

Homes for Londoners



The Mayor of London's support for smaller and medium-sized housing associations

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Foreword

As Mayor of London, my top priority in tackling the housing crisis is to get more social rented and other genuinely affordable homes built.

We are succeeding: last year we started building more affordable homes than in any year since investment was devolved in London – breaking our own record that we set the year before. This success has been a team effort, of City Hall working with councils and housing associations of all sizes.

We want to go further still, by offering all the support we can to everyone who wants to build more affordable housing. In particular, we want to recognise and support the contribution that London's smaller and medium-sized housing associations play in building new homes – three of which have already become Greater London Authority Strategic Partners, committed to delivering at least 600 affordable homes each by 2022.

That's why we are investing in the Build London Partnership, helping organisations who lack in-house development capacity to acquire new affordable homes. It's also why we are getting more land into the hands of smaller and medium-sized housing associations through our Small Sites, Small Builders programme and the draft London Plan's policies to support small sites.

We want to make sure all smaller and medium housing associations know about the full range of support on offer, and so we are pleased to publish this document to draw together all the key information you may need.

I hope this document helps to encourage greater cooperation between City Hall and smaller and medium housing associations who want to build more homes. If you have any questions, or would like to discuss your plans with my team, you can contact them through the dedicated email affordablehousing@london.gov.uk

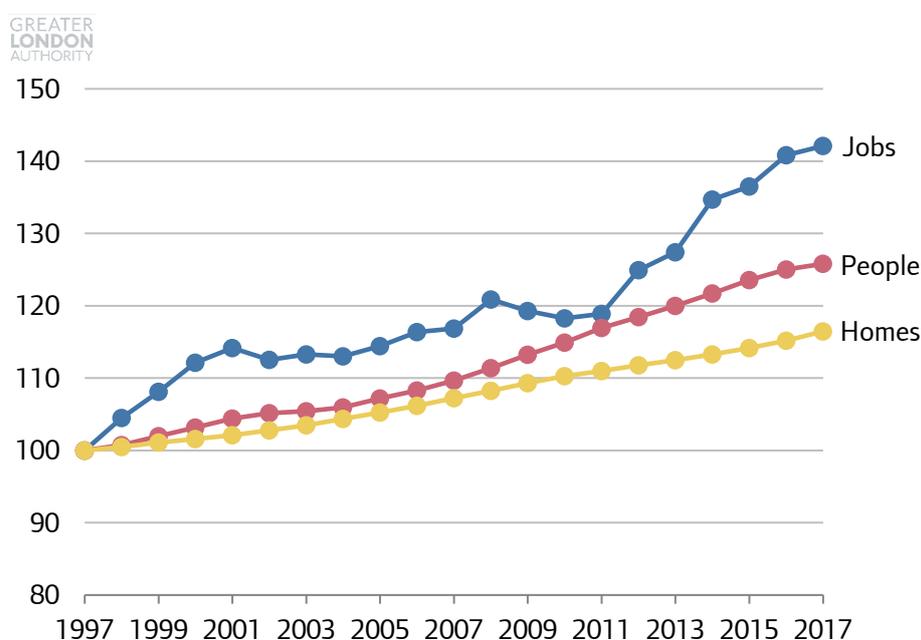
A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small number '2' written below the name.

Sadiq Khan
Mayor of London

Context

- 1.1 The housing crisis is the greatest threat to London's growth and prosperity. For decades, while London has successfully created new jobs for its growing population, it has failed to build enough homes, particularly those for social rent and other genuinely affordable tenures.

Figure 1: Indexed trend in number of jobs, people and homes in London, 1997 to 2017 (1997 = 100)



- 1.2 Since 2016, the Mayor has taken a range of steps to increase the number of social rented and other genuinely affordable homes built in London. City Hall has agreed a target with Government to start 116,000 new affordable homes by March 2022, and 2018/19 saw more affordable homes started than in any other year since the devolution of affordable housing funding to City Hall¹. It also saw the most council housing starts since 1984/85², driven by the launch of the Mayor's new [Building Council Homes for Londoners](#) programme.

¹ GLA, Affordable Housing Statistics 2018/19, 2019, <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-statistics>

² GLA analysis of GLA, Affordable Housing Statistics 2018/19, <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-statistics> and MHCLG, Live Table 253, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

- 1.3 To go even further, the Mayor wants to support affordable housing providers of all types and sizes to play their role in building more homes. His London Housing Strategy³ stresses the importance of diversifying who builds our new homes, and the Mayor is clear that to increase the numbers of new genuinely affordable homes, more supply must come from smaller and medium-sized housing associations (hereafter SM HAs).

The smaller and medium-sized housing association sector

- 1.4 In London, there are over 100 SM HAs - defined by the GLA as housing associations that own fewer than 7,500 affordable homes in London, and fewer than 25,000 affordable homes nationally. Coming in a variety of shapes and sizes and often based in specific sub-regions of London, many of these SM HAs have an ambition to build new affordable homes.
- 1.5 Some SM HAs are already among the most active builders of new affordable housing in London: under the current Affordable Homes Programme, SM HAs in London have committed to allocations that will increase their existing London affordable housing stock by an average of 16 per cent⁴. However, overall, London remains heavily reliant on its biggest housing associations to build new affordable homes.
- 1.6 Alongside those organisations already developing, many other SM HAs share the Mayor's vision of contributing to London's new affordable housing supply but face various barriers that prevent them from doing so. These barriers are set out in the next section.

³ Greater London Authority, London Housing Strategy, Policy 3.3

https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

⁴ GLA analysis of Regulator of Social Housing Global Accounts and GLA Affordable Homes Programme internal data

Areas requiring intervention and further support

- 2.1 The GLA held several roundtables and meetings with London SM HAs in early 2019, to hear about the constraints they face and how they could be overcome. During this engagement, SM HAs identified several key areas where they require support. These broadly fell under the headings of funding, land, and relationships.

Funding

- 2.2 By definition, SM HAs have smaller balance sheets than larger housing associations. Some SM HAs also report that they have narrower operational margins, both as a percentage of turnover and in cash terms. This more limited balance sheet capacity means that holding even a few large development sites for a sustained period without financial return can be prohibitively risky for SM HAs, particularly if future returns are uncertain and/ or conditional on securing planning approval. Access to grant funding is therefore essential to help mitigate these risks and to provide cashflow certainty, particularly if it can be drawn down to pay for land.
- 2.3 Securing finance with good terms and conditions attached is also key to funding construction. While some SM HAs, particularly those already engaged in developing new homes, do not cite access to debt finance as a constraint, others report that sub-optimal access to reasonable and affordable finance is a significant barrier to expanding supply.

Land

- 2.4 SM HAs frequently cite price competition with private developers as a barrier to acquiring sites. As housing associations typically deliver higher levels of affordable housing on a site than their private counterparts, they are often unable to offer landowners the same amount upfront.
- 2.5 This constraint is partly mitigated by the draft London Plan's emphasis on increasing affordable housing from all types of developments (private-led and affordable-led, large and small) to meet the Mayor's strategic target of 50 per cent affordable

housing⁵. This policy direction is now being priced into bids for development land⁶, reducing the land value gap between private-led and affordable-led schemes.

- 2.6 However, a gap remains between what private developers can offer to landowners and what affordable housing providers can offer. This means access to public sector land, where there is scope to offer terms that are more attractive to SM HAs, is crucial to enabling their delivery of more new affordable homes. A recent National Audit Office report on public land disposal⁷ found that central Government departments had only released land with a capacity for 38,000 homes by December 2018, against a target of 160,000 between 2015 and 2020. With public sector departments increasingly under pressure to release underutilised sites, they should ensure that more public land transfers into the hands of SM HAs who are well-placed to deliver new homes while maximising community and social benefit.

Relationships

- 2.7 SM HAs engage with a range of institutions (local planning authorities, council housing departments, public sector funders, lenders etc.) when building new affordable homes. Strengthening these relationships is therefore crucial to increasing delivery.
- 2.8 With the GLA having expanded its role in delivering new affordable housing since 2016, SM HAs are keen to understand the full range of tools that are on offer to support new affordable housing supply. SM HAs are also keen that the GLA recognises the specific constraints they face.
- 2.9 SM HAs want to develop better relationships with their local planning authorities and council housing departments. Likewise, councils engaged during the preparation of this document told us they would like to have closer ties with their local SM HAs; as SM HAs typically focus on a handful of council areas, they are well-placed to establish meaningful partnerships with London councils based on a shared vision for a particular part of the capital.
- 2.10 Finally, some SM HAs that are not currently developing also want to explore how they can partner with other developing organisations to build new affordable housing. These partners could be both larger housing associations and private developers.

⁵ GLA, Draft London Plan, <https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/download-draft-london-plan-0>

⁶ Savills, Market in Minutes: UK Residential Development Land, 2018, https://www.savills.co.uk/research_articles/229130/240942-0

⁷ National Audit Office, Investigation into the government's land disposal strategy and programmes, 2019 <https://www.nao.org.uk/report/investigation-into-the-governments-land-disposal-strategy/>

What is City Hall's offer to smaller and medium-sized housing associations?

- 3.1 To meet the Mayor's target of 116,000 new affordable housing starts by 2022, the Homes for Londoners team is taking a more active role in housing delivery, and has a range of funds and tools at its disposal.

Funding

Affordable Homes Programme

- 3.2 The Mayor is targeting at least 116,000 affordable home starts by March 2022 as part of his current [Affordable Homes Programme](#). SM HAs are already committed to deliver more than 10,000 homes through this programme, and they can secure allocations for additional homes at fixed grant rates (£70,000 per social rent or London Affordable Rent home, and £28,000 or £38,000 per Shared Ownership or London Living Rent home), negotiated rates, or through Strategic Partnerships (paragraph 3.16).

Earlier drawdown of grant

- 3.3 Understanding that acquiring new sites can be prohibitively risky and expensive for SM HAs, the GLA is now offering to vary grant payment timings and amounts for all SM HAs (as defined in paragraph 1.4) that bid for and secure allocations of at least 10 per cent more than their Affordable Homes Programme allocations as of 16 July 2019. The minimum threshold for eligibility is set at 10 additional affordable homes.
- 3.4 For qualifying providers, **up to 75 per cent of the relevant grant allocation can be drawn down at the point of site acquisition**⁸. The remainder can then be drawn down at start on site (or later). To secure draw down at site acquisition, the site must be named, and the provider must have a Secure Legal Interest in it, as defined in GLA funding agreements. As a minimum, the grant recipient must have a binding contract with the owner of the legal and beneficial interest in the site to secure either a satisfactory freehold or a long-term leasehold interest in the site, and securing the interest must be conditional only upon matters that are within the direct and unilateral control of the grant recipient. An example of the Secure Legal Interest definition can

⁸ Site acquisition in this context means completion of the freehold transfer or grant of the lease of the site to the grant recipient.

be found [here](#). Clawback will be applied to any grant drawn down for sites that do not generate starts by March 2022.

- 3.5 Providing the additional allocations are secured, **this earlier draw down can also be applied to projects within existing allocations** for which providers have yet to draw down grant. This flexibility provides SM HAs with significant backing to acquire and build out new development sites, while also supporting their cashflows and enabling quicker delivery of existing allocations.
- 3.6 The initial bidding window closes on **Friday 1 November 2019** and the GLA is hoping to make an announcement to promote successful bidders by the end of 2019.

Flexible loan finance

- 3.7 The GLA is supporting housing associations to acquire and develop sites through a flexible loan finance offer. For example, the Mayor supported Peabody's acquisition of the Holloway Prison Site in March 2019 with a loan of £42 million⁹. Given the constraints some SM HAs face in accessing finance (paragraph 2.3), the GLA is keen that SM HAs also take advantage of this loan finance offer (individually or as part of consortia) to maximise affordable housing delivery.

⁹ GLA, Holloway Prison – Peabody Trust: Loan Finance, 2019 <https://www.london.gov.uk/decisions/dd2328-holloway-prison-peabody-trust-loan-finance>

Land

The Mayor's £736 million Land Fund

- 3.8 Moving beyond its traditional role of allocating grant funding, the GLA is now directly investing in development sites across the capital through [the Mayor's £736 million Land Fund](#). This is helping to bring forward thousands of additional affordable housing starts into the 2020s. The GLA is proactively looking for new sites to invest in, and SM HAs are encouraged to come forward with any opportunities where support from the Land Fund could help to unlock new affordable homes.

Case Study: Cordage Works, Waltham Forest

Cordage Works is located in the Blackhorse Road area within the London Borough of Waltham Forest, and is adjacent to the Webbs Industrial Site that Swan Housing Association and Catalyst Housing Association are currently redeveloping.

The GLA has been in on-going discussions with partners and nearby landowners to bring forward development of new homes that support the regeneration of the Blackhorse Lane area. Using these connections, the GLA helped to facilitate a deal between Swan Housing Association and Lee Valley Estates in May 2019 enabling Swan to acquire the Cordage Works site. In addition to this facilitation, the GLA also provided some funding.

Swan intend to deliver around 28 homes onsite, with the level of affordable housing set to be above 40 per cent.

Small Sites, Small Builders

- 3.9 In 2018, City Hall piloted the Small Sites, Small Builders programme, starting with a pilot involving 10 Transport for London (TfL) sites. The programme provides public landowners with a competitive disposal platform, along with support for site surveys to identify and reduce development risks. It also provides small and medium-sized builders (both private and affordable) with sites that have greater planning and procurement certainty.
- 3.10 A further round of [Small Sites, Small Builders](#) involving 10 more TfL sites was launched in April 2019, following representations from SM HAs about the need for additional sources of land. Four of the sites in [the latest round](#) require 50 per cent or more affordable housing onsite.

Case Study: Innisfree Housing Association and Small Sites, Small Builders

Innisfree Housing Association, a smaller housing association based in North London, was a successful bidder for one of the first 10 Small Sites, Small Builders pilot sites.

Innisfree secured a 0.12-hectare site at Aylesbury Street in Neasden, Brent. This site is mandated to deliver 100 per cent affordable housing, and Innisfree plan to deliver a scheme of nine one- and two-bedroom homes.

Innisfree's bid for the site was facilitated by the provision of ecological, topographical, and tree surveys through the Small Sites, Small Builders programme.



3.11 With both boroughs and SM HAs keen to work together (paragraph 2.9), and access to affordable land a key requirement (paragraph 2.4), City Hall is now exploring bringing forward sites owned by London boroughs through the Small Sites, Small Builders programme for the first time. Further TfL and any borough sites are will be made available throughout this financial year, with bidding open on an ongoing basis.

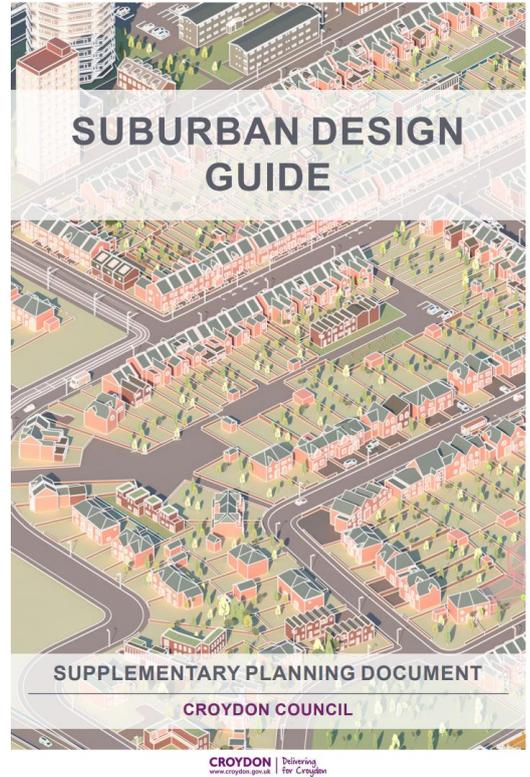
New draft London Plan policies for small sites

- 3.12 The Mayor's draft London Plan aims to support a significant increase in housing delivery, including affordable homes. To achieve this, the Mayor has therefore proposed a range of new policies to encourage small housing developments of between one and 25 homes to make a far greater contribution to new supply across the city.
- 3.13 These policies include a 'presumption in favour of small housing development', to enable greater delivery on small sites through increasing planning certainty. The 'presumption' means approving proposals for small housing developments which are consistent with the policies of the London Plan unless it can be demonstrated that the development would give rise to an unacceptable level of harm that outweighs the benefits of additional housing provision or where the proposed development does not comply with an applicable design code.
- 3.14 The draft Plan also includes a new requirement for boroughs to take a proactive approach to boosting housing delivery on small sites using a range of planning tools, including:
- identifying and allocating appropriate sites for residential development;
 - granting planning permission-in-principle on specific sites; and
 - preparing area-wide design codes to promote good design and show how additional housing provision can be accommodated in different locations.
- 3.15 The Mayor intends to publish supplementary planning guidance (SPG) alongside the London Plan to assist the implementation of these policies. The SPG will include guidance relating to the preparation of Housing Design Codes, and examples of how to realise the development potential of small sites.
- 3.16 The strategic direction proposed in these policy proposals should significantly increase the land supply available to SM HAs following the publication of the New London Plan. The GLA would welcome further discussions with boroughs and SM HAs to understand how this opportunity can support them to deliver more affordable homes.

Case Study: Croydon Small Sites Supplementary Planning Document

The London Borough of Croydon recently adopted a supplementary planning document (SPD) aimed at helping it deliver 10,000 new homes on suburban windfall sites by 2036 through intensifying the use of such sites. The Suburban Design Guide SPD provides detailed guidance on how to effectively and sensitively intensify the density of existing suburban areas to accommodate new homes.

This SPD provides a useful example to other London boroughs for how to proactively increase planning certainty about types of small housing development, ameliorating planning risk and informing SM HAs' development decisions.



Relationships

Strategic partnerships

- 3.17 The GLA was the first funding body in England to offer strategic partnerships to housing associations. Strategic partners must commit to bringing forward at least 600 affordable homes, within a wider delivery programme consisting of at least 60 per cent affordable housing. In exchange, the GLA provides flexible funding conditions, enabling associations to draw down grant funding before start on site. There are currently 17 GLA Strategic Partnerships, including three with SM HAs – two with individual housing associations, Swan and Newlon, and one with the Connected Partnership, a group of SM HAs¹⁰. The GLA is interested in agreeing further strategic partnerships with individual SM HAs or consortia.

Case Study: The Connected Partnership

The Connected Partnership is a group of SM HAs: Octavia Housing, Origin Housing, Shepherd's Bush Housing Group, and Harrow Churches Housing Association.

In Spring 2018, the GLA started discussing the possibility of the Connected Partnership becoming a Strategic Partner, and in December 2018 the GLA entered into a Strategic Partnership with three of the four organisations involved in the Connected Partnership: Octavia, Origin, and Shepherd's Bush. This was the result of the Connected Partnership's growing development ambitions, along with their desire to benefit from the advantages that GLA Strategic Partnerships have brought to other housing association groups.

The Connected Partnership have committed to delivering 883 affordable homes by March 2021 through this Strategic Partnership, and have set an overall stretch target of 1,408 homes by March 2022.

Build London Partnership

- 3.18 The GLA and L&Q, one of London's largest housing associations, are together investing £180m into a ground-breaking small sites initiative, 'The Build London Partnership'. This initiative seeks to unlock small sites across the capital courtesy of a dedicated team within L&Q, and it is targeting starts of at least 1,000 new affordable homes by March 2022.

¹⁰ EGi, GLA gives £490m boost to housing groups, 2018, <https://www.egi.co.uk/news/gla-gives-490m-boost-to-housing-groups/>

3.19 The first homes in this programme are under way, and 35 SM HAs have already signed up to own and manage the completed homes. In addition to generating new affordable homes for SM HAs, the programme will also seek to share L&Q's development knowledge and expertise with partner housing associations.

3.20 For more information, please contact L&Q on:
StrategicPartnershipEnquiries@lqgroup.org.uk

Partnerships with Private Sector

3.21 The GLA has worked with several private sector organisations to deliver more new housing in London. This includes offering interest-bearing loan finance to enable delivery.

Case Study: GLA support of Apex Airspace

In April 2019, the GLA approved a loan deal with Apex Airspace, a private developer who can build additional new homes above existing buildings (see example below).



Apex currently are working with Lambeth and Southwark Housing Association (LSHA) to add an additional 31 new affordable homes to **Antony and Roderick House**. The scheme will be constructed using precision manufacturing, and Apex are providing LSHA with a full turnkey service.

Resources for Small Builders

3.22 The GLA has put together a [summary](#) of key resources for smaller developing organisations looking to develop new homes in London, providing information on development finance, planning and utilities, training and further land opportunities.

How to engage with the GLA

Area teams

- 4.1 There are three Area Teams within the GLA's Housing and Land directorate (covering North East, North West, and South London) that work with housing associations to deliver new homes. They manage individual providers' allocations under the Affordable Homes Programme, and they also administer other GLA programmes such as the Mayor's £736 million Land Fund. Many SM HAs already have strong relationships with their Area Teams, and all organisations wishing to develop homes in London should regularly engage with their relevant Area Team.

Quarterly Registered Provider briefings

- 4.2 The GLA holds quarterly briefings for its partner Registered Providers. This is a forum for the Deputy Mayor for Housing and Residential Development and GLA officers to highlight key policy changes that are being introduced by the GLA, and for providers to give feedback directly to the Deputy Mayor and his officers regarding programme delivery and other issues.

City Hall events for SM HA staff and board members

- 4.3 For organisations looking to build up development capacity it can be helpful to hear the queries other organisations have, and for board members to also understand the process of new housing development. City Hall is therefore planning to host a dedicated event in September 2019 to allow SM HA staff and board members to engage with the GLA. GLA staff will also be able to answer questions regarding bids for additional allocations and the new early drawdown offer (paragraph 3.3).

Email

- 4.4 For further detail on any elements of the offer outlined above, and to register interest in the September event at City Hall, **please email affordablehousing@london.gov.uk**.

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