

London Housing Delivery Taskforce – Joint position statement

1. Background and objective of paper

Between August and September 2023, City Hall and London Councils co-convened the London Housing Delivery Taskforce. The taskforce brought together leaders from across London's housebuilding sector to identify the interventions needed to safeguard delivery of homes in London, with a particular emphasis on affordable housing. **A full list of taskforce members who support the proposals set out in this paper is set out at the Appendix.**

This paper includes two sections, which summarise:

- The challenges most affecting homebuilding in London at present
- Proposals raised by taskforce members to be taken forward by City Hall and recommendations for central government, centred around thematic challenges identified by the taskforce.

2. Current challenges impacting housing delivery in London

Taskforce members described facing a 'perfect storm' of issues constraining housing delivery, both inside and outside of London. These issues are summarised as:

- **Macro-economic conditions** – While the UK's economic outlook has improved, inflation and interest rates remain very high – particularly compared to recent years which saw interest rates at nearly zero per cent. The cost of construction materials has stabilised, albeit at very high levels. In practice, these conditions mean that the cost of development (including debt servicing) is more expensive and demand for sales is declining. Higher rates of contractor insolvencies (in part because of these conditions) are also making development more expensive and uncertain.
- **Lack of government investment** – Lack of sufficient government investment – particularly in respect of grant funding for affordable housing – has been a longstanding challenge for housing associations and local authorities. This is limiting the potential for counter-cyclical investment which helped to maintain delivery during previous economic downturns. This underinvestment inhibits new supply, but the lack of government investment in existing stock also has an indirect drag as providers are having to invest greater sums in housing maintenance, repairs and remediation. Below inflation rent rises in 2022 and the 2016-2020 rent reduction have also threatened financial sustainability. While recent moves to renegotiate the AHP were welcomed by delivery partners, current macro-economic conditions (including the dampened sales market) are underscoring the need for greater government support to maintain delivery. Lack of long-term infrastructure funding (including but not limited to TfL) is also holding back opportunities for more development. Inadequate funding, in particular revenue funding, also impacts on London's ability to deliver specialist and supported housing.
- **Policy uncertainty** – It is notable the extent to which a single intervention – requirements for second staircases – is currently stalling development. Many developers

shared with us that they are simply not starting new developments until the government clarifies its position on the second staircase requirement; and members spoke overwhelmingly of the need for clarity on transitional arrangements and technical requirements. There was also awareness that certainty may not unlock development if the additional costs of incorporating a second staircase are significant. This acute challenge has emerged amid a backdrop of further uncertainty – most notably the future rent settlement and introduction of the Infrastructure Levy.

- **Funding rigidity** – While both City Hall and local authorities have devolved powers in relation to housing delivery, central government continues to place stringent rules on the way in which funding can be deployed in London. One key example is the Affordable Homes Programme (AHP) funding settlement in London, where the GLA has to adhere to strict funding requirements in deploying grant – constraining its ability to quickly adapt programmes to respond to a changing market and environment. For example, whilst recent flexibility to support estate regeneration was welcomed, members noted frustration at the late change in approach. The lack of certainty on funding beyond 2026, when the AHP ends, is also a significant barrier (particularly for larger and more complex schemes). Local authorities highlight the rigid rules governing the way retained Right to Buy receipts are set can be counterproductive to the delivery of replacement homes and removal of these rules would allow boroughs to be more strategic in their approach.
- **Planning** – Government cuts to local planning authorities over the past ten years are being felt acutely. Councils highlighted issues in being able to recruit and retain skilled planning officers, which is contributing to delays in the planning system. Housebuilders highlighted that planning applications are taking longer, and attribute these delays to a continued lack of appropriate resourcing and pressure on Local Planning Authority (LPA) officers including where Planning Performance Agreements (PPAs) are being utilised.

The above are compounded by long standing challenges. The high cost of land remains one of London's largest barriers to increasing levels of homebuilding, especially among smaller housebuilders. There is limited demand for market sale homes given high prices. London's market is also characterised by high rates of homelessness and temporary accommodation use. London Councils research from August 2023 shows that one in 50 Londoners are now homeless and living in temporary accommodation, and the capital's boroughs are collectively spending on average around £60m per month on temporary accommodation costs. Longer-term government investment in delivering social rented homes would make better use of public funds, as well as provide more secure housing for homeless households.

These challenges are holding London back as a city and pushing out families that no longer view the capital as an affordable place to live. Through its devolved spatial planning framework, London is uniquely placed to optimise performance across a wide range of objectives, strategically deliver against its good growth agenda and achieve the right balance across its own priorities, including by building housing that meets the needs of local people. London has also been an outlier to the rest of England in terms of overseeing a resurgence in council housebuilding, which has diversified routes to housebuilding and which risks being significantly scaled back without government investment and attention.

3. Summary of proposed interventions

Overcoming viability challenges

To help the housebuilding sector overcome current viability challenges, City Hall will:

- **Launch a new local authority acquisitions programme.** This programme will enable the purchase of street properties or conversion of new and existing market homes into social housing and/or temporary accommodation, building on the success of the Mayor's Right to Buy-Back programme. This programme will allow local authorities to purchase homes from leaseholders, as well as other developers or providers who are looking to sell newly built homes for conversion to social housing.
- **Continue to be as flexible as possible with existing and new AHP delivery partners.** In practice, this will involve making best use of new flexibilities agreed with government to increase grant rates, fund estate regeneration and allow some tenure conversions (for example, shared ownership to social rent). This will also mean responding flexibly and taking into account the particular constraints of SMEs – particularly smaller housing associations – when negotiating bids for grant funding.
- **Continue to adopt a flexible, open and collaborative approach to recycled capital grant funding (RCGF).** We will work with partners to ensure that partner held RCGF is deployed in ways that maximise housing delivery.

In the short-term, central government should:

- **Immediately inject additional Affordable Homes Programme (AHP) grant into London.** Investment should include £2.2bn in the short-term to bring AHP 2021-26 targets back up to 35,000 affordable homes. Over the long-term, research undertaken by Savills in 2022 shows that £4.9bn in capital grant is needed each year to enable local authorities and housing associations to achieve the strategic target for affordable housing set out in the London Plan. The social and economic case for meeting affordable housing needs is overwhelming – it would enable counter-cyclical investment so that delivery is less susceptible to market trends; substantially boost educational attainment and economic growth; and generate significant savings in housing benefit, temporary accommodation and NHS costs in the medium to long-term.
- **Building on success of early-2023 negotiations, government should work with the GLA to introduce additional flexibilities in to the AHP 21-26 settlement.** Key additional flexibilities should include:
 - Pushing back completion milestones, which are particularly rigid and constrictive for larger developments and estate regeneration schemes.
 - Allow for more flexibility with intermediate tenures, particularly by allowing delivery of London Living Rent homes in perpetuity.

- Ensure that grant and associated funding conditions on additionality work effectively to maximise affordable housing delivery, without creating unnecessary barriers to delivery.
- **Clarify its intent to provide affordable housing grant post-2026.** The lack of clarity on long-term funding means that affordable housing providers are unable to effectively forward plan, especially in respect of complex schemes (including estate regeneration).
- **Introduce additional, permanent flexibilities to the local authority Right to Buy receipt spending framework.** As a priority, the government should allow councils to combine RtB receipts with AHP grant in order to bridge viability gaps and make better use of other recently introduced flexibilities. Temporary reforms to the RtB receipt spending framework introduced in early-2023 – including the ability for boroughs to keep the full receipt sum – should be made permanent.
- **Launch a new grant funding programme to properly fund refurbishment of existing stock, to align with announcement of a new Decent Homes Standard.** Government has made such funding programmes available in the past, and there is a clear need for such funding against a backdrop of increasing requirements placed on providers to improve safety, quality and sustainability of existing homes, including higher standards expected as part of an updated Decent Homes Standard. Providers are unclear about the scale of refurbishments that will be needed through the expected forthcoming standards, contributing to an environment of policy uncertainty that is challenging for long-term business planning.
- **Re-open the Housing Revenue Account (HRA) debt settlement to give local authorities more freedom to borrow cheaply for housing delivery.** The HRA debt settlement was agreed in 2012. Since then, the obligations placed on borough HRAs have significantly increased with government policy on rents having constrained income. It is therefore timely for government to revisit these assumptions with a view to expand HRA borrowing capacity.
- **Reform Public Works Loan Board borrowing rules to allow local authorities to borrow at – an ideally reduced – fixed-rate.** This approach would bring the PWLB in line with private sector lending practices and give boroughs much needed certainty for longer-term planning. Outside of the Public Works Loan Board lending facility, the government should also make similar low interest and long maturity borrowing available to housing associations.
- **Provide adequate funding for specialist and supported housing delivery.** Inadequate funding, in particular revenue funding, impacts on London's ability to deliver specialist and supported housing for different groups of Londoners. The GLA is undertaking work to develop a set of detailed asks in this area in due course which, when published, will complement this joint position statement.

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- **Enable housing associations to better access to building safety remediation funds.** It is currently challenging for social housing landlord to access building safety remediation funds, meaning that funding that could otherwise be used to build new homes is being diverted to fund stock remediation.

Providing greater policy certainty and flexibility

In the short term, central government:

- **Having now confirmed timing for transition, must announce, as a matter of urgency, the technical specification for second staircase requirements.** Developers – including local authorities and housing associations – need full detail of the requirements in order to assess the impacts on viability and design for existing and future schemes.
- **Should provide certainty on the long-term social rent settlement.** The government has not yet published a promised consultation on the rent settlement. This lack of clarity on the future rent settlement, coupled with recent changes to the rent cap in 2022, is undermining business planning assumptions and putting long-term investment strategies at risk. Importantly, rent certainty impacts on third party investment appetite to partner with the sector. In the long-term, government should reimburse social landlords for the losses they have incurred through changes to rent policy in recent years, recognising the sector needs sustainable financing to deliver all of the important things that government wants the sector to lead on in respect of housing supply and quality.
- **Should scrap the Infrastructure Levy and focus on improving the current system instead.** The proposed Infrastructure Levy will create a highly complex system and secure less affordable housing and infrastructure than at present. It will cause additional uncertainty, disruption, and put development at risk. Retaining and improving the current system would result in significantly better outcomes for councils, developers and communities.

In the long-term, central government should:

- **Provide greater long-term funding certainty in future AHP settlements.** Government should allow the next programme to run for 10 years and potentially align to London Plan timelines. A longer-term AHP would be particularly helpful to aid the delivery of larger developments and more complex estate regeneration schemes in London.
- **In the spirit of existing devolution arrangements, adopt a more flexible approach when administering funding to both the GLA and local authorities to enable bodies to deploy funding more strategically.** For the GLA, this applies to rules around AHP and other major capital funding settlements. For local authorities, this applies particularly to rigidity of rules governing retention and expenditure of RtB receipts.

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Addressing delays in the planning system

City Hall will commit to:

- **Undertake further work to understand the application of the London Plan Guidance in the context of second staircase requirements.**
- **Work with boroughs and industry to implement design policy and guidance in support of high-quality homes and overall housing delivery as part of the overall design journey.** This engagement will recognise the need to take the development plan as a whole and avoid mechanistic application of guidance.
- **In collaboration with London boroughs, build a new system in order to introduce a live strategic housing land available assessment (SHLAA) process.** This system is being built in collaboration with the London boroughs and, once complete, will allow for a new SHLAA methodology to be developed.
- **Consider, via the next SHLAA, housing capacity on small sites and their role in boosting housing supply across London.** This work stream will inform policies of the next version of the London Plan.

To address issues in the planning system, Government should:

- **Make funding available for additional resourcing for a pool of specialist planners for Local Planning Authorities in London.** This could be through or based on the existing Public Practice model, which could include targeting resourcing for boroughs dealing with significant strategic sites and where there are particular resourcing constraints. This specialist resource could support local planning authorities when invited to do so and offer specialist advice to all boroughs on particularly technical areas of planning policy where the required capacity does not amount to retention of in-house expertise.
- **Underwrite local authority planning budgets by providing core funding through the annual local government finance settlement so local authority planning teams are less vulnerable to market downturns.** This would support a continued planning pipeline and enable to authorities to pro-actively bring forward local plans and allocate sites to support delivery and investment.
- **Resolve issues in the Community Infrastructure Levy (CIL) regulations to enable 'Payment in Kind' provisions to be implemented by councils at their discretion.** This would encourage authorities to allow the value of onsite infrastructure to be credited against local CIL charges, supporting the delivery of onsite infrastructure and brownfield regeneration. Resolving these issues would avoid duplication of contributions and support affordable housing delivery.

November 2023

Unlocking land supply

City Hall will:

- **Explore providing new offers for small and medium sized developers.** Such measures will include extending or enriching the existing Small Sites Small Builders programme and exploring the creation of new City Hall debt funds.
- **Further consider and progress the recommendations outlined in the Kerslake Review of GLA Group Housing Delivery.** In his review, Lord Kerslake made several recommendations relating to City Hall taking a more interventionist approach in London's land market to aid wider development. City Hall will take stock of the status of these recommendations and consider how their implementation could be aided in a way that supports London's wider homebuilding sector.

Government should:

- **Make funding available to City Hall for a successor Land Fund or other long-term recoverable investment programme, following the GLA's success in deploying the initial programme.** With a wider and more flexible funding envelope, the GLA would be well positioned to intervene more strategically in the land market including to help partner organisations undertake strategic land acquisitions.
- **Properly fund infrastructure and utilities in London, which are critical to unlocking new homes.** Most notably, delays to transmission network upgrades in West London are causing major delays to grid connections for housing developments, which is holding up new development in the area and which needs to be addressed. Government should review the London Infrastructure Framework, which lists 67 key infrastructure projects that would benefit from investment in the capital.
- **Confirm a long-term funding settlement for TfL, allowing it to properly plan day to day management of the infrastructure as well as new infrastructure investments.** A long-term funding settlement is critical to enable the unlocking new homes (for example, on the Old Kent Road and at Beckton Riverside and Thamesmead Waterfront).

November 2023

Appendix: Taskforce members who endorse the Joint Position Statement

1. A2 Dominion
2. Berkeley Group
3. BME Landlords London
4. Business LDN
5. Clarion
6. G15 housing associations
7. G320 housing associations
8. Gateway Housing
9. Guinness
10. Hexagon Housing
11. Hill
12. Hyde
13. L&Q
14. London Councils
15. London Legacy Development Corporation (LLDC)
16. Metropolitan Thames Valley
17. Mount Anvil
18. National Housing Federation
19. Notting Hill Genesis
20. Old Oak and Park Royal Development Corporation (OPDC)
21. One Housing
22. Origin Housing
23. Peabody
24. Southern Housing
25. Sovereign Network Group
26. Transport for London (TfL)