

Homes for Londoners Board

Date of meeting: **27 February 2018**

Title of paper: **Housing Delivery Report**

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Classification: **Public**

1 Executive Summary

- 1.1 This paper provides an update on housing delivery across London for both affordable and market housing, the current position on overall pipeline starts and completions and an analysis of progress against the Mayor's target to start to build 90,000 affordable homes by 2021.

2 Recommendation

- 2.1 That the Board notes the report.

3 Introduction and Background

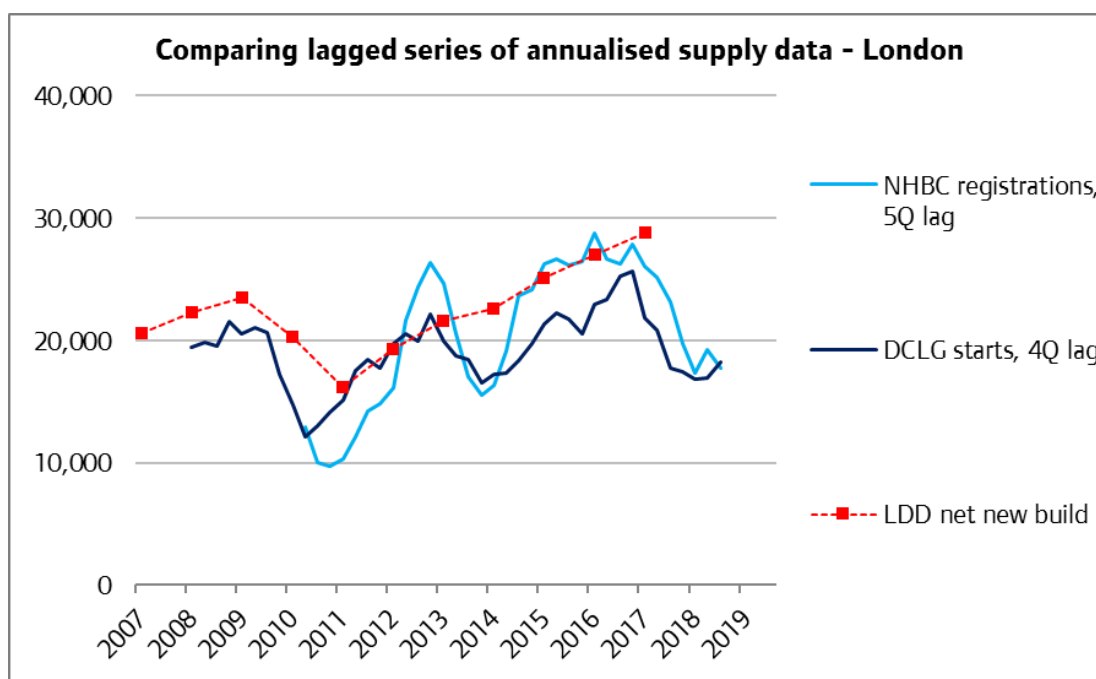
Overall Housing Aims

- 3.1 The Mayor's draft London Plan, published for consultation in late November 2017, sets out an ambitious target for 65,000 new homes a year, an increase from the existing London Plan target of 42,000. The higher target reflects faster population growth, the additional housing required by an ageing population, and the need to make up for years of under-supply.
- 3.2 The annual 65,000 new homes target is based on a detailed analysis of potential housing capacity in London, including an exhaustive survey of large sites carried out jointly by the GLA and London boroughs, and an assessment of the potential for additional supply from small sites across London.
- 3.3 The draft London Plan also includes the Mayor's new strategic target for 50% of new homes to be affordable. This represents a very large increase from the current position, and specific measures to achieve this aim include increasing the number of affordable homes provided by developers through the 'threshold approach' to viability, using the Mayor's investment powers to fund additional affordable homes, and targeting public land brought forward for housing to deliver at least 50% affordable housing.
- 3.4 There are specific targets for the delivery of affordable homes. The Mayor secured £3.15bn from Government to 2021 to start at least 90,000 affordable homes between April 2015 and March 2021.

4 Issues for Consideration

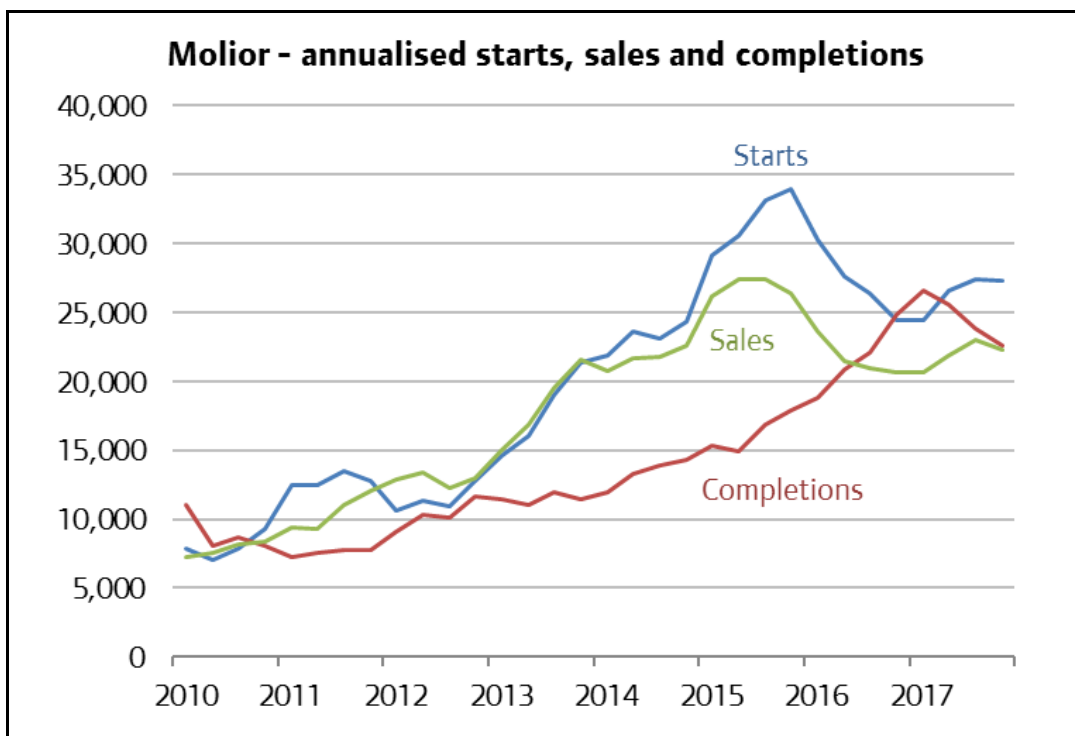
All Tenure Housing Supply

- 4.1 There is a mixed picture on overall housing supply in London, with indicators suggesting there is likely to be a fall in completions in 2017/18 compared to 2016/17, but also a relatively healthy 'pipeline' of homes under construction and with planning permission.
- 4.2 Statistics published by the Department for Communities and Local Government (now the Ministry for Housing, Communities and Local Government [MHCLG]) on 16 November 2017 indicate that in 2016/17 there were total net 'conventional' completions of 39,560 new homes in London, up from 30,390 in 2015/16. Net conventional completions include new build, conversions of houses into flats and non-residential buildings being converted into housing. It excludes 'non-conventional' supply of bedrooms in hostels and halls of residence, which count towards the London Plan housing supply targets. When taking these other sources of supply into account, it is likely that housing supply in London in 2016/17 exceeded the current London Plan supply target of 42,400, while remaining well below the 65,000 target in the new draft London Plan. Final estimates of new supply in 2016/17 will be published in the new Annual Monitoring Report to be published this spring.
- 4.3 Data from MHCLG on new construction starts and from the National House-Building Council (NHBC) on registrations (pre-starts) both show a substantial fall in 2016, with this number having levelled off or shown minor increases in 2017. This is expected to lead to a lower rate of completions in 2017/18 compared to 2016/17. The chart below shows registrations and starts (with appropriate lags applied to allow for construction) against the London Development Database's net new build measure, for comparative purposes.



- 4.4 The most up-to-date information available on private sector housing starts is from the research firm Molior. According to Molior, there were 27,300 private sector housing starts in 2017, 12% more than in 2016, driven primarily by a large increase

in outer London boroughs. However, this is 20% fewer starts than were witnessed in the peak year of 2015.



4.5 Looking towards the longer term, there were 64,700 homes under construction at the end of 2017 according to Molior. This is higher than at any point since the recession. Furthermore, data from the Home Builders Federation show that 60,000 new homes were granted planning permission in London in the year to September 2017. Together, these figures suggest that there is a healthy current pipeline of permitted homes, both flowing through the planning system and already under construction.

4.6 Given increased market uncertainty for the medium-term, the pace at which this pipeline is built out is of critical importance to achieving the new London Plan targets. According to Molior, unsold stock increased in 2017 for the second year running with the number of unsold units under construction at 30,000 (up 19% on the previous year), and the number of unsold completed units at 1,500 (up 35% on the previous year). Private developers are expected to be closely monitoring sales rates, both to judge the delivery of current schemes, and also to assess the risk-adjusted return of future opportunities.

Affordable Housing Supply

4.7 Funding allocations to build 49,400 homes via the Mayor's new 2016-21 affordable housing programme were approved in July 2017 and, when combined with approvals for a further 30,000 homes already progressing through existing programmes, indicate a strong pipeline against the overall target.

4.8 Table 1 overleaf sets out a profile of expected affordable housing starts against the Mayor's 90,000 starts target. To the end of January 2018, 23.5% of the target has been achieved with 21,183 starts delivered. This is now rising significantly as the starts are recorded under the 2016-21 programme following the completion of the contracting process and the programme remains on track to deliver within our target range for this year.

Table 1: Affordable Housing Starts delivery profile (end January 2018)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total	Achieved
Actual starts	7,467	8,935	4,125				90,000	20,527
Expected starts			12,500 - 16,500	14,000 - 19,000	17,000 - 19,000	18,000 - 25,000		

- 4.9 Housing providers continue to put forward proposals for further housing delivery through continuous bidding. To the end of December 2017 there were 1,083 additional homes allocated funding through this route.

GLA Group Land

- 4.10 The information below on housing delivery on GLA Group land has been provided by GLA Group functional bodies.

GLA Housing and Land

- 4.11 It is expected that in the period from 2017-21 there will be around 12,100 homes started on GLA/former GLA land, including joint ventures, of which around 4,000 will be affordable homes. Within this number are several large scale, long term projects with phased delivery, including Greenwich Peninsula (c15,000 homes) and Barking Riverside (c11,000 homes). Table 2 below shows an estimated annual profile of delivery.

- 4.12 **Table 2:** GLA no. of starts on site from April 2017 to March 2021:

GLA H&L	2017-18	2018-19	2019-20	2020-21	Total Starts	% Aff'd sites brought to market post May 2016
All tenures	2,268	3,568	2,930	3,345	12,111	69%
Affordable only	671	746	942	1,736	4,095	

Transport for London (TfL)

- 4.13 A separate agenda item at this meeting deals specifically and in detail with progress on TfL sites.
- 4.14 TfL has twin aims to generate revenue to reinvest in the transport network and deliver affordable housing for Londoners. Their key programme targets are;
- 50% of homes (by habitable room) built on across their portfolio will be affordable, on projects brought to market post March 2016;
 - A Business Plan target of £850m of capital receipts and long-term revenue from property development to reinvest in transport; and
 - Start by March 2021 on sites with capacity for 10,000 homes.
- 4.15 TfL is using a number of routes to bring sites forward. It has begun to use a wider range of routes beyond the previously-established Property Partnerships Framework, including the Mayor's London Development Panel, closer engagement with the GLA's affordable housing Strategic Partners, bespoke partnerships with several innovative developers seeking to precision manufacture homes, and through the GLA's 'Small Sites, Small Builders' pilot programme.

- 4.16 A target of 50% affordable homes has been set for TfL's portfolio of sites brought to market post May 2016. Several projects which already had planning permission or existing contractual arrangements approved prior to May 2016 are therefore excluded from the 50% affordable homes average. On the sites that have launched to market in 2016/17 50% of homes will be affordable.
- 4.17 TfL's target in 2017/18 is to deliver 3,000 homes to market of which 50% are affordable. Five sites have already been launched and further sites are due to be marketed in the next few weeks.
- 4.18 By 2021, TfL will have started on sites with capacity for 10,000 homes, including around 900 units from the indicative pipeline.

Table 3: TfL no. of starts on site from April 2017 to March 2021:

TfL	Indicative	2017-18	2018-19	2019-20	2020-21	Total Starts	% Aff'd sites brought to market post May 2016
All tenures	953	180	256	2,896	5,715	10,000	50%
Affordable only	354	92	114	705	2,364	3,629	

London Legacy Development Corporation (LLDC)

- 4.19 The LLDC Local Plan seeks to maximise affordable housing in new developments and sets a target of 35%. Most of the LLDC owned sites already have outline planning permission under the Legacy Communities Scheme, granted in 2012. This aims to create new lifetime neighbourhoods with a balanced mix of housing types and tenures, alongside employment, cultural and education facilities.
- 4.20 The LLDC has agreed to work towards the Mayor's 50% affordable homes target, where there is scope to re-visit existing consents, and recognising the need for widespread and ambitious infrastructure investment in the area.
- 4.21 The affordable housing provision of their overall profile of delivery is still subject to further design, planning and viability review, along with discussions with GLA Finance colleagues through the LLDC's Long-Term Plan approval process. The LLDC is working with the GLA to find ways to maximise the affordable housing provision through alternative delivery routes. Table 4 below shows an estimated annual profile of delivery.

Table 4: LLDC no. of starts on site from April 2017 to March 2021:

LLDC	2017-18	2018-19	2019-20	2020-21	Total Starts	% Aff'd sites brought to market post May 2016
All tenures	0	695	2,417	1,500	4,612	N/A
Affordable only	0	250	511	525	1,286	

Mayor's Office for Policing and Crime (MOPAC)

- 4.22 Principles and routes for disposals to both contribute towards affordable housing targets and to ensure MOPAC receives best consideration when disposing of surplus land have been established.

- 4.23 MOPAC is currently working with GLA Housing and Land to identify opportunities on pipeline sites to increase the level of affordable housing.
- 4.24 Estimated dates have been provided for when their sites are due to be sold. This shows six sites in 2017/18 and the remaining sites in 2018/19. Table 5 below shows an estimated annual profile of delivery.

Table 5: MOPAC no. of starts on site from April 2017 to March 2021:

MOPAC sites	To be confirmed	2018-19	2019-20	2020-21	Total Starts	% Aff'd sites brought to market post May 2016
All tenures	253	0	382	1,188	1,823	39%
Affordable only	139	0	133	459	731	

London Fire and Emergency Planning Authority (LFEPA)

- 4.25 The LFEPA portfolio consists of sites brought to market prior to May 2016 and three pipeline sites where the method of disposal on the properties has not yet been determined.
- 4.26 LFEPA has indicated that it is keeping the programme under review and will report any additional properties as soon as appropriate. Table 6 below shows an estimated annual profile of delivery.

Table 6: LFEPA no. of starts on site from April 2017 to March 2021:

LFEPA	To be confirmed	2017-18	2018-19	2019-20	Total Starts	% Aff'd sites brought to market post May 2016
All tenures	18	85	175	0	278	N/A
Affordable only	2	34	8	0	44	

5 Key Risks and Issues

- 5.1 Delivering the Mayor's housing programme is challenging and achieving the target by 2021 is not without risk. Partners are heavily dependent on identifying pipeline sites and managing commercial risk given an increased reliance on cross subsidy from market sales and rental.
- 5.2 The GLA is working closely with housing providers to ensure that sites supported by the Mayor progress to agreed milestones and that clear strategies are in place to avoid delays or sites stalling. The programme consists of over 50 housing providers and over 1,200 individual named sites, with further sites to be confirmed throughout the course of the programme.
- 5.3 Capacity, in terms of labour and materials, in the construction industry is a potential risk in terms of achieving this target.

6 Equalities Comments

- 6.1 Increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups and women. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.
- 6.2 The Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 will significantly increase the number of affordable homes in London. The delivery of the Mayor's housing programmes will help to implement objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes and housing products.

7 Financial Comments

- 7.1 Including allocations made by the previous Mayor the budget for affordable housing delivery is approximately £3.25bn. Expenditure on affordable housing in financial year 2017/18 is expected to be approximately £560m.

8 Next Steps

- 8.1 The Board will be updated on housing delivery at each meeting.

Appendices:

None