OUTER LONDON COMMISSION

SIXTH REPORT: REMOVING THE BARRIERS TO HOUSING DELIVERY

EXECUTIVE SUMMARY

MARCH 2016

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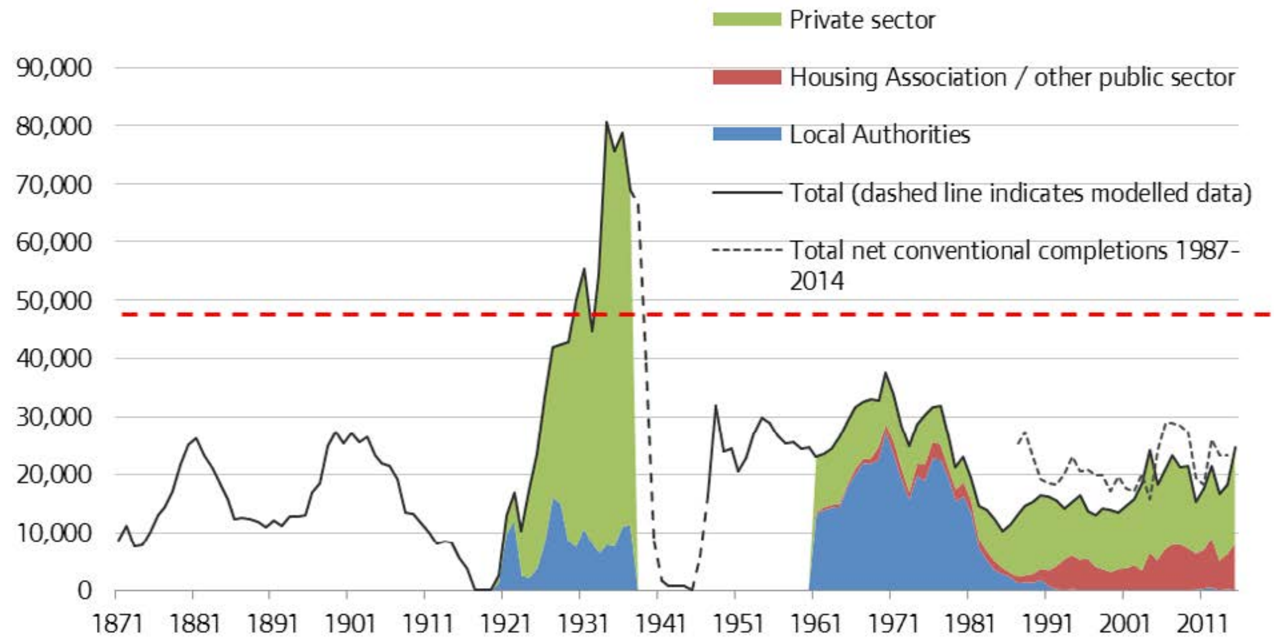
EXECUTIVE SUMMARY

1 Introduction

1.1 Substantial increases in housing delivery are required to ensure London meets its housing need. Over the next two decades London needs to deliver almost one million new homes, at an annual rate of 49,000 homes a year. To achieve this, the current rate of housing delivery in the capital will need to be consistently doubled.

1.2 This level of housing output has not been achieved in London since the 1930s and was not even realised in the 1960s and 70s, during a period of large-scale public sector investment in housing delivery. Indeed, over the past 10 years London has delivered on average 25,000 net conventional homes each year, rising to 27,000 when net supply from 'non-conventional' housing schemes is included, such as accommodation for students and older people.

Estimated number of new homes built in Greater London, 1871 to 2015



Source: GLA and Department for Communities and Local Government[1]

1.3 Clearly, significant improvements are required to increase London's capability to deliver the housing it needs. However, this challenge is not only affecting London. Across England, only around 116,000 new homes are currently being delivered each year[2]. This is less than half the number of homes required each year to keep pace with household growth (243,000)[3] and well below the 312,000 new homes per annum which some commentators estimate is needed to also account for

[1] Note – net conventional completions (1987-2013) includes net housing provision from conversions, change of uses and extensions (Source: London Development Database)

[2] Average annual delivery 2011 – 2015 - Neil McDonald and Christine Whitehead, TCPA paper 2015, page 17

[3] Lyons Housing Review, 2014

backlog housing need[4].

1.4 Failing to provide sufficient numbers of new homes to meet growing need has a number of negative social and economic consequences. This is especially the case in London which is experiencing unprecedented affordability challenges alongside rapid population and economic growth. Against this backdrop, the capital's population is expected to increase to 10 million by 2036 and 11 million by 2050[5].

1.5 Meeting this scale of population growth will require current developer output to be substantially increased, together with output from housing associations. It will also need to be supported by strategically important new entrants to the development process, including build to rent developments, new forms of direct delivery by local authorities and other public bodies, and from a wide range of small and medium sized house builders.

The Commission's proposals

1.6 Whilst there is no single silver bullet to solve London's housing delivery constraints, the Commission has identified 14 measures, which collectively could help to address the various barriers inhibiting housing delivery in London and ensure the capital is better equipped to consistently maintain the necessary levels of housing output. In no particular order, these involve:

1) forward funding costs associated with brownfield redevelopment
2) accelerating infrastructure delivery
3) streamlining and enhancing land assembly
4) aligning transport infrastructure investment with planning and land assembly
5) incentivising build out rates and tackling genuine land banking
6) increasing and diversifying housing supply
7) reviving output from small and medium sized house builders
8) enabling the delivery of affordable rented housing
9) increasing the delivery of build to rent developments
10) improving the speed and certainty of the planning system
11) increasing and accelerating housing delivery on public sector land
12) boosting housing delivery by local authorities
13) optimising and incentivising net additional housing output from the existing housing stock
14) enhancing the capacity of the house building industry

[4] Neil McDonald and Christine Whitehead, TCPA paper 2015, page 17

[5] GLA, Central Population Projections

1.7 The Commission has put forward specific recommendations under each of these key themes. These are highlighted in Section 2 of this executive summary.

1.8 The Commission has considered a wide range of potential ways to address the capital's housing supply challenge. The Commission's message to Government, the Mayor and other public and private sector partners, is that whilst the barriers facing housing delivery are significant and interrelated, there is a way forward. However, the scale and complexity of the challenge means that coordinated, determined and effective action is required on all of the measures and recommendations outlined in this report.

1.9 Central to the Commission's key message is that London urgently needs to ensure that there are more house builders building out a greater range of different sized sites across a wider geographical area and mix of housing tenures. This will require additional and more varied sources of supply, alterations to the existing planning framework and different models of delivery on public sector land. More proactive and devolved funding mechanisms are also needed to finance essential infrastructure provision and help drive housing and economic growth.

1.10 Although many of the Commission's recommendations fall within the scope of the planning system, some do not and will require Government to consider the case for further legislative or fiscal reform. Recommendations are put forwards for the London Plan but, in view of the range of partners involved in housing delivery, there are also key measures for boroughs, developers and the construction sector. A number of the proposals for both the public sector and the development industry require cultural and procedural changes, rather than fundamental reform.

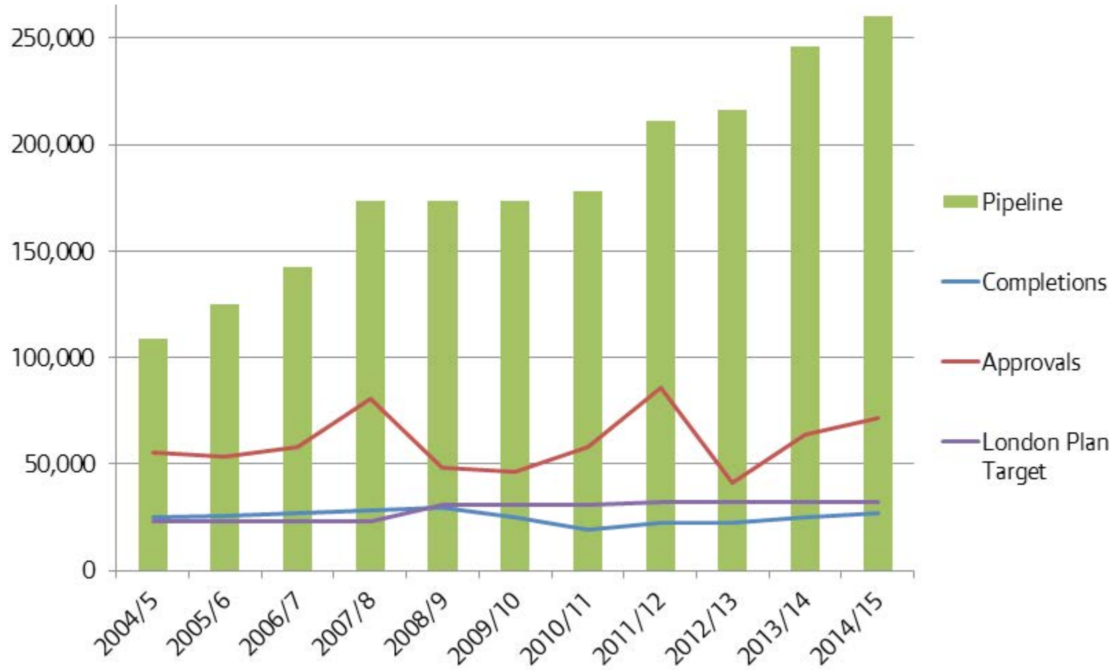
1.11 A cross-cutting theme across a number of recommendations is the need for enhanced public sector resources to drive growth across London. This is required across a range of important functions including land assembly, planning, viability, and to enable increased housing delivery by local authorities and other public sector bodies. This could be addressed in a number of ways, including the provision of cross-boundary, pan-London shared resource, which all boroughs could draw on this issue that warrants further investigation and consideration by the Mayor and boroughs.

London's existing pipeline of approved homes

1.12 There is a tendency for the debate about barriers to housing delivery to become polarised, with either the planning system or private sector developers holding each other responsible for the paucity of housing supply in London. However, the context for delivery is more nuanced than this and neither position is particularly helpful in explaining the inter-connected challenges which inhibit housing delivery in London and how these might feasibly be resolved.

1.13 Whilst there is clearly more that the planning system could do to support housing delivery, evidence shows that London boroughs consistently grant planning permission for over 50,000 homes a year (around double the number of homes actually built) and have established a pipeline of around 260,000 approved homes[6]. This pipeline has more than doubled in size over the last 10 years. Translating these approved units into completions at an accelerated rate is clearly critical to addressing London's housing need.

Annual conventional housing approvals, completions and pipeline



Source: The London Development Database, GLA

1.14 This phenomenon is not unique to London. Across England there are now more than 475,000 approved homes which are unimplemented, with annual approvals also doubling the rate of annual housing completions[7].

1.15 But even if all of London's approved homes were delivered over the next five years (which is not expected), it would only provide enough housing to meet London's annual housing requirement up to 2020. This illustrates the scale of the housing supply challenge facing London and the need to maintain and preferably expand the capital's pipeline of approvals.

1.16 However, it would also be misleading to assume that all of the approved units within London's existing pipeline are deliverable within this timescale[8]. Whilst many of these units could and should be delivered over the short to medium term, large approvals will inevitably take a considerable number of years to complete, which is one of the main reasons why the pipeline has doubled over

[6] London Development Database – net conventional homes

[7] Local Government Association, press release, Jan 2016 http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7632945/NEWS

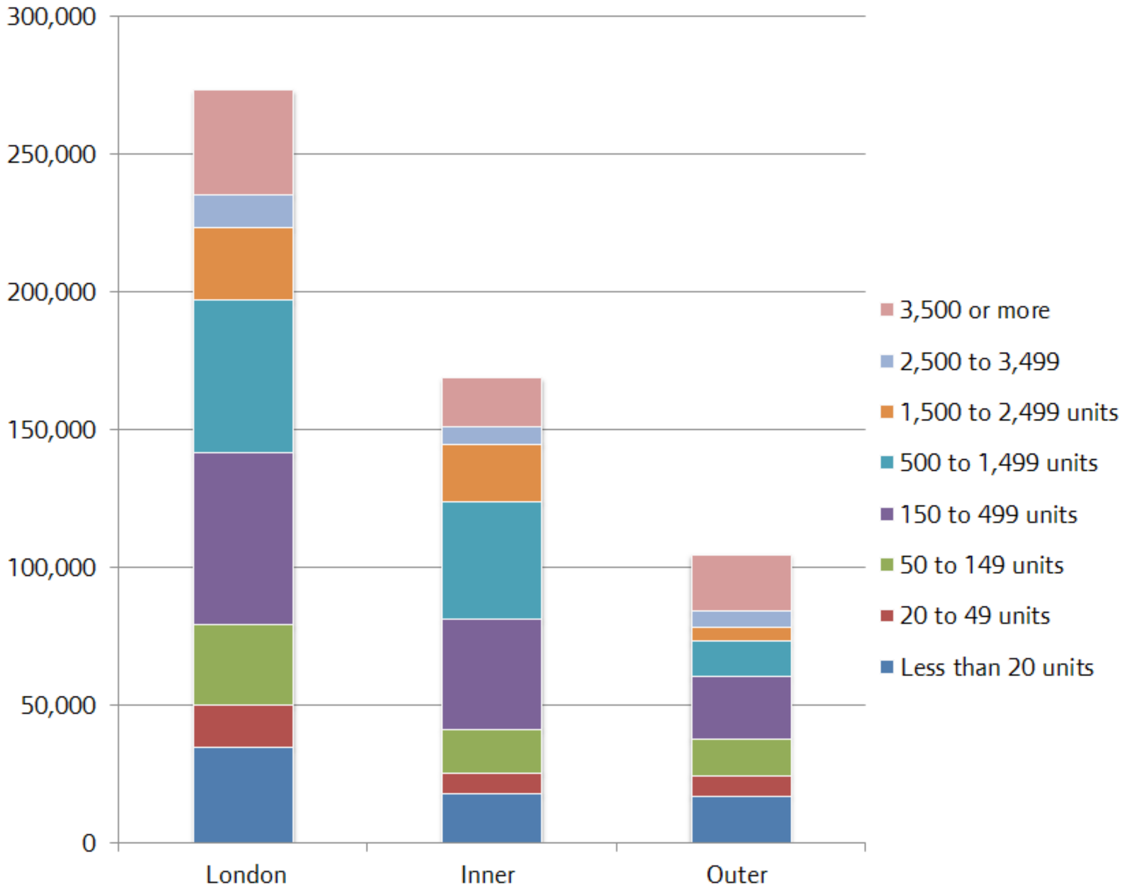
[8] Molior, Private Sector Housing Development on Large Sites in London, 2014, page 16

the past decade, without annual housing completions increasing during this period. Challenges associated with infrastructure delivery, land assembly and remediation, development finance and cash flow constraints, together with house builders' appetite for risk can all impact the speed of housing delivery on large sites, post planning approval. The established business model operated by developers and house builders also requires them to maintain sales values and overall profit in order to satisfy shareholders and hedge against market risk. This has an impact on the build out rates which can be assumed on approved sites (which is covered in more detail in chapters 4 and 5 of the main report).

1.17 The Commission's analysis of London's pipeline of approvals shows that the capital is now reliant on very large long-term schemes to meet its housing need. Many of these schemes will take a number or years and even decades to complete. For example:

- nearly a third of the capital's pipeline is contained in schemes over 1,500 units in size. This accounts for 76,000 units on just 27 individual schemes.
- 50,000 approved units - enough housing to meet London's need for a whole year – are contained in just 12 schemes over 2,500 units in size.
- a quarter of Outer London's pipeline is found in schemes over 2,500 units in size. Here, capacity for some 26,000 units is concentrated in just three schemes – Southall Gasworks, Brent Cross Cricklewood and Barking Riverside.

London's gross conventional housing pipeline, 2015



Source: The London Development Database, GLA

0.2 OLC Recommendations

2.1 A summary of the key measures and recommendations put forwards by the Commission are outlined below. These are set out in more detail in the main body of the paper, together with the supporting analysis and rationale.

1 Forward funding abnormal costs associated with brownfield redevelopment

2.2 Abnormal site costs such as those associated with land contamination, demolition and other groundworks are common on large and complex brownfield sites in London and can add substantially to the cumulative cost of undertaking development. Where the potential returns on investment are insufficient or involve too much risk, development will most likely be postponed.

2.3 Importantly, most of these costs need to be resolved 'up-front' before house building can be commenced. The cash flow issues associated with the scale of these costs can inhibit the speed and phasing of housing delivery on complex brownfield sites. As 98% of London's housing comes forward on brownfield land[9], this is a fundamental challenge for housing delivery in London.

Recommendation 1 - There should be greater use of grant funding to address 'abnormal' enabling costs associated with brownfield redevelopment and to address infrastructure delivery constraints, where these issues are holding back housing delivery. This should be enabled and resourced through the designation of additional Housing Zones and through the use of Local Growth Funding. Loan finance should also be used where this would address cash flow issues preventing development. Clawback or value share mechanisms should be used to help recycle funds for further public investment and address state aid requirements.

2 Accelerating infrastructure delivery

2.4 Public transport connectivity drives residential densities, values and private sector investment. However, delivering large-scale public transport improvements requires substantial financial resources and can take years or even decades to programme, finance and deliver. These uncertainties and delays hold back the potential for investment in house building and mean that large tranches of potentially developable land are not brought forwards until infrastructure is either committed or delivered. CIL is paid on commencement or phase, so is unable to forward fund infrastruture, particulary as Borough'sare not permitted to borrow against future CIL income or use CIL to repay interest on loans. Social infrastructure is also critical to ensuring that new development is sustainable and locally acceptable, yet this is often outside the control of developers and requires a mix of public and private sector investment and careful programming.

[9] last AMR – see Housing SPG - LDD - Completions since 2008 – 60% of conventional housing on non-residential land

Recommendation 2 - There should be greater fiscal devolution to the Mayor in order to boost London's ability to forward fund essential infrastructure needed to drive housing and economic growth. This should include the full suite of property tax revenues raised in London. It should also be accompanied by powers to set rates for these taxes and re-evaluate council tax banding, together with greater flexibility to borrow within prudential limits.

Recommendation 3 - CIL regulations should be revised to allow charging authorities to borrow against future CIL income and use CIL receipts to repay interest on loan finance, which is currently prohibited.

Recommendation 4 - The use of existing mechanisms to forward fund infrastructure such as Tax Increment Financing should also be maximised in appropriate circumstances.

3 Aligning transport infrastructure investment with planning and land assembly

2.5 Where new transport infrastructure is committed, it is important that the potential for this new infrastructure to unlock significant housing and economic growth and enable higher residential densities is fully realised. This will necessitate a more responsive and enabling local and strategic planning policy framework in areas with good public transport accessibility and the closer alignment of transport investment, land use planning and land assembly.

Recommendation 5 - The Mayor, TfL, boroughs and Government should prioritise the closer integration of transport and land use planning by:

- proactively seeking opportunities to unlock significant amounts of new housing and economic growth; and
- ensuring that major investment in public transport is supported and effectively aligned with planning policy and, where necessary, land assembly to ensure that the potential to accommodate growth is fully realised and coordinated in a timely manner.

4 Streamlining and enhancing land assembly

2.6 Sites in suitable locations for residential and mixed use development are frequently in fragmented ownership and need to be assembled and acquired before development can take place. This is especially true in the types of locations the London Plan identifies as being critical to meeting housing need, including town centres, opportunity areas and surplus industrial and commercial land.

2.7 Local authorities have a potentially vital proactive role to play in enabling site assembly through their compulsory purchase (CPO) powers. However, CPO is often viewed as a legally complex and drawn-out procedure which carries substantial risks and costs for local authorities and necessitates specific legal knowledge which authorities do not always possess in-house.

Recommendation 6 - The use of CPO as a tool to unlock housing growth should be reinvigorated by:

- further streamlining the CPO process to reduce uncertainty and complexity;
- reducing opportunities for landowners to stall the process;
- ensuring land is valued up front, rather than at the end of the process in order to create greater certainty for both local authorities and landowners (currently valuations can happen several years after CPOs are initiated);
- providing greater flexibility in the amount of compensation that can be offered, where this would accelerate the release of land; and
- enabling local authorities to draw on a well-resourced and experienced pan-London CPO team.

5 Incentivising build out rates and tackling genuine land banking

2.8 The Commission has explored the extent of market failure within the house building industry in terms of its ability to deliver the homes needed and in view of the commercial realities and incentives facing house builders and other private and public landowners. The Commission has considered the case for implementing ‘use it or lose it’ powers in order to stimulate both the commencement of development and substantive house building on stalled schemes with planning permission.

2.9 Chapter 4 of the main report examines in detail the case for introducing ‘use it or lose it’ measures and the practical challenges of application, together with the potential for unintended consequences which might disincentivise planning applications, overall housing production and reduce the number of new entrants in the market. Nevertheless, the Commission feels strongly that measures should be taken by local authorities and the Mayor to bring land forward for housing production on sites that have <u>full</u> planning consent which is capable of being implemented and where development has not commenced for a period of three years.

Recom mendation 7 - Boroughs and the Mayor should consider adopting a ‘carrot and stick’ approach to address land banking, stalled schemes and slow build out rates on large sites:

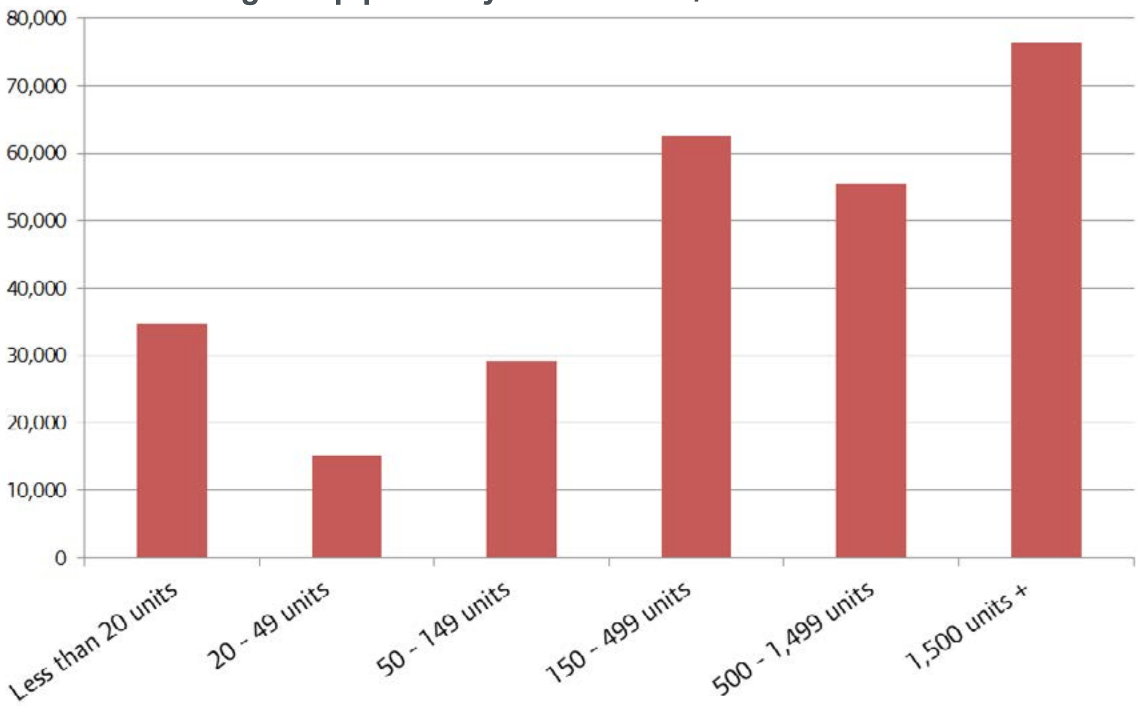
- provide appropriate planning support for stalled schemes to reduce planning delays and facilitate their timely implementation and delivery

- keep a register of non-planning barriers associated with land assembly, infrastructure delivery and abnormal site costs which are holding back housing production on large sites (over 500 units) and address these issues once resources and funding becomes available.
- where there are no outstanding issues preventing the commencement of development and where housing production has not begun within three years, CPO action should be initiated in order to incentivise delivery. Government should consider revising CPO legislation and guidance where necessary to facilitate and encourage this approach.
- In circumstances where the above measures cannot apply and housing production has not commenced, consideration should be given to putting in place a tax mechanism to levy the equivalent of Council tax on unbuilt approved properties in order to incentivise delivery.
- Local authorities should consider the use of planning conditions or obligations to require large sites to be brought forwards in line with an agreed and sufficiently responsive phasing programme.

6 Increasing and diversifying housing supply

2.10 Land is the essential raw material for house building but available, viable and deliverable sites in areas with good public transport connectivity that are allocated as being suitable for housing are a scarce and expensive commodity. The Commission's analysis of London's pipeline of approvals shows that the capital is now reliant on very large long-term schemes to meet its housing need. These large approvals will inevitably take a considerable number of years and sometimes even decades to complete.

London's gross pipeline by scheme size, 2015



Source: The London Development Database, GLA

2.11 Challenges associated with infrastructure delivery, land assembly and remediation, development finance and cash flow constraints, together with house builders' business model and appetite for risk can all impact the speed of housing delivery on large sites, post planning approval. This poses a significant challenge to the way the current plan-led system operates and how London should seek to manage land use change and the overall planning pipeline in the future, whilst also ensuring sustainable development.

Recommendation 8 - To address London's reliance on very large sites, a broader range of different sized sites should be identified across a wider geographical area, taking into account other planning policy objectives. To ensure housing requirements are met in full, the Mayor and boroughs should aim to provide an over-supply of sites to ensure there is sufficient headroom to address the risk of non-delivery and slow build out rates on sites within the development pipeline.

2.12 Whilst very large sites are important long-term reservoirs of annual housing output, their contribution towards annual delivery will be phased at commercially realistic build out rates over many years and aligned with anticipated sales demand from sufficiently funded buyers. Due to market absorption issues, it is potentially unrealistic to expect sites for open market sale to deliver much more than 150 units a year.

2.13 In light of this reality, and the need to significantly boost annual housing output, it is important to have greater numbers of comparatively smaller sized sites all delivering housing at the same time across a wider geographical area. Therefore, expanding and replenishing this element of London's large site pipeline should be a key priority over the next 10 years. A greater focus should also be placed on increasing the number of approved schemes in the development pipeline, which is perhaps more important than the overall number of approved units in terms of boosting annual housing delivery over the short to medium term.

The Green Belt

2.14 The Green Belt is by its definition a barrier to housing delivery in London, as the designation generally prohibits residential development. Whilst proposals to develop housing on the Green Belt typically arouse strong local opposition, increasing supply in Outer London through selective Green Belt release would help to provide new build housing in more affordable locations, helping to address London's affordability challenges. Broadening the sources of housing supply could also help to relieve pressures for the continued release of industrial land and could help to support London's economic objectives. Importantly, it could also reduce London's reliance on large brownfield sites for housing delivery and help to both increase competition, overall housing delivery and industry capacity.

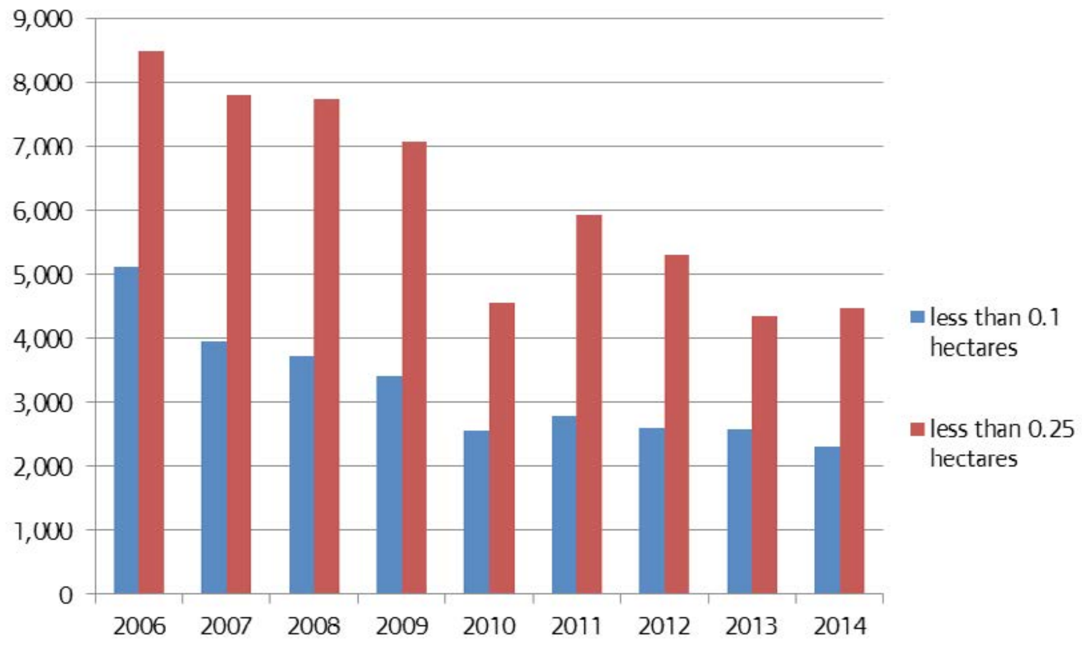
Recommendation 9 - The Commission believes that, in light of national Green Belt policy and potential alternative sources of housing capacity, the Mayor should undertake an initial assessment of the potential development capacity that exists within London's Green Belt on developable land in locations that are accessible by public transport (eg transport corridors). This should be undertaken in partnership with boroughs and should explore the potential for sustainable urban extensions to augment overall housing supply, without compromising strategic environmental objectives.

In view of this initial strategic assessment, the Mayor should help to coordinate a strategic review of the purposes of the Green Belt and consider how a consistent pan-London approach could be followed by boroughs and whether this could be informed by strategic benchmarks or policies.

7 Reviving output from small and medium sized house builders

2.15 The dramatic increases required in the rate of house building will not be met solely by large developers; additional and more varied sources of supply and new entrants are needed, including considerably increased output from small and medium sized (SME) house builders. However, housing output from SME house builders has reduced substantially during recent years and urgently needs to be revived. Nationwide data shows the number of SME builders has reduced by 77% since 1980 and in London housing completions on small sites (under 0.25ha) have halved. Unless these trends change, many boroughs are likely to struggle to meet their minimum housing targets.

Net new build conventional housing completions on small sites in London (2006 to 2014)



Source: The London Development Database, GLA

Recommendation 10 - As part of the full review of the London Plan, there needs to be a detailed assessment of the reasons why housing completions have reduced on small sites and why output from SME house builders has declined. This should also examine what policy measures could be applied to increase housing output from this source, including the potential for suburban intensification and self/custom build housing to help provide opportunities for new entrants and increase SME house building capacity.

Recommendation 11 – To provide greater planning certainty for SME builders, boroughs should include small sites (suitable for 10 units or less) on brownfield registers and/or 'small sites registers', whilst taking into account the need for other land uses. Boroughs should explore what accelerated planning mechanisms are best suited to provide additional planning certainty on these sites, without compromising control over the type, tenure and design quality of new homes. This could involve providing planning permission in principle but could also include exploring the role of local development orders and tailored planning policies and local standards where this would be more appropriate.

Recommendation 12 – To help cash flow issues for small builders on sites of 10 units and less, the Mayor and boroughs should consider deferring payment of the Community Infrastructure Levy until the homes have been completed or sold (rather than require payment on commencement of development).

8 Enabling the delivery of affordable rented housing

2.16 Recent experience shows how cyclical the housing market can be and how prone both bank lending and house building is to contraction during recessionary periods. This would suggest that over the longer-term a reliance on housing delivery for market sale may not on its own be sufficient to address London's housing supply shortage, accelerate delivery or improve the resilience of the house building industry. Instead, a wider mix of housing provision across all tenures will be required to boost house building, including more 'counter-cyclical' housing tenures such as affordable rented homes. Whilst this requires some form of subsidy, there is a strong social, economic and industry case for continued public sector investment in rented affordable housing.

Recommendation 13 – Government and the Mayor should ensure continued delivery and investment in affordable rented housing in London in order to address growing need and also to maintain industry capacity and increase overall housing output, especially through market downturns.

9 Increasing the delivery of build to rent developments

2.17 Build to rent housing schemes will need to play a more significant role in meeting London's housing need, particularly the growing number of London households in the private rented sector. Importantly, build to rent housing could generate genuinely additional investment in the London's housing market from institutional investors (eg pension funds, insurance companies and other investors) and could in theory be delivered faster than developments for open market sale. However, build to rent developments are in most instances less immediately profitable than proposals for open market sale and rely on more bespoke viability modelling.

Recommendation 14 – Greater long-term and pan-London certainty is needed in terms of the overall planning framework in order to unlock the Build to Rent sector's potential to contribute to meeting London's housing need. A clearer and more supportive policy framework should be provided in the London Plan, drawing on the principles established in the Mayor's Housing SPG.

10 Improving the speed and certainty of the planning system

2.18 Delivering the level of growth needed in London will require sufficient public sector planning resources, appropriate technical skills and a degree of cultural change for some local authorities and statutory bodies. However, local authority planning resources vary across London and are under substantial strain due to budget cuts.

Recommendation 15 – Local authorities need to be given more flexibility to set their own planning application fees locally to ensure that there are sufficient public sector planning resources to drive the necessary levels of housing and economic growth in London.

Boroughs and the Mayor should also explore the potential for sharing planning services and the scope for a pan-London planning resource to support boroughs manage increases in planning applications effectively.

2.19 Planning permissions are only implementable once planning obligations have been negotiated and signed, any reserved matters agreed and pre-commencement conditions discharged. Consequently, the speed at which outline planning consents are made operational needs to be accelerated by providing a more streamlined and certain end-to-end planning service. To support this aim the Commission puts forward the following suggestions.

Recommendation 16 – Government proposals for a dispute resolution service to fast-track stalled negotiations is welcomed and could be effectively provided in London by the Mayor for referable planning applications of potential strategic importance (PSI).

The Government should speed up Section 106 negotiations by setting out in national guidance or legislation a requirement for early discussions and specified time limits to be met.

Where planning obligations are revised on viability grounds, there should be a commitment on developers to deliver the revised scheme

Recommendation 17 – Government should explore the case for providing greater financial incentives to encourage the prompt discharge of planning conditions and the effective engagement by third parties, for example, through the introduction of tapered fees which are paid once applications are determined. National guidance should also be amended to reinforce the importance of swift resolution of applications for conditions discharge.

The viability appraisal process

2.20 A focus on viability based planning policies and decisions, whilst to some an essential component of the planning system, is constrained by methodological dispute and the inherent sensitivity which surrounds critical appraisal input assumptions on profits and costs. This has resulted in a protracted and adversarial process, often seen as lacking in transparency, which adds to the uncertainty and delays commonly associated with the planning system. Whether the current status quo helps in stabilising land values, speeding up development or assisting either local authorities or developers is very much open to question.

Recommendation 18 – The Mayor should explore the introduction of a fixed percentage affordable housing target in the London Plan in order to provide greater certainty and reduce the delays associated with negotiating affordable housing provision.

11 Increasing and accelerating housing delivery on public sector land

2.21 Publicly owned land can play a significant role in addressing a range of housing delivery issues in London. However, the rate of development on surplus publicly owned land has been slow, fragmented and lacking in coordination. The establishment of the London Land Commission seeks to address a number of these concerns. However, for this initiative to succeed, the LLC will require additional powers. In addition, there is a need to consider alternative mechanisms of accelerated housing delivery on public assets, beyond traditional routes of capital disposal. This should include the wider use of public-private partnerships, including joint ventures and direct commissioning.

Recommendation 19 – The management and redevelopment of surplus public sector land should be focused on the speed of housing delivery and housing outcomes, rather than on achieving immediate capital returns through asset disposal. Alternative delivery mechanisms including joint-ventures and the direct commissioning of house building should be used where this would be appropriate and support these aims.

Recommendation 20 – There should be a duty on all public bodies in London to register their land and assets with the London Land Commission's (LLC) brownfield database of publicly owned land.

Recommendation 21 – Publicly owned land which is surplus to requirements and considered suitable for housing should be listed on the LLC brownfield database. Clusters of sites in multiple public ownership should be comprehensively developed to ensure maximum housing output and value for money.

Recommendation 22 – There should be a London-wide strategy for delivering housing on surplus public sector land. This should be properly resourced with necessary capital funding pot to enable accelerated housing provision and associated infrastructure delivery, land assembly and remediation.

Recommendation 23-25 - The potential for public sector land to support build to rent schemes and SME house builders should also be fully realised (eg through joint ventures, direct commissioning, land parcelling and 'buy now, pay later deals).

Recommendation 26 - Health infrastructure providers should more proactively engage with boroughs and the Mayor in order to more effectively programme infrastructure delivery and to better facilitate the redevelopment of surplus assets.

12 Boosting housing delivery by local authorities

2.22 Local authorities could play a key role in closing the gap between current rates of housing completions by the private sector and housing associations and London's overall housing need, especially given their capacity as major land owners and their role in estate regeneration schemes. However, substantial increases to this level of output may be a real challenge as Councils have not been undertaking large-scale housing delivery for 20 years. This will require additional resources and skills and a degree of culture change for some local authorities, including partnership working to provide economies of scale and expertise.

2.23 Increased local authority housing provision will require boroughs to draw on the wide range of emerging models available to deliver and finance housing delivery in partnership with private sector investors and developers. This will need to include exploring more innovative ways of raising development finance, including leveraging in additional private sector investment through joint ventures and cross-subsidising affordable housing delivery with market sale developments.

Recommendation 27 - Local authorities should also be able to apply to Government for more HRA borrowing headroom in order to deliver new homes by demonstrating a viable, costed and deliverable business plan, within prudential limits.

Recommendation 28 - Local authorities should fully utilise the potential to deliver homes through subsidiary housing companies and through joint ventures and should share best practice on the emerging mechanisms being used to directly deliver homes across all housing tenures. Local authorities should also explore the potential to deliver housing through direct commissioning.

13 Optimising and incentivising net additional housing output from the existing housing stock

2.24 Current annual rates of new build housing delivery, though significant, only account for less than 1% of overall housing provision in London and only 10% of all transactions. Consequently, net additional housing provision from the existing housing stock will evidently play a key role in helping London meet its housing need. This can be achieved in a number of ways, for example: upward extensions; plot intensification or redevelopment, housing conversions and estate renewal schemes. The potential for housing output from these various sources is not currently being fully optimised.

2.25 The Commission believes that all of these available options warrant detailed consideration and Mayoral support through the London Plan given the scale of the housing challenges facing London and the scarcity of land resources available to address this. Moreover, the wide geographical coverage of potential policy initiatives targeted at the existing housing stock means there is considerable scope for each option to cumulatively yield substantial additional housing over time.

Recommendation 29 - The London Plan should provide a stronger policy framework to guide and encourage suburban intensification within 1km of a tube or rail stations. ‘Station development zones’ could be established to ensure intensification is undertaken in an appropriate manner.

The scope for station development zones should be explored in more detail by TfL. Where complementary public transport services exist which provide multi-modal and multi-directional public transport provision, station catchments could be expanded beyond 1km. Areas with good (PTAL 4+ scores) could be considered where this would more accurately reflect existing or planned public transport connectivity levels. The Mayor should also undertake further research to assess the land, finance and planning barriers preventing suburban intensification and the ways in which these could be addressed.

Recommendation 30 - In addition to and alongside the approach outlined in recommendation 29, Government, the Mayor and London boroughs should examine the potential to implement a tailored permitted development framework to enable incremental suburban intensification in appropriate and accessible locations through development orders and explore how associated design codes could ensure high quality design and sustainable development.

Recommendation 31 - The Mayor and boroughs should examine the reasons for the declining role of conversions in contributing to housing supply and should explore the potential for a more permissive approach to housing conversions in areas of good public transport connectivity, which have a large percentage of under-occupied large homes.

14 Enhancing the capacity of the house building industry

2.26 The capacity of the house building industry to expand beyond current levels of new supply is constrained by persistent skill shortages and the cyclical nature of the economy. Overcoming industry capacity issues will require a consistent and more varied pipeline of supply, as well as maintaining demand across a wide range of housing tenures. The role of technology, for example through offsite/ modern methods of construction could enable higher productivity and may address skills shortages and help to also reduce construction costs as methods become more efficient over time.

Recommendation 32 - The Mayor should examine the constraints inhibiting modern/ off-site methods of construction in more detail in partnership with industry experts. Where justified, the Mayor should consider:

- stimulating demand for modern methods of construction on publicly funded or commissioned housing and on public land.
- supporting the establishment of off-site manufacturing plants through the use of LEP growth funding.

Recommendation 33 - The Mayor should continue to work closely with the construction industry, educational and training providers, Government and the London Enterprise Panel to ensure that the capital has sufficient numbers of skilled construction workers and trades people to deliver the increased volume of new build housing that is required.

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