



BUILDING BLOCKS FOR THE NEXT LONDON MAYOR



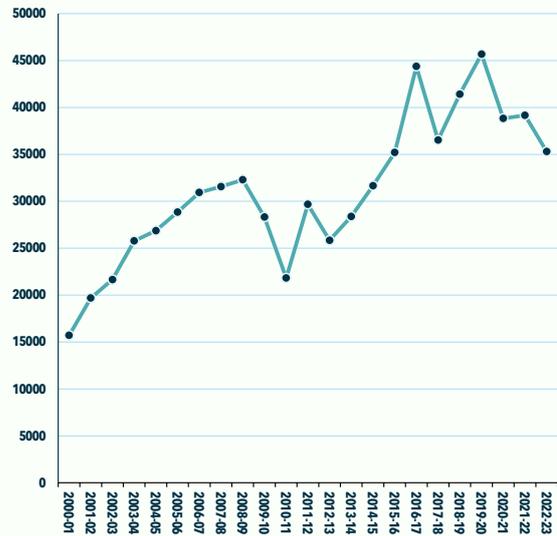
London elections 2024

HOUSING CRISIS IN THE CAPITAL

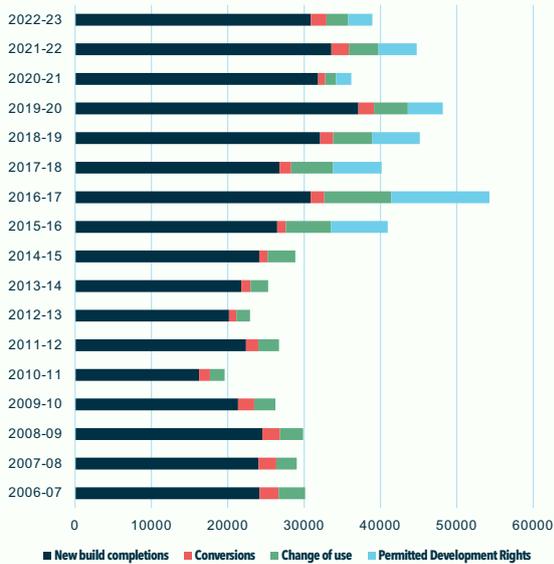
The crisis in housing supply and affordability is deepening in London. For most of the 2010s, against a policy landscape that sought to support the delivery of new homes, housing supply in London increased year on year. Following the Global Financial Crisis, annual net additions to the capital's housing stock slumped to a trough in 2010-11 of 22,000 before climbing to a peak of 46,000 in 2019-20.

However, while great efforts were made throughout the 2010s to achieve these increases in home building, the last few years have seen a marked shift, politically and economically, towards the home building industry, which is already filtering through and adversely affecting supply. In 2022-23, net additions in London dropped to 35,000, at 23% fall from the peak and the lowest level since 2015-16¹.

Net additional dwellings, London



Components of housing supply, London



Even when net completions were on the rise, housing delivery in London has only met or exceeded the London Plan target twice since the GFC.

And all indicators of future supply forecast that supply will continue to drop in the coming months and years, by much more severe measures:

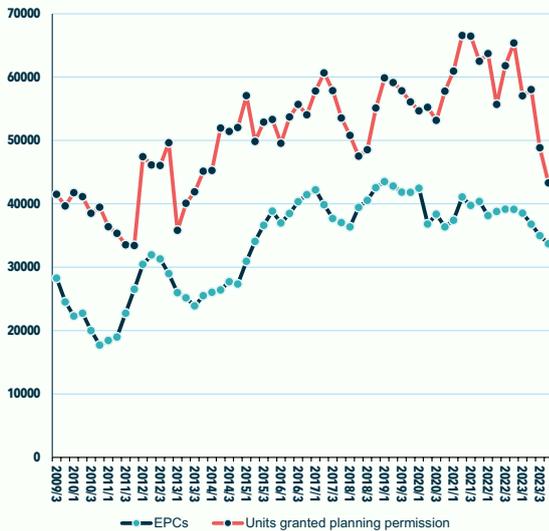
- Energy Performance Certificates (EPCs) for new homes, a strong proxy for recent new build housing supply, have been decreasing since 2021. In the year 2023, EPC registrations for new builds in London fell to below 34,000 down 14% on the previous year, and down 17% on 2021.
- The number of EPCs registered for new builds in 2023 was the lowest for a 12-month period since 2015².
- Planning permissions for new homes in London, a lead indicator of future supply levels, have been on a downward trajectory for the last two years. After recovering from a trough during the first Covid-19 lockdown, in the 12 months to Q3 2023, 44,000 units were granted planning permission, the lowest number for a 12 month period since 2013, and were down 34% on the same period the previous year.³

1. DLUHC, net additional dwellings 2022-23
2. DLUHC, live tables on Energy Performance Certificates
3. HBF, Housing Pipeline Report March 2024

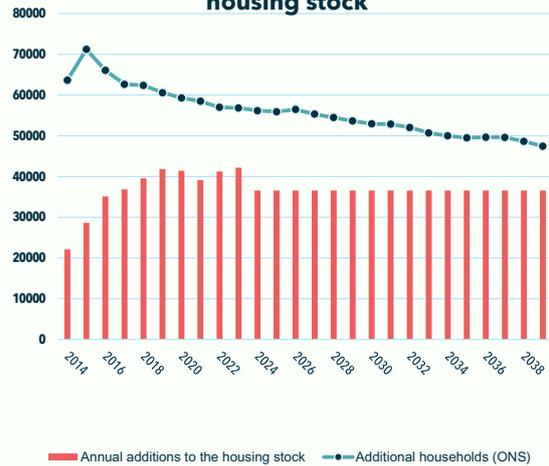




EPCs and units granted planning permission, London



Additional and projected additional households vs additions to the housing stock



HOUSEHOLD PROJECTIONS

The number of households in inner London is expected to rise by 580,000 by 2039 as compared to 2014, with outer London expected to increase by over 800,000 during this time, an increase of 40%⁴.

In total, almost 1.4 million additional households are expected to be formed by 2039 compared to 2014, meaning 56,000 new homes are needed each year just to keep up with projected household growth, on top of the existing shortfall. Additionally, the number of new homes required each year is likely to be greater than this to account for affordability pressures.

Since 2014, London has delivered an annual average of under 38,000 new homes, just 67% of what is required.

The *'Additional and projected additional households vs additions to the housing stock'* graph demonstrates the stark difference in the number of additional households forming each year compared to the number of new homes being built each year. Future housing stock is based on the average annual rate of housing delivery in London.

To meet the need of projected households by 2039, there will need to be 1.02 million homes built over the next 15 years, an average of 68,000 per year. This will need to see annual supply increase by 80% as compared to the past 10 years.

4. ONS, household projections 2014



MEASURES TO TACKLE THE CRISIS

PLANNING

RAISE THE THRESHOLD FOR REFERRABLE SCHEMES TO 1,000 DWELLINGS

The Mayor should invite the government to raise the threshold for referable schemes from 150 dwellings to 1,000. Currently, too many housing schemes need to be referred to the Mayor for comment, and sometimes determination, and this is causing delay. The Mayor should also raise the height and commercial floorspace thresholds whereby residential schemes that fall within the current thresholds are referred to the Mayor.

Raising these thresholds would ensure that only genuinely strategic schemes are referred to the Mayor. This would reduce double-handling and enable decisions to be made faster.

Recommendation: The Mayor should ask Government to amend the Mayor of London Order 2008 to raise the thresholds for residential schemes that can be referred to the Mayor.

PRODUCE A NEW LONDON PLAN

The current London Plan will run out in 2028/29. The Mayor should embark upon the preparation of a new London Plan immediately to ensure that a new plan is ready and adopted before the current one ends. A new London Plan is necessary to ensure that the housing targets are based on updated evidence about population and household formation as well as guidance from central Government about assessing housing need. A new London Plan will also need to revisit the evidence about housing land supply in the capital.

The Mayor must also produce a shorter London Plan with fewer policies, focusing only on the most essential, recognising that enabling housing development is the foremost priority.

As part of the review of the London Plan, the Mayor

should also review detailed design requirements in the London Plan and supporting guidance.

Recommendation: The Mayor should embark upon a rapid review of the London Plan.

SUPPORT THE DELIVERY OF SMALL SITES FOR HOME BUILDING

Improving housing delivery in London by increasing the number of developments on small sites (quarter hectare in size or less) has been a strategic priority for the current Mayor. The Mayor recognises that developers of small sites are critical to increasing housing supply by providing more outlets and competition, but they are often the victim of a lack of suitable sites. Although the Mayor has made an attempt to improve the situation for SME builders through the London Plan by setting a small sites housing target for each London planning authority, the policy requirement to allocate some land for small sites is getting too little attention at the level of local plans with local authorities reluctant or too poorly resourced to identify and allocate small sites. HBF has also observed a tendency for local authorities to set the parameters for where small sites will be supported too narrowly, avoiding more prosperous areas, even where these enjoy very good public transport accessibility.

Recommendation: Instead of relying solely on a theoretical calculation for how many homes might come forward on small sites based on location in relation to public transport or town centres, the Mayor should work with the London boroughs to identify and allocate small sites through local plans.

UNDERTAKE A STRATEGIC REVIEW OF LONDON'S GREEN BELT

Going back to the examination of the London Plan adopted in 2015, there has been an acknowledgement that London is struggling to





accommodate all its housing needs on previously developed land. The current version of the London Plan faces a shortfall of at least 14,000 homes a year, or 140,000 over the ten-year life of the Plan⁵, that the Mayor was unable to find land to accommodate. The shortfall in the supply of homes compared to need has widened further since the London Plan was adopted with an average of only 38,000 homes delivered each year compared to the target of 52,000 homes each year.

Recommendation: We recommend that the Mayor undertakes a strategic review of London's green belt to identify land that could be released for housing. This review could focus on locations within the greenbelt near to train or tube stations or other places where there is the potential to extend public transport. Previously developed land in the greenbelt (sometimes called 'grey belt') should also be considered.

AFFORDABLE HOUSING

REVISIT THE THRESHOLD APPROACH TO AFFORDABLE HOUSING

One of the major obstacles facing housebuilders in London today is the length of time it takes to secure planning permission. Analysis of small sites by Lichfields finds that the average determination period for planning applications is 60 weeks from validation to planning permission.⁶

The threshold approach was a device introduced by the current London Plan intended to incentivise the delivery of more affordable homes. In return for guaranteeing at least 35 per cent affordable homes on any one development, home builders would benefit from a 'fast-track' approach to planning

permission by omitting scheme specific viability appraisals. However, in practice, the mechanism has turned out to be a hindrance rather than a help, as the conditions surrounding eligibility for the fast-track have become numerous, complex and unworkable. For example, the requirement that to benefit from the fast-track, proposals must comply with every London Plan (there are at least 63 in the current London Plan that apply to new housebuilding) and local plan policy is unfeasible resulting in nearly every scheme caught by the need for detailed scrutiny and early, mid and late-stage viability assessments.

Recommendation: The Mayor should review the threshold approach and ensure that it is genuinely an incentive that will help schemes secure full planning permission much faster. The Mayor should revise the London Plan and supporting guidance to remove the need for schemes to comply with every policy in order to benefit from the fast-track approach. The Mayor should introduce these changes through a focused review of the London Plan.

REGISTERED PROVIDERS APPETITE TO ACQUIRE AFFORDABLE HOMES

Owing to financial challenges and the increase in the cost of regulation the majority of registered providers (RP) are currently unable to make offers to home builders to acquire s106 affordable housing from developer-led schemes. Even if an RP is minded to do so they are placing wide ranging restrictions on the types of schemes they will consider. This is affecting housing delivery across London, as well as the supply of affordable homes, because home builders are unable to proceed and commence building unless they have a legal agreement with an RP to acquire the affordable homes as required by the planning policies of the Mayor and the local authority.

5. London Plan, paragraph 1.4.3.

6. Lichfields, Small sites: Unlocking housing delivery, p.6



Recommendations: First, the Mayor should seek to incentivise RPs to support developer-led s106 schemes. One approach would be to allow much greater flexibility on the tenure mix of the affordable housing element and what is supported through the GLA Affordable Homes Programme. So long as the overall percentage of affordable homes is provided the Mayor and the London boroughs should be more relaxed about the precise tenure mix.

Second, the Mayor should encourage the London planning authorities to accept the use of cascade mechanisms within s106 agreements where it can be clearly demonstrated by the applicant that there is a lack of RP interest. This would allow homes earmarked for affordable housing to be provided as other products (including alternative types of affordable housing). Alternatively, payments in lieu could be made.

Third, encouraging greater education of local planning authority committee members on what are guidelines in terms of technical requirements and what is mandatory, and explaining the negative effect that adhering rigidly to guideline performance specifications may have on scheme viability and costs to affordable housing residents. To explain, there are various standards and guidelines produced by the GLA that are intended to assist applicants. These are guidelines and are not intended to be met in every single circumstance. An inability to does not imply that a scheme is poorly conceived and should not be refused planning permission. Examples include the GLA's Best Practice Space standards, BRE Daylight/Sunlight Guidelines, and Be Lean, BE Green requirements. All these standards are desirable but not necessarily essential but very often local authority committee members take the view that a scheme that does not achieve these Best Practice standards is somehow indicative of poor design or poor quality housing, even if a scheme over-delivers against other policy objectives, such as providing more affordable homes than local or London Plan policy expects.

The GLA should engage with local authority planning committees to explain what is mandatory and what constitutes guidance. It should emphasise that a failure to meet certain technical guidelines does not necessarily mean a scheme is of poor quality. Similarly, instruction on what falls within the remit of planning remit and what does not (for example water supply and sewerage issues which are dealt with under a separate statutory regime) would be helpful.

Lastly, we recommend that the Mayor calls for further grant funding assistance for the delivery of affordable homes.

SUPPORT THE DELIVERY OF KEY WORKER AND MIDDLE-INCOME HOUSING

The Mayor should support the delivery of affordable rental homes. Many working age Londoners are unable to afford market rents. Consequently, there is a need to support the construction of new homes at discounted market rental rates, often referred to as 'Affordable Rent'. This is a form of 'affordable housing' recognised by the Government and by the Mayor of London. Discounted rents on market homes, which are typically about 20 per cent lower than the full market rent, have been recognised by the current Mayor as a form of tenure means of that enables middle-income earners and key workers to rent new homes.

Recommendation: The Mayor should encourage the supply of discounted market rental homes could be encouraged through the 'fast-track' policy in the London Plan. In return for an applicant providing a higher number of affordable homes than the 35 per cent minimum - and we suggest that this is 50 per cent - the applicant should be given a freehand in type of the tenure of the affordable housing element that is provided.



SKILLS



The number of people trained in construction trades is declining and the existing workforce is aging quickly. A focus on construction skills is critical to ensure that we have the workforce needed to build homes, including a workforce trained in modern construction techniques. The provision of courses teaching construction skills is expensive. We are witnessing a worrying reduction in courses for many trades. This is hastened as a drop in apprenticeship numbers affects the viability of the college providing a course. Both factors contribute to the current crisis in construction skills.

Recommendation: To help reverse this trend, the colleges should be encouraged to understand and train for the local labour market/employment opportunities. As a first step, the Mayor should use funding and resources to support this process. Second, it is essential that skills provision and the content of courses does reflect the needs of the labour market rather than what the FE college leaders consider it is viable to run. Local skills plans must be prepared by the combined authorities and based both on rigorous data relating to the requirements of employers, including small- and medium-sized companies.

Additionally, HBF is in the process of setting up a 'partner a college' project. This is based on case studies, including one where a housebuilder is involved closely with a collage to ensure it produces sufficiently employable new recruits. HBF would welcome the opportunity to discuss this model with the Mayor.



