

## **Homes for Londoners Board**

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| Date of meeting: | <b>8 September 2021</b>   |
| Title of paper:  | <b>Housing delivery report</b>  |
| Presented by:    | <b>Natalie Daniels, Assistant Director, Housing</b>   |
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| Classification:  | <b>Public</b>   |

### **1 Executive summary**

- 1.1 This paper provides an update on the Mayor's housing delivery ambitions 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 targets.

### **2 Recommendation**

- 2.1 That the Board notes the paper.

### **3 Introduction and background**

- 3.1 The London Plan sets out an ambitious target for 52,300 new homes a year, an increase from the existing London Plan target of 42,000. Both the London Plan 2021 and the London Housing Strategy include the Mayor's long-term strategic target for half of all newly built homes to be genuinely affordable. This is significantly higher than the proportions contained in historic planning permissions. Specific measures to achieve this aim include increasing the number of affordable homes provided through planning obligations with the 'threshold approach' to viability, using the Mayor's investment powers to fund additional affordable homes, leading the way on GLA Group land with an aim to deliver at least 50% affordable housing on average and strongly encouraging other public sector landowners to do the same.
- 3.2 The Mayor successfully secured £4.82bn from government to start at least 116,000 affordable homes through the current Affordable Homes Programme (AHP), now extended to March 2023. A further £4.0bn has been secured for the new 2021-2026 Affordable Homes Programme and combined with the current programme, the GLA will aim to deliver 79,000 affordable housing starts between April 2021 and March 2026 (adjusted from 82,000 of which 3,000 starts were brought forward to 2020-21).

## 4 Affordable housing supply

- 4.1 The Mayor's target to start building 116,000 affordable homes from 2015 to 2023 is being delivered by a range of housing providers including large and small housing associations and London's councils. To the end of June 2021, a total of 72,550 affordable housing starts have been reported, representing 62.5% of the overall affordable homes target to 2023. Two hundred and seventy-two homes were started in Q1 of 2021/22 but this low level is normal in the first quarter, particularly after a year end where all targets were exceeded.

**Table 1:** Affordable Housing Starts delivery profile

|                        | 2015-16   | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total  | Target  |
|------------------------|---|---------|---------|---------|---------|---------|---------|---------|--------|---------|
| <b>Achieved starts</b> | 7,189   | 7,416   | 12,555  | 14,544  | 17,256  | 13,318  | 272     |         | 72,550 | 63%     |
|                        | ----- 72,278 achieved 2015 to 31 March 2021 ----- |         |         |         |         |         |         |         |        | 116,000 |

**Table 2:** A breakdown of starts on site by tenure

| Other Affordable Rent | Social Rent (and LAR to benchmarks) | Other Intermediate | London Living Rent / Shared Ownership | Affordable Tenure TBC | Total Affordable Starts |
|-----------------------|-------------------------------------|--------------------|---------------------------------------|-----------------------|-------------------------|
| 16                    | 120                                 | -                  | 136                                   | -                     | 272                     |

- 4.2 The new AHP 2021-2026 was launched for bidding in November 2020 and will run concurrently with the AHP 2016-2023 programme, which remains open for continuous market engagement and new bids. The 2021-26 bid round closed in April 2021 and following detailed assessment, a recommended programme of 29,456 affordable homes for total funding of £3.46bn was agreed with the Ministry for Housing, Communities and Local Government (MHCLG) and announced on 31 August 2021. The programme includes enhanced design standards which support the Mayor's Good Growth agenda, strong building safety requirements and new Equality, Diversity and Inclusion conditions.

### Specialist and Supported Housing Programmes

#### *Care and Support Specialised Housing*

- 4.3 This programme supports the delivery of new and remodelled homes for older people with support needs and adults with disabilities. The programme has had 1,826 starts on site, of which 787 have completed. The GLA will shortly enter into a memorandum of understanding with the Department for Health and Social Care to deliver London's share of the £71m national funding for 2021/22 announced for this programme in the Comprehensive Spending Review. Providers are encouraged to continue to work up schemes and apply for funding.

#### *Homelessness Change/Platform for Life*

- 4.4 This programme supports the delivery of new and refurbished hostels for rough sleepers, refuges for victims of domestic abuse and shared accommodation for young people aged 18-24 who are homeless or at risk of homelessness. As at 20 August 2021, the Homelessness Change Programme has achieved 550 starts on site, 541 of which have completed. The Platform for Life Programme has achieved 17 starts on site, of which nine have completed. The Mayor has made this fund available to providers with hostels that require remodelling to enable social distancing and self-isolation in line with government guidelines to combat the

COVID-19 pandemic. Two hostel schemes have recently been allocated funding for remodelling to improve COVID-safety within their buildings. Due diligence is underway on two further bids to improve COVID-safety.

#### *Community Housing Fund*

- 4.5 This programme aims to deliver new community-led housing (CLH) in London, investing capital and revenue funding into new schemes and supporting the London Community-Led Housing Hub to support CLH groups at early stages. As at 20 August, eight schemes (for 137 homes) had been allocated advanced revenue funding, to achieve planning and work up to start on site. At the same date, capital funding had been allocated to deliver 148 homes, 82 of which are included in the 137 figure above. Of these, 66 homes have started on site.

#### *Move On Programme*

- 4.6 The £50m Move On Programme provides capital and revenue funding for the delivery of homes, plus support, for people moving on from homelessness hostels and refuges for those fleeing domestic violence. As at 20 August 2021, allocations for schemes comprising around 320 homes had been made, with 220 starts on site and 204 completions achieved.

#### *Rough Sleeping Accommodation Programme*

- 4.7 Delivery of over 850 homes allocated funding in the first round of the Rough Sleeping Accommodation Programme (RSAP) is underway.
- 4.8 An initial bidding round for the 2021-24 round of RSAP funding closed on 7 May 2021. £47.2m of capital and revenue has been allocated to deliver 487 homes and support their residents.
- 4.9 The programme is now open for continuous bidding, with the aim of concluding in the autumn. In July, the Housing Minister and Deputy Mayor for Housing and Residential Development met the G15 group of housing associations to discuss opportunities for housing associations to contribute to the programme.

#### COVID-19 and rough sleeping response

- 4.10 Through the Everyone In initiative, the GLA and London boroughs have accommodated over 9,000 rough sleepers in hotels and other emergency accommodation in London since the beginning of the pandemic. This includes over 2,700 people in GLA-procured hotels. As at early August 2021, boroughs and the GLA were collectively accommodating almost 2,300 people in emergency accommodation.
- 4.11 Of these, 427 people were in GLA-procured hotel accommodation and 75 in the GLA staging posts. Of those accommodated, 404 are from the 'emergency response' phase and 98 have moved in since the 'recovery' phase started in early July 2021. Over 1,500 people have positively moved on from the GLA-procured hotels since they opened, more than 500 in the last five months alone.
- 4.12 Over 87% of those currently accommodated by the GLA are non-UK nationals. About 60% (around 350) are still working on clarifying or resolving their immigration status and entitlements. They are either working towards reconnection or not currently engaging in an offer, but not being asked to leave due to being COVID clinically vulnerable or extremely vulnerable.

- 4.13 New turnaround hubs in Hackney and Lewisham opened in early July and we are exploring the possibility of opening a third site in Islington to cover Westminster and some of the west London boroughs. This would result in almost total London coverage for the service. Since they opened, the two hubs have assessed 146 people, 131 of whom have been supported into accommodation.
- 4.14 The GLA is working with the NHS and public health colleagues to double down on vaccine offers across the sector to ensure that as many of those in vulnerable groups as possible have access to a vaccine. We are working with Find and Treat on a short-term dedicated vaccine outreach team to work alongside providers.

## 5 GLA Group Land

- 5.1 This section of the report provides information from GLA Group functional bodies about housing delivery on GLA Group land. The information now relates to starts on site to 2023 in line with the agreed extension to the Mayor's affordable housing programmes and target.

### GLA Land and Property

|                 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total Starts |
|-----------------|---------|---------|---------|---------|---------|---------|---------|--------------|
| All tenures     | 766     | 3,653   | 1,363   | 3,833   | 2,339   | 1,500   | 2,000   | 15,454       |
| Affordable Only | 96      | 856     | 671     | 1,527   | 824     | 870     | 800     | 5,644        |

a) % affordable for sites within Mayor's target period (starts on site from 2016 to 2023) and brought to market after May 2016: 73%

b) % affordable for sites within Mayor's target period (starts on site from 2016 to 2023): 37%

- 5.2 The GLA Land and Property programme consists of a number of sites on GLA or former GLA land, including joint ventures. Within this programme there are several large-scale, long term projects with phased delivery, including Greenwich Peninsula (c.17,000 homes) and Barking Riverside (c.13,000 homes).
- 5.3 During the Mayor's target period, it is broadly expected that around 15,400 homes will start on these sites between 2016 and March 2023 and around 5,600 are expected to be affordable housing tenures. This represents 73% affordable housing delivery based on those sites brought to market under the current administration.
- 5.4 The GLA is working closely with development partners and third parties to assess the impact of COVID-19 on its residential development projects. The GLA is continuing to review measures and consider options to maintain development and support recovery.

### Transport for London (TfL)

- 5.5 TfL has an ambitious housing programme to deliver thousands of homes, with a clear commitment to deliver an average of 50% affordable housing across all sites brought to the market since May 2016. Construction continues on sites which will deliver more than 1,000 homes, with 'The London Mews', a site developed by Kuropatwa through the Mayor's Small Sites Small Builders programme due to complete in the next few months.
- 5.6 TfL continues to progress housing projects through the planning system. It has submitted proposals for 351 rental homes (40% affordable) at Cockfosters, as part

of Connected Living London (CLL), its strategic build to rent partnership with Grainger plc. Since it first consulted with the community in 2019, CLL has amended its proposals, reducing the number of homes, providing an additional 35 parking spaces alongside a drop-off/pick-up zone, more green, open space and a commitment that the affordable homes will go to those that live and work in Enfield first. The proposals are currently out for consultation and due to be heard at planning committee later this year.

- 5.7 However, TfL has also suffered another setback at planning committee. In July 2021, proposals by Catalyst for 277 homes (100% affordable), and improvements to step-free access to the station via a lift at Stanmore station, were refused by Harrow Council's planning committee. The proposals offered the potential to deliver the genuinely affordable homes that the capital desperately needs, not least in Harrow where there is historic under-provision of such housing despite high demand. TfL and Catalyst are now considering next steps, mindful of the fact that London has a housing crisis. In addition, TfL's proposals for 454 homes at Wembley Park with Barratt London have been called in by the Secretary of State.
- 5.8 More widely TfL's funding position is still impacting its ability to commit capital required to progress housing projects. The Settlement Letter issued from government to TfL in June 2021 stated that TfL must 'agree a plan for housing delivery through a dedicated commercial property company that meets the shared ambitions of the Mayor and HMG to deliver housing in a high demand area and to provide an increased revenue stream.' Detailed discussions with government have been progressing positively over summer about the key principles, and TfL will update the Board on its progress at the next meeting.

#### London Fire Commissioner (LFC)

|   | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | TBC | Total Starts |
|---|---------|---------|---------|---------|---------|---------|---------|-----|--------------|
| All tenures   | 61      | 85      | 217     | 0       | 0       | 443     | 0       | 49  | 855          |
| Affordable Only   | 17      | 68      | 2       | 0       | 0       | 172     | 0       | 0   | 259          |
| a) % affordable for sites within Mayor's target period (starts on site from 2017 to 2023) and brought to market after May 2016 : 0% |         |         |         |         |         |         |         |     |              |
| b) % affordable for sites within Mayor's target period (starts on site from 2017 to 2023) : 30%                                     |         |         |         |         |         |         |         |     |              |

- 5.9 The LFC portfolio consists of sites brought to market prior to May 2016 and one pipeline site. The method of disposal on some of the properties has not yet been determined or is at the initial stages of being marketed. The table above shows an estimated annual profile of delivery.

#### London Legacy Development Corporation (LLDC)

|  | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total Starts |
|--|---------|---------|---------|---------|---------|---------|---------|--------------|
| All tenures  | 207     | 0       | 716     | 0       | 0       | 0       | 406     | 1,329        |
| Affordable only  | 38      | 0       | 321     | 0       | 0       | 0       | 127     | 486          |
| a) % affordable for sites within Mayor's target period (starts on site from 2017 to 2023) and brought to market after May 2016 : 42% |         |         |         |         |         |         |         |              |
| b) % affordable for sites within Mayor's target period ((starts on site from 2017 to 2023) : 37%                                     |         |         |         |         |         |         |         |              |

- 5.10 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.
- 5.11 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. LLDC is exploring ways of increasing affordable housing through the use of affordable housing grant, different delivery models and holding rented stock.
- 5.12 The overall delivery approach, housing tenure mix and financial impact seeks to balance the Mayor's affordable housing priorities together with the need to generate revenue and repay borrowings. The schedule has now been amended to reflect those discussions.

#### Mayor's Office for Policing and Crime (MOPAC)

|                 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | TBC | Total Starts |
|-----------------|---------|---------|---------|---------|---------|---------|---------|-----|--------------|
| All tenures     | 268     | 9       | 0       | 65      | 0       | 556     | 439     | 244 | 1,581        |
| Affordable only | 10      | 0       | 0       | 23      | 0       | 210     | 219     | 139 | 601          |

a) % affordable for sites within Mayor's target period (starts on site from 2017 to 2023) and brought to market after May 2016: 44%

b) % affordable for sites within Mayor's target period (starts on site from 2017 to 2023): 38%

- 5.13 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. MOPAC generally assumes disposal with 50% affordable housing in line with the London Plan.
- 5.14 The reported figures include those sites where projects are expected to start on site by 31 March 2023.
- 5.15 The disposal of two sites at Hendon; Rowan Drive (part) and the driving school site, as the largest sites continues using the London Development Panel 2.
- 5.16 The Government has announced allocations of additional officers for 2020/21 and 2021/22 but there remains uncertainty as to the increase for 2022/23. The draft Estates Strategy provides for provision for up to an additional 6,000 officers but the uncertainty continues to impact on being able to fully assess the requirements on the size and nature of the estate to be retained.

## 6 Housing market analysis

- 6.1 The following analysis summarises trends in prices, rents and new supply in the London housing market. As market conditions continue to change rapidly, it draws on a range of leading indicators as well as official statistics.

## Prices and rents

### *Sales market*

- 6.2 The official UK House Price Index shows that house prices in London increased by 6.3% in the year to June 2021, which is the fastest rate of growth since 2016 but is also the lowest growth rate of any English region. Annual price growth in Outer London rose to 7.8% in June, and in Inner London to 2.5%.
- 6.3 Data from UK Finance shows a remarkable increase in mortgage lending in London in the year to June 2021, ahead of the winding down of the temporary stamp duty cut. There were around 97,000 new loans to first-time buyers and home movers in London between July 2020 and June 2021, the highest total since 2008.
- 6.4 The latest data from property portals indicate that the strong growth in prices may soften over the coming months. According to Rightmove, asking prices in London rose by 1.0% in the year to August 2021, again well below the growth rates seen in other regions.
- 6.5 According to the latest report from the Royal Institute of Chartered Surveyors, most surveyors in London expect both prices and rents to rise in the coming three months.

### *Private rents*

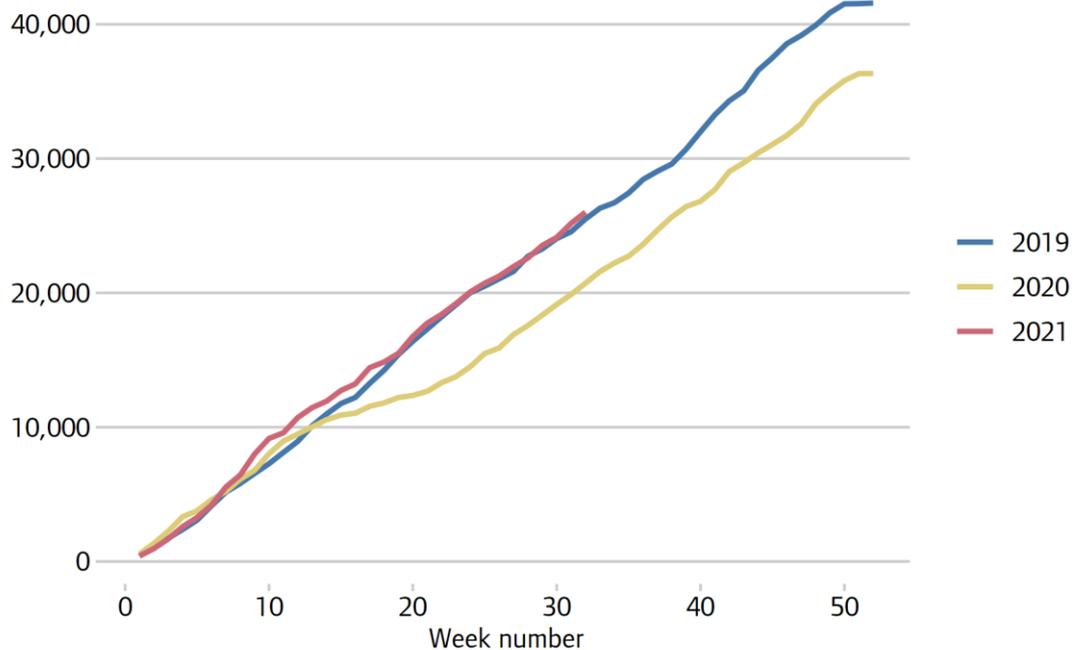
- 6.6 The official Office for National Statistics index reported that rents in London fell by 0.1% in the year to June, but this index is slow to respond to fast-moving events and is therefore not a good guide to current market conditions.
- 6.7 Advertised asking rents are a better guide to the current state of the market. According to Rightmove, average asking rents in London fell 3.1% between Q2 2020 and Q2 2021, but more recent weekly data indicates that rents are currently rising quickly in London as demand recovers but supply remains low. This trend is corroborated by data from Homelet, whose monthly rent figures indicate that average rents on new tenancies rose 5% between January and July 2021, while still remaining below their March 2020 peak.
- 6.8 SpareRoom report that the average advertised monthly rent for a room in London was £708 in Q2 2021, down 2% from 2020. Central and prime areas saw the biggest fall in rents. However, Q2 also saw demand (as measured by the number of people actively looking for rooms) increase faster than supply (as measured by the number of live room ads in an area) across London, a signal that room rents are likely to rise.

## Housing supply

### *Starts and completions*

- 6.9 An early indication of the trend in new supply is given by weekly MHCLG figures on the number of Energy Performance Certificates (EPCs) issued for new homes in London, which has largely tracked net conventional completions data over recent years. The chart below shows the cumulative number of new homes completed so far in 2021 as compared to the last two years. As of early August, just over 26,000 new homes had been completed in 2021, a very similar rate to that seen in 2019.

**Cumulative number of EPCs for new completions in London by year, 2019 to 2021**



6.10 The research firm Molior monitor development on sites with 20 or more private homes. According to their figures, there were 22,850 private sector housing *completions* on these sites between July 2020 and June 2021, up 9% from the year before. However, Molior also found that there were just 15,820 private sector housing *starts* on sites with 20 or more private homes in the same period, down 16% from the year before.

*Shortages of construction materials and labour*

6.11 32% of respondents to a Knight Frank survey of SME and volume housebuilders in the UK said that the cost or availability of building materials was the most challenging factor for their business in Q2 2021, up from just 7% in Q1. The proportion citing labour/skills shortages as the most important barrier also increased, from 4% to 9%.

6.12 Construction industry groups have highlighted emerging labour shortages in the sector and have called for changes to the government's new immigration system to enable them to fill posts. London's house building sector employs a particularly large share of workers from overseas.

*Build to Rent and Help to Buy*

6.13 A significant proportion of new build private completions in London comprise homes sold either for Build to Rent (BTR) or through Help to Buy. In the year to June 2021 there were 3,380 new BTR homes started in London, and 7,060 completed.

6.14 Consistent with the other indicators on the sales market discussed above, statistics on Help to Buy equity loans issued in London also show a strong recovery from the early pandemic period, with a total of 6,800 Help to Buy sales in London in the year to March 2021.

## Housing market summary and outlook

- 6.15 The pandemic led to a sharp fall in advertised private rents in London, particularly in the city centre, but since the start of 2021 rents have been rising again, as demand increases but supply remains low.
- 6.16 The first half of 2021 also saw very strong growth in the volume of mortgage lending ahead of the Stamp Duty holiday tapering. Reported house price growth has remained strong compared to previous years, but still below the very rapid rate of growth seen in other regions, and asking prices continue to indicate that growth is likely to slow in the coming months.
- 6.17 New home completions have remained quite steady but starts are subdued, and shortages of materials and labour seem likely to feed through to construction delays and rising costs.

## **7 Equalities comments**

- 7.1 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, Asian 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.
- 7.2 The Mayor's Homes for Londoners: Affordable Homes Programme 2016-23 will significantly increase the number of affordable homes in London. The delivery of the Mayor's housing programmes will help to implement the objectives set out in the Mayor's equality, diversity and inclusion strategy through the creation of new homes and housing products, with a particular focus on objectives 1 to 10 of this strategy.
- 7.3 The Affordable Homes Programme 2021-26 will increase the Equality, Diversity and Inclusion requirements for our partner organisations. All investment partners will be contractually required to meet minimum standards including comprehensive staff training, workforce monitoring and publishing pay gaps, within one year of their grant allocation being approved by the GLA. These standards seek to implement the Mayor's Good Work Standard 'diversity and recruitment' pillar and are being introduced to reflect the Mayor's commitment to ensuring London is a more equal, diverse and inclusive city for all.

## **8 Next steps**

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

## **Appendices**

None