

MDA No.: 1818

Title: Affordable Housing 2026-27 Budget

1. Executive Summary

- 1.1 At the Budget and Performance Committee meeting on 6 January 2026 the Committee resolved that:

Authority be delegated to the Chairman, in consultation with party Group Lead Members, to agree any output arising from the meeting.

- 1.2 Following consultation with party Group Lead Members, the Chairman agreed the Committee's letter to the Mayor of London regarding the Affordable Housing 2026-27 Budget, as attached at **Appendix 1.**

2. Decision

- 2.1 **That the Chairman, in consultation with party Group Lead Members, agrees the Committee's letter to the Mayor of London regarding the Affordable Housing 2026-27 Budget, as attached at Appendix 1.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Printed Name: Neil Garratt AM, Chairman of the Budget and Performance Committee

Date: 16 January 2026

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

- 3.1 The terms of reference for this investigation were agreed by the Chairman, in consultation with relevant party Group Lead Members, under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the letters and its recommendations fall within these terms of reference.
- 3.2 The exercise of delegated authority approving the letters will be formally noted at the Budget and Performance Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): *Hannah Barlow*

Printed Name: Hannah Barlow, Principal Committee Manager

Date: 16 January 2026

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Printed Name:

Date:

Legal Implications:

The Chair of the Transport Committee has the power to make the decision set out in this report.

Signature (Legal):



Printed Name: Rebecca Arnold

Date: 16 January 2026

Email: Rebecca.arnold@london.gov.uk

Supporting Detail / List of Consultees:

- Krupesh Hirani AM (Deputy Chairman)
- Zack Polanski AM
- Gareth Roberts AM

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

Lead Officer / Author

Signature: *Gino Brand*

Printed Name: Gino Brand

Job Title: Senior Policy Advisor

Date: 16 January 2026

Countersigned by Executive Director:

Signature: *Helen Ewen*

Printed Name: Helen Ewen, Executive Director – Assembly Secretariat

Date: 16 January 2026



Neil Garratt AM
Chairman of the Budget and Performance Committee

Sir Sadiq Khan
Mayor of London
(Sent by email)

16 January 2026

Dear Sir Sadiq,

Affordable Housing 2026-27 Budget

I am writing to you on behalf of the Budget and Performance Committee, following its meeting on Tuesday, 6 January 2026. This is the fifth of a series of letters on your 2026-27 Budget proposals.

During the meeting, we spoke with your Deputy Mayor for Housing and Residential Development, Tom Copley, alongside representatives from the Greater London Authority (GLA), London Legacy Development Corporation (LLDC), Old Oak and Park Royal Development Corporation (OPDC) and Places for London. The five recommendations in this letter are intended to support and improve the drafts of your Budget for 2026-27, as well as seek clarity over the future of specific programmes.

The Committee appreciates that this was an early version of the budget and there are issues that need to be resolved, including the conditions of the £11.7 billion 2026-36 Social and Affordable Homes Programme. It is important that any changes to the budget as it develops are made clearly and transparently.

The Committee recognises the scale of the housing challenge facing London and the difficult operating environment for housing delivery, including construction cost inflation, viability pressures, planning uncertainty, and wider macroeconomic conditions.

Affordable homes programme subsidy levels

Under the previous Affordable Homes Programme that ran between 2016 and 2023 (AHP 2016-23) the GLA was allocated £4.82 billion, and this was used to deliver 116,782 home starts. At face value, this appears to represent an average subsidy of £41,273 per home, notwithstanding the other variables discussed further below. The GLA was allocated £4 billion for the current Affordable Homes Programme (AHP 2021-26). The target number of home starts was initially 35,000 or £114,286 per home at face value. The target was then reduced to range of 23,900-27,100¹ and then further reduced to 17,800-19,000 in May 2025.² At the 6 January 2026 Budget and Performance Committee the Deputy Mayor for Housing and Residential Development confirmed that he “fully anticipates” that 18,400³ home starts will be achieved under the AHP 2021-26. This will represent a subsidy of £217,391 per home, which appears to indicate there has been a significant increase since the previous programme.

Tim Steer, the Executive Director for Housing at the GLA explained that this is not a direct comparison but accepted that subsidy levels had increased. He said:

“if you compare 116,000 homes to the target for the current one of around 18,000 then it looks like five times the amount of subsidy but there has been a change in the way that the numbers are counted in the sense that that 116,000 included homes which came through the section 106 system so they are not directly comparable in that way. Subsidy requirements are definitely higher now than they were a few years ago. Build costs are higher and subsidy requirements are higher. That was the key reason why we needed to work with Government to revise the target down for the new programme so we could ensure that grant levels were realistic for the requirements.”⁴

This is a complex area, and the Committee recognises that a number of factors that have impacted the subsidy increase including a greater focus on social rent homes, which this Committee supports. The Committee notes that acquisitions of existing property is becoming an increasing component of delivery of the affordable homes starts target under the current AHP 2021-26. The 9 September 2025 Housing Committee heard from the GLA that “under the AHP 2021-26 we have 5,500 starts to the end of quarter one [2025-26] ... around 440 are from acquisitions.”⁵ This equates to 8 per cent of housing starts coming from acquisitions.

The Deputy Mayor informed the Committee that the current affordable homes programme has a cap of 30 per cent for acquisitions and stated that: “I would always rather that we were supporting new build, but you have to factor in the realities of the market as it is. We are not aiming to hit a 30 per cent target but if that is what partners bring to us, then we might well end up getting close to that.”⁶ The Committee notes that acquisitions made up 12 per cent of AHP 2016-23 target.⁷ The Committee would like to consider the impact that the increasing use of acquisitions is having on the subsidy level and recommends that this learning is used to feed the development of the new 2026-36 Social and Affordable Homes Programme.

¹ London Assembly [Affordable Housing Monitor 2024](#), 18 September 2024

² BBC News, [London mayor agrees 22% cut in affordable housing target](#), 14 May 2025

³ Budget and Performance Committee, 6 January 2026

⁴ Budget and Performance Committee, 6 January 2026

⁵ Housing Committee, [Transcript](#), 9 September 2026

⁶ Budget and Performance Committee, 6 January 2026

⁷ London Assembly, [Affordable Housing Monitor 2023](#), P11, November 2023

Recommendation:

1. The Mayor should supply this Committee with an analysis of the change in the subsidy level from the 2016-23 affordable homes programme to the 2021-26 affordable homes programme based on the final number of starts for each programme. The analysis should set out separately the impacts of increasing construction costs, a greater focus on social housing, a greater proportion of acquisitions and any other key factors driving this change. This analysis should also be used to underpin the target levels for starts under the 2026-36 Social and Affordable Homes Programme. This analysis should be supplied to the Committee by 30 June 2026, three months after the end of the programme funding period.

The 2026-27 GLA:Mayor Budget states that “It is hoped that levels of required subsidy – currently at a historic high – fall to lower levels over the medium to long term.”⁸ The Deputy Mayor explained that:

“Build costs have escalated massively. The cost of concrete and steel is up by something like 50 per cent. Interest rates are higher and let us bear in mind the previous 2016-2023 programme, these were historically low grant rates. The level of subsidy as a proportion of the cost of building a property was at historically low levels. In some ways we are seeing a return to normal, but the Government has been very, very clear that over the course of the next AHP, it does not want that cost to rise. In fact, it wants it to come down.”⁹

The Committee supports in principle a reduction in the level of subsidy as this may enable more homes to be delivered. The Committee recognises that there is an important trade off here where a higher level of subsidy may be required to deliver the size and tenures of homes that Londoners really need. The Committee is keen to understand the circumstances required to achieve a lower level of subsidy and the extent to which this is realistic.

Recommendation:

2. The Committee recommends that the Mayor sets out by 13 February 2026 the conditions that are required to enable a reduction in subsidy levels for the new affordable homes programme and the risks around securing a reduction.

Funding for affordable housing 2026-2036

On 6 January 2026, the Budget and Performance Committee considered the affordable housing provision set out in the Draft 2026-27 Budget. This is a significant area of expenditure with capital expenditure for housing programmes totalling £2.25 billion in the 2026-27 GLA:Mayor budget, including £1.17 billion provisionally profiled for the new London Social and Affordable Homes Programme (2026-36), alongside funding for the Affordable Homes Programme (2016-23) and Affordable Homes Programme (2021-26).

The Committee notes that while the Draft Budget states that up to £11.7 billion has been secured to deliver the London Social and Affordable Homes Programme over 2026-36, there is currently no confirmed annual expenditure profile or delivery plan for the programme. For

⁸ GLA, [GLA:Mayor 2026-27 budget](#), P38, 11 November 2025

⁹ Budget and Performance Committee, 6 January 2026

planning purposes, the budget has been provisionally split evenly across ten years, pending the outcome of programme bids.

The Deputy Mayor, explained that there will be an initial bidding round before any targets are set, noting that: *“until we have had the first bidding round, which opens in February, we will not know how many affordable homes that close to £12 billion will deliver.”*¹⁰ The Deputy Mayor informed the Committee that the bidding opens in February and closes in April.¹¹

Recommendation:

3. The Mayor should set out in response to this Committee the profile of expected expenditure on the new 2026–2036 social and affordable homes programme delivery plan for the 10-year period, including how the funding will translate into delivery over time, once this has been agreed with the Government. This should be supplied within a month of the agreement with Government.

Interim Delivery Targets, starts and completions

The Committee welcomes the long-term ambitions for affordable housing delivery but note that there is currently little clarity on the profile of delivery targets across the 2026–2036 period.

In particular, we consider it essential to understand how many homes are expected to start and complete by key milestones within the programmes. This is critical for tracking progress, identifying risks early, and holding delivery partners to account. Experience from the AHP 2021–26 shows that delivery is heavily back-ended. By March 2025, 5,188 homes had been started under the programme, representing 29 per cent of the lower revised target, leaving between 12,612 and 13,812 homes to be started in the final year to meet the target. Similar patterns are observed under Affordable Homes Programme 2016–2023, where delivery accelerated sharply in later years.

The Deputy Mayor confirmed to the 6 January 2026 Budget and Performance Committee that: *“we do have the hockey stick effect with the AHP specifically where you get a lot more starts in the final year and indeed the final quarter.”*¹²

Recommendation:

4. The 2026–36 Social and Affordable Homes Programme incorporates interim delivery milestones throughout the 2026–2036 period, including expected numbers of starts and completions by specified dates, to allow monitoring and communication of progress throughout the programme.

Tenure Mix, Unit sizes and programme incentives

We considered the structure of the Affordable Homes Programme and its implications for the type of homes being delivered.

Concerns have previously been raised by the London Assembly that the current affordable homes programme incentives may encourage the delivery of smaller homes, despite clear evidence of

¹⁰ Budget and Performance Committee, 6 January 2026

¹¹ Budget and Performance Committee, 6 January 2026

¹² Budget and Performance Committee, 6 January 2026

demand for family-sized and accessible accommodation. The Committee considers it essential to understand not only how many homes are delivered, but what types of homes are being provided. The Deputy Mayor confirmed on 6 January 2026 that lessons are being learned from the current programmes;

“We are always learning about the balance between what requirements we put on partners versus how flexible we make the programme. That is why we have adjusted, and the Government wanted us to do this. We have taken out some of the requirements in the 2026-2036 programme compared to the 2021-2026 programme.”¹³

Recommendation:

5. The Committee recommends that the Mayor sets out for the new London Social and Affordable Homes Programme, the expectation once agreed with Government on:

- **the number of social rent homes;**
- **the number and type of intermediate homes;**
- **the number of accessible units by tenure and**
- **the distribution of unit sizes by tenure, including family-sized homes.**

This should be supplied within a month of the agreement with Government.

We appreciate the Deputy Mayor, GLA, LLDC, OPDC and TfL officers’ attendance and engagement with the Budget and Performance Committee. I look forward to your response to this letter by 13 February 2026.

Yours sincerely,



Neil Garratt AM

Chairman of the Budget and Performance Committee

¹³ Budget and Performance Committee, 6 January 2026