

MAYOR OF LONDON

London's Housing Delivery Recovery Plan

THE FINAL REPORT OF THE COVID-19
HOUSING DELIVERY TASKFORCE

JULY 2020



Executive Summary

- 1.1. From April to July 2020, Deputy Mayor for Housing and Residential Development Tom Copley convened a group of senior leaders in London's housing delivery sector to consider the challenges posed by the Covid-19 pandemic, and to plot a route to recovery. The Housing Delivery Taskforce represented the full diversity of the sector and this report summarises the group's findings. It sets out a comprehensive recovery plan which, if fully implemented, would build construction sector resilience, protect jobs, and support organisations that develop new homes to continue to address London's chronic levels of housing need.

Impact of the pandemic

- 1.2. The Taskforce agreed that the pandemic raised several serious challenges which could slow-down the delivery of the homes London needs. Early macroeconomic indicators forecasted falls in construction output and suggested a serious economic shock was already affecting London, including a potential recession. As at July 2020, nearly 650,000 people across the UK lost their jobs between March and June 2020 – with unemployment rates expected to rise over the summer and as the government's furlough scheme winds down¹.
- 1.3. The construction sector is relatively vulnerable to economic shocks and cycles in the housing market due to some firms, in particular small and medium sized enterprises (SMEs), operating on narrow profit margins. Because each part of the sector is interdependent, a failure in one area of the chain could have a profound impact on the rest of the sector – ultimately meaning the delivery of affordable housing could become significantly stalled.
- 1.4. The Taskforce also recognised that it is likely that there will be greater demand for affordable as a result of households' changed circumstances. The evidence shows that before the pandemic the need for social rented homes was already overwhelming².
- 1.5. The pandemic has dented confidence among London's social and private homebuilders, who may be reluctant to start new homes in such an uncertain economic outlook. Dampened demand is expected from private buyers, due to uncertainty about price changes and job security. Banks and building societies have introduced more cautious lending criteria, restricting access to mortgage products

¹ ONS data reported in Telegraph 16 July 2020

² GLA, 2017 Strategic Housing Market Assessment.

for those purchasing at high loan to value ratios, which are most commonly used by first time buyers.

- 1.6. The ways in which existing and new development is funded could change rapidly as a result of this changing demand. It is important that developer cashflow is maintained, and that all opportunities to bear down on the costs of construction are explored, without compromising quality, safety and sustainability. There needs to be certainty that new infrastructure will be built to unlock sites across all areas of the city to address viability problems before they arise. Huge losses to Transport for London's fare revenue puts this at risk.
- 1.7. There is currently a healthy pipeline of schemes with implementable planning permission in London. The Taskforce agreed that this pipeline must be maintained, and new housing developments continue to be started, to grow demand across all parts of the construction industry and build market confidence. Without a flexible and responsive approach to securing new planning permissions, and implementing existing ones, there could be a 'cliff edge' in future delivery.
- 1.8. Finally, the Taskforce agreed on the importance of ensuring that a pipeline of developable land is brought forward over the short-, medium- and longer-term. Significant changes in costs and values could lead to land being mothballed, and suitable incentives are needed to ensure that developable land can be brought into use and reflect market circumstances. It is critical that this land is brought forward to support the significant need for new council and affordable housing.

Rebuilding a better housing market for London

- 1.9. The Taskforce agreed that, while the impact of the pandemic on housing delivery could be profound, the housing market that the city had before the pandemic did not work for the vast majority of Londoners.
- 1.10. For many years the delivery of new homes in London has failed to keep up with rising numbers of jobs and population growth. This has left more and more people with little choice but to put up with less space and increased overcrowding. Those who have been disproportionately affected by London's housing crisis – including Black, Asian and other Londoners from ethnic minorities – have also been disproportionately impacted by Covid-19, with housing conditions attributable to the spread of the virus during the pandemic.
- 1.11. As well as developing a roadmap to recovery, the Taskforce wanted to agree how to rebuild a housing market which works better for every Londoner; including those that face spatial inequalities, and the affordability challenges that affect all but the wealthiest. These disparities can be structurally addressed by a major increase in the supply of new homes, particularly new social rented and other genuinely

affordable homes. A better functioning housing market would also contribute to a green recovery, achieving a dramatic and urgent shift in the sustainability of our new and future homes.

A housing delivery recovery plan

- 1.12. The Taskforce recommends a comprehensive response is taken forward by the Mayor and the sector, in partnership with Government. The full report sets out a detailed action plan, which if fully implemented could put London on the road to recovery. The action plan's recommendations, which are the culmination of a cross-sector collaborative process, benefit from consultation with over 40 external experts and Greater London Authority (GLA) officers.
- 1.13. Underpinning the detailed recommendations, the Taskforce has issued six key principles that Government and the wider housing sector will need to embody to respond effectively to the challenge we face.
 - First, the public sector should use its unique position to build supply chain confidence about the levels of effective demand – a package of **countercyclical funding** support is required to make this happen.
 - Second, **certainty and stability** in the policy and funding environment is needed to give confidence to developing organisations to make longer-term investment decisions. The recent confirmation of a one-year extension to the deadline of the Affordable Homes Programme is welcome, but much more can be done to strengthen confidence about the terms on which new developments can start.
 - Third, the unique circumstances of how new homes are built in London means that any recovery plan must recognise the **mixed economy** that underpins London's housing development, with many distinct yet interlinked types of development and funding sources each having a role to play.
 - Fourth, the taskforce agreed that there is an unprecedented opportunity for cross-sector **collaboration to promote innovation**. The sector and the Mayor are ready to work with Government to drive the modernisation of the housing sector to unlock these opportunities.
 - Fifth, a **skills-led recovery** can build resilience, support a response to chronic levels of housing need, and mitigate some of the worst economic impacts on individuals – particularly those at risk of job losses.

- Finally, changes to the **regulations and systems that govern land assembly** can incentivise and enable all actors in the sector to bring forward development that meets the high bar for quality, sustainability and connectivity that housing in London should deliver.

Priority responses

- 1.14. The full report sets out a detailed list of actions that should be implemented, some with urgency, and some over the medium- to longer-term. Responsibility for these actions is shared between the Government, the Mayor, councils, and the housing and development sectors. However, a number of responses stood out as a priority.
- First, the Mayor and the Taskforce are calling on Government to issue a **£4.83bn recovery package** for London that can provide confidence in the short-term. The public sector is ready and waiting to build confidence and strengthen supply chain resilience by supporting development which is less reliant on a very buoyant private market, and protect construction jobs. This recovery package should comprise a £1.33bn programme to facilitate changes of tenure in the remaining three years of the Affordable Homes Programme, and a £3.5bn buyer of last resort scheme to give confidence to the private market to start new schemes rather than downing tools, by knowing that homes could be purchased for the affordable market at cost price if a buyer cannot be found. The £4.83bn recovery package would ensure that nearly 44,000 homes would continue to be built over the next three years.
 - Second, the Taskforce calls for a recognition of the true cost of building affordable homes in London. For a decade housing associations and councils have been reliant on building private homes for sale to generate 'cross-subsidy' and plug the gap between revenues generated and the cost of construction. The subsidy gap for new social rented homes in London is now over three times the amount available in the 2016-2022 Affordable Homes Programme. The Taskforce calls on Government to **expand the next Affordable Homes Programme** from the £12bn nationally announced in March, and to recognise that to build the number of homes that truly responds to London's housing need, at the grant rates that are really required, would cost an average of £4.9bn a year in London alone.
 - Third, the sector and Government should work together on a skills-led recovery. The Taskforce recommended that the Mayor and Government work together to lead a **major cross-sector careers campaign** to promote the construction sector as a career that can be considered by all, whether young people finishing their studies and entering the job market for the first time, people changing careers, or those whose jobs are at risk due to the economic impact of Covid-19.

- Fourth, the GLA and councils should work together to test the opportunities to procure **precision manufactured homes at greater scale** and in a more standardised way, building a pipeline of demand to support manufacturers, and giving confidence to new entrants to market. The Taskforce believes that this intervention would be enhanced by **concurrent direct investment** in the precision manufacturing market, from GLA and Government, to support businesses to expand their operations and develop new environmentally friendly products that can help all work towards a zero-carbon future.
- Finally, the Taskforce believes a **more streamlined land assembly system** will provide clarity and certainty for all parties in bringing forward land for housing. More powerful tools and incentives to coordinate investment costs, shape development and manage public sector land assets will create higher quality and more strategic developments, particularly if coupled with additional resources to re-invest into physical and social infrastructure.

- 1.15. This executive summary provides just a snapshot of the actions and recommendations that should feature in a recovery plan. If implemented, this plan will provide a robust response to the housing supply challenges that London faces and build a better housing market as a result.
- 1.16. Some of what is needed can be taken forward by the Mayor, local government, housing associations, and industry, in partnership together. But so much more can be achieved if Government recognises the scale and severity of the challenge and maximises the levers and funding at its disposal to form at least part of the solution.