlords;
- encouraging and supporting new finance models for affordable housing; and
- protecting and effectively utilising London's existing affordable homes.

6 Supporting high quality and inclusive neighbourhoods

6.1 Ensuring that new homes and neighbourhoods are high quality, inclusive and sustainable must remain a priority, particularly as we look to significantly increase housing supply. Doing so will not only make London a more liveable city, but will also contribute to our efforts to reduce London's reliance on fossil fuels and help to make housing development more acceptable to Londoners.

a. Design, quality and environmental sustainability of homes

6.2 The 2016 Minor Alterations to the London Plan adopted the Nationally Described Space Standards. In introducing these standards, the then Government was clear that no further standards that relate to the internal layout and performance of a dwelling should be required by the planning system. The recently published White Paper has said the Government will review the Nationally Described Space standards, suggesting a move away from a one size fits all approach. If this means London gains the flexibility to introduce its own standards (as was the case before 2015) then this could be a welcome opportunity to ensure our standards can ensure that the higher densities we need to deliver are of good quality and design. However, it could also weaken our ability to set standards, which could in turn lead to less local support for development.

6.3 While ensuring good quality sustainable development, we also have to take account of the cost of requirements on the deliverability of development. The National Planning Policy Framework states that "sites and the scale of development should not be subject to the scale of obligations and policy burdens that their ability to be developed viably is threatened" (para 173) and that the cumulative impact of all the standards and policies "should not put implementation of the plan at serious risk" (para 174). A viability study will be carried out on the new London Plan to ascertain deliverability.

6.4 There also remains some ambiguity in the Government's approach to zero carbon homes and what can be sought through planning policy, and there remain considerable challenges in retrofitting the existing housing stock to adapt it for a low carbon future.

Question 12: How can we best balance the need for higher quality and more environmentally sustainable housing, with the need for significantly more housing supply overall?

b. Supported and specialist housing

- 6.5 The need for supported and specialist housing outstrips supply, and the gap in provision look set to increase in the future. Reasons for this include population changes (including an increasing number of older people) and decommissioning of existing supported housing, primarily because of changes to funding. Supported housing also improves health and social outcomes and results in substantial savings to the public purse, compared with either institutional care or homelessness. Specialist housing that meets specific housing needs – covering everything from gypsies and travellers to victims of domestic abuse – also needs to be prioritised.

Question 13: What types of supported and specialist housing should be prioritised in the new London Housing Strategy and how can this be delivered within an uncertain policy and financial context?

c. Ensuring Londoners have a stake in, and benefit from, new and existing homes

- 6.6 Ultimately it will not be possible to significantly increase housing delivery unless we bring Londoners with us. There are a whole range of issues that need to be addressed in order to improve Londoners' confidence in housing development and provide real opportunities to influence it. These include the following:
- more transparency in the planning system, on developer build out rates, and land ownership;
 - ensuring residents of social housing estates are involved in, and receive a fair deal from, estate regeneration projects;
 - enhancing the role of community-led housing projects, including co-operative housing;
 - giving Londoners a better chance of accessing newly-built homes; and
 - bringing empty properties back into use.

Question 14: How can we make much more housing supply acceptable to Londoners, in a way that is consistent with the financial and policy constraints that we must operate within?

7 A fairer deal for private renters and leaseholders

- 7.1 The PRS is a vital part of London's housing market. Many benefit from the flexibility this tenure offers. However, affordability, standards and conditions, and security of tenure are all significant issues for many Londoners, especially the growing number of renting households with children. Key issues include:
- lack of resources (and sometimes relevant powers) for London boroughs to enforce against criminal landlords;
 - the need to utilise licensing schemes to significantly enhance boroughs' ability to do so;
 - regulation of letting agents, including lettings fees;
 - educating and empowering renters about their rights;

- rising unaffordability of rents and ‘transactional’ costs associated with renting (e.g. deposits, agency fees);
- pressures from welfare reform and homelessness making it more difficult for low income households to find affordable private rented accommodation; and
- poor security of tenure.

Question 15: How can we support local authorities and work with central government to drive improvements in property conditions, management standards, affordability and security in private rented homes?

- 7.2 There are also 1.7 million leasehold flats in London, with leaseholders experiencing similar problems to private renters in terms of their interactions with freeholders and managing agents. Key issues include service charges, ground rents, costs of major works, lack of consumer control and choice, and risk of exploitation in the retirement leasehold sector.

Question 16: How can we ensure leaseholders’ rights and interests are better represented and should the tenure be fundamentally reformed?

8 Addressing homelessness

- 8.1 Both rough sleeping and wider forms of homelessness are disproportionately concentrated in London. The pressures of supply and affordability described below are key factors here, so efforts to address these are vital to any bid to tackle homelessness. However, a compelling treatment of homelessness also needs to consider factors that are more readily influenced in the short to medium term, with a view to slowing the increases in homelessness and rough sleeping and/or improving the outcomes experienced by homeless households and rough sleepers.

a. Supporting homeless households into sustained accommodation

- 8.2 London boroughs are heavily reliant on the private rented sector (PRS) in order to fulfil their legal obligations to homeless households. Doing so represents an increasing challenge and cost to them, due to the same pressures that are fuelling homelessness from the sector. There may well be scope for boroughs to strengthen their leverage in this competitive market through closer collaboration. This represents a politically sensitive challenge, but is one that the Mayor is ready to support. London also needs housing solutions for homeless households that reduce its reliance on the sector that is the main source of homelessness.

Question 17: What is the potential for closer collaboration between boroughs to help deliver accommodation for homeless households and how do we encourage it? What other housing solutions can we use for homeless households and how can we best develop them?

- 8.3 The Homelessness Reduction Bill (HRB) will extend boroughs’ duties to homeless households, but it is difficult to see how the very limited funding attached to it will enable boroughs to deliver positive outcomes for large numbers of Londoners not currently assisted.

Question 18: What approach should we take to new HRB duties, to maximise beneficial effects for London?

b. Tackling rough sleeping

- 8.4 Many London Boroughs commission their own rough sleeping out-reach teams and complementary services. In addition, the GLA spends around £8m per year on pan-London services to tackle rough sleeping. The GLA also works with the Boroughs with the highest levels of rough sleeping, and other statutory and not-for-profit sector organisations, through the 'No Nights Sleeping Rough' taskforce to identify and pursue new approaches to tackling rough sleeping.

Question 19: Are the current respective roles of the GLA and boroughs in tackling rough sleeping the right ones?

9 Equality comments

- 9.1 The LHS and the London Plan will be subject to impact assessments, including meeting the GLA's statutory duties under Equality Act 2010.

10 Financial Comments

- 10.1 None at present.

11 Legal Comments

- 11.1 None at present.

12 Next steps

- 12.1 The next steps in development of the LHS are summarised in the table below.
- 12.2 Beyond this initial opportunity to comment, Board members or their representatives have been invited to join a Steering Group, chaired by the Deputy Mayor for Housing and Residential Development, to work through the key issues outlined in this paper.

| Activity | Timeline |
|--|-----------------|
| Develop draft policies | April–June 2017 |
| Draft LHS for consideration by the Board | July 2017 |
| Draft LHS for public consultation | Summer 2017 |
| Final version published | Spring 2018 |

Appendices:

None.