



OUTER LONDON COMMISSION

SIXTH REPORT REMOVING THE BARRIERS TO HOUSING DELIVERY

MARCH 2016



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Outer London Commission
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MAYOR'S FOREWORD



I would like to take this opportunity to thank the Outer London Commission for three excellent reports which make an important contribution to the wider debate on how London should accommodate and deliver substantial levels of growth sustainably.

The Commission's three reports grapple with the critical planning issues facing the capital now and over the longer-term. This includes:

- speeding up housing delivery on brownfield sites, alongside the provision of essential infrastructure and addressing other barriers to housing delivery;
- accommodating housing growth in a balanced and sustainable way, whilst also maintaining overall economic growth and productivity; and
- working collaboratively with partners in the wider South East.

I commend these reports to any incoming Mayor. They provide sound, independent and sometimes challenging advice to inform the next London Plan and engagement with public and private sector stakeholders on key housing and planning challenges facing the capital.

I also urge Government to consider the Commission's recommendations positively, particularly those which advocate legislative and fiscal reforms and put forward the case for further devolution to London to help enable the capital to address its unique circumstances and foster growth which will also benefit the country as a whole.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London

OLC FOREWORD



Dear Mayor

Sixth Report of the Outer London Commission

At the beginning of 2015 you asked the Outer London Commission to provide advice to inform alterations and the review of the London Plan, focusing on:

- possible arrangements for more effective coordination of strategic policy and infrastructure investment across the Wider South East;
- scenarios for accommodating London's future growth; and
- measures to address barriers to housing delivery.

In July 2015 the Outer London Commission met in public in each of the four outer London sub regions to seek the views of outer London boroughs, businesses and other stakeholders on how best to address the remaining elements of your request. Drawing on discussion at these meetings, submissions from stakeholders and other evidence the Commission now wishes to provide the advice you requested.

The Commission's three final reports on options for accommodating London's future growth, measures to address barriers to housing delivery and on coordination arrangements with the Wider South East are the culmination of a process of engagement and debate over the past eight months.

It is hoped that in the short term the Commission's advice and recommendations will inform an incoming Mayor on options for accommodating London's future growth; for the medium term the report could inform a "Towards a New London Plan" type consultation document; and for the longer term it can form part of the evidence for the Examination in Public into the full review of the Plan.

In submitting this report, the Commission would like to thank the boroughs, businesses, voluntary groups, and individuals for their representations. Their contributions have been immensely important to the work of the Commission.

Yours faithfully,

William McKee CBE

Chair of the Mayor's Outer London Commission



CHAPTER 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. This level of housing output has not been achieved in London since the 1930s. 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.
- 1.2 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 year¹. This is less than half the number of homes required each year to keep pace with household growth (243,000)² and well below the 312,000 new homes per annum which some commentators estimate is needed to also account for backlog housing need³.
- 1.3 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 2050⁴.
- 1.4 Meeting this scale of population growth will require current developer output to be substantially increased, together with output from housing associations. It should also 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.
- 1.5 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

¹ Average annual delivery 2011 – 2015 - Neil McDonald and Christine Whitehead, TCPA paper 2015, page 17

² Lyons Housing Review, 2014

³ Neil McDonald and Christine Whitehead, TCPA paper 2015, page 17

⁴ GLA, Central Population Projections

-
- 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

- 1.6 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 could be 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.
 - 1.7 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 range 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.
 - 1.8 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.
 - 1.9 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 authority 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 and is an issue that warrants further investigation and consideration by the Mayor and boroughs.



CHAPTER 2:

CURRENT CONTEXT

- 2.1 There are currently a large number of reforms being progressed by Government through the Productivity Plan, Housing & Planning Bill and proposed changes to the National Planning Policy Framework (NPPF). These include proposals for starter homes, brownfield registers, planning permission in principle, measures to support small builders, further devolution of planning powers in London and the proposal for a presumption in favour of residential development on brownfield land. Extensions to 'right to buy' and rent reductions will affect housing associations. Similarly, the proposed sale of vacant council houses in high value areas will impact housing delivery by local authorities.
- 2.2 To stimulate demand for home ownership, the Government has expanded the Help to Buy scheme in London, with 40% equity loans available for new build homes. Higher rates of stamp duty land tax (+3%) will also be applied to buy-to-let investors and those purchasing second homes. Whilst the impacts of these measures on housing delivery are uncertain, collectively, they will fundamentally change the context for overall and affordable housing provision in London. It is in this context that the Commission provide its recommendations.

Housing affordability challenges

- 2.3 London's current affordability challenges have been widely reported and are likely to provide the social and economic backdrop to housing and planning policy over the short to long-term and strongly influence how successive Governments and Mayors may attempt to resolve London's housing supply challenges.
- 2.4 Average rents in the private sector have risen 29% since 2005 and are increasing at a faster rate than average earnings⁵. The median cost of renting a one or two bed flat is now £1,155 and £1,400 respectively. In addition, median house prices are now almost 10 times median earnings and consequently mean that the aspiration of home-ownership is increasingly beyond the reach of many Londoners⁶. Over the past decade, affordable housing delivery in London has for various reasons consistently failed to keep pace with identified need.
- 2.5 The affordability challenges facing low and middle income groups including key workers has been a key economic concern for businesses in London, particularly in light of the potential impacts on labour market mobility, staff retention, consumer spending and the capital's overall attractiveness as a global city⁷. Around 8% of households in London are in overcrowded accommodation, with higher rates of overcrowding in certain boroughs and within the private and social rented sector⁸. The number of homeless households and those in temporary accommodation, though below the levels experienced in 2006, has increased by 35% since 2010⁹.

⁵ Mayor of London, Housing in London 2014, 2015, page 75

⁶ Joel Marsden GLA Economics page 23, Figure 8

⁷ London Chamber of Commerce and Industry, Getting our house in order, 2014

⁸ Mayor of London, Housing in London, 5.13

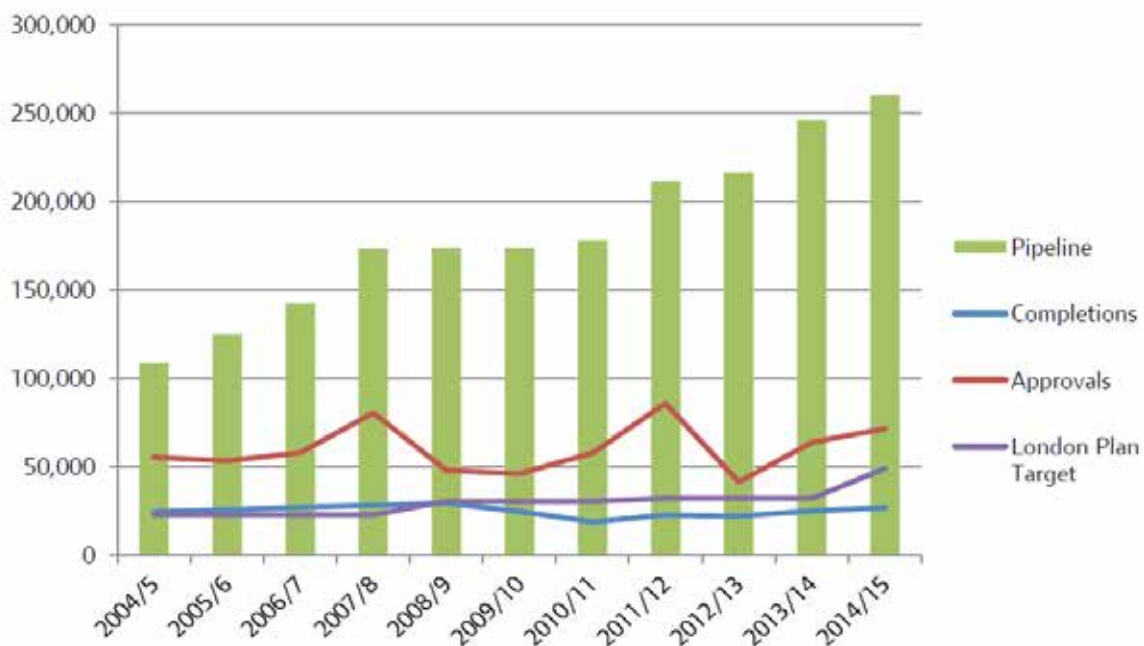
⁹ Mayor of London, Housing in London, 5.10

- 2.6 Increasing new build housing supply to keep pace with this growth is unlikely to resolve London's housing affordability crisis, especially where population growth continues at the present pace, but increased supply across all tenures will be essential to avoid these trends being exacerbated.

London's existing pipeline of approved homes

- 2.7 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.
- 2.8 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 and have built up a pipeline of around 260,000 approved homes¹⁰. This pipeline has more than doubled over the last 10 years, as shown in Figure 2.1. Translating these approved units into completions at an accelerated rate is clearly critical to addressing London's housing need.

Figure 2.1 – London's net conventional housing pipeline, 2004 to 2015



Source: London Development Database

¹⁰ London Development Database – net conventional homes

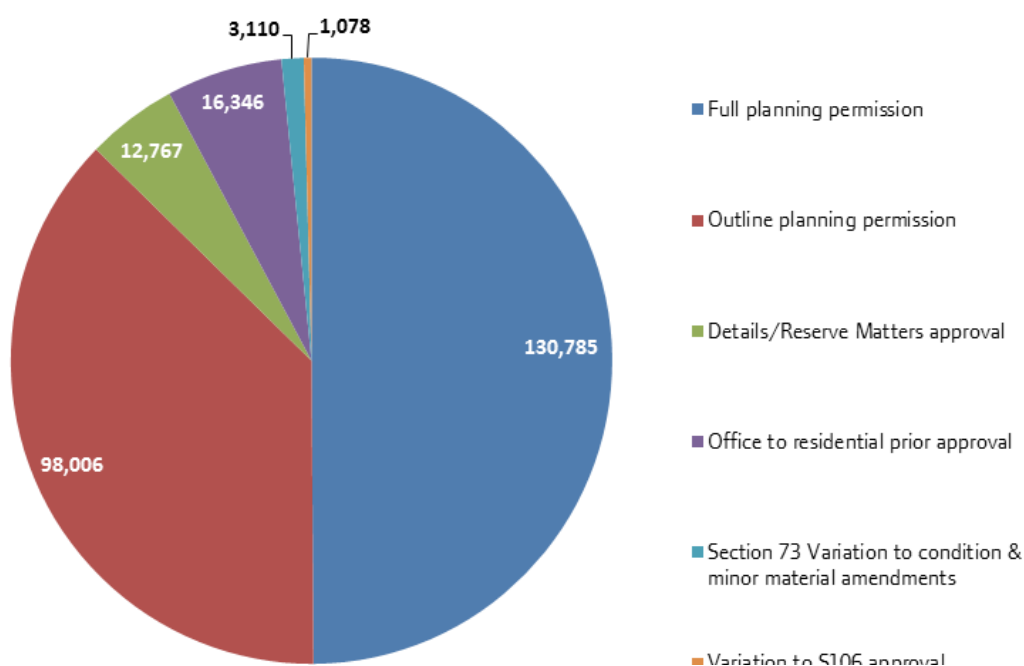
- 2.9 This phenomenon is not unique to London. Research by the Local Government Association (LGA) and construction group Glenigan shows that across England there are now more than 475,000 approved homes which are unimplemented. This is 26% higher than in 2010¹¹. Nationwide LGA research also shows that annual completions have averaged 56% of annual approvals over the past seven years.
- 2.10 However, whilst much is made of London's pipeline of approvals, 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.
- 2.11 But it would also be misleading to assume that all of the approved units within London's existing pipeline are deliverable within this timescale¹². Whilst many of these units could and should be delivered over the short to medium term, 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 to complete, which is one of the main reasons why the pipeline has doubled over the past decade, without annual housing completions increasing during this period.
- 2.12 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).
- 2.13 Moreover, the headline pipeline figure does not distinguish between sites which have an implementable 'shovel ready' planning permission (with s106 agreements signed, pre-commencement conditions discharged and reserved matters agreed) from those sites which have outline approval but still need to secure a number of additional planning consents before housing delivery can actually be commenced. The Commission's analysis shows that over half of the units in London's pipeline have either full planning permission or detailed/reserved matters approval – over 140,000 units – whereas around 37% of units in the pipeline benefit from outline approval only (98,000 units). Even on schemes with full or detailed planning consent, there may be a number of additional planning conditions which will need

¹¹ Local Government Association, press release, Jan 2016 http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7632945/NEWS

¹² Moliur, Private Sector Housing Development on Large Sites in London, 2014, page 16

to be discharged prior to commencement, which is not shown in the data.

Figure 2.2 – London’s net conventional housing pipeline by type of planning approval



Source: London Development Database, as of 31 March 2015

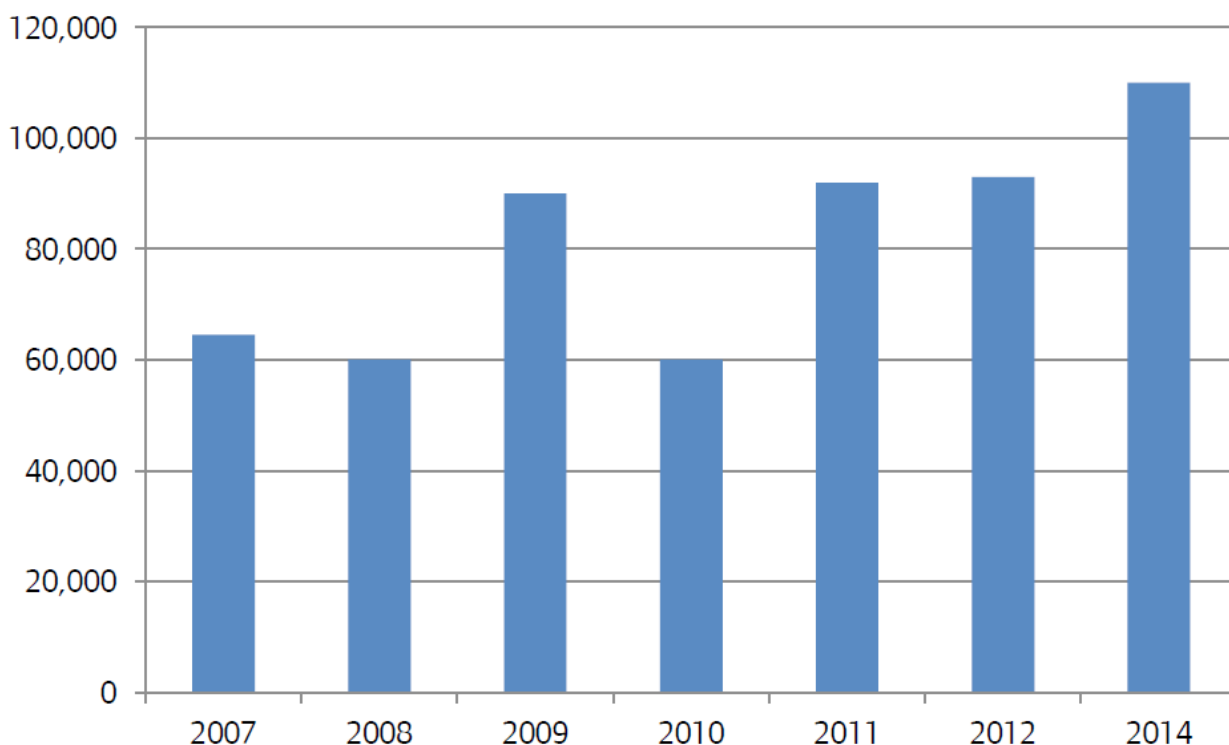
- 2.14 As shown on Figure 2.1, London has generally been approving around 1.5 to 2 times the number of average annual completions. Using this very broad brush statistic, one could speculate that to deliver nearly 49,000 new homes a year, the capital will need to be consistently approving around double this number. However, evidence does not necessarily suggest that there is a clear causal effect between approvals and completions, as increases in approvals during certain years have not been matched by subsequent increases in annual completions.
- 2.15 Moreover, the Commission’s analysis also suggests that the size and number of approved schemes is more important in terms of delivery than the overall quantum of approved units. In addition, whether it is possible to continuously expand London’s overall pipeline over the longer-term without negatively affecting other land uses in the capital is open to question.
- 2.16 Recent trends also suggest a more optimistic picture for housing delivery, with the number of starts and completions increasing since 2010, as market conditions have improved and the pipeline has been increased. DCLG data shows that new build completions during 2015 were the highest recorded in London since 1978, showing significant increases in private sector completions (see Figures 3.1 and 3.3)¹³. Annual starts are now 40% higher than in 2008¹⁴.

¹³ DCLG, Gross new build housing

¹⁴ DCLG, Live Table 253

2.17 In addition, London Plan Annual Monitoring Reports show that an increased proportion of London’s pipeline is either started or under construction – 46% compared to 35% in 2010. There are now 110,000 approved homes under construction in London, which is nearly double the number of units under construction in 2010. Gradually, one could realistically expect these starts to be translated into further increases in annual housing completions over the next few years, albeit at a phased rate.

Figure 2.3 – Number of approved units started or under construction within London’s overall pipeline, 2007 to 2014



Source: GLA, Annual Monitoring Reports 6 to 11

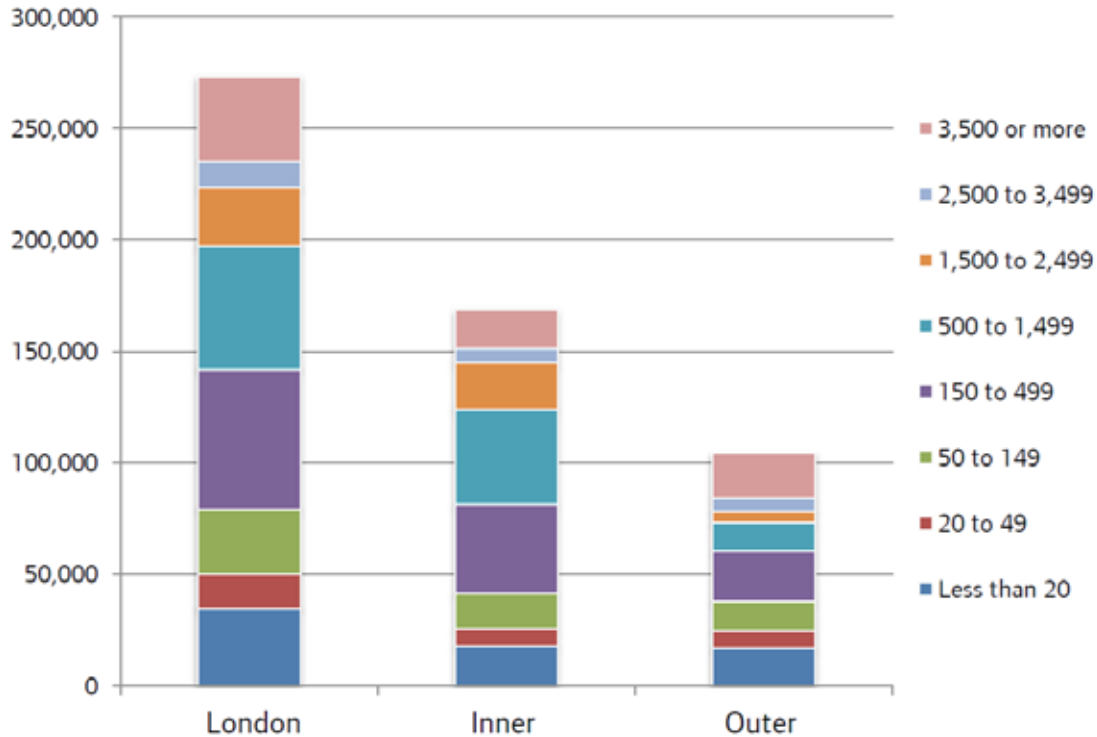
Does size matter?

2.18 To undertake more detailed analysis of London’s pipeline of approvals, the Commission has examined the gross number of approved units contained in individual schemes as this best illustrates the size of new build developments. Findings illustrated in Figures 2.4 and 2.5, show that a substantial proportion of the approved units are concentrated in very large schemes:

- 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. Infrastructure and delivery challenges have, so-far, inhibited the potential role of these schemes in meeting London’s housing need.

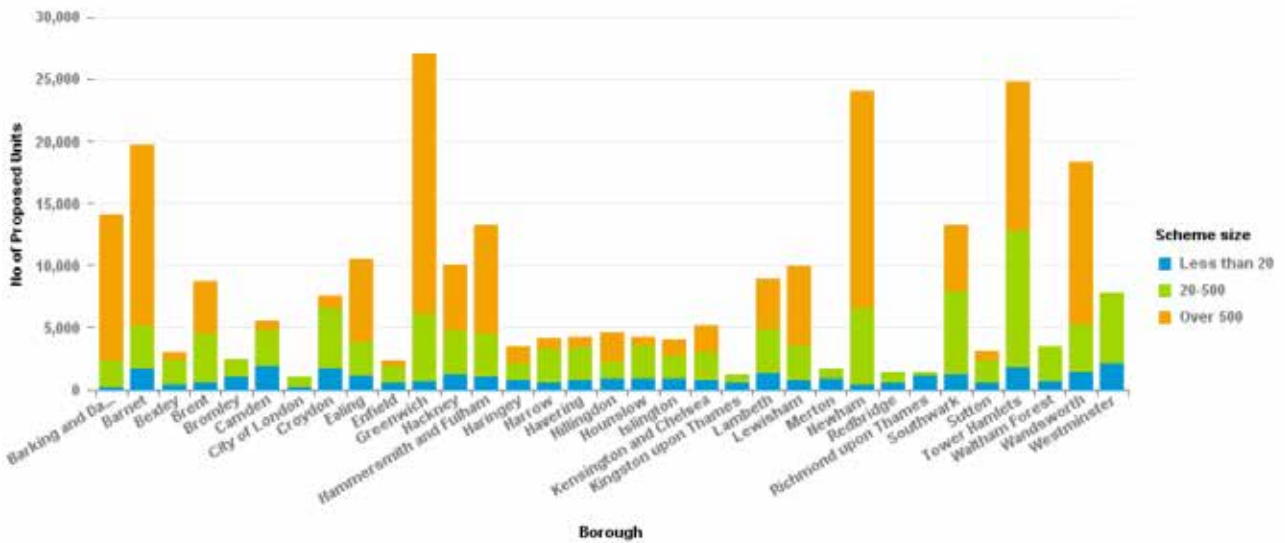
Figure 2.4 – London’s gross conventional housing pipeline, 2015



Source: GLA, London Development Database, pipeline as of June 2015

- 2.19 Half of London’s pipeline of approved units is concentrated in schemes over 500 units in size, with some boroughs particularly reliant on these sized schemes. This is a particular issue in boroughs like Barking & Dagenham, Greenwich, Newham, Barnet and Wandsworth, as shown on Figure 2.5.

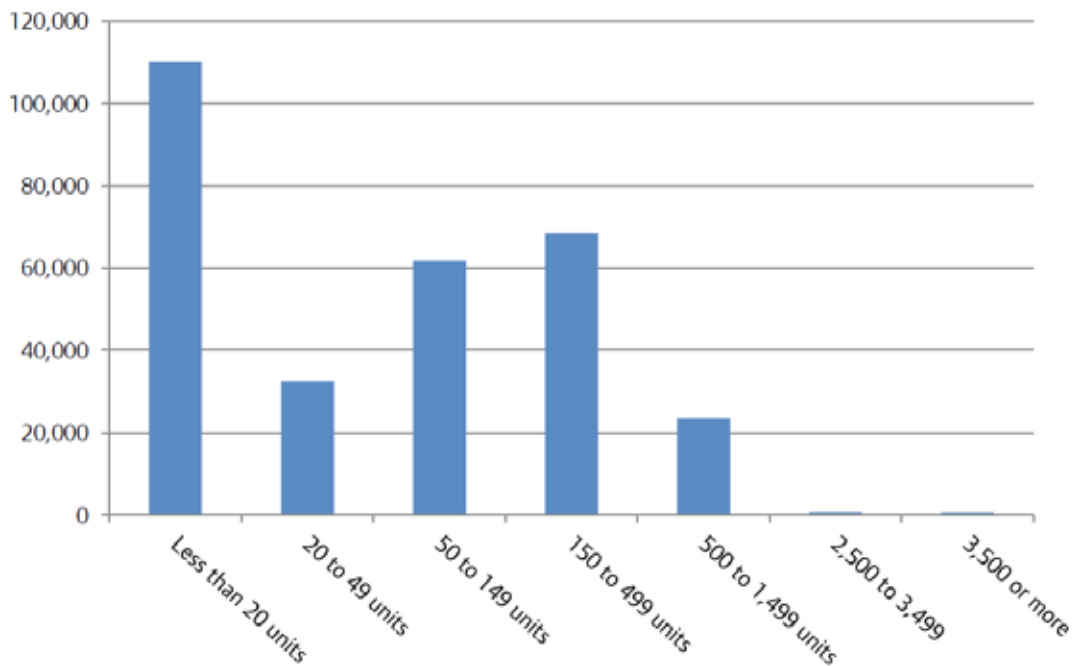
Figure 2.5 - London's gross conventional housing pipeline by borough, 2015



Source: GLA, London Development Database, pipeline as of June 2015

2.20 Figure 2.6 shows that, over the last decade, it has been small and medium sized approvals, particularly those under 20 units and between 50 and 500 units in size which have made the most substantial contribution in terms of net conventional housing completions in London. This is partly explained by the fact that most large outline approvals typically come forward as smaller increments at detailed or reserved matters, prior to completion. Nevertheless, this in itself illustrates the way such schemes are eventually parcelled and delivered.

Figure 2.6 - Gross conventional residential completions between 2004 and 2014 by size of site



Source: GLA, London Development Database

Current housing capacity estimates

- 2.21 The 2015 London Plan is designed to meet London's need for 49,000 homes a year through two sets of policies – those that devolve from the minimum supply target (42,000) and those that encourage higher density development in appropriate, accessible locations in order to close the gap between identified capacity and London's overall objectively assessed need.
- 2.22 The 2013 London Strategic Housing Availability Assessment (SHLAA) provides a detailed assessment of the potential for housing delivery over the next 10 years and forms the basis for minimum borough housing targets set out in the London Plan. Baseline estimates in the SHLAA suggest that London has capacity to deliver 424,000 new homes over the next 10 years, at an annual rate of 42,000 homes a year. On its own, this is insufficient to meet London's overall requirement for 49,000 new homes a year¹⁵ and leaves a significant (14%) shortfall of around 7,000 units a year – some 70,000 units spread across the 10 year period.
- 2.23 However, scenario tests in the SHLAA show how this capacity could be augmented in order to meet London's overall requirement for 49,000 homes a year. Through the Further Alterations to the London Plan (FALP), new policies were introduced to ensure this capacity is brought forwards to meet housing need and residential densities fully optimised on large sites in appropriate locations, especially in opportunity areas, intensification areas, town centres and on surplus commercial and industrial land.
- 2.24 Consequently, Policy 3.3 of the London Plan requires boroughs to seek to 'achieve and exceed' minimum targets by focusing additional housing in these and other suitable locations in order to supplement minimum targets. Augmenting the projected baseline estimates in the SHLAA will require a combination of the following measures:
- finding an additional 7,000 units each year from sites not identified as having capacity in the SHLAA (for example, those sites which were discounted due to land use policy designations or ownership and environmental constraints).
 - increasing the densities on all large sites to the maximum density range in the London Plan density matrix;
 - targeted increases in densities above the relevant density matrix range in locations with good or improving public transport capacity including in some opportunity areas, town centres, other large housing sites and surplus industrial land¹⁶; and
 - speeding up build out rates on approved housing sites (albeit this may be outside the scope of the planning system).

¹⁵ Mayor of London, The London Strategic Housing Market Area Assessment, 2013

¹⁶ The SHLAA estimates that a density uplift of around 17% above the relevant matrix range would be necessary on large sites in town centres and opportunity areas in order to achieve 49,000 units a year – see Mayor of London, SHLAA, 2013, page 98, Table 4.6

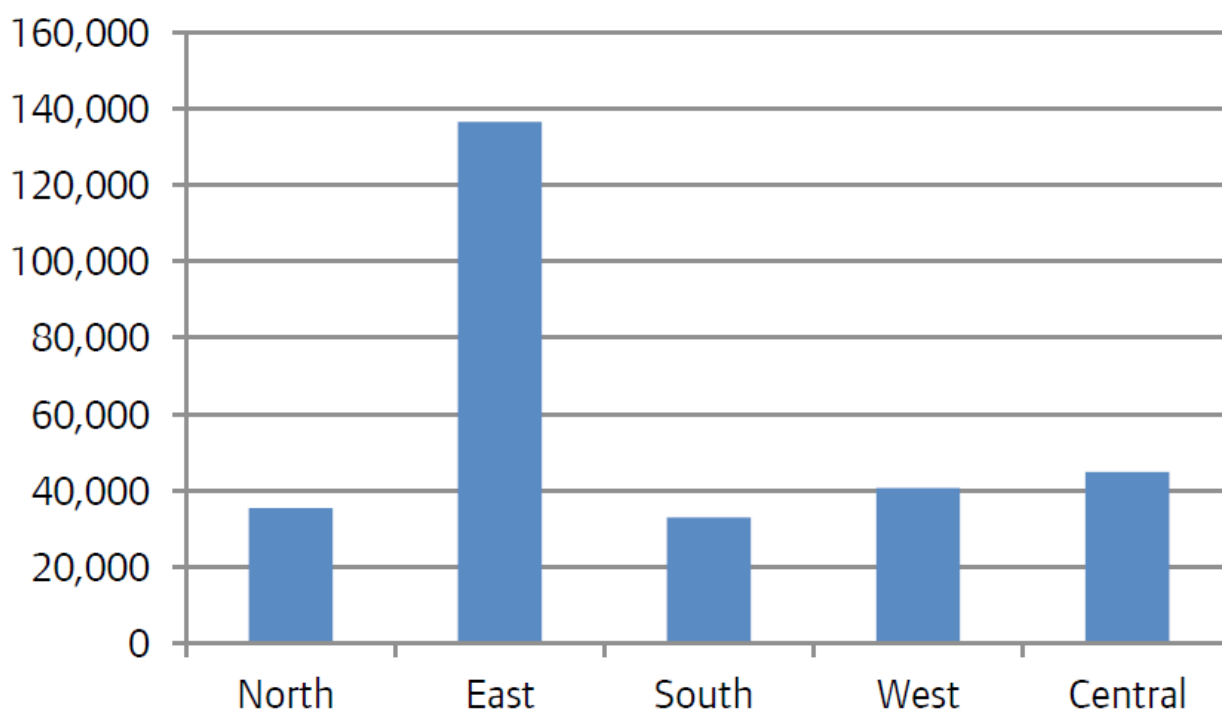
The SHLAA methodology

- 2.25 Estimates in the SHLAA take account of both approvals in the pipeline, and capacity estimates for allocations and other 'potential' large sites. Monitoring shows that these capacity estimates, on aggregate, provide a robust indication of the scale and phasing of these other sources of future housing capacity which could come forward over the next 10 years.
- 2.26 Delivery estimates also include anticipated output from student housing approvals, vacant homes returning to use and anticipated 'windfall' housing output from small sites under 0.25 hectares. This windfall assumption is based on average annual trends in completions since 2004 and includes conversions and change of use schemes. These assumptions have all be subject to rigorous scrutiny and found sound during the 2015 London Plan Examination in Public.

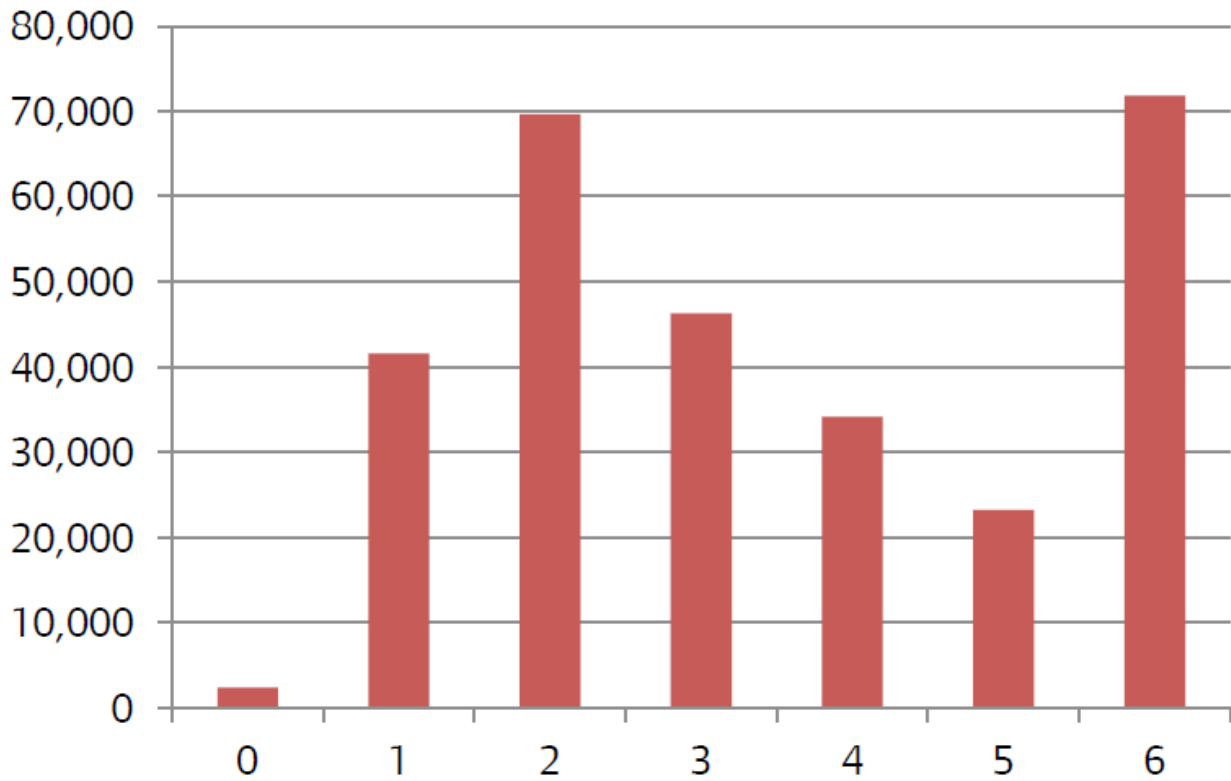
Analysis of the capacity findings

- 2.27 Analysis of the capacity identified in the SHLAA shows that nearly half of all housing output on large sites is expected to take place in the East London sub-region, which is expected to deliver over 136,000 new homes between 2015 and 2025. This means London is very much reliant on the performance of the housing market and planning authorities of this sub-region, especially those local planning authorities with greater capacity for housing delivery. This includes Tower Hamlets, Greenwich, Newham and the London Legacy Development Corporation. Delivering this amount of new housing may raise challenges in terms of infrastructure delivery, which will require focused attention as well as consistent and strong political leadership.

Figure 2.7 - Total capacity from large sites by sub region (2015-2025)



2.30 The balance of projected housing delivery in the SHLAA in relation to local need is also a potential issue, with many outer London boroughs likely to experience shortfalls between housing provision and need. According to GLA central projections, household growth in outer London is expected to exceed that within inner London by approximately 10,000 households a year. Conversely, almost 60% of the housing output expected in the SHLAA over the next 10 years is within inner/central London (25,000 units pa), compared to 17,000 units pa in outer London boroughs.



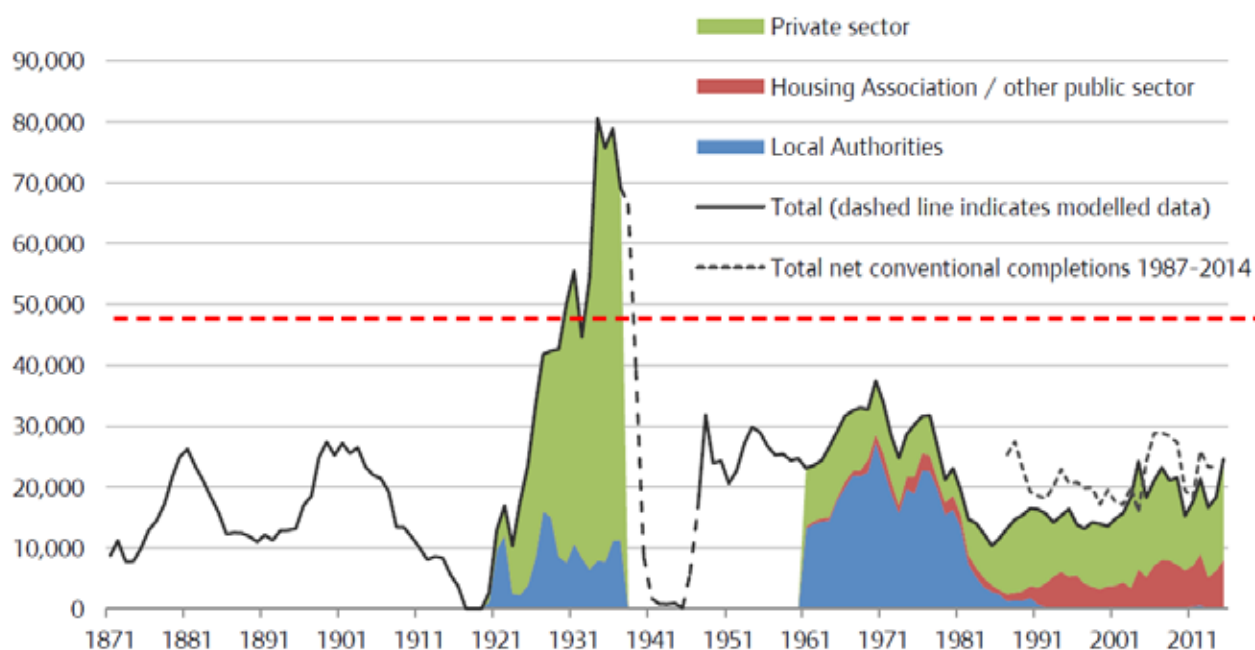


CHAPTER 3:

HISTORIC CONTEXT

3.1 It is instructive to examine the two eras when London built the highest numbers of homes. This was during the inter-war era of suburban ‘metroland’ development; and during the post-war era of council-led reconstruction (Figure 3.1). It is interesting to note that a number of the key factors which led to increased output during these periods are not now in existence to the same extent.

Figure 3.1 - Estimated number of new homes built in Greater London, 1871 to 2015



Source: GLA and Department for Communities and Local Government¹⁷, London County Council.

The 1930s

3.2 The expansion of London through the development of the suburbs during the 1930s resulted in levels of house building that are almost unimaginable today, with new build housing output exceeding 80,000 gross new build homes a year. Much of the development at this time was on greenfield land, along the new tube lines and roads that were being run out to the suburbs. This came to an end with the second world war and the subsequent introduction of the Green Belt and the Town and Country Planning Act in 1947, which sought to halt what was perceived as urban sprawl.

3.3 Prior to this, there were fewer restrictions to development on open land around London which meant land was more readily available and more affordable. The 1930s was also characterised by substantial coordinated investment in transport infrastructure through initiatives such as the New Works Programme, which

¹⁷ Note – net conventional completions (1987-2013) includes net housing provision from conversions, change of uses and extensions (Source: London Development Database)

sought to stimulate economic recovery following the 1929 recession.

- 3.4 Market conditions also played an important role in boosting house building during this era, with sustained low interest rates and favourable bank lending practices. Relatively affordable house prices and mortgages in relation to average household incomes helped drive a surge in demand for home ownership. This is perhaps the reverse of the current situation in London, in which rapidly increasing house prices mean that home ownership is falling and fast becoming an unrealistic ambition for most working households on median incomes, unless they have substantial deposits.
- 3.5 Another fundamental difference to today was the presence of numerous small builders often working to shared design pattern books on sub-divided land brought forwards by larger developers. The public sector also played a role, with local authorities building around 14% all homes during this period¹⁸. However, the key message of the 1930s was that, with the right conditions, it is feasible for private sector output to be significantly increased. Between 1930 and 1938 the private sector delivered 86% of all new build housing. This averaged 55,000 homes a year and peaked at 73,000 pa in 1934¹⁹.
- 3.6 There was a downside to London's suburban expansion during this period, which left a legacy of low density, 'ribbon' development. However this does not mean to say that new suburbs cannot in theory be brought forwards at higher densities and orientated around tube and rail networks and other sustainable modes of transport.

The post-war era

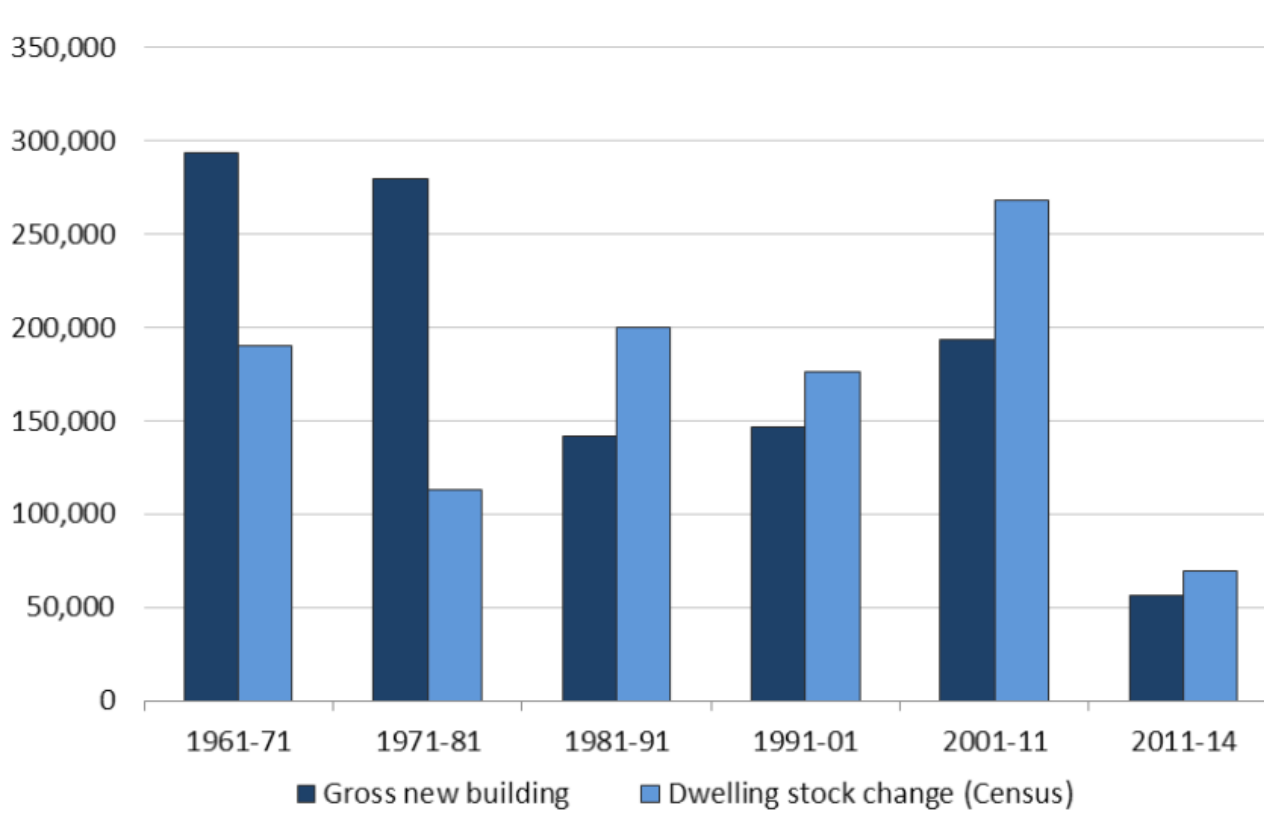
- 3.7 Following the second world war, successive governments sought to rebuild the economy and improve the condition of housing by providing large-scale funding for council-led house building programmes. New build output during this period peaked in 1970 at around 37,500 new homes a year, with nearly three quarters of these homes provided by local authorities.
- 3.8 Estimates for the net changes in the overall dwelling stock do however suggest that the rate of net housing provision may have been lower during this period, with overall net change in the housing stock actually lower than between 2001 to 2011²⁰ (see Figure 3.2). This is likely to be because large-scale redevelopment undertaken involved large numbers of demolitions. During this period, the development of New Towns around London also provided considerable numbers of additional homes for Londoners moving out of the city.

¹⁸ Data Source: London County Council, London Statistics - Houses erected by various agencies in Greater London 1920 to 1938

¹⁹ *ibid*

²⁰ GLA Economics. House prices in London – an economic analysis of London's housing market – Working Paper 72, page 46, Figure 23; and Yoland Barnes, IPPR, City Villages, page 59 Savills

Figure 3.2 – Gross new house building and change in dwelling stock in London, by decade



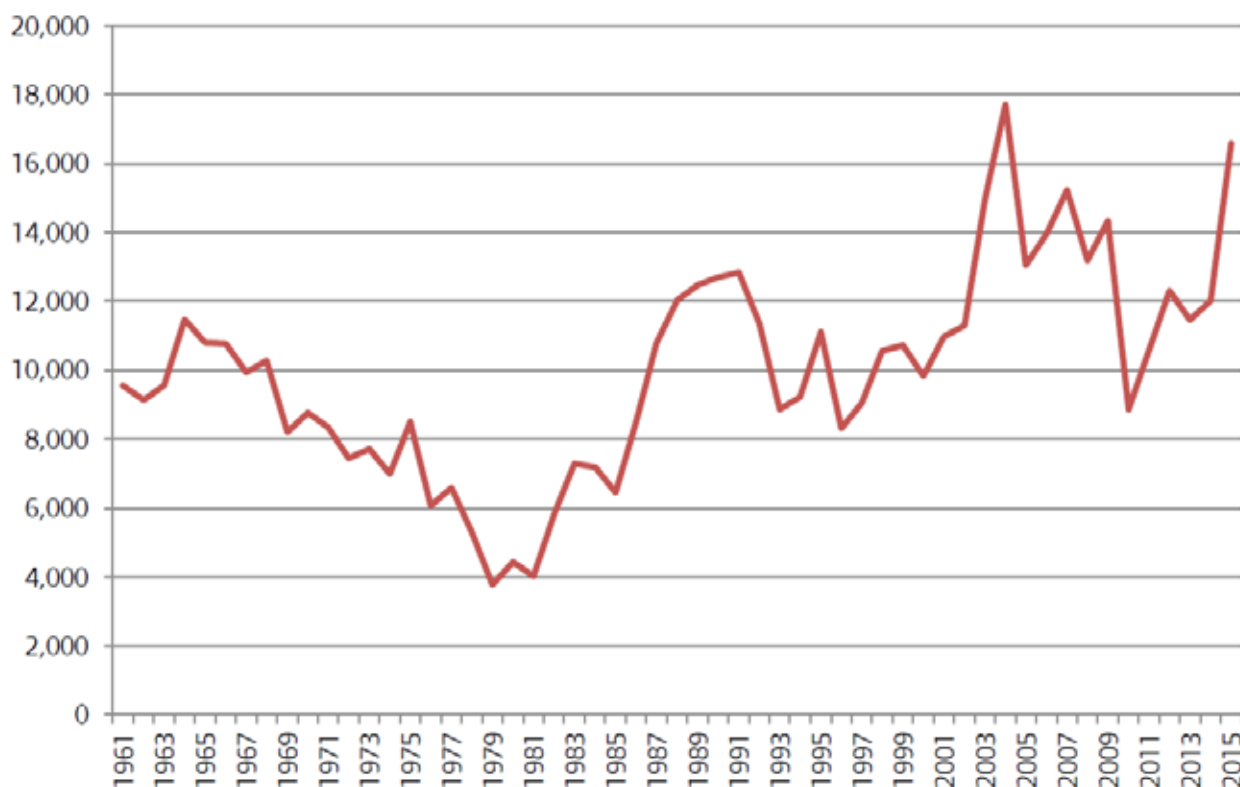
Source: GLA Economics: House prices in London

1980 to present day

- 3.9 Output from local authorities reduced dramatically during the 1980s with the removal of subsidies for council house building, to the extent that local authorities delivered virtually no new build housing from the mid-1990s to 2011. Increased output by the private sector and housing associations has to some extent helped to plug the gap left by local authorities. However, this has not been sufficient to increase output to the post-war peak levels achieved in 1970²¹, let alone the levels needed to meet London’s current housing requirement (49,000 pa).
- 3.10 Though gross new build housing output from the private sector has more than doubled since the mid-1970s, it has remained fairly constant since the late 1980s - averaging around 12,000 new build units a year. As shown by Figure 3.3, private sector delivery has been heavily influenced by market volatility. Only twice in the last 50 years has the private sector built more than 16,000 – which was in 2004 and in 2015.

²¹ In 1970, over 37,400 new build homes were built in London

Figure 3.3 - Gross private sector new build housing delivery in Greater London, 1961 to 2015



Source: GLA and Department for Communities and Local Government

- 3.11 Evidently, substantial increases in private sector housing delivery are going to be needed to meet London's current housing supply challenge. Understanding the constraints which inhibit private sector delivery and the measures which could be taken to address this has therefore been a key focus for the Commission and should be a priority for any new Mayor. Increased output from housing associations, which has been vital over the past two decades, will also need to be boosting significantly if London is to keep pace with increased population growth and address affordability challenges.

The potential for new players in housing delivery

- 3.12 As shown on Figure 3.2, recent historic trends show that increased output from new sectors is going to be required if London is to plug the gap between current rates of private sector delivery and the required levels of output over the next 20 years. The Commission believes that there are potentially two strategically important new 'players' with the scope to significantly augment current rates of housing delivery in London to the levels needed: build to rent developments and increased direct housing delivery from local authorities and other public bodies in partnership with private sector investors, via subsidiary housing companies, joint ventures and direct commissioning. The potential for these two sectors to play a

much greater role in supplementing housing delivery is explored in chapters five and eight of this report. In addition, increased output from small and medium sized (SME) house builders also provides the potential to transform housing output and is considered in chapter five.

- 3.13 Current resource constraints suggest that it may be unrealistic to imagine local authorities again delivering the majority of new homes in London, as they did in the 1970s through major council house building programmes. However, local authorities and other public bodies do have an important complementary role to play in meeting housing need and bringing forwards mixed tenure developments in partnership with the private sector, particularly in light of the amount of land that is estimated to be in local authority ownership and the new housing delivery mechanisms available. Whilst build to rent could also play a much greater role, this would require a more tailored and enabling policy environment.



CHAPTER 4:

SPEEDING UP DELIVERY ON BROWNFIELD LAND

Measure 1 - Forward funding costs associated with brownfield redevelopment

- 4.1 For housing to be delivered by the private sector, investment returns need to exceed the costs associated with acquiring the land and undertaking the development. 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 cost of undertaking development, alongside other build costs and planning requirements. Where the potential returns on investment are insufficient or involve too much risk, development will most likely be postponed.
- 4.2 Importantly, most of the abnormal costs associated with brownfield redevelopment are 'up-front' costs which need to be resolved before house building can be commenced. Cash flow issues associated with the scale of these site costs can also inhibit the speed and phasing of housing delivery on complex brownfield sites. As 98% of London's housing comes forward on brownfield land²², this is a fundamental challenge for housing delivery in London.
- 4.3 This can be a particular issue in areas where viability is more constrained or borderline due to local housing market conditions or low existing PTAL levels. Often, sites can face both of these challenges, as in Barking Riverside and other areas of the Thames Gateway. However, abnormal brownfield costs can also inhibit delivery of overall and affordable housing in higher value areas, especially where developers have acquired sites at substantial cost. Though developers can currently claim 150% relief on corporation tax where land has been contaminated when acquired, CPRE have suggested that the costs associated with land remediation fall disproportionately on developers of brownfield land and recommend that Government rebalances this through stronger credit based incentives and direct grants²³.
- 4.4 The Commission believes that financial support should be provided through either loan or grant finance where it is clear that development would not otherwise occur, or where public sector funding would help accelerate delivery. The Mayor's Housing Zones initiative is already piloting this proactive partnership based approach to accelerating and forward funding housing output by providing grant funding for necessary abnormal site costs and essential items of local infrastructure.
- 4.5 This form of forward funding was previously available through the 1982 Derelict Land Grant and later via the English Partnerships Partnership and Investment Programme (PIP). However, English Partnership's PIP scheme was ruled to be in breach of EU state aid and competition rules, so the Government and the Mayor would need to address this particular requirement in the design of any

²² Mayor of London, London Plan Annual Monitoring Report 11, 2015

²³ Campaign to Protect Rural England, Removing the Obstacles to Brownfield Development, 2014, pages 19-21

grant funding scheme. This could ensure that any 'surplus' or enhanced value attributable to remediation works was repaid to the public sector to address state aid issues. This would also help to avoid over-complicating the viability appraisal process and could provide a continuous cycle of funding. A Vacant and Derelict Land Fund currently operates in Scotland, which might provide a useful point of reference in terms of overcoming EU state aid issues.

- 4.6 The Government has also recently announced a new £1.2bn Starter Home fund to prepare brownfield sites for new homes, which could also play an important enabling role²⁴. However, the precise details of this proposal are as yet unclear, including whether this measure would apply to other tenures. The Commission believes that these measures should not be restricted to delivering starter homes and should be applied to all constrained brownfield sites and housing tenures.

Recommendation 1

There should be greater use of grant funding to address abnormal ground work costs and infrastructure challenges associated with complex brownfield development, where these prevent 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 the 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.

Measure 2 - Accelerating infrastructure delivery

- 4.7 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. Social infrastructure is also critical to ensuring that new development is sustainable and locally acceptable, yet this is often outside of the control of developers and requires a mix of public and private sector investment and careful programming.
- 4.8 The significant increases in London's population expected over the next 20 years is going to require correspondingly high levels of infrastructure and housing delivery. Indeed, the 2050 London Infrastructure Plan estimates that the projected funding gap between 2016 and 2050 in terms of transport infrastructure to be as high as £89 billion, with a further £22 billion funding gap expected to arise for schools. Planning obligations, CIL and other sources of private investment such as TfL revenues from fares are evidently not going to plug this gap. This means that mainstream funding and additional borrowing will be needed to forward fund

²⁴ <https://www.gov.uk/government/news/pm-the-government-will-directly-build-affordable-homes>

infrastructure to ensure its delivery, along with housing. When the economic and social case for investing in growth is so overwhelming, it makes little sense that London has to wait cap in hand for central Government funding.

Greater fiscal devolution

- 4.9 The current potential for the Mayor and TfL to forward fund infrastructure is limited by the paucity of tax revenues raised in London that are retained locally and by HM Treasury imposed borrowing ceilings which limit the GLA group's ability to borrow, despite the presence of prudential borrowing limits²⁵. Greater fiscal devolution to the Mayor and the removal of restrictions on borrowing would substantially enhance the capital's capability to finance large-scale infrastructure delivery and could help drive and orchestrate housing delivery.
- 4.10 The London Finance Commission has recommended the removal of these borrowing restrictions and has also called for the devolution of the full suite of property taxes. This includes stamp duty land tax (SDLT), council tax, business rates, annual tax on enveloped dwellings and capital gains property disposal tax²⁶. The London Finance Commission have also suggested London be given devolved powers over setting tax rates and re-evaluating council tax banding and discounts in order to fully realise the potential benefits which accrue from infrastructure investment.

Potential benefits of fiscal devolution

- 4.11 Devolution of property taxes in this manner would revolutionise London Government's ability to address the capital's housing challenges by providing a significant ongoing income stream against which the Mayor and boroughs borrow through models such as Tax Increment Financing (TiF). This would enable the public sector to pump-prime infrastructure funding to unlock housing growth, helping to create a virtuous cycle of capital investment; housing and economic growth; and increased tax revenue.
- 4.12 Greater fiscal devolution would have particular importance for bringing forward some of London's strategic sites within the opportunity areas which are fundamental to the delivery of additional homes in London, but where remediation, land assembly, infrastructure and other abnormal costs require more coordinated public and private sector partnership and additional investment. In addition, increased borrowing and forward funding powers would allow the Mayor and boroughs to significantly expand the supply of homes from estate regeneration, which typically involves substantial up-front costs.
- 4.13 Most importantly, fiscal devolution would substantially accelerate London's ability to deliver infrastructure in a more timely manner. For example, Crossrail 1, which

²⁵ London Finance Commission, 2013, page 52 – prudential borrowing means where the costs of borrowing is affordable, sustainable and prudent

²⁶ London Finance Commission, 2013,

will open in 2018, was first put forward in 1948 and proposed formally in 1974²⁷. The scheme has been funded through a combination of central Government grant, business rate supplement, developer contributions, TfL borrowing, Network Rail works and land disposals. The London Finance Commission's view was that it is hard to imagine such projects taking as long as this where London had greater local autonomy and fiscal powers. Similar question marks could be applied to the rail extensions and new stations that are now programmed for Barking Riverside and Battersea in order to unlock growth.

- 4.14 Government has announced reforms to business rates including measures to allow local areas to keep a greater proportion of rates and to reduce rates in order to attract business investment. These reforms also include proposals to allow Mayors to increase rates in order to raise additional funding for infrastructure. These are all welcome, but beyond these changes, the devolution of property taxes such as stamp duty would substantially improve London's and other location's ability to finance infrastructure²⁸.
- 4.15 There is a growing body of evidence showing that investment in rail infrastructure has positive impacts on residential property values, as well as economic growth, which could be drawn on by the Mayor to forward fund essential yet expensive new transport schemes. GVA estimate that the incremental property value attributed to Crossrail 1 is £5.5 billion, of which residential values account for £4.8 billion and office values £0.7 billion²⁹. A separate report by the property consultants CBRE estimated the increase to residential property values around the 37 stations at £14.7 billion³⁰. Similar trends have been experienced with the extensions to the Jubilee Line, DLR and London Overground³¹.
- 4.16 This increased revenue arising from SDLT will be accrued by Treasury, rather than the locations affected by development. Research by Centre for Cities has shown that the devolution of land and property taxes would significantly strengthen the financial incentives for local authorities to permit more development in an area and would be far greater than the existing incentives provided through the New Homes Bonus, CIL and proportion of locally retained council tax³². Centre for Cities have also shown that more growth orientated behaviour by local authorities could benefit the Treasury, helping to increase and accelerate growth but also net additional tax income by around £1 billion a year³³.

²⁷ London Finance Commission, 2013, page 45

²⁸ Centre for Cities, Beyond business rates, 2015

²⁹ GVA, Crossrail Property Impact Study, 2012

³⁰ CBRE, Crossrail: The impact on London's Property Market, 2013

³¹ Jubilee Line and DLR extensions and their impacts see - G Ahlfedt, If we build, will they pay? Predicting property price effects of transport innovations, 2011, SERC Discussion Paper 75

³² Centre for Cities, Beyond business rates, 2015, page 18

³³ Centre for Cities, Beyond business rates, 2015, page 23

- 4.17 The Crossrail 2 Growth Commission has estimated that Crossrail 2 has the potential to unlock up to 200,000 new homes and 200,000 additional jobs. However, research suggests that financing Crossrail 2 – with an estimated cost of up to £20 billion³⁴ - will require even more innovative mechanisms in forward funding, beyond CIL, planning obligations and business rates³⁵. Research by London First has suggested the devolution of property taxes will be essential in order to finance schemes such as Crossrail 2, particularly as this scheme may not yield the business rate uplifts experienced by Crossrail 1³⁶.
- 4.18 Devolution would represent a challenge to the power of Whitehall departments and may arouse some concerns about impacts on public services given the way taxes are currently redistributed. However, research by Tony Travers has shown that the UK is the most fiscally centralised of all OECD countries, with less than 5% of taxation powers fully devolved to local government³⁷. In addition, his research suggests that the centralisation of tax and spending powers in the UK has not led to economic convergence, with regions becoming more unequal in terms of their share of national GDP and GVA³⁸. Moreover, stamp duty land tax has been devolved in Scotland and is being devolved to Wales, which suggests it can be done without negatively affecting public services.
- 4.19 These changes would bring London closer to the position of many international cities, such as Paris, Berlin, Frankfurt, Madrid, Tokyo and New York, where property taxes are largely devolved to sub-national government. London First estimate that only 7% of all taxes paid in London's residents and businesses are retained by the Mayor and boroughs – the equivalent figure in New York is over 50%³⁹. The case for greater devolution is not unique to London: devolution would also be applicable to a wide range of other large UK cities helping to support regional economic growth. It would help to drive large-scale infrastructure projects which would have benefits for authorities across the wider South East. Ensuring more local autonomy and sharper incentives to enable growth appears to be an increasing Government aspiration as recognised by recent City Deals, business rate reforms and broader aims to support a new Northern Powerhouse.
- 4.20 More devolved and accelerated mechanisms to finance and deliver infrastructure would also help to create greater private sector confidence, thereby enhancing the ability of developers to make long-term investments, secure finance and progress more complex and long-term schemes. Over time, a greater degree of certainty in terms of growth and the public sector's capability to deliver might help leverage in substantial private finance from pension and insurance funds, which

³⁴ London First, Funding Crossrail 2, 2014

³⁵ PwC, Crossrail 2 – Funding and financing study, 2014

³⁶ London First, Funding Crossrail 2, 2014; and

³⁷ Tony Travers. Devolving funding and taxation in the UK: a unique challenge, page R6

³⁸ *ibid*

³⁹ London First, Funding Crossrail 2, 2014, page 6

could help co-fund up front infrastructure costs.

- 4.21 Forward funding could also incentivise more coordinated and targeted public sector approaches to planning and land assembly. These would both need to be more proactive where the capital costs of providing infrastructure necessitated increased tax revenue through growth via either business rates or increased numbers of homes and property transactions in an area (see Recommendation 5).
- 4.22 The devolution of Vehicle Excise Duty (road tax), based on the residence of tax payers, could also provide TfL, the Highways Agency and local authorities with significant funding to enable essential infrastructure improvements, including the provision of additional highways capacity, but also enhancements in terms of sustainable transport, such as provision for cyclists and buses.

Recommendation 2

There should be greater fiscal devolution to the Mayor in order to boost London's ability to forward fund essential infrastructure 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

The Community Infrastructure Levy

- 4.23 Currently, the Community Infrastructure Levy (CIL) has limitations in funding the upfront delivery of major items of infrastructure necessary to unlock development on large regeneration sites. Typically CIL is paid in phases following commencement. Therefore, income is not available early enough to enable upfront infrastructure delivery, which is often critical to ensure housing and economic growth actually occurs.
- 4.24 Section 106 is an alternative funding tool, but has a limited role in funding large pieces of infrastructure due to pooling restrictions, which mean that only five developments can fund the same item of infrastructure. Expensive items of enabling infrastructure will not realistically be funded by only five schemes.
- 4.25 CIL Regulations currently allow charging authorities to use CIL receipts to repay expenditure on infrastructure that has already been incurred, subject to direction by the Secretary of State. However, authorities are unable to borrow money against future CIL income and may not use CIL receipts to repay interest on money raised through loans. The Commission believes that the ability to fund early enabling infrastructure could be significantly enhanced if a mechanism was in place to allow direct borrowing against future CIL income, particularly given the role of infrastructure delivery in stimulating housing and economic growth.
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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.

Tax Increment Finance

- 4.26 Evidence of the potential benefits of fiscal devolution on a micro scale can be seen in the extension of the Northern Line which will finally enable the development at Battersea, through the use of Tax Increment Financing (TiF). TiF originated in the United States and is a tool used to finance infrastructure investment through anticipated gains in taxes which arise following the delivery of new infrastructure. Funding from incremental business rates, alongside developer contributions, is forecast to be sufficient to repay the debt (and interest) required to pay for the up-front costs of building the North London Line (nearly £1 billion). The Commission believe that more TiF schemes are going to be needed to unlock growth in London and that Government should explore the potential for longer-term retention of business rate (beyond 25 years).

Recommendation 4

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

Measure 3 - Aligning transport infrastructure investment with planning and land assembly

- 4.27 The Commission believes that 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 development densities is fully realised. This will necessitate a more responsive and proactive local and strategic planning policy framework. Coordinated cross-boundary approaches in terms of planning policy, decision making and land assembly will also be important along new or enhanced public transport corridors and in areas planned to experience significantly improved public transport connectivity.
- 4.28 Where appropriate, these improvements should be reflected in new or updated Local Plans, Area Action Plan and Opportunity Area Planning Frameworks. The London Plan can also assist this process through the identification of new opportunity areas or intensification areas and by providing a tailored policy framework for these areas of change. In addition, as in locations like Old Oak and Park Royal, Mayoral Development Corporations could be an appropriate planning and delivery mechanism to enable growth and infrastructure provision, especially where development opportunities span a number of different planning authorities and where there is a need for more coordinated approach to plan making or decision taking.
-

- 4.29 However, all of these measures require substantial time and resources, so it is important that London Plan provides an appropriate strategic policy framework to enable development opportunities to be fully realised where major new or significantly enhanced public transport infrastructure is being provided. This should also provide a framework for new opportunity areas, intensification areas or housing zones to be considered and ensure that, where appropriate, boroughs update or revise their local policy framework and planning designations.
- 4.30 Similarly, it is also important that transport funding is used to unlock stalled schemes which are reliant on new infrastructure investment, whilst taking into account the need to also focus scarce resources on maintaining the overall capacity of the public transport network.

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, including the use of TfL's Growth Fund, 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.

Measure 4 - Streamlining and enhancing land assembly through compulsory purchase powers (CPO)

- 4.31 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 often the case 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.
- 4.32 Local authorities have a potentially vital proactive role to play in enabling site assembly through their compulsory purchase (CPO) powers. However, submissions from local authorities suggest that CPO is often viewed as a legally complex and drawn-out procedure which carries substantial risks and costs for local authorities⁴⁰. In addition, borough submissions indicate that CPO requires specific legal knowledge which authorities do not always possess in-house.
- 4.33 Whilst local authority budget cuts mean that financing CPOs will be a challenge, additional resources can be provided by the private sector. Skills and experience deficits can also be addressed by local planning authorities drawing in specialist legal expertise from the private sector. An appropriately funded pan-London

⁴⁰ Ealing Submission

public sector resource or advisory team may also ensure skills and experience is retained in the public sector.

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.

4.34 The Government has consulted on making a number of technical changes to CPO procedures which aim to reduce delays and streamline the process⁴¹. However, both the Lyons Housing Review and the London School of Economics (LSE) have recommended reform of CPO legislation should go further to ensure that the costs of infrastructure provision and the uplift in value that arises from land use change can be more effectively captured through the CPO process⁴². This would necessitate land being acquired at close to existing use value, with an additional generous premium provided to compensate land owners.

4.35 This model draws on the experiences of New Towns Development Corporations in the UK. It also to some extent mirror practices in a number of European countries where local authorities have a more active role in providing infrastructure, acquiring and assembly land and securing planning permission prior its disposal and the delivery of development⁴³. The extent to which this model is applicable to higher value brownfield sites in London where there is existing public transport access would need to be examined in more detail.

4.36 Currently, CPO operates on the principle of 'equivalence', which means owners should be no worse-off or better-off in financial terms following the acquisition of their land, with account for losses⁴⁴. Consequently, sites are valued at open market value and consideration is normally given to whether a landowner could reasonably achieve planning permission for a different land use, taking into

⁴¹ Department for Communities and Local Government, Technical consultation on improvements to compulsory purchase processes, 2015

⁴² Lyons Housing Review, 2014, page 70; London School of Economics, 2015, Housing in London: Addressing the supply crisis, page 9

⁴³ Royal Town Planning Institute, Planning as 'market maker': How planning is used to stimulate development in Germany France and the Netherlands, 2015

⁴⁴ The basic loss payment is 7.5% of the value of the land, subject to a ceiling of £75,000

account development plan policies.

- 4.37 Proposals in the Lyons Review and LSE report would require Government to amend legislation and guidance to confirm that an existing use value (+) approach should be used to value land where CPO is being proposed. This is something the Mayor could explore in more detail with Government and private sector partners, particularly considering its potential value in generating funding for expensive new infrastructure and enabling land assembly and housing delivery in future Opportunity Areas, Housing Zones, and other locations which may undergo substantial transformative change, for example along the proposed Crossrail 2 corridor. In addition, Government should also explore ways to align GLA regeneration and TfL compulsory purchase powers to enhance the scope for more coordinated transport related housing, land assembly and investment.
- 4.38 Over the longer-term, CPO legislation and guidance could also be amended to more explicitly encourage and facilitate the acquisition, assembly and management of assets in town centres in order to support more effective and responsive asset management through models such as Town Centre Investment Management (TCIM)⁴⁵. TCIM is an investment and delivery approach that seeks to bring about structural change on high streets by overcoming the fundamental barrier of fragmented ownership, by assembling and pooling assets under a single ownership in order to enable more effective long-term management, adaptation and growth. This approach also provides significant potential to also accommodate housing intensification and social infrastructure provision along high streets.
- 4.39 Research by Policy Exchange has also put forward more radical reform of CPO to better enable the acquisition of empty properties or disused land in order to enable housing delivery, on the basis that additional housing should be considered as 'essential infrastructure' and viewed in a similar manner to items of transport infrastructure where CPO is proposed⁴⁶.

Measure 5 - Incentivising faster build out rates and tackling genuine land banking

Market absorption and building out large sites

- 4.40 The speed of house building on private sector owned sites will generally correspond to the rate at which developers believe they can sell units within a local housing market at optimal value⁴⁷. Selling units requires sufficiently funded buyers in a particular location and favourable mortgage lending environment. In addition, whilst substantial profits can be made during buoyant market conditions,

⁴⁵ British Property Federation, Town Centre Investment Zones – Getting investment back into the high street, 2016; and Peter Brett Associates, Town Centre Investment Management, 2015

⁴⁶ Policy Exchange, The Homes London Needs, Part 2 – Mass delivery of manufactured homes for rent, 2016

⁴⁷ Mayor of London, Barriers to Housing Delivery Update: Private sector housing development on large sites in London, 2014, page 10

the house building industry is prone to downturns, which can result in risk-averse behavior on the part of developers. For these reasons, developers are often concerned that an over-supply of market sale homes in an area in relation to funded demand might result in lower prices through supply and demand economics.

- 4.41 Hence, despite the considerable need for housing in London, developers of very large sites are unlikely to build homes as quickly as is 'technically' possible on very large sites, without guaranteed sales demand. Instead, developers will typically be cautious to avoid so-called 'market absorption' problems and will therefore generally seek to manage the rate of delivery to match their expectations for sales demand and capital growth. Expecting developers to substantially increase build out rates beyond current rates of production may not be commercially realistic, without any additional incentive or compulsion. This is because to do this on a very large site would mean increased exposure to risk (eg market cycles); front loading build costs (rather than phasing them over a number of years); and could result in lower sales values. This increased exposure to risk may not be palatable to company shareholders.
- 4.42 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. Indeed, submissions to the Commission from outer London boroughs confirmed that these developer practices are embedded and considered to be fundamental to the current house building industry.
- 4.43 Whilst issues of market absorption would appear to be counter-intuitive in the context of rapidly increasing house prices in London, there may be a number of reasons why developers are unlikely to build out consents faster. Selling large numbers of new build homes on a single site at the same time can be challenging and can be affected by a number of potentially unstable factors including bank lending practices, the availability of mortgage finance, income levels and the regulatory environment in terms of buy-to-let and overseas investment. The Help to Buy equity loan scheme has been expanded in London and is intended to play a key role in boosting funded demand for new build homes. However, current Treasury proposals to apply a 3% surcharge on stamp duty for buy to lets and second homes may affect demand for new build properties. Currently, over half of all new build homes in London are purchased by buy to let investors⁴⁸.
- 4.44 Banks do not generally offer mortgages more than six months before completion, which may also impact the speed of housing delivery and lead to a reliance to some extent on overseas investment to secure pre-sales. A proportion of off-plan sales are often a precondition for bank lending. Although some areas of the London's housing market are especially buoyant and have experienced strong

⁴⁸ British Property Federation, Who builds new homes in London and why?, 2014

demand from overseas investment, other locations outside 'prime London' may be less buoyant and not as influenced by overseas investment.

- 4.45 Similarly, Government's proposals for starter homes – which aim to increase home ownership opportunities for first time buyers (under the age of 40) - may have the unintended consequence of reducing demand for open market one and two bed products on the same site or area⁴⁹. The requirement for starter homes may also reduce income from s106 deals with housing associations, which can provide an important source of early cash flow for developers through pre-sales. Though the potential impact of these measures on build out rates and market absorption issues in London is, at present, uncertain, these factors underline the inherent uncertainty that is associated with housing development

Evidence of land banking

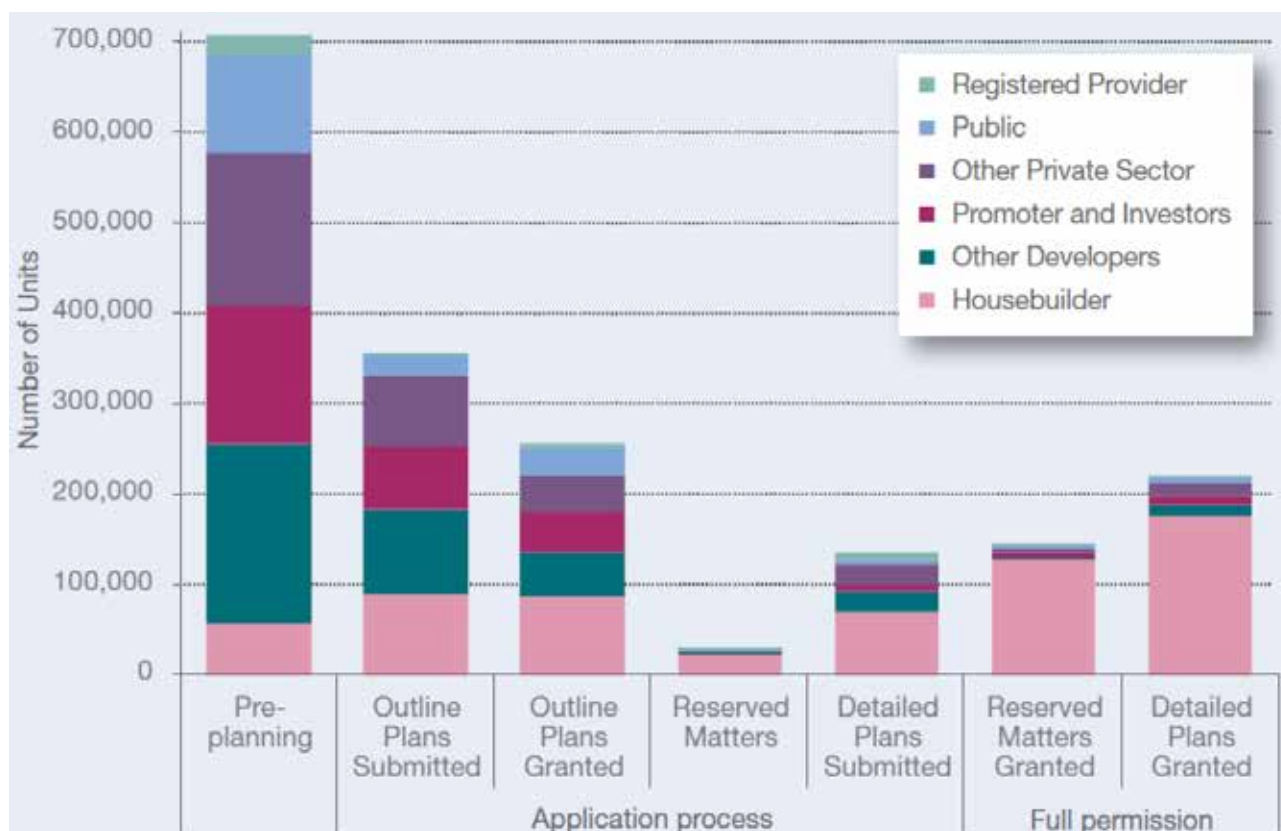
- 4.46 Research has shown that land banking is a barrier to housing delivery in London. Molior's second barriers to delivery report in 2014 showed that a third of all permitted large sites were owned by non-developers, which accounted for around a quarter of London's pipeline of consented units on large sites (over 20 units)⁵⁰. Whilst this was an improvement on the 2012 report finding that nearly half of London's consented large sites were owned by firms that do not actually build houses⁵¹, there is clearly more that needs to be done to address land banking in London and ensure consented sites are put into production at an accelerated rate.
- 4.47 Research by Savills shows that this is not unique to London. Their analysis of the development pipeline in England shows that a significant proportion of sites are owned by promoters and investors and the public sector, rather than house builders, registered providers or developers (Figure 4.1). This is especially at outline and pre-planning stage. However, this ratio decreases as sites obtain full planning permission, with 83% of these owned by house builders.

⁴⁹ Savills, The impact of new housing measures on development, 2016

⁵⁰ Mayor of London, Barriers to Housing Delivery Update: Private sector housing development on large sites in London, 2014, page 17

⁵¹ Mayor of London, Barriers to Housing Delivery: What are the market perceived barriers to residential development in London, 2012, page 24

Figure 4.1 – UK residential development pipeline



Source: Savills, UK Residential Development Land, 2016

4.48 These findings raise concerns about the extent to which planning permissions are being secured in order to increase the commodity value of sites. Rapidly increasing land values in London may increase the potential for this form of speculative behaviour. On a more practical level, feedback to Molior from house builders also questioned the degree to which the planning consents secured by non-developers have been designed with delivery in mind and whether these consents will actually be capable of implementation by house builders without significant revision⁵².

4.49 A range of industry research suggests that accusations of land banking directed at house builders are often misplaced and, in reality, it is in their commercial interests to build homes as their profits depend on selling units, as does their commercial rating which is based on return on capital expenditure (ROCE)⁵³. Paying finance costs without building or selling units would also make very little commercial sense. It is also true that land banking in London is not wholly restricted to the private sector. Of the large site pipeline controlled by non-

⁵² Mayor of London, Barriers to Housing Delivery: What are the market perceived barriers to residential development in London, 2012, page 24

⁵³ Molior, Barriers to Housing Delivery – what are the market-perceived barriers to residential development in London?, 2012, page 9; HBF, Permissions to Land: Busting the myths about house builders and 'land banking'; London Chamber of Commerce and Industry. Getting our house in order: The impact of housing undersupply on London businesses. 2014, page 14

developers, 26% is actually in some form of public ownership (around 6,300 units)⁵⁴.

Use it or lose it

- 4.50 To address the issues of land banking and slow build out rates on approved sites, the Lyons Housing Review recommended a range of new incentive based proposals under the banner 'use it or lose it'. This includes:
- reducing the life-time of a planning permission to two years (with higher fees for renewal applications);
 - requiring more substantive work to be required in order to demonstrate the commencement of development;
 - enabling Councils to have powers to levy a charge equivalent to council tax on sites with planning permission and not brought forward within five years; and
 - providing more streamlined CPO powers to tackle extreme cases of land banking⁵⁵.
- 4.51 The Commission has reviewed these suggestions in detail but believes that it is critical to consider carefully the risk of unintended consequences and potential to create negative incentives, especially given the need to double housing output and encourage new entrants and small builders.

Shortened timescales for permissions

- 4.52 Shortening the time-scale for planning permissions could help to speed up the commencement. However, this measure on its own would ultimately not speed up completions over time, which is perhaps the more substantive concern. In addition, there are a number of reasons why a shorter time scale for planning permissions might not be appropriate. Following consent, a number of non-planning issues will need to be resolved including securing vacant possession, resolving rights to light, tendering build contracts and awaiting essential infrastructure upgrades. A number of these issues are outside a developer's control, so it would be unfair to penalise them for these delays.
- 4.53 Almost all initial planning permissions will require further planning consents which can delay commencement, including the discharge of pre-commencement planning conditions and agreeing section 106 agreements. Whether these could all be resolved within a two year time window to allow starting on site is questionable. The danger could also be that shortened timescales would disincentivise developers from making applications until all financial, ownership and planning matters were resolved. This might be unrealistic given the need for investment certainty and the complex issues typically raised by brownfield

⁵⁴ Mayor of London, Barriers to Housing Delivery Update: Private sector housing development on large sites in London, 2014, page 17

⁵⁵ Lyons Housing Review, 2015, page 68

development in London. Any shortened timescale would therefore need to be matched with comparable measures or incentives to ensure planning authorities, statutory bodies and utilities providers responded to pre-commencement consents in a timely manner and, in the case of utilities providers, helped deliver any necessary enabling works.

- 4.54 Any appeals process associated with extending timescales would also lead to additional planning delays and would add substantially to the workloads of local planning authorities and the Planning Inspectorate. Moreover, local authorities already have the power to impose three year time limits⁵⁶ for commencement and can condition phasing schemes as part of outline permissions for large sites.

Requiring more substantive starts on site

- 4.55 The Commission has considered the case for changing the definitions on what is considered to count as a start on site but is of the view that there is already a significant body of case law which defines this matter and confirms that works do need to be relatively substantial.

Levying the equivalent of council tax on unbuilt units

- 4.56 The Commission has also considered the case for levying the equivalent of Council tax on unbuilt units where planning permission has been granted. This would require legislative changes. Some Commissioners raised concerns about the potential impact of this measure, given the amount of up-front costs born by developers in readying sites and funding infrastructure. They have also suggested this type of measure would penalise genuine developers, making it more difficult to secure finance for both large and small-scale schemes.
- 4.57 Clearly, there are significant risks associated with this proposal, which would need to be considered carefully to ensure that the design and implementation of any new tax struck the right balance between incentivising delivery, whilst not deterring investment, new entrants or the submission of planning applications for residential units. Blanket application of any charge might have a counter-productive impact on housing supply, especially on very large and complex schemes and particularly during market downturns. The potential effect on small sites would need to be examined carefully in light of the need to promote small and medium sized house builders in London (see chapter 5). The cumulative impact of any charge would also need to take into account planning obligations and CIL. These impacts would also need to be reflected in viability appraisals, which could add to the current level of complexity involved in appraisals and potentially reduce the amount of affordable housing provision secured through s106 planning obligations.

⁵⁶ DCLG, NPPG, Conditions relating to time limits, Paragraph: 027 Reference ID: 21a-027-20140306

- 4.58 Moreover, on a practical level, it would also be challenging to design a new tax on unbuilt approved units which also took into account whether a planning permission was capable of implementation at a particular point in time. This would need to consider whether pre-commencement conditions have been discharged and the extent to which other potential barriers to delivery associated with land assembly, infrastructure provision, remediation and rights to light issues have been or could have been resolved. This would require a significant level of sophistication and potentially a complex appeals process, which would need to assess to what extent these issues were resolvable or indeed under the control of a developer. Large and complex developments can typically require significant revision and repeat applications over time, as schemes are modified to reflect changing market circumstances. This can be particularly important for mixed use and town centre redevelopment and it is not clear how this essential feature of the planning system would be reflected in a practical new tax regime.
- 4.59 Nevertheless the Commission feels strongly that measures should be taken by local authorities and the Mayor to bring land forward for actual housing production on sites that have full planning consent which is capable of being implemented and where development has not commenced for a period of three years. However, the issues and risks associated with levying the equivalent of Council Tax on unbuilt approved units mean that some members of the Commission are more inclined to recommend the use of CPO action to resolve these challenges and secure the proper planning of the area.
- 4.60 This approach would require sufficient funding in order to resource the CPO process and also to finance the acquisition of sites at market value (albeit in extreme cases), together with a revolving fund to recycle the proceeds of the subsequent sale of sites. However, in many instances, the Commission considers the threat of CPO action ought to be sufficient to motivate landowners to bring forward housing production. CPO legislation and guidance would also need to be revised in order to explicitly encourage this type of action by local authorities under particular circumstances.
- 4.61 The Commission believes that a proactive 'carrot and stick' approach should be followed by local authorities to support to the commencement of development on large sites. Where appropriate, targeted support should be provided to help resolve any legitimate land assembly, infrastructure delivery and viability barriers which are holding back development. If necessary, loan and grant finance could be provided to address particular brownfield site costs (see objective one). However, where these issues were resolved and house building had still not commenced, authorities could then initiate CPO action to incentivise housing production.
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Recommendation 7

Boroughs and the Mayor should consider adopting a 'carrot and stick' approach to address land banking and slow build out rates on large sites by;

- providing appropriate planning support for stalled schemes to reduce planning delays and facilitate their timely implementation and delivery (eg. conditions discharge, s106 negotiations).
- keeping 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 seeking to prioritise and address these issues once resources and funding becomes available (eg. TfL Growth Fund).
- 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 revise 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.

Land value taxation

4.62 The London Assembly Planning Committee has also explored the case for introducing a form of land value taxation in London in order to incentivise housing delivery, encourage the optimal use of land and help capture an appropriate share of land value increases in order to fund essential infrastructure⁵⁷. This form of tax could replace existing property taxes such as council tax and business rates. The London Assembly report considers some of the practical questions which would need to be resolved in applying any form of land tax, drawing on international examples. Clearly, this would be a long-term question which would necessitate further more detailed investigation and would necessitate fundamental changes in terms of the UK's existing tax regime.

⁵⁷ London Assembly Planning Committee, Tax trial – A land value tax for London?, GLA, 2016



CHAPTER 5:

LAND SUPPLY

Measure 6 - Increasing and diversifying identified housing supply

Brownfield housing supply

- 5.1 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. In reality, almost all new housing in London comes forward on brownfield land, the vast majority of which is on sites in other active land uses⁵⁸. So it is very difficult to identify sites as appropriate for housing without destabilising these activities or creating tensions with some of the essential economic activities which are undertaken in London.
- 5.2 As shown in chapters two and four, London faces two fundamental housing supply challenges: insufficient levels of identified sites to meet annual housing requirements at a particular point in time (even though the potential pipeline is much more substantial); and a sluggish delivery and build out rates on sites which are either identified or permitted. Whether it is feasible or even sustainable to inexorably increase London's overall pipeline of approvals and the number of identified and allocated sites on brownfield land in order to meet London's growing demand for housing, whilst also supporting other economic and environmental policy objectives will be a key question for the next London Plan.
- 5.3 Through a number of separate reforms, Government is seeking to increase the numbers of identified and approved brownfield housing sites and the responsiveness of the planning system in bringing forward sufficient levels of supply to meeting housing need. Amendments to the NPPF would introduce a presumption in favour of brownfield land. In addition, proposals in the Housing & Planning Bill will require local authorities to maintain registers of brownfield land and provide planning permission in principle (PIP) on specified sites, creating a more 'zonal system' for brownfield land. Consultation proposals also suggest that the NPPF will be revised to:
- ensure unviable or underused employment land is released unless there is significant and compelling evidence to suggest that it should be retained for employment use;
 - provide additional certainty and encouragement for small house builders; and
 - introduce a 'delivery test' to ensure that where there is significant under-delivery of housing over a sustained period, action is taken to address this.
- 5.4 Collectively, these measures are all intended to support the Government's overarching ambition to ensure that 90% of brownfield land that is suitable for housing has planning permission by 2020.

⁵⁸ London Development Database shows that 98% of approved housing units comes forward on brownfield land (97% of completed units); and 60% of housing completions take place on land in other non-residential land uses.

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- 5.5 A number of these proposals follow reports by the Home Builders Federation (HBF) which suggest that the way the plan-led system has operated has created challenges for large and small-scale development by placing the onus on developers of sites to justify why they should come forward where these are not allocated or identified in Local Plans⁵⁹. The HBF present evidence to show that, following the introduction of the plan-led system in 1991⁶⁰, there has been a contraction in overall private sector completions and output from small and medium sized firms (SMEs). This is in spite of a strong policy emphasis for development on brownfield sites⁶¹. In contrast, overall private sector and SME output expanded significantly during the 1980s, when there was a strong presumption in favour of development (through Circular 22/80).
- 5.6 Completions data in London does suggest that both overall and private sector output contracted between 1990 but recovered during the 2000s (see Figure 3.2). However, this is likely to have also been influenced by the market downturn following the 1991-92 recession.
- 5.7 Currently, the NPPF requires local planning authorities to maintain a five year supply of housing to meet their annual housing requirement, based on realistic assumptions about build out rates on large sites⁶². Where five year land supply housing estimates are found to be inadequate, local authorities housing supply policies are not considered up to date, in order to ensure schemes are approved in these circumstances. Hence, one could argue there is already a strong incentive for local authorities to identify sufficient sites and for 'unallocated' sites to be brought forwards where necessary to make up any shortfall in housing supply. However, there will always be some debate about whether sites will come forward and at what speed units will be delivered, which is often outside the scope of the planning system.
- 5.8 Whilst the Commission is supportive of the use of brownfield registers, PIP and the presumption in favour of brownfield development, the Commission has some concerns about how these new mechanisms and policies might impact other land uses and how sites in active economic uses might be judged as being unviable or underused. The Commission's Options for Growth paper highlights the challenges London faces in balancing economic and housing growth. In light of these potential tensions the Commission believes that local authorities will need to carefully address these potentially competing requirements when operating any presumption in favour of brownfield land, together with brownfield registers and permissions in principle.

⁵⁹ HBF – private sector output;

⁶⁰ 1991 – Planning and Compensation Act

⁶¹ HBF Background Paper – Responding to market demand

⁶² DCLG, NPPF, paragraph 47

Industrial land release

- 5.9 Evidence in the SHLAA shows that there will need to be a substantial amount of industrial land release in order to meet minimum housing targets in the London Plan. Between 2015 and 2025, new housing will need to be accommodated on as much as 709 hectares of industrial land⁶³. Whilst the probability based methodology used in the SHLAA means that not every single site is necessarily expected to come forward for housing, this would suggest that much higher levels of industrial land release will be needed beyond the London Plan's current benchmark of 37 hectares a year and could necessitate the release of up to 71 hectares a year. Currently, around 83 hectares of industrial land are being released each year across London, although 116 hectares was released in 2011/12 – more than three times the London Plan benchmark⁶⁴.
- 5.10 Though around 62% of the total industrial land earmarked for release in the SHLAA is already either approved or allocated for housing (442ha), the remaining 38% is not currently approved or allocated – some 266 hectares. This quantum of land use change presents very practical planning policy challenges. Analysis undertaken by the GLA following the SHLAA also shows that there is substantial potential to accommodate additional housing on industrial sites in areas with good public transport connectivity (PTALs 4 to 6) which are outside London's reservoir of designated Strategic Industrial Land. These sites could provide between 84,000 and 118,000 new homes.
- 5.11 As set out in the Commission's Growth Options Paper, the Commission believes it is important that in preparing the evidence base to support the new London Plan and borough's local plans, there should be a more in-depth assessment of the broader economic implications of different levels of loss of industrial land on the functionality and productivity of London's economy as a whole and the potential for further industrial land release to free up land for housing.

Diversifying supply

- 5.12 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 required to significantly increase supply in order to meet London's housing need. Rising to this challenge will require considerably increased output from small and medium sized developers, housing associations, local authorities and other public bodies and investors in build to rent developments. However, housing output from small and medium sized developers has reduced substantially during recent years and urgently needs to be revived.
- 5.13 Research undertaken by the Commission shows that London has become heavily dependent on very large sites to meet its housing need (see chapter 2 and 4).

⁶³ Mayor of London, Strategic Housing Land Availability Assessment (SHLAA), page 67-68

⁶⁴ Mayor of London, London Plan Annual Monitoring Report, Table 2.12, page 30

These will often take years and sometimes decades to complete due to the phasing of infrastructure, build costs, the programming of development finance and developer sales practices, so it is inherently risky to be over-reliant on these sites in order to meet London's housing need, especially given current build out rates on these sized sites and the potential for market volatility. Indeed, Molior research in 2014 also showed that half of all housing starts on large sites (over 20 units) during 2013 were from just nine firms, with nearly 30% of these starts undertaken by only three firms – Berkley Group, Bellway and Barratt homes⁶⁵.

- 5.14 To address this issue, London will need to expand the pipeline of approved and allocated sites, but more importantly ensure that there is a greater number of individual sites of various sizes under construction, spread across a wider geographical area. This conclusion is also backed up by industry experts. Research by Molior illustrates that the number of sites in London's planning pipeline is more important than the overall number of units in terms of boosting annual housing output⁶⁶.
- 5.15 The London Chamber of Commerce and Industry report that developers would rather build on lots of different large sites in different locations to avoid market absorption issues⁶⁷. Similarly, the HBF suggest that, due to market absorption capacities, it is usual to expect higher rates of sales and building from 20 sites of 50 units or 10 sites of 100 units, than one large site of 1,000 units⁶⁸. However, this would potentially vary, depending on specific site circumstances and the strength of demand in a particular location. Geographical spread is clearly important, as lots of small sites clustered in the same location may face similar absorption issues as a single large site, where these are developed at the same time.
- 5.16 Molior suggest that it is rare for private sector schemes to commence over 500 open market units in any five year period. This is because selling more than 100 units per year is very difficult and requires sufficient demand in terms of funded buyers⁶⁹. Molior's monitoring of private sector starts on large sites (over 20 units) during 2013 shows that output this averaged 85 private starts per site⁷⁰.
- 5.17 Where additional delivery from on-site affordable housing output is included, one could assume an indicative theoretical benchmark of around 150 unit completions a year from any large site. There will of course be sites that exceed this basic rule of thumb, particularly during buoyant periods, as indeed has been suggested by private sector partners during roundtable discussions⁷¹. However, there will also

⁶⁵ Molior, Private sector housing development on larger sites in London, 2014, page 11, Table 5

⁶⁶ *ibid*

⁶⁷ London Chamber of Commerce and Industry, Getting our house in order, page 13

⁶⁸ Home Builders Federation. Increasing private housing supply: HBF policy recommendations, page 14

⁶⁹ Molior, Private Sector Housing Development on Large Sites in London, 2014, page 16

⁷⁰ *ibid*

⁷¹ OLC Roundtable – Berkley Homes

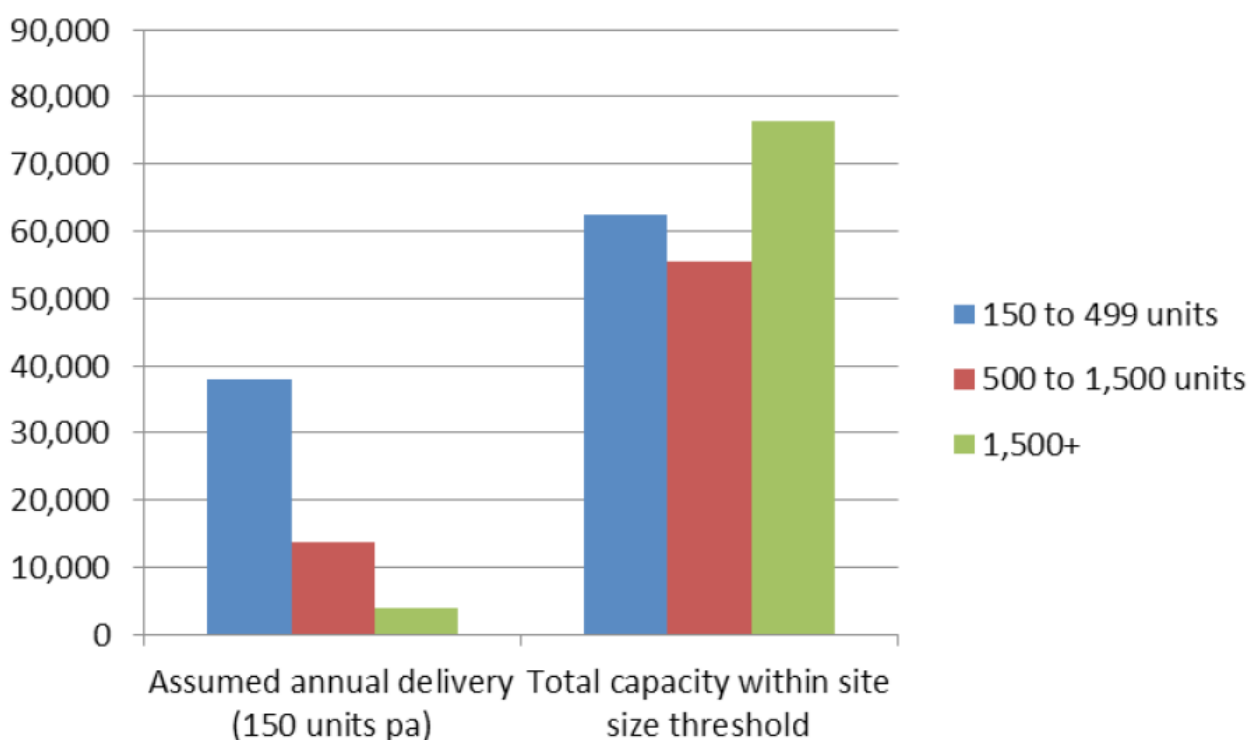
be schemes which fall below this assumed output benchmark, or do not come forward at all due to delays associated with finance, infrastructure, ownership and planning. Hence, a benchmark of 150 units pa is seen to provide a reasonable pan-London estimate.

5.18 Using this assumption we can see that a focus on the overall number of units within London’s pipeline can be misleading and what is more important in terms of annual housing delivery is the number of individual schemes in the pipeline. As shown on Figure 5.1 and Table 5.1, sites of 150 to 500 units in size should in theory contribute nearly 10 times as much annual housing as sites over 1,500 units, even though there are fewer overall units in these sized schemes. This is principally because there are many more schemes in the 150 to 499 unit threshold spread across a wider area.

Table 5.1 – estimated annual output from consented schemes of different sizes, based on a theoretical benchmark of 150 units pa

	NUMBER OF INDIVIDUAL SCHEMES IN LONDON	TOTAL CAPACITY WITHIN SITE SIZE THRESHOLD	ASSUMED ANNUAL DELIVERY (150 UNITS PA)
150 to 499 units	254	62,470	38,100
500 to 1,500 units	91	55,489	13,650
1,500+	27	76,351	4,050

Figure 5.1 – estimated annual output from consented large schemes of different sizes compared to overall pipeline capacity, based on a theoretical benchmark of 150 units pa



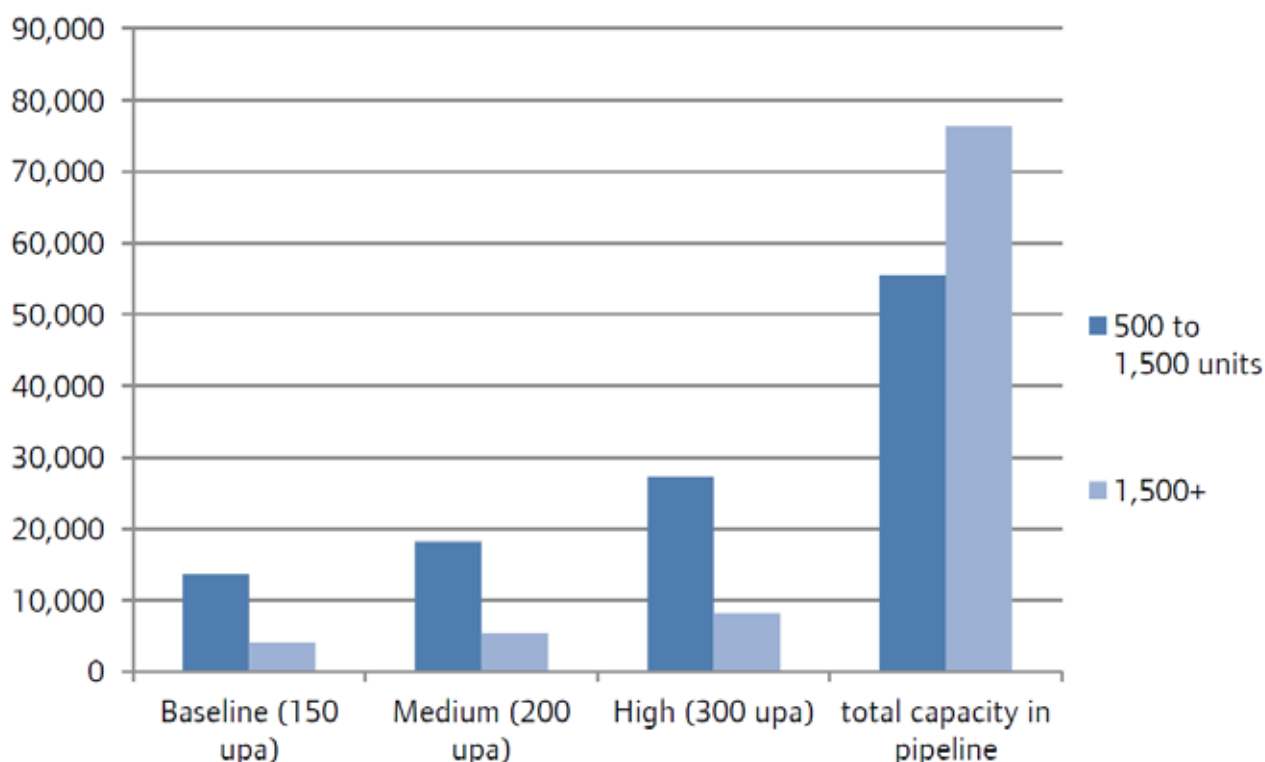
- 5.19 This is not to suggest that very large sites are not essential for meeting London's housing need; clearly they are. But this does show that in terms of annual housing delivery, it is theoretically preferable to have greater numbers of comparatively smaller sized sites all delivering housing at the same time. Expanding and replenishing this element of London's large site pipeline should be a key priority over the next 10 years.
- 5.20 Nevertheless, it is important to recognise the important value of very large sites as reservoirs of annual housing output over many years, albeit their contribution towards annual delivery will be phased at realistic build out rates. To examine what realistic level of output should be theoretically assumed on very large sites over 1,500 units within London's pipeline of approved schemes, the Commission has undertaken some further analysis drawing on three output assumptions for annual housing delivery – baseline, medium and high - which are shown in Table 5.2. These assumptions illustrate that it will take a substantial amount of time to build out some of London's very large sites, even where strong market conditions persist and high levels of output maintained.

Table 5.2 – estimated number of years take to build out very larges schemes from commencement

SCHEME SIZE	BASELINE DELIVERY ESTIMATE (150 UNITS PA)	MEDIUM DELIVERY ESTIMATE (200 UNITS PA)	HIGH DELIVERY ESTIMATE (300 UNITS PA)
1,500 units	10	8	5
2,500 units	17	13	8
5,000 units	33	25	17

- 5.21 However, even if we assumed these higher rates of housing production on large sites, it would still be the case that annual housing output will be greater on schemes of 500 units+ in size than on schemes over 1,500+ units in London, for the simple reasons that there are many more of these sized schemes. This is illustrated in Figure 5.2 and reiterates the point that the number and range of schemes in London's pipeline is more important than the overall number of approved units, which can be misleading in terms of potential delivery.

Figure 5.2 - estimated annual output from consented schemes of different sizes, based on different output scenarios



Implications for planning policy

- 5.22 This has significant implications for housing supply in London. Importantly, if the plan-led system is to operate effectively and be sufficiently responsive to demand and challenges facing output, the Commission suggests that the Mayor and local authorities need to be more commercially adept at curating increased opportunities for housing supply across London by providing a better mix of different sized large sites (over 0.25ha) across a wider geographical area. Where possible, boroughs should aim to provide an over-supply of sites of 50 to 500 units in size in order to provide greater headroom to deal with the issue of non-delivery and ensure sufficient annual completions to meet housing need. The Commission believes that boroughs and the Mayor should take this into account when preparing the London Plan and Local Plans, as well as housing trajectories and brownfield registers/PIPs.
- 5.23 A focus on maximising the number of schemes in different sizes will also provide necessary headroom as unlike in the assumptions made in Figures 5.1 and 5.2, a number of schemes will inevitably not come forward following consent, or will be substantially delayed. Consideration should be given as to whether a bigger buffer is necessary, beyond that required by the NPPF, as it is not possible to accurately predict which schemes will not come forward, in view of the complex financial, delivery and ownership issues involved.

- 5.24 More proactive management of London's pipeline could also help to increase competition and reduce the tendency for developers of large brownfield sites to assume that the supply of land is inherently constrained and that land values and sales values will inexorably increase. Indeed, the existing concentration of approved housing supply on a limited number of very large sites may actually exacerbate the issues of slow build out rates, barriers to new entrants and the lack of diversity within the industry.
- 5.25 However, substantially expanding London's housing supply pipeline will be politically challenging and will require the Mayor and boroughs to carefully consider the need for other land uses and the priorities for economic growth. It will also require careful consideration of the potential to increase annual housing output by broadening the sources of potential housing supply, including greater delivery from the existing housing stock and from sustainable urban extensions in London's Green Belt.

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.

The Green Belt

- 5.26 The Green Belt is by its definition a barrier to housing delivery in London, as the designation generally prohibits residential development. However, as a result of the practical challenges faced in increasing housing supply from brownfield sites, local authorities both inside and outside London are examining the contribution from selective development from parts of Green Belt. The Commission believe that such exploration is justified given the scale of housing need in London. The Commission also feels that consideration should be given as to whether this would be better done in a coordinated pan-London way rather than in an ad-hoc incremental fashion as this would ensure more effective infrastructure delivery and sustainable development by optimising the use of scarce land resources.
- 5.27 There is around 36,000 hectares of designated Green Belt land within London which accounts for 22% of all land in London⁷². Whilst the Green Belt includes large areas of parkland, designated ancient woodland and a range of other environmental designations⁷³, a number of reports have found that there is

⁷² London First & Quod, *The Green Belt: A place for Londoners?*, 2014

⁷³ Special Areas of Conservation, Special Protection Areas, Sites of Special Scientific Interest and Local Nature Reserves

considerable theoretical potential to accommodate additional housing on less environmentally sensitive land close to existing tube and rail stations. Research by Quod and London First⁷⁴ has shown that agricultural land accounts for 59% of the land in London's Green Belt and golf courses cover some 2,500 hectares (7%), whereas the total amount of land which is covered by environmental protections and parks amounts to 26%. Their research shows that 14 boroughs have more Green Belt land than is actually built on for housing and that only 13% of the land in the Green Belt is publically accessible.

- 5.28 There are various indicative estimates about the potential housing capacity that exists in London's Green Belt. Centres for Cities suggest that around 432,000 homes could be built on 18,000 hectares of London's Green Belt land that is within 2km of a train or tube station (which equates to 24 minutes walk) and is not affected by an environmental designation⁷⁵. This assessment assumes housing would be delivered at 40 dwellings per hectare (dph) and assumes only 60% of the land identified would be built on (thus leaving scope for open space, infrastructure and other uses). This assessment may in fact under-estimate the potential densities which could be achieved in accessible locations where a more design-led approach was taken based on public transport orientated development principles. Indeed, average new build residential densities in Outer London are 81 dwellings per hectare⁷⁶ - double the national average. In addition the Government is currently consulting on policy changes in order to increase the density around commuter hubs, which encourages higher residential densities in and around transport hubs⁷⁷.
- 5.29 Paul Cheshire of London School of Economics suggest that by building on the least attractive and lowest amenity parts of the London Green Belt, at average densities, there is potential for over 1.6 million additional homes covering an area of 32,000 ha⁷⁸. If this was extended outside the GLA boundaries, using the same assumptions, there could be land available for potentially three million extra homes⁷⁹. However, this would result in a very significant amount of Green Belt being released, which would be challenging to achieve in reality.

⁷⁴ London First & Quod, *The Green Belt: A place for Londoners?*, 2014

⁷⁵ Centre for Cities, *Delivering change: Building homes where we need them*, 2014

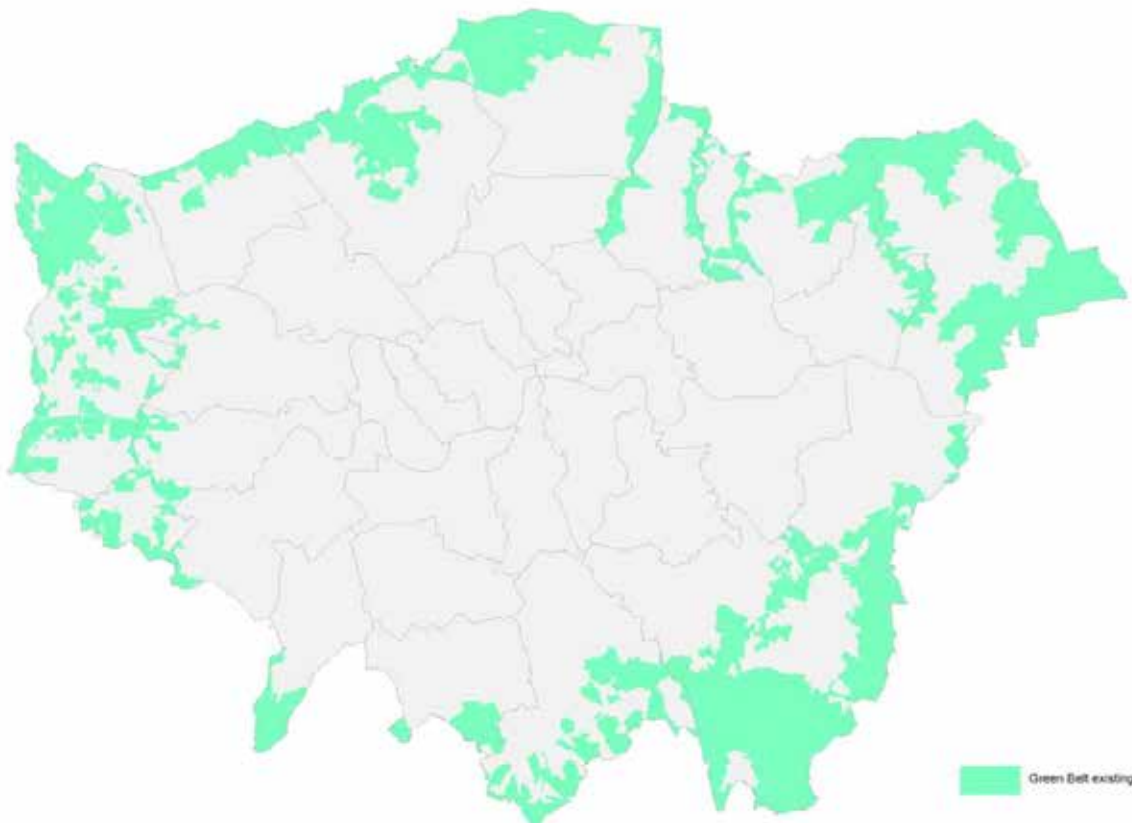
⁷⁶ DCLG Table P231 Land Use Change: Density of new dwellings built, England

⁷⁷ DCLG, NPPF consultation, 2015

⁷⁸ <http://blogs.lse.ac.uk/politicsandpolicy/turning-houses-into-gold-the-failure-of-british-planning/>

⁷⁹ <http://www.centreforcities.org/wp-content/uploads/2014/11/14-10-31-delivering-change-building-homes.pdf>

Figure 5.3 – London’s Green Belt



Source: Greenspace Information for Greater London

5.30 The NPPF states that once established, green belt boundaries should only be altered in 'exceptional circumstances' through the preparation and review of a Local Plan. The NPPF sets out five purposes of green belts. These are:

- to check the unrestricted sprawl of large built-up areas;
- to prevent neighbouring towns merging into one another;
- to assist in safeguarding the countryside from encroachment;
- to preserve the setting and special character of historic towns; and
- to assist in urban regeneration, by encouraging the recycling of derelict and other land.

5.31 The Government has also sought to strengthen guidance in the NPPG to confirm that the need to meet housing need is should not necessarily be considered to override constraints such as the Green Belt⁸⁰. Nevertheless, the English planning system does allow local authorities to determine the most appropriate strategy for achieving sustainable development in their area, providing national policy has

⁸⁰ DCLG NPPG, Paragraph: 044 Reference ID: 3-044-20141006; and Paragraph: 045 Reference ID: 3-045-20141006

been taken into account and any local approach is justified by strong evidence⁸¹.

- 5.32 There may be technical challenges involved in the Mayor leading on such a review, in light of the fact that the NPPF describes this as a matter for local planning authorities. However, this is the case for a range of other policy areas including housing need and supply, for which the London Plan already establishes the strategic policy framework. A formal legal opinion on the admissibility of the Mayor leading a strategic review might help to inform this. One might argue that the Mayor is the only person with the democratic mandate to lead and coordinate any review.
- 5.33 Green Belt reviews either have or are taking place in a number of outer London boroughs. However, submissions from a number of outer London boroughs suggested that a substantial review of the Green Belt would politically be very difficult to achieve, unless this was being led on a strategic basis by the Mayor and involved all boroughs taking part in a consistent manner⁸². Authorities outside of London are also undertaking Green Belt reviews and ensuring a consistent approach is taken both across Outer London boroughs and neighbouring Districts would have substantial advantages.
- 5.34 Whilst proposals to develop housing on the Green Belt typically arouse strong local opposition, house prices and affordability challenges facing London residents and businesses may lead to this balance in public opinion shifting over time. Increasing supply in Outer London through selective Green Belt release would also help to provide new build housing in more affordable locations in London, which could be important in order to address demand for more affordable home ownership, as well as in other housing tenures. Indeed, it is questionable whether housing output from opportunity areas in 'prime London' locations such as Vauxhall Nine Elms Battersea, Euston, Waterloo or Earls Court will serve to meet London's growing demand for open market or affordable housing at prices or rents most Londoners can afford.
- 5.35 In light of London's housing need and the challenges faced in balancing the potentially competing demands for residential and economic growth, the Commission believes that the Mayor should carefully reconsider whether all three dimensions of sustainable development (economic, social and environmental) are being supported by the current blanket protection on all existing areas of the Green Belt in London and explore whether some release in carefully selected accessible locations would help to:
- address housing need and improve housing affordability;
 - reduce pressure for the continued release of industrial land and achieve economic growth objectives, as well reducing the development and affordability pressures on commercial office space in certain locations in

⁸¹ DCLG, NPPF, 2012, paragraph 10; Planning & Compulsory Purchase Act, 2004, Section 19

⁸² Ealing Submission

London; and

- reduce London's reliance on large brownfield sites for housing delivery.

5.36 If this strategy was pursued, the Mayor and boroughs should also explore how coordinated master planning and infrastructure delivery could enable densities to be optimised on greenfield sites. In addition, consideration could be given to avoiding some of the delivery issues experienced on large brownfield sites by the public sector taking a leading role in assembling and parcelling land for development to ensure accelerated delivery in partnership with the private sector. There should also be consideration of how some of the land value uplift could be captured in order to finance infrastructure delivery.

Recommendation 9

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.

Measure 7 - Reviving output from small and medium sized house builders

5.37 Small house and medium sized house builders and developers (firms completing under 500 units per annum) have historically made an important contribution to national housing output⁸³. However, the UK house-building industry is now the most concentrated it has ever been and the number of small and medium sized house builders has declined by 80% since 1988⁸⁴.

5.38 The proportion of overall UK housing output delivered by small and medium sized (SME) builders has also reduced substantially. During the 1980s, there were as many as 12,000 active SME builders, who delivered around two thirds of all new homes. However, in 2014 there were only 2,800 active SME builders producing only 27% of all housing completions⁸⁵. Significantly, the number of small builders who deliver under 100 homes a year has more than halved since 2006⁸⁶.

5.39 Evidence in terms of housing delivery suggests these national trends are

⁸³ NHBC Foundation, Improving the prospects for small builders and developers, 2014

⁸⁴ Home Builders Federation. Increasing private housing supply, 2015, page 21

⁸⁵ The Lyons Housing Review – page 6 and page 106

⁸⁶ Department for Communities and Local Government, Consultation on proposed changes to national policy, 2015

mirrored in London, where the development pipeline has become increasingly concentrated with large sites under the control of single developers. Output on small sites under 0.25 hectares used to make a very substantial contribution to overall housing supply in London, with 8,500 units delivered on these sites during 2006. This accounted for 40% of all new build supply during this period. As shown on Figure 6.1, this rate of delivery has now halved, with only 4,500 units delivered during 2014 (just 20% of overall new build housing supply).

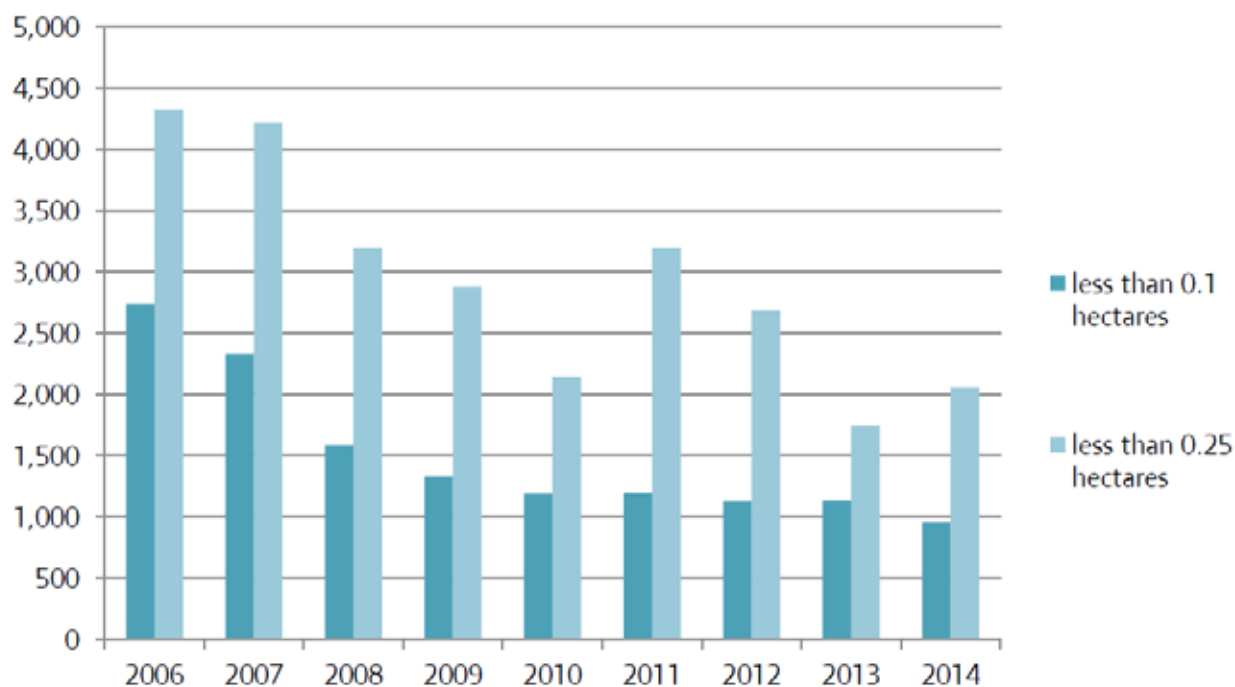
5.40 New build output on very small sites (under 0.1 hectares) has declined even more significantly. Across London, delivery rates on sites of this size - which can typically accommodate less than 10 units - has reduced by 55% in only nine years. Conversely, output from large sites (over 0.25ha) now accounts for 80% of London’s new build housing supply, up from 57% in 2006.

Figure 6.1 - Net new build conventional housing completions on small sites in London (2006 to 2014)



5.41 In Outer London these patterns are even more pronounced. Nine years ago new build housing delivery on small sites under 0.25 hectares made up 50% of overall housing output. It now accounts for only 22%, with the rate of delivery having more than halved - down from 4,300 a year in 2006 to just 2,000 a year in 2014, as shown in Figure 6.2. During the same period, output from sites under 0.1 hectares has reduced by two thirds.

Figure 6.2 - Net new build conventional housing completions on small sites in Outer London (2006-2014)



- 5.42 This is a pan-London concern as 25% of London's overall housing capacity identified in the SHLAA between 2015 and 2025 is anticipated to come forward from sites under 0.25ha – some 106,000 net additional dwellings⁸⁷. These trends could be even more problematic for Outer London boroughs which are particularly reliant on small sites in order to meet their housing need and minimum targets in the London Plan. For example, according to the London SHLAA, 'windfall' housing output from small sites accounts for over half of identified housing capacity in Bromley, Merton and Richmond and between 40-45% of anticipated delivery in Croydon, Sutton, Waltham Forest and Harrow⁸⁸.
- 5.43 Encouragingly, submissions to the Commission from Outer London boroughs recognise their over-dependence on large sites. A number of boroughs are exploring ways to boost delivery from small sites by identifying and enabling a wider range of small scale infill development through their local plans, sites allocations and by enhancing the certainty and efficiency of the planning process⁸⁹. Boosting delivery from small sites will clearly require a better understanding of the distinct challenges SME builders and the reasons for their decline.

⁸⁷ SHLAA page 78

⁸⁸ SHLAA, page 69

⁸⁹ Croydon, Ealing and Kingston Submissions

Why has output on small sites reduced and how can these issues be resolved?

5.44 NHBC Foundation data suggests that small house builders were significantly affected by the recession which caused a large number of firms to go bust. Unlike previous market cycles, small builders have not recovered. This is evidenced by Figures 6.3 which shows substantial declines in the number of registered small house building companies since 2007 (building no more than 100 units a year)⁹⁰ and Figure 6.4 which shows reduced output from SME builders, despite improved market conditions and resurgent output from larger firms.

Figure 6.3 - Decline in the number of small house-building companies registered with NHBC in the UK (companies with 1-100 starts per year).

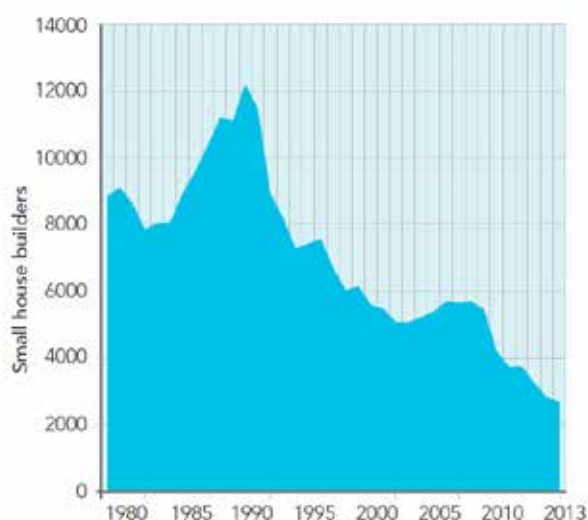


Figure 6.4 - Number of all new home registrations with NHBC for different sizes of house builder, 2002-2013



Source: NHBC Foundation: Improving the prospects for small builders and developers, 2014

5.45 However, the decline of SME builders cannot be solely explained by the recent recession, as the number of these sized firms has been declining steadily since 1990 (see Figure 6.3). Instead, the recession is likely to have exacerbated longer-term systemic issues facing this group of builders. Research⁹¹ suggests that three key issues have contributed to the decline of SME builders:

- access to land;
- the cost of development finance; and
- the complexity and cost of planning and other regulatory requirements.

5.46 Whilst these issues are not unique to small sites, the associated costs tend to affect SME builders more significantly as they lack the advantages of economies

⁹⁰ NHBC Foundation, Improving the prospects for small builders and developers, 2014

⁹¹ LCCI - Getting our house in order ; Lyons Review of Housing, page 107; NHBC Foundation, Improving the prospects for small builders and developers, 2014; HBF, Increasing private housing supply, 2015; Financial Times, Foundations are shaky for UK small builders, 27 December 2015

of scale and wider portfolios that are available to larger developers. Their size and business model means that they are reliant on relatively lumpy or borderline profit margins which need to be recycled in order to acquire and develop new sites. Looking to the future, these issues also pose potential barriers to new SME builders entering the market, which the Commission considers to require focused attention.

Access to finance

- 5.47 Industry survey findings suggests that the willingness of banks to lend to small builders and the terms attached to development finance are serious impediments, which affect the ability of small house builders to both buy and develop land⁹². Banks typically view smaller schemes as more risky, especially where development is speculative in nature and planning permission has not been obtained⁹³. The Government's Builders Finance Fund, designed to help developments between 5 and 250 units which have slowed down or stalled has now been increased to £1 billion and been extended to 2021, and may hopefully address some of these challenges.

Planning obligations, CIL and application fees

- 5.48 Survey findings suggest that the main planning issues impacting small builders are the time it takes to obtain planning permission and discharge pre-commencement conditions, together with the up-front costs of planning application fees, Section 106 obligations and the Community Infrastructure Levy (CIL)⁹⁴. Affordable housing requirements in particular could have an impact on small sites of less than 10 units, where local authorities apply these policies to these sized sites. This is encouraged where justified by Policy 3.13 of the London Plan and is something the Government has unsuccessfully attempted to prevent in order to revive delivery from SME builders. Reducing the cost of planning applications for small sites under 10 units would assist small builders, providing this could be sustained by the resources available to planning authorities and not negatively impact the speed of the planning process.

Planning complexity

- 5.49 In addition, a key point made during the Commission's roundtable meetings was that the sheer complexity of the planning requirements and technical (design/ environmental) regulations. This has significant time and resource implications for small developers and could be streamlined. Whilst it is difficult to see how the complexity of the planning system can be altered for one part of the sector, focused simplification and greater geographical consistency – as has been attempted through the Government's Housing Standards Review - would assist developers of all sizes. Submissions to the Commission also suggest that SME

⁹² NHBC Foundation, Improving the prospects for small builders and developers, 2014

⁹³ Financial Times, Foundations are shaky for UK small builders, 27 December 2015

⁹⁴ NHBC Foundation, Improving the prospects for small builders and developers, 2014, page 5

builders could also be supported by more tailored and joined-up service provision by local authorities across planning, asset management and building control services or through training and knowledge sharing sessions⁹⁵.

Policy restrictions on infill and back garden development

- 5.50 Securing planning permission can be uncertain and challenging for small developers. Infill or 'gap' sites are by their nature often cheek by jowl with neighbouring properties and therefore require sensitive development and design and can often arouse local objections and substantial scrutiny. Moreover, many of the easier to develop small sites may now have been delivered, leaving the trickier sites, which may generate more significant planning policy and design concerns.
- 5.51 The NPPF specifically encourages local authorities to resist inappropriate development on residential gardens⁹⁶. This approach has also been followed through the Mayor's London Plan and Housing SPG, with interim Mayoral guidance released in 2010 to specifically deal with the issue of development on private gardens, alongside density and affordable housing⁹⁷. Data suggests that the numbers of housing approvals and completions on backland/garden land may have declined significantly since 2007, though has increased since 2012 (see Figure 6.5). Changes to the policy environment would have influenced these trends, alongside the impacts of the recession. It should be recognized that this data relies on a proxy based assumption for backland/garden land development⁹⁸.

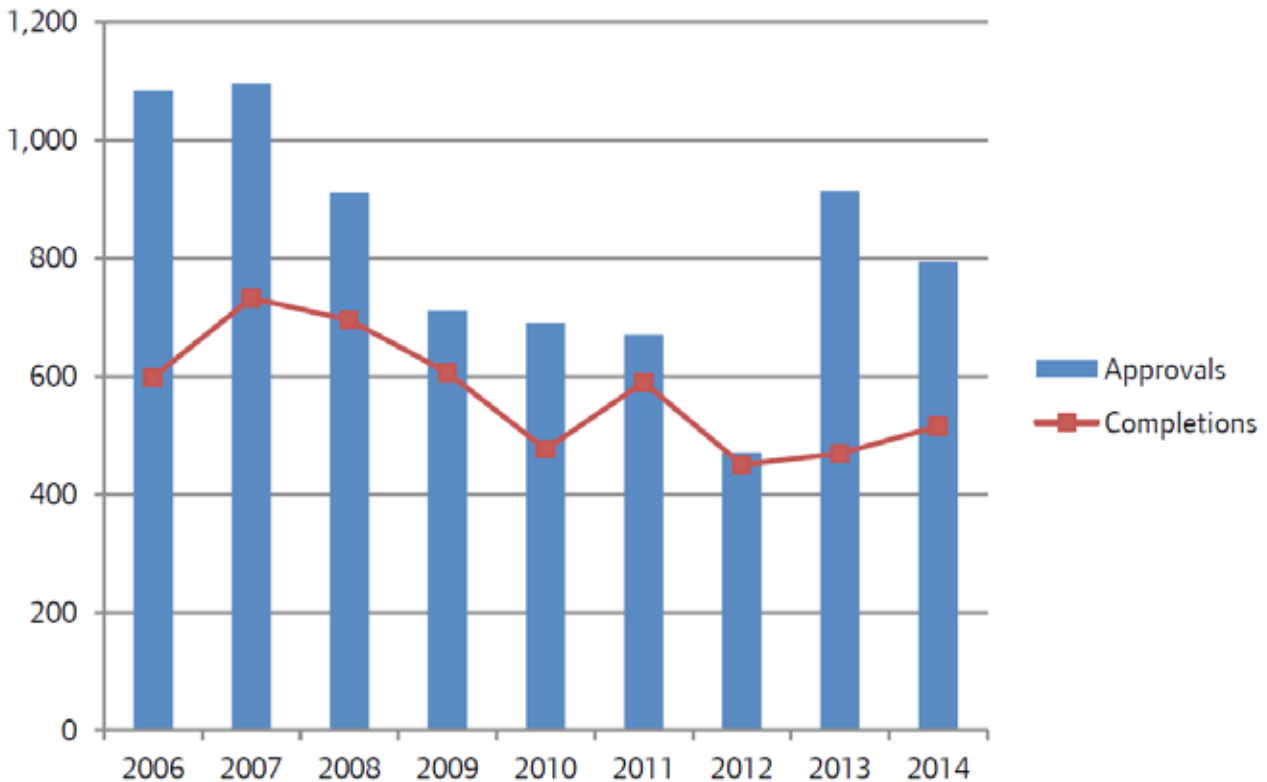
⁹⁵ Royal Borough of Kingston Submission

⁹⁶ DCLG, NPPF, para 53

⁹⁷ Mayor of London, The London Plan: Interim Housing SPG, 2010

⁹⁸ Notes – this does not include any approvals which involve demolitions or a loss of existing residential units and uses a threshold of less than 15 units in order avoid including estate renewal schemes

Figure 6.5 – Net conventional residential approvals and completions on residential garden land



Source: London Development Database

- 5.52 It may also be the case that the plan-led approach favours large sites over small sites. Large sites are to some extent easier to identify and allocate and help demonstrably to address local housing requirements, whereas smaller sites are less likely to be allocated in Local Plans and may only provide small numbers of new homes (although their cumulative role is significant). For these reasons, the onus to justify why development should occur may fall more substantially on smaller and less well-resourced developers⁹⁹.

How could output from small sites be revived?

A more enabling policy environment

- 5.53 Some of these challenges could to some extent be mitigated by improving the identification of small sites that are suitable for intensification or redevelopment and by creating a more positive or supportive policy environment which encouraged well-designed small-scale infill development in appropriate circumstances. The HBF analysis of the plan-led system suggests that policies should be more welcoming of 'unidentified' sites, as long as they accord with a broad range of policy objectives¹⁰⁰. Indeed, proposed changes to the NPPF

⁹⁹ Financial Times, Foundations are shaky for UK small house builders, Dec 27, 2015

¹⁰⁰ Homes Builders Federation, Increasing private housing supply, 2015

are exploring how national and local policy could provide more positive support for the development of small sites under 10 units, and also seek to introduce a new presumption in favour of brownfield development. These are measures the Commission would endorse.

Improving site identification

- 5.54 Proposals in the Housing & Planning Bill for local authorities to maintain registers of brownfield land and provide planning permission in principle on specified sites may help address some of the supply side challenges and improve the certainty, speed of delivery and market intelligence about the available opportunities for small builders in an area. The Government has indicated that the brownfield registers should include sites capable of supporting five or more dwellings or more than 0.25ha¹⁰¹. The identification of sites of this size would clearly assist small builders, including where planning permission in principle was also granted. In addition to this, Government proposing to require local authorities to provide a separate dedicated register of 'small sites' (between one and four plots in size) in order to boost opportunities for small house builders and for those interested in bringing forward self-build or custom build housing.
- 5.55 Identifying all potential small sites may not be feasible given local authority resources; the unpredictable nature of small-scale brownfield redevelopment; and the need to support other existing land uses. The Commission's Options for Growth paper highlights the challenges London faces in balancing economic and housing growth and the Commission believes that local authorities will need to carefully address these potentially competing requirements when operating any presumption in favour of brownfield land, together with brownfield registers and permissions in principle.

The Community Infrastructure Levy

- 5.56 CIL payments are due on the date units are commenced, unless local authorities have adopted an installment policy, which is typically focused on much larger phased schemes which come forward over a many years. The up-front cost of CIL can have a substantial impact on the finance issues facing small builders in London, especially in view of the cost of acquiring land in most London boroughs and the difficulties small builders face in accessing finance¹⁰².
- 5.57 In light of these issues and the overriding need to reinvigorate housing output on small sites, the Commission believes there is justification to push back CIL payments until the development has been completed or sold on sites under 10 units. This flexibility is possible under the CIL regulations, though Charging Authorities would need to establish this in their installment policies and would need to consider any cumulative infrastructure funding and delivery issues.

¹⁰¹ DCLG, Technical Consultation on implementation of planning changes, 2016, page 25

¹⁰² NHBC Foundation, Improving the prospects for small builders and developers, 2014

- 5.58 Whilst infrastructure delivery is critical to support growth, sites of 10 units or less do tend to be completed relatively soon after their commencement due to their size. Therefore, the impact on funding local infrastructure from this measure may not be significant. Short-term issues would also be outweighed by the positive impacts this could have on overall housing output, particularly in boroughs which are reliant on small sites in order to meet housing need.

Recommendation 10

As part of the Full Review of the London Plan, the Mayor should undertake an assessment of the reasons why housing completions have reduced on small sites and why output from SME house builders has declined. This should examine in detail:

- the extent to which the range of planning policy objectives affect SME house builders and the delivery of small scale and infill development in London;
- whether planning policy can be tailored to increase housing output from small sites, without significantly compromising other strategic or local planning objectives or creating a two-tier planning system; and
- the potential role of suburban intensification and self/custom build housing in boosting housing output from SME house builders and on small sites (see chapter 9).

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).

Measure 8 - Ensuring the delivery of affordable rented housing

- 5.59 Recent experience shows how cyclical the housing market can be and how prone both the banking sector and house builders are to contracting 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.

- 5.60 Instead, a wider mix of housing provision will be required alongside housing for open market sale, including more 'counter-cyclical' housing tenures such as affordable rented homes. Indeed, following the recession in 2008 many schemes for market sale were either stalled or replaced with affordable rented housing or student accommodation because mortgage lending had ground to a standstill.
- 5.61 Affordable rented housing can in theory be delivered at a faster rate than open market homes, as units are less prone to absorption issues, mortgage lending practices, and market cycles. However, affordable rented housing requires some form of subsidy and public sector funding has steadily reduced in recent years. With the reduction in grant available for affordable housing, the general trend is for units to be either delivered through planning obligations or by housing associations funding new provision through rents and cross-subsidy from market-led products.
- 5.62 However, there is a strong social and economic case for continued public sector investment in affordable housing through subsidy. Research by London School of Economics (LSE) highlights how affordable rented housing provision is not only critical to meet housing need but also helps to boost overall delivery, industry capacity and ensure better value for money for tax payers¹⁰³. Moreover, the London SHMA identifies a need for 25,600 affordable dwellings per year in London. This substantially exceeds the minimum target in the London Plan (17,000) and current average annual levels of net affordable housing provision. However, GLA investment data shows that on average 13,000 gross affordable homes per year were delivered in London since 2010, with nearly 18,000 units delivered in 2013/14¹⁰⁴. Additional grant funding is essential to ensure this level of need is met and would also help speed up and augment current levels of housing delivery.

Starter homes and shared ownership

- 5.63 The current Government's priority is for home ownership products to drive increased delivery, such as starter homes and shared ownership. As a result of the Comprehensive Spending Review, substantial amounts of public funding have now been made available to support this objective and it appears that the majority of public subsidy for affordable housing is to be re-orientated away from funding affordable rented housing to instead focus on home ownership products¹⁰⁵. Whilst boosting the affordability of open market new build homes is laudable, the extent to which these products will be sufficiently responsive during market downturn, or help to address market absorption issues on large sites is open to question.

¹⁰³ London School of Economics, The Case for Investing in London's Affordable Housing, Christine Whitehead and Tony Travers, 2011

¹⁰⁴ Mayor of London, Housing in London, 2015, GLA, page 48. Note that these statistics show GLA funded gross completions and includes the acquisition of existing homes. Hence, this data does not match net affordable housing completions in the London Plan Annual Monitoring Reports.

¹⁰⁵ HM Treasury, Comprehensive Spending Review

- 5.64 Current proposals in the Housing & Planning Bill will place a general duty on local planning authorities to promote the supply of starter homes and a requirement for a proportion of starter homes to be delivered on all suitable reasonably sized housing developments. The exact requirements will be set out in regulations. As the Government's overall target is to deliver 200,000 starter home starts by 2021, the requirement for starter homes is likely to have a substantial impact on the potential to secure affordable rented housing through planning obligations.
- 5.65 Delivering starter homes and shared ownership in areas of London which have very high house prices is likely to be a significant challenge, even once starter homes discounts and the expanded help to buy scheme is accounted for. Moreover, research by Savills indicates that there is significant overlap between starter homes, help to buy and shared ownership in that they are focused on a similar segment of housing demand¹⁰⁶. Their report suggests measures may not necessarily lead to additional overall units being delivered and may in fact create challenges for developers by reducing sales demand for mainstream market units on their schemes. They recommend that the best way to boost supply is to encourage building across a range of housing tenures¹⁰⁷.

Housing associations

- 5.66 Housing associations, which currently deliver around one in three new build homes in London¹⁰⁸, are now facing considerable uncertainty and financial constraints. The Chancellor's summer budget announced that rents in the social housing sector would be reduced by 1% a year for the next four years from 2016¹⁰⁹. It is understood that this could have a significant impact on the business plans of housing associations, reducing substantially the anticipated turnover that providers were planning to re-invest in bringing forward additional housing stock. The proposed extension of 'right to buy' to tenants of housing associations creates further uncertainty and financial challenges for providers.
- 5.67 In light of London's substantial need for affordable rented housing, the Commission considers it important that 'right to buy' receipts are used by housing associations to deliver new affordable homes in London, rather than in other areas. The Commission also believes that the current focus on improving home ownership, whilst important, should not lead to all other affordable housing tenures such as affordable rent and social rent being side-lined and that both grant funding and, where viable, planning obligations should continue to support their delivery.
- 5.68 Intermediate rent could also play a more important role in meeting affordable housing need, given it is not subject to right to buy and as national policy does not

¹⁰⁶ Savills Research, The impact of new housing measures on development, 2016

¹⁰⁷ *ibid*

¹⁰⁸ DCLG data on new build housing – Live Table 253

¹⁰⁹ HM Treasury, Summer Budget 2015, page 81

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.

prescribe that this tenure needs to be delivered by a registered provider or local authority. This has advantages in terms of creating mixed tenure schemes and allowing units to share the same management and cores as market sale or rent units.

Measure 9 - Increasing delivery from build to rent developments

- 5.69 Research by Molior and Carter Jonas suggests that there is a growing pipeline of private rented sector (PRS) approvals (circa 18,000 units) in London and increasing numbers of completions (1,000 units)¹¹⁰. However, establishing how much of this is genuinely build to rent as opposed to office to residential conversions schemes is difficult. Much of this pipeline is accounted for by schemes in particular outer and inner London boroughs including Croydon, Newham, Tower Hamlets, Southwark, Ealing, Brent and Hounslow¹¹¹.
- 5.70 The case for supporting build to rent housing delivery has been made by a number of reports¹¹² and includes:
- meeting housing demand from young professionals and other households unable to buy in London, but also unlikely to be allocated affordable or social rent;
 - ensuring greater labour market mobility;
 - improving the quality of PRS housing provision through professional management, more bespoke design and potentially more secure tenancies; and
 - and drawing in genuinely new institutional investment in the house building industry such as pension funds.
- 5.71 Though as yet unproven, build to rent may also help to accelerate housing delivery, as developers may be incentivised to build out approvals faster in order to secure a rental income stream on their capital investment. This contrasts with the set of incentives in place on market sale sites where slow build outs can increase sales values due to supply and demand economics and house price inflation. On large, multi-phased sites, build to rent schemes may play an

¹¹⁰ Carter Jonas, The Future of London's Private Rented Sector (PRS), Spring 2015; Molior London Residential Development Research, Quarterly Analysis, November 2015

¹¹¹ British Property Federation Submission

¹¹² Department for Communities and Local Government, Review of the barriers to institutional investment in private rented homes, 2012, Sir Adrian Montague;

important role in speeding up delivery and thereby helping to resolve cash flow issues and support initial place making. Housing associations could play an important role in delivering build to rent, in light of their expertise and resources in managing rented stock and the potential for PRS portfolios to cross-subsidise their core activities in terms of affordable housing provision¹¹³.

- 5.72 Whilst the number of households in home ownership is in decline, the private rented sector is rapidly growing and currently accounts for around 26% of households in London (850,000 households)¹¹⁴. Household trends and rapidly increasing house prices in London suggest that the proportion of households in private rented sector could gradually be returning to the levels seen in the 1960s in London, when around 45% of all households were housed in this sector¹¹⁵. Research by Savills¹¹⁶ and PwC¹¹⁷ suggest that the number of households in the private rented sector is likely to continue expand over the next decade, with the growth in what is commonly termed 'generation rent'. In this context, high quality, well managed housing for rent may be just as important as housing for sale in attracting skilled workers to London in the forthcoming years and maintaining current levels of productivity and economic growth.
- 5.73 The London Chamber of Commerce and Industry has argued for increased mid-market housing provision for households earning less than £50,000 a year in order to maintain the capital's long-term economic resilience and competitiveness¹¹⁸. A large proportion of these middle-income households are likely to require some form of private rented housing provision.
- 5.74 However, the key challenge facing build to rent developments is that in most instances schemes are less profitable than proposals for open market sale¹¹⁹. The gross development value (GDV) of build to rent schemes relies on capitalised rental yields over a longer-term period. These do not tend to match the equivalent GDV of open market sale developments in most areas of London, meaning that landowners would not get the highest price for their land if they sold to build to rent developers. Overcoming this issue of landowner motivation is a fundamental barrier facing the sector and preventing it from playing a much greater role in augmenting and accelerating current rates of housing delivery in London¹²⁰.

¹¹³ Carter Jonas, The Future of London's Private Rented Sector (PRS), Spring 2015

¹¹⁴ Mayor of London; Housing in London, 2015

¹¹⁵ Joel Marsden GLA Economics, 2015

¹¹⁶ Savills Research, Spotlight – Rental Britain, 2016

¹¹⁷ PwC. UK Economic Outlook - Housing Market, Chapter 3, 2015

¹¹⁸ London Chamber of Commerce and Industry, Getting our House in Order, 2014, page 10

¹¹⁹ Savills, Improving purpose built PRS viability, 2015

¹²⁰ Carter Jonas, The Future of London's Private Rented Sector (PRS), Spring 2015. Mayor of London; Housing in London, 2015. Joel Marsden GLA Economics, 2015. London Chamber of Commerce and Industry, Getting our House in Order, 2014, page 10
Savills, Improving purpose built PRS viability, 2015

- 5.75 Submissions to the Commission recognise the value of increasing output from build to rent schemes, but raised concerns about the perpetuity of PRS or discount market rent (DMR) units and the impact measures to increase delivery could have in terms of reducing affordable housing delivery through planning obligations. Greater long-term certainty in terms of the fiscal, political and planning policy environment was seen to be necessary in order to encourage large-scale investment in build to rent in London. The question facing Government and the Mayor is to what extent planning policy changes or some form of subsidy are necessary or justified in order to unlock the potential of build to rent.
- 5.76 However, it should be recognised that around 56% of all new build homes in London are purchased by buy to let investors, which currently provides large numbers of PRS homes¹²¹. This is a relevant consideration when examining the case for providing build to rent developments with a more tailored fiscal or policy framework.
- 5.77 To boost delivery from build to rent housing, a report for Government by Sir Adrian Montague recommended, amongst other measures, greater flexibility in the provision of affordable housing delivery in relation to build to rent schemes, where supported by viability evidence, with the role of build to rent in meeting defined needs given more weight in planning decisions¹²². The Mayor has sought to boost PRS output through the Mayor's Housing SPG which provides guidance on some of the distinct planning challenges which are associated with PRS proposals, such as covenant length, discount market rented (DMR) units and affordable housing clawback where units are sold for market sale¹²³.
- 5.78 This provides welcome clarification and a degree of certainty for PRS developers. However, although the SPG is a material planning consideration, it does not have Development Plan status of the London Plan or borough Local Plans when making planning decisions. The Commission is concerned that this ambiguity could lead to different approaches being taken by different London boroughs, which will inhibit the sector's potential contribution to housing output in London. In terms of terminology, the Commission also believe that it is important to differentiate build to rent developments and investors from the wider PRS market.
- 5.79 To unlock investment in build to rent, greater levels of planning certainty and consistency are required across London. For this to occur, the Commission considers that it is vital that the next London Plan establishes a clearer and more enabling policy framework to encourage build to rent development and ensure this is applied consistently by boroughs. This would also provide greater clarity when the GLA are assessing the general conformity of borough plans with the London Plan.

¹²¹ British Property Federation, Who builds new homes in London and why?, 2014

¹²² Department for Communities and Local Government, Review of the barriers to institutional investment in private rented homes, 2012, Sir Adrian Montague;

¹²³ Mayor of London, Draft Interim Housing SPG, pages 97-99

Recommendation 14

Greater encouragement should be provided for build to rent schemes in London by providing a clearer and more supportive policy framework in the London Plan, drawing on the principles established in the Mayor's Housing SPG. This should clarify policy with regard to:

- covenant length and the perpetuity of PRS units (secured through s106 or covenant);
- the level of expected affordable housing provision;
- the acceptability of Discount Market Rent as the affordable housing offer on build to rent developments;
- clawback mechanisms to secure any affordable housing contributions, where PRS units are sold for open market sale; and
- the scope for flexibility in applying housing standards whilst not compromising housing quality



CHAPTER 6:

DEVELOPMENT MANAGEMENT

Measure 10 - Improving the speed and certainty of the planning system

- 6.1 Obtaining planning consent in London can be uncertain and time-consuming. Most brownfield developments are highly complicated and sites typically have constrained relationships with neighbouring properties or heritage assets and can involve some demolition - all of which can all be locally contentious and require close scrutiny. Accommodating development at higher residential densities in areas of good connectivity – critical to ensure London meets its housing need – can arouse local and political concerns about the design and local infrastructure capacity. In addition, a lack of long-term political certainty in terms of decision-making and a degree of nimbyism all add to the uncertainty and risk associated with delivering development.
- 6.2 Planning permissions are only implementable once planning obligations have been negotiated and signed, any reserved matters agreed and pre-commencement conditions discharged. However, local authority planning resources vary across London and are under substantial strain due to budget cuts¹²⁴. Industry research and submissions to the Commission suggest that 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 service¹²⁵. This will require appropriate resources, technical skills and a degree of cultural change for some local authorities and statutory bodies.

Local authority resources

- 6.3 Properly resourcing public sector planning in London must be a priority if London is to identify, enable and approve the levels of housing required in the capital over the next 10 to 20 years. Indeed, whilst the legal and financial aspects of the planning system have increased in complexity, local authority planning budgets are being cut by on average 40%¹²⁶. The London Housing Commission has found that cuts to London's planning departments have resulted in an estimated shortfall of between £37 and 45 million¹²⁷.
- 6.4 One of the key resource issues facing outer London boroughs is that they do not have the same steady stream of large-scale developments as inner London boroughs and consequently do not always have the resources or skills needed to turn around these applications¹²⁸. Increased use of Planning Performance Agreements (PPAs) on large sites is increasingly playing an important role in ensuring necessary local planning resources are available to process and determine large and complex schemes. However, there will typically be a time lag between funding and recruitment. A number of boroughs also reported issues with recruiting and retaining skilled and experienced planners¹²⁹.

¹²⁴ Berkeley Group Submission

¹²⁵ HBF – private sector output; Berkeley Group Submission

¹²⁶ IPPR, Interim Report of the London Housing Commission – capital failure, page 13

¹²⁷ London Housing Commission, Capital Failure, 2015, page 9

¹²⁸ British Property Federation Submission

¹²⁹ Brent Submission

- 6.5 Flexibility to set planning application fees locally was seen by some boroughs as key to addressing resource shortages¹³⁰. The Commission believes this is warranted, providing increases in planning fees were appropriate and did not negatively affect small house builders.
- 6.6 There may also be some justification for boroughs sharing planning resources, as long as the democratic aspects of planning can be fully addressed. The BPF has also recommended consideration of a pan-London planning resource to help in addressing these issues¹³¹. This could be particularly useful to address skills shortages and staff recruitment and retention issues across authorities, especially during peaks in development activity. To date, local authorities in London which do have shared services have opted to exclude planning services. The Commission believes that in light of the scale of the resource challenges facing planning authorities in London, the potential for shared planning services warrants further detailed consideration by Government, boroughs and the Mayor.
- 6.7 The Government is currently consulting on proposals to increase planning fees based in line with inflation and local planning authority performance¹³². This is alongside other proposals to introduce the 'fast-track' planning services in return for higher planning application fees and potentially trial the introduction of increased competition and choice by allowing applicants the option to apply to a range of approved providers who are authorised to process planning applications. Collectively, these measures seek to incentivise improved planning performance whilst retaining the fundamental democratic mandate that a local planning authority has to determine planning applications. The Commission supports increasing planning fees where this would improve the speed and efficiency of the planning process and would be affordable to SME house builders.

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. However, this should not negatively impact SME builders.

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.

Section 106 negotiations

- 6.8 Private sector submissions suggest that negotiating Section 106 agreements frequently takes too long and is started too late in the planning application

¹³⁰ Croydon Submission

¹³¹ British Property Federation Submission

¹³² DCLG, Technical consultation on implementation of planning changes, 2016

process, with concerns that there is no incentive for authorities to conclude negotiations in a timely manner. The lack of in-house legal resources within local authorities is also seen to create further delays when finalising and reviewing s106 agreements. In addition, the introduction of CIL and the removal of the ability to pool S106 obligations from more than five developments for the same item of infrastructure are not seen to have reduced the scope of s106 negotiations or the timescales involved¹³³. It should also be recognised that local authorities also expressed frustration with the amount of time and resources involved in s106 negotiations given the complex legal and financial issues involved and the adversarial nature of negotiations¹³⁴.

6.9 The Government has suggested a range of ways of speeding up the s106 negotiation process, which are now being taken forward¹³⁵. This includes:

- setting clear time limits to ensure section 106 negotiations are completed in line with the existing 8 to 13 week target for planning applications;
- introducing a dispute resolution process;
- requiring parties to start discussions at the beginning of the planning application process; and
- using standardised documents to avoid agreements being drafted from scratch every time¹³⁶.

6.10 The Commission believes that these are all important changes which should be progressed. Within London the Commission also believes it would be appropriate and efficient for the Mayor to provide this arbitration service on referable strategic PSI applications, rather than the Planning Inspectorate (PINs), as GLA officers would already be aware of the infrastructure and affordable housing issues associated with the schemes and could provide effective strategic oversight. Dispute resolution should also be available to smaller sized schemes in order to also consider the complex viability and finance issues these sites often face. However, it would be more effective for PINs to resource this service, rather than the Mayor. The Commission also believes that where planning obligations are revised on viability grounds, there should be a commitment from developers to deliver the revised scheme

¹³³ Berkeley Group Submission

¹³⁴ Submission from Ealing

¹³⁵ HM Treasury, *Fixing the foundations: Creating a more prosperous nation*, July 2015, para 9.17; DCLG, *Technical consultation on implementation of planning changes*, Chapter 10

¹³⁶ DCLG, *Section 106 planning obligations - speeding up negotiations*, 2015.

Recommendation 16

The Outer London Commission supports the Government's proposal to introduce a dispute resolution service should be provided in order to fast-track stalled negotiations. In addition, the Commission also believes that:

- the Mayor should provide a dispute resolution service on all applications in London which are referable and of potential strategic importance (PSI), with smaller-scale schemes resolved by the Planning Inspectorate (PINs);
- where planning obligations are revised on viability grounds, there should be a commitment on developers to deliver the revised scheme; and
- 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.

Condition discharge

- 6.11 Timely discharge of pre commencement conditions is critical to ensure that development can commence. Slow discharge can have a critical impact on the phasing and speed of construction, especially when there are long lead times on procurement of materials. Submissions from the private sector raised concerns that discharging planning conditions is often considered a low priority by local authorities or is constrained by a lack of resources. In addition, slow responses from internal and external consultees, including statutory bodies can significantly delay housing delivery as the technical input of these bodies is often essential in order to discharge conditions¹³⁷.
- 6.12 The Development Management Procedure Order (DMPO) 2015 sets out the procedures for applicants to gain deemed consent if conditions application for consent, agreement or approval on a planning condition has not been determined by the LPA within 8 weeks or an agreed extended period. Fees can be returned to applicants where conditions have not been discharged within the set timescales.
- 6.13 Whilst deemed consent was seen as a highly beneficial concept, there was concern this cannot be applied to EIA development, which rules out most large sites in London¹³⁸. Guidance on the importance of early discussion on conditions and their swift discharge was seen by stakeholders as being beneficial, together with additional guidance to reiterate that conditions should be assessed on their own merits and in the context of an approved application.

¹³⁷ Berkeley Group Submission

¹³⁸ Town and Country Planning (Environmental Impact Assessment) Regulations 2011 and Environmental Impact Assessment Directive. 2011/92/EU

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

- 6.14 Submissions to the Commission raised concerns about the current viability appraisal process and the degree to which the current approach is constrained by methodological disputes and inconsistencies between local, national and professional (RICS) guidance¹³⁹. This is seen to have resulted in a protracted and adversarial process, often viewed as lacking in transparency, which adds to the uncertainty and delays commonly associated with the planning system.
- 6.15 Whilst local planning authorities are developing capacity and expertise in this area, some boroughs viewed the current approach to viability as a 'busted model' which overcomplicates the planning process and places developers at an inherent advantage over local planning authorities¹⁴⁰. Whether the current status quo helps in terms of stabilising land values, speeding up development or assisting either local authorities or developers is very much open to question.
- 6.16 A number of reports have highlighted this issue as a key constraint affecting the speed and certainty of housing delivery and also the viability of brownfield land and affordable housing delivery. The Lyons Review recommended that definitive guidance be provided to ensure a single and robust methodology for viability assessments and to reduce uncertainty and the scope for different interpretations¹⁴¹. A report by LSE focused on housing supply in London highlights how the complexity and delays associated with the current approach to viability is a growing frustration for both the public and private sector – particularly as policy requirements are not fixed and typically negotiable¹⁴².
- 6.17 The Government has confirmed its intention to bring forward proposals for a more standardised approach to viability appraisals¹⁴³. Whilst additional methodological clarity would be welcomed, it should be recognised that a number of critical appraisal input assumptions such as forecast profits and build costs are inherently sensitive and will always be open to some degree of debate.
- 6.18 LSE's research also suggests that this decision making framework leads to

¹³⁹ Ealing Submission

¹⁴⁰ Ealing Submission

¹⁴¹ Lyons Housing Review, 2015, page 76

¹⁴² London School of Economics, Housing in London: addressing the supply crisis, 2015

¹⁴³ HM Government, Spending review and autumn statement 2015, 27 November 2015, section 12

developers over-bidding on land on the assumption that they can negotiate down requirements through the planning system. This can lead to land price inflation, making the delivery of affordable housing more difficult on brownfield sites. Indeed, relatively flexible and negotiated affordable housing requirements may actually make it harder for developers to acquire sites from landowners at policy compliant prices given that land is generally bought through a competitive bidding process. The real beneficiaries of these practices are landowners. To address this issue and the costs and delays associated with negotiations, LSE recommend that the Mayor and boroughs should examine the potential to implement a consistent fixed target for affordable housing¹⁴⁴.

- 6.19 The London Plan's current approach is to secure 'the maximum reasonable amount' of affordable housing (Policy 3.12) and follows the NPPF in seeking a rigorous approach to assessing viability on a scheme-by-scheme basis. Whilst this approach provides flexibility to account for site specific circumstances and abnormal scheme costs, the wording of Policy 3.12 suggests proposals should be scrutinised to verify whether the maximum reasonable amount of affordable housing output has been secured, even where a proposal accords with a borough's percentage target. This creates a degree of uncertainty.
- 6.20 Submissions from developers on the issue of fixed targets did suggest that these could provide certainty but would only be of value if they are set at a deliverable level and where account was taken of other considerations such as the tenure, mix and affordability of affordable housing provision within an individual scheme¹⁴⁵. The introduction of starter homes will fundamentally change affordable housing policy and delivery, so would need to be considered in reviewing the approach taken in the London Plan. As would the extension of the ability to appeal Section 106 agreements on viability grounds. Submissions also stressed that any fixed target would need to be continuously monitored and swiftly updated if there was a downturn in the market. However, this would need to be balanced with the desire to create long-term certainty and stabilise land values.
- 6.21 Setting any fixed affordable housing target would be challenging, as there might be a risk that setting the target too high would make a number of schemes in London unviable and might constrain overall output in the short term. In theory, over time, the requirement would become embedded in the land price and transactions. However, this would take a number of years and would therefore necessitate considerable political will and long-term certainty.
- 6.22 Conversely, setting a target too low might mean that London could miss out on essential affordable housing which could otherwise have been negotiated under the existing London Plan policy framework. Viability varies considerably across London, so establishing a fixed percentage target on a pan-London basis

¹⁴⁴ London School of Economics, Housing in London: addressing the supply crisis, 2015, page 9

¹⁴⁵ Berkeley Submission

might be difficult and require the consideration of separate targets for inner and outer London, based on viability evidence. The NPPF and NPPG suggest that the planning system should enable scheme by scheme flexibility in terms of viability, with their emphasis to ensure 'competitive returns for a willing land owner or developer to enable the development to be deliverable'¹⁴⁶. The size and type of affordable housing also has a significant impact on scheme viability, which would need to be accounted in a fixed tariff approach.

- 6.23 Nevertheless, the Commission believe that the Mayor should explore the potential to introduce a fixed percentage affordable housing target. This should be set on the basis of robust viability evidence in order to ensure most private sector led schemes are deliverable in London in order to meet London's housing need. In addition, to incentivise schemes to meet a fixed target and help speed up the

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.

planning process, the policy framework in the London Plan might outline that, where targets are met, these policy compliant schemes should be fast-tracked and should not be required to submit a viability appraisal or be subject to further negotiation or review mechanisms. This would provide a strong incentive or 'nudge' for developers to meet the target and thereby save considerable time and money. It may also help to boost current levels of affordable housing output, speed up the planning process and reduce strains on local authority planning resources.

Rights to Light

- 6.24 The nature of delivering higher density development in London means that most sites will be relatively close to adjacent buildings, giving rise to rights of light issues. This was seen by developers as a highly complex area which can cause considerable cost and delay to development, as such rights need to be legally resolved prior to development commencing, which often requires compensation. The Commission believes that Government should consider the case for updating legislation to provide set deadlines and timescales for all parties involved in order to ensure it is fit for purpose to address the form of development in London¹⁴⁷.
- 6.25 Developers have also suggested that local authorities should also consider how they can resolve instances where protracted or stalled right to light issues are preventing sites with planning permission from commencing (where planning impacts and sunlight/daylight issues have been considered in detail). This could

¹⁴⁶ DCLG, NPPF, paragraph 173

¹⁴⁷ Berkeley Submission

include boroughs making greater use of their powers under Section 237 of the Town and Country Planning Act 1990. These enable authorities to extinguish certain rights affecting land¹⁴⁸. However, this is a legally complex area, involving human rights issues, which local authorities would require formal legal advice and should be something developers progress and fund in partnership with boroughs.

¹⁴⁸ Section 237, the Town and Country Planning Act 1990



CHAPTER 7:

PUBLIC SECTOR LAND

Measure 11 - Increasing and accelerating housing delivery on public sector land

- 7.1 Publicly owned land can play a significant role in addressing a range of housing delivery issues in London. This includes creating additional land supply; accelerating the speed of development; broadening the range of housing tenures being delivered; and increasing the opportunities for small and medium sized builders.
- 7.2 Whilst establishing the exact amount of land in public ownership in London is challenging, it is estimated that around 40% of brownfield land suitable for redevelopment is owned by the public sector¹⁴⁹. This includes land owned by the Mayor and wider GLA family (including Transport for London, the Metropolitan Police, The London Fire Brigade and London Legacy Development Corporation), together with land owned by local authorities, central Government departments, the National Health Service (NHS) and Network Rail.
- 7.3 Savills estimate that around 100,000 homes can be built on GLA owned land and substantial additional housing on local authority and NHS owned land in London¹⁵⁰. This amounts to around 10% of the total number of homes needed in London over the next 20 years. Bringing forward housing production on surplus public sector land at an accelerated rate could play a key role in ensuring London's housing requirements are met.
- 7.4 However, although there is clearly potential to accommodate substantial amounts of new housing on surplus public owned sites, there is a tendency for public sector owned land to be seen as the 'silver bullet' to all of London's housing challenges. A sizeable amount of public land is in current operational use, including essential infrastructure provision, public services and social housing. Although in theory there is significant scope to accommodate additional housing on many of these sites, through either mixed use redevelopment or by accommodating higher residential densities on some local authority housing estates¹⁵¹, the lead-in times can be substantial.
- 7.5 A number of infrastructure providers may also require a degree of long-term flexibility in their land holdings to ensure that they can respond to anticipated increased demand for infrastructure in the future. This means that some public bodies may need to retain some surplus 'banked' land for appropriate and prudent reasons. Where land is suitable and available for housing, sites often face viability and infrastructure delivery challenges common on most brownfield sites.
- 7.6 Nevertheless, it is widely reported that the rate of disposal and development on surplus publicly owned land has been slow, fragmented and lacking in

¹⁴⁹ Mayor of London. Homes for London – The London Housing Strategy, 2014, page 77

¹⁵⁰ Savills Research. Spotlight – Public Land: unearthing potential, 2014

¹⁵¹ WSP. Building our way out of a crisis – can we capitalise on London's public assets to provide homes for the future?

coordination. Recent reports by the London Chamber of Commerce and Industry¹⁵², Savills¹⁵³ and WSP¹⁵⁴ have identified substantial gaps in the quality and transparency of information on publicly owned land, particularly that in local authority and NHS ownership. This evidently poses a barrier to housing delivery.

Public sector procurement

- 7.7 Concerns were raised at roundtable meetings about the procurement processes associated with large-scale public land disposals and the OJEU procedure in particular. These were seen to delay the release of surplus public sector land for redevelopment and increase the complexity and risk facing those seeking to sell or buy public land.
- 7.8 To address some of the procurement issues and delays associated with disposal of GLA owned land, the Mayor established the London Development Panel (LDP) in 2013. This aims to speed up and simplify the disposal of GLA owned land through the use of a more efficient OJEU compliant competitive process which makes use of a framework agreement and a panel of pre-qualified developers who are selected based on their proven ability to deliver housing.
- 7.9 Other public authorities with land suitable for residential development in London are encouraged to use the LDP wherever this is appropriate. Over the longer term, another focus of the London Land Commission could be to encourage greater use of the LDP by other public bodies in London and encourage the use of similar fast-tracked procurement mechanisms to speed up the disposal of public land.

Achieving 'best value'

- 7.10 Submissions from a number of respondents also raised concerns about Government's overarching drive to achieve 'best value' and how this can be interpreted as requiring the swift disposal of capital assets to the highest bidder, irrespective of whether other forms of delivery such as joint ventures¹⁵⁵ might be preferable in terms of accelerating development or achieving more enduring value and desirable local housing outcomes. This mirrors research by think-tank Localis who highlighted this issue as a particular concern for many public bodies and recommended that Treasury guidance should be changed to provide more encouragement to public sector bodies focusing on long-term best value when utilising their surplus assets¹⁵⁶.

¹⁵² London Chamber of Commerce and Industry. Unlocking London's Housing Potential – Making the most of London's public sector land, 2015

¹⁵³ Savills Research. Spotlight – Public Land: unearthing potential, 2014

¹⁵⁴ WSP. Building our way out of a crisis – can we capitalise on London's public assets to provide homes for the future?

¹⁵⁵ In a joint venture each party contributes resources to a development project (eg. land, capital and human resources) and a new business is created in which the parties collaborate together and share the risks and benefits associated with the development.

¹⁵⁶ Localis. Public Land, Public Good – getting maximum value from public land and property. 2014; and Elphicke-House Report. From Statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply, DCLG, 2015

- 7.11 Despite the need for greater flexibility on best value, it should be recognised that public authorities will inevitably be driven to secure optimal market value from assets in order to fund service provision. Hence, the commercial reality is that in many respects public bodies are impelled to behave in much the same manner as the private sector in terms of maximising returns. However, there are alternative delivery mechanisms which may ensure optimal value for the public sector, whilst also helping to speed up housing delivery.

Joint ventures

- 7.12 Joint ventures are forms of public-private partnership in which each party contributes resources to a development project and a new business is created in which both parties share the risks and benefits associated with the development. Submissions to the Commission show that a number of boroughs are already taking this approach to asset management and working in partnership with the private sector. Taking a more active, longer-term interest in the redevelopment of a public asset via a joint venture can ensure public bodies are able to shape the speed, quality and tenure of development coming forward in their area. Importantly, joint ventures enable the public sector to draw in essential private sector capital investment, but also additional skills and human resources which they may not have in-house.
- 7.13 Land can typically be provided by a local authority or public body in order to leverage in private sector investment through models such as a Special Purpose Vehicle. This approach has been taken by Barking & Dagenham Council to deliver 477 rented homes, 80% of the units at 80% market rent, which the Council now lets and manages¹⁵⁷. Such structures can also be used to raise additional capital on the market and can place borrowing off-balance sheet.

Direct Commissioning

- 7.14 The Treasury has acknowledged that there could be an increasing role for the public sector to play a more proactive role in house building through direct commissioning on public owned land. Direct commissioning involves an organisation specifying a product they require from the private sector and contracting a single or multiple providers to deliver this outcome. In this sense, direct commissioning differs from more traditional public sector procurement and land disposal procedures, as it allows public bodies to play a more involved role in curating and directing opportunities for housing development, especially on large and complex sites.
- 7.15 Most importantly, commissioning has the potential to enable the public sector to procure housing delivery or even infrastructure provision in accordance with a more prescribed delivery timescale. Whilst the Chancellor's Budget Statement in March 2015 suggested this method of delivery could double the speed of

¹⁵⁷ Barking & Dagenham Submission

conventional private sector delivery, this remains untested¹⁵⁸. Pilot projects on Government owned land in Northstowe in Cambridgeshire are seeking to deliver 10,000 new homes through this mechanism, with a particular focus on enabling opportunities for small and medium sized builders as a way to speeding up housing delivery. Old Oak Common Opportunity Area has recently been added to this list of pilots.

- 7.16 Indeed, direct commissioning could have a particular role in unlocking the development of public sector land where considerable up-front investment in infrastructure is necessary. Commissioning bodies may also be able to also draw on the Government's £1.2 billion fund to prepare brownfield sites for housing, including starter homes. Having recourse to the Public Work Loan Board finance is an obvious advantage for direct commissioning, by providing development debt finance at a lower cost, as is the ability to use public owned land as equity.
- 7.17 However, Direct commissioning on a large-scale will require public bodies to develop more proactive and commercial ways of working in terms of master planning, land acquisition, infrastructure delivery and development economics. A number of European countries have planning systems where local authorities provide infrastructure and permission prior to selling on sites for development. Equally, in some countries direct commissioning by individual householders is a significant part of the private market, for example through group custom build. Commissioning was also used to kick-start development at the Docklands.

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.

The London Land Commission

- 7.18 The London Land Commission (LLC), chaired by the Housing Minister and the Mayor, will play a key role in this respect by compiling a single comprehensive register of all publicly owned land in London, as well as land that is surplus and has potential for housing development. The LLC's remit is also to:
- identify priorities and the scope for coordinated land disposal and redevelopment;
 - explore the potential for improvements to the procurement and disposal of assets; and

¹⁵⁸ HM Treasury Budget 2015, March 2015, page 42

- to develop a capital investment programme to incentivise the release and delivery of housing through site assembly and infrastructure provision¹⁵⁹.

- 7.19 For this initiative to succeed and for the Mayor and LLC to provide the required level of strategic coordination and leadership in accelerating development on surplus public land, the LLC will require additional powers. The Commission believes that meaningful requirements or incentives are needed to ensure that the range of public bodies in London fully support the LLC in compiling a pan-London register of public land and in identifying surplus sites which can be brought forwards to meet housing need. Without this, there is a danger that the opportunity to create a comprehensive and transparent register is missed, along with the benefits of enhanced strategic coordination in terms of capital investment and infrastructure provision.
- 7.20 Where necessary, clusters of sites in fragmented public ownership might be better assembled to develop a critical mass and achieve greater 'marriage value' which will help to increase and accelerate housing delivery. Indeed, the Government's Comprehensive Spending Review has announced measures to bring together the publically owned land around the Old Oak Common High Speed 2 station into single control in order to fully realise its development potential. The Commission believes that the LLC's role should also be widened to include identifying clusters of public assets and locations which would benefit from a more coordinated approach to assembly and delivery. Additional powers could ensure public bodies support this process where this was in the public interest and would increase housing output, with profits and a proportion of the uplift in value redistributed between public bodies following development.

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 to highlight potential development opportunities. Clusters of sites in multiple public ownership should be comprehensively redeveloped 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.

¹⁵⁹ London Land Commission. Overview of LLC Work Programme and Activities, 2015

Delivering build to rent developments on public sector land

- 7.21 Public sector land provides significant potential for delivering build to rent developments, especially given the opportunity for public bodies to generate long-term revenue value from the land, as well as address particular local housing needs¹⁶⁰. Indeed, substantial reductions to mainstream funding may incentivise public bodies to move towards maximising the value of assets as sources of long-term revenue funding, rather than generating one-off capital sales from what are essentially finite land resources¹⁶¹. This approach may help to generate reliable supplementary income streams and ensure greater financial self-sufficiency from the Treasury.
- 7.22 However, a number of reports have raised concern about whether Treasury requirements to achieve 'best value' from public sector assets constrains the potential to deliver build to rent schemes on public land¹⁶². This may be a pertinent consideration as these schemes generally result in a lower and less certain investment returns in comparison with market sale developments.
- 7.23 The Mayor is in the process of bringing forward build to rent development on a GLA owned site in Newington Butts, Elephant and Castle, in partnership with Essential Living, which suggests that this approach is legally possible. However, the Commission believes that it would be beneficial for Government to provide greater clarification to public bodies that they can prioritise the enduring values associated with PRS development, as opposed to immediate capital returns from market sale developments.

Recommendation 23

To increase the potential to accommodate build to rent development on public sector land, Treasury guidance should be revised to explicitly confirm that public sector bodies can prioritise longer-term and more enduring rental value when redeveloping or disposing of their assets, rather than focus on obtaining the best immediate capital returns.

Using surplus public assets to support small builders

- 7.24 Public assets can be used to support small and medium sized builders in a number of ways.

Finance

- 7.25 To address the finance and up-front cost issues facing small builders, viable and deliverable publicly owned sites suitable for 10 or less units could be provided

¹⁶⁰ Carter Jonas, The Future of London's Private Rented Sector (PRS), Spring 2015; Localis. Public Land, Public Good – getting maximum value from public land and property. 2014

¹⁶¹ Centre for Cities, Delivering Change – Making the most of public assets, page 1

¹⁶² Carter Jonas, The Future of London's Private Rented Sector (PRS), Spring 2015

with land acquisition costs deferred until once the units in a development have been sold. To operate this approach effectively, sufficient safeguards would be needed to ensure that the public sector could recoup their assets at zero net cost where developers did not deliver development or went bust. This is not unrealistic as similar contractual conditions are used on larger-scale land disposals released on the same 'pay later' basis.

Land

- 7.26 When disposing of larger sites, public bodies could also consider parcelling or sub-dividing large sites in order to provide opportunities for small and medium sized developers, where they consider this would help accelerate delivery or provide a wider range of housing tenures or types, including for example custom build housing.
- 7.27 Submissions raised some concerns about the potential impacts this might have in terms of coordinated design and infrastructure delivery. However, this approach to parcelling large sites into smaller plots is currently practiced on large urban extensions and new settlements across England and Europe and experiences shows that a coordinated approach to urban design and infrastructure provision is achievable through an overarching masterplan or planning framework. Indeed, the GLA is currently taking this approach at Beam Park in Barking and Dagenham, where the tender encourages the lead contractor to appoint sub-contractors in order to speed up delivery¹⁶³.

Procurement

- 7.28 Public sector procurement procedures can also be tailored to provide more support to small and medium sized builders, to ensure they do not miss out on suitable opportunities to develop on public land where these occur. Existing procurement procedures, especially those which make use of pre-qualified developer panels such as the GLA London Development Panel (LDP), may unintentionally hinder the diversification of the development industry, given that they tend to enlist established and large developers.
- 7.29 For this reason, both the London Chamber of Commerce¹⁶⁴ and an independent report commissioned by the Treasury¹⁶⁵ recommend that public bodies do more to actively enlist small and medium sized developers through public sector development panels. Whilst there was nothing to prevent small and medium sized developers from applying to join the LDP when it was established, the Commission believes that greater effort could be made to actively encourage small builders involvement in land disposal and procurement processes at a strategic, sub-regional and local basis, particularly where the size of sites or land

¹⁶³ Barking & Dagenham Submission

¹⁶⁴ London Chamber of Commerce and Industry. Unlocking London's Housing Potential – Making the most of London's public sector land, 2015

¹⁶⁵ Elphicke-House Report. From Statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply, DCLG, 2015

parcels would be suitable for SME builders.

Enabling the reorganisation of London's health infrastructure

- 7.30 The closure and redevelopment of existing health facilities can arouse local opposition, even where this is part of a wider planned restructuring, modernisation and enhancement of health infrastructure assets and services. Where surplus assets have been identified and made available for redevelopment, rigid application of local planning policies which seek to protect existing health and social infrastructure facilities can restrict the potential for redevelopment and delay the planning process.
- 7.31 The Commission believes that where an infrastructure provider is reorganising their assets and enhancing service provision to meet need, it is important that genuinely surplus sites are brought forward for housing or other productive uses. In these circumstances, safeguarding these sites for alternative social infrastructure facilities through the planning system would prevent essential housing being delivered and may also compromise the service delivery plans of health providers. This is because infrastructure providers typically cross-subsidise capital investment through land swaps and the profits arising from the redevelopment on their land disposals.
- 7.32 However, boroughs and the Mayor have generally experienced difficulties in engaging with health agencies in London through the preparation of the London Plan and Local Plans and in preparing their infrastructure planning evidence base and infrastructure delivery plans (IDPs). The degree and effectiveness of engagement by health agencies with the planning system is slowly improving but needs to be significantly enhanced.

Recommendation 26

Health infrastructure providers should more proactively engage with boroughs and the Mayor in the development of planning documents and infrastructure delivery plans in order to better facilitate the disposal and redevelopment of surplus health facilities.

Protective planning policies relating to social infrastructure should be applied flexibly where assets are being disposed of by health agencies in order to enable the effective reorganisation of service provision and to support housing delivery and effective asset management.

- 7.33 To facilitate this process effectively, the Commission believes that health infrastructure providers should work closely with boroughs and the Mayor with their plan preparation and infrastructure planning work. This will ensure the service delivery and asset management plans of health infrastructure providers are closely aligned with and embedded in planning frameworks and provide greater long-term confidence to local authorities about the phasing and delivery of health infrastructure provision to meet population growth. This will also provide greater transparency to local communities.



CHAPTER 8:

LOCAL AUTHORITY HOUSE BUILDING

Measure 12 - Boosting housing delivery by local authorities

- 8.1 As shown in chapter three, for housing delivery to increase to the levels needed to meet need, new strategic players are likely to be needed. The Commission has suggested that these could include build to rent and new forms of direct housing delivery by local authorities, undertaken in partnership with private sector investors.
- 8.2 Research undertaken by the GLA showed that most boroughs aimed to provide between 250 and 500 homes over the next three years, although some had aspirations to deliver up to and beyond 1,000 units in that period¹⁶⁶. Submissions also showed local authorities in Outer London have significant ambitions to directly deliver housing in their areas, either by setting up subsidiary housing companies, delivering estate regeneration, redeveloping other assets, and also by acquiring additional sites¹⁶⁷.
- 8.3 However, last year local authorities in London built only 310 new build homes¹⁶⁸. 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. In many instances, this will require new skills, additional resources and a degree of culture change with a number of local authorities needing to become more proactive and commercially minded. It will also require local authorities 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 joint ventures, direct commissioning, authorities maximising the potential to deliver mixed tenure schemes through subsidiary housing companies, and also exploring more innovative ways of raising development finance, including leveraging in private sector investment.

Financing local authority housing delivery

- 8.4 Following the Housing Revenue Account (HRA) reforms of 2012 and the introduction of self-financing, stock-owning local authorities now have full control of their rental income and housing expenditure. This means that local authorities have greater flexibility to invest in improving or adding to their own stock without Government approval. However, this is limited by the amount of HRA borrowing 'headroom' made available to each borough and authorities are not legally permitted to exceed this debt cap. This cap was imposed to reduce the impact of additional borrowing on the overall public sector debt.
- 8.5 In addition, local authorities have lost significant projected revenue through cuts to social rent and now face the added complication of proposals in the Housing

¹⁶⁶ Ark Housing Consultancy. London's smaller housing associations and local authorities – Increasing housing supply - a report for the GLA, 2015, page 32

¹⁶⁷ Submissions from Croydon, Barking & Dagenham, Ealing, Sutton

¹⁶⁸ DCLG Housing Live Table 253a

& Planning Bill which will require the sale of high value council houses as they become vacant through a new formula charge. Much of the money generated through this scheme is intended to finance the extension of Right to Buy to Housing Association tenants, both in London and across the rest of the country.

- 8.6 There have been question-marks about where the replacement homes will be built and in what tenure. In light of the substantial demand for affordable housing in London, the Commission considers that it is vital that the resources raised from council asset sales are spent in London and not redistributed to other areas of the country. Government has now suggested a 'two for one' guarantee, with two affordable homes built in London for every Council house sold off. However, the details of this proposal are still unclear in terms of the location and tenure of these re-provided affordable homes.
- 8.7 In total, London boroughs collectively have a total HRA headroom of £1.4 billion, which provides substantial potential to invest in their existing stock and is almost half of the national total. Whilst this provides significant potential devolved financial resources, the level of headroom available varies considerably from borough to borough and does not necessarily correspond to stock levels. Most importantly, the HRA borrowing cap does not reflect the potential for prudential borrowing in line with the prudential code¹⁶⁹ (where the costs of borrowing is affordable, sustainable and prudent), nor does it reflect the value of a borough's assets or the potential to accrue revenue surplus over time.
- 8.8 Removing the cap would not mean giving boroughs free-reign to spend as they liked, as authorities would still be bound by the prudential code. It would also put housing on a more level playing field with other areas of capital expenditure by local authorities. Various reports have shown that if councils were able to use their full borrowing potential, but still under prudential rules, they would have the capacity to borrow an extra £7 billion and could deliver an extra 60,000 homes across the country as a whole¹⁷⁰. Greater freedom to borrow would help to kick-start complex estate regeneration schemes.
- 8.9 Whilst it is true that a number of boroughs have substantial headroom available and have chosen not to fully utilise it, this can be for a number of important reasons. Boroughs with inadequate stock may need to prioritise upgrading units to decent homes standard, which could generate significant initial costs. Debt-averse boroughs may also prioritise paying down their HRA debt in order to reduce their interest payments, especially as local authority budgets are being cut.

¹⁶⁹ The Chartered Institute of Public Finance & Accountancy (CIPFA), Prudential Code for Capital Finance

¹⁷⁰ National Federation of ALMOs et al – Let's get building – the case for local authority investment in rented homes to help drive economic growth; and Capital Economics, Increasing investment in affordable housing – towards a level playing field for affordable housing, 2014

- 8.10 The impact of 'right to buy' makes forecasting rental income over time more difficult, particularly in light of recent Government changes. These increased the maximum level of discount available in London to £103,900 and reduced the eligibility requirement to 3 years, widening significantly the scope of the scheme. Restrictions on authorities using the proceeds of Right to Buy sales to fund replacement stock, also mean that authorities only receive around 30% of the remaining sale value.
- 8.11 The Treasury's concerns for public expenditure control and its overarching priority for deficit reduction are likely to make the early removal of the HRA cap very difficult to achieve in practice. In light of this, the Commission considers that the most practical and realistic way forward is for councils to be given the opportunity to apply to Government for additional HRA borrowing headroom by demonstrating the additional funds will be spent on house building and that they have a viable, deliverable and costed business plan to deliver the new homes. This money could be ring-fenced for the delivery of new housing within a broadly defined period.
- 8.12 This would provide an incentive and greater financial backing to those local authorities who had the appetite to deliver new homes but lacked the financial resources to do so. Local authorities should seek to provide new homes in mixed tenure developments by drawing on additional private sector investment or borrowing.

Recommendation 27

Local authorities should 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.

Housing and development companies

- 8.13 There are also other ways a local authority can directly deliver housing outside of the HRA, by setting up a council owned subsidiary housing company or through the creation of a joint venture company. Submissions show that a number of Outer London boroughs including Croydon and Barking and Dagenham have followed this approach and have significant ambitions to increase direct housing delivery through this type of structure¹⁷¹.
- 8.14 The creation of a subsidiary housing company allows a local authority to access a much wider range of public and private investment and debt finance, unrestrained by HRA borrowing caps (but within prudential limits). This can include the Public Works Loan Board (PWLB), pension funds, wealth funds, the European Investment Bank and institutional investment. Additional internal sources of funding and equity can also include pooled Section 106 planning obligations; New Homes

¹⁷¹ Submissions from Croydon and Barking & Dagenham

Bonus; capital receipts from the sale of local authority assets; Right to Buy receipts; HRA reserves, GLA grant and public sector owned land.

- 8.15 Funded subsidiary housing companies are separate arms-length entities and may therefore also enable funding and delivery decisions to be made in a speedier and less bureaucratic manner. Innovative finance models such as Special Purpose Vehicles can ensure be used to raise additional finance on the market and can place borrowing off-balance sheet.
- 8.16 At present, a benefit of local authorities delivering housing outside of the HRA is that homes may not be subject to right to buy. It also provides the potential for mixed tenure schemes to cross-subsidise affordable housing provision and also allow the provision for wider range of housing tenures including market sale, shared ownership, intermediate rent, and private rent. This may be a particularly important consideration where there is a concentration of social housing in an area and an aim to create more mixed and balanced communities.

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.

Estate renewal

- 8.17 Institute for Public Policy Research by Andrew Adonis has estimated there to be around 3,500 council estates across the capital, of which only around 50 have been granted planning permission for some form of comprehensive redevelopment over the past decade¹⁷². Recent estate regeneration schemes have typically doubled densities¹⁷³, whilst also helping to improve residential and environmental quality and provide enhanced local amenities, public spaces and a broader range of housing types and tenures in an area¹⁷⁴.
- 8.18 Submissions from a number of authorities indicated that estate regeneration schemes do offer considerable scope for raising housing delivery, with the potential in some locations to significantly increase existing residential densities and enhance the quality and mix of housing provision. A number of Outer London boroughs have established estate regeneration programmes and are working with housing associations or other private sector investors and developers to bring opportunities forward through joint ventures.

¹⁷² IPPR, City Villages – More Homes, better communities, 1.1 – Andrew Adonis, 2015, page 9

¹⁷³ London Assembly, Knock it down or do it up? – the challenge of estate regeneration, 2015

¹⁷⁴ IPPR, City Villages – More Homes, better communities, 2.3 - Yolande Barnes

- 8.19 However, a common theme in the submissions from local authorities was that delivering estate regeneration schemes at any scale will be very challenging in the years ahead given the levels of public funding available¹⁷⁵. Projects can be constrained by the need to buy-back leaseholders following Right to Buy acquisitions, which adds significantly to the cost and delays in delivering redevelopment. This issue could grow substantially with the expanded Right to Buy scheme.
- 8.20 Decanting residents often necessitates additional land and the need for phasing and long lead-in times. Hence, it is no surprise that such schemes can take between 10 and 20 years to deliver from conception. The impact of starter homes on estate regeneration schemes will need to be considered carefully by Government when preparing regulations which support the Housing & Planning Bill. An important consideration is that in the short to medium term estate comprehensive demolition and redevelopment would reduce the overall housing stock and negatively impact net housing provision in boroughs and London overall. However, this issue would need to be balanced against the wider long-term benefits associated with regenerating, densifying and upgrading the housing stock.
- 8.21 Local opposition can also be a complicating factor, particularly where schemes require a substantial uplift in densities and market tenures on site in order to be deliverable. In addition, existing PTAL levels can also restrict the ability to significantly augment existing residential densities which can inhibit scheme viability. Taken together, all of these challenges mean that delivering estate regeneration on a large scale will be challenging politically and in terms of human and financial resources.
- 8.22 Despite these challenges, the Commission believes that there is substantial potential for estate regeneration to make a significant long-term contribution to meeting London's housing need and improving the design of homes and local neighbourhoods. This view is also shared by Government. In the 2014 Budget, the Government announced that it would establish a £150 million fund to kick-start and accelerate the regeneration of large estates through fully recoverable loans. An Estate Regeneration Advisory Panel has also been established, which will be chaired by Lord Heseltine.
- 8.23 Estimating the real potential for increased housing provision on estates is challenging, particularly given the large numbers of estates and their variation in terms of size and density. Research by Savills has suggested that 1,750 hectares of London's 8,500 hectares of local authority housing estates could be redeveloped based on a 'complete streets' approach to regeneration, with the potential to provide between 190,000 – 500,000 homes, depending on the densification achieved. Savills suggest that between 54,000 and 360,000 of

¹⁷⁵ Submissions from Croydon, South London Partnership

these would be net additional homes¹⁷⁶. This involves reintroducing new streets of terraced housing and mid-rise mansion blocks, and increasing average densities by over 70% (from around 78 dph to an average of 135 dph).

- 8.24 Create Streets have also suggested that reinstating more traditional street pattern, including family homes as well as flats would provide between 120,000 and 500,000 additional homes¹⁷⁷. Some commentators have suggested that the potential could be four or five times the existing densities on the larger sites, especially where estates adjoin public and other brownfield land¹⁷⁸. However, the wide range in the estimates reveals the broad brush nature of assumptions made and highlights the need for potential capacity to be examined in more detail, taking into account site allocation and PTAL

Resourcing increased local authority house building

- 8.25 The potential for direct housing delivery by local authorities at a greater scale has significant resourcing implications for local authorities, who are dealing with substantial budget cuts. Increasing the scale of delivery may also be inhibited by attitudes to risk; political uncertainty; and finite land resources¹⁷⁹. Whilst private sector expertise can be procured by local authorities, the uncertainty and potential delays associated with both local and national political changes are inherent and poses a real challenge.
- 8.26 Slow and relatively bureaucratic internal procedures for political sign-off may also inhibit the speed of decision making necessary to compete for sites in the open market, once finite land resources are exhausted. The extent to which this would achieve additionality or affect housing associations or SME builders has also been questioned¹⁸⁰. However, a greater role for local authority house building in the land market would be appropriate if it helped to speed up development, draw in additional finance and support the overall capacity of the construction sector.

¹⁷⁶ Savills, *Completing London's Streets*, 2016

¹⁷⁷ Not just multi-storey estates', Create Streets, 2013

¹⁷⁸ IIPR, *City Village: more homes, better communities*

¹⁷⁹ Ibid

¹⁸⁰ Ibid



CHAPTER 9:

THE EXISTING HOUSING STOCK

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

- 9.1 At present, there are around 3.5 million existing properties in London . Current annual rates of new build housing delivery, though significant, only account for less than 1% of overall housing provision in London and represent around 10 per cent of all transactions¹⁸¹. Indeed, even if output was increased to 49,000 homes a year, these net additional homes would only constitute around 1.5% of overall housing provision in any single year.
- 9.2 Consequently, net additional housing provision from the existing housing stock will evidently play a key role in helping London meet its housing need. The net density of an existing residential area can be increased through a number of ways, including:
- upward extensions (where these result in additional self-contained units);
 - incentivising the intensification or redevelopment of suburban residential plots through semi-permissive approaches to planning;
 - sub-dividing and converting large under-occupied homes into flats; and
 - comprehensive redevelopment of low density local authority housing estates at higher densities (see previous chapter).
- 9.3 The Commission believes that all of these 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 policy initiatives targeted at the existing housing stock means there is considerable scope for each option to cumulatively yield substantial additional housing over time.

Upward extensions

- 9.4 The Treasury's Productivity Plan outlined the Chancellor's intention to work with the Mayor to bring forward proposals to remove the need for planning permission for upward extensions for a limited number of stories, up to the height of an adjoining building. The details associated with this proposal are still to be confirmed, which is being consulted on¹⁸²
- 9.5 Whilst limitations in terms of building design and financial resources may inhibit the potential for many households to take advantage of these proposals, even if each year only 0.1% of London's homes added an extra unit above their home, this could yield 3,500 new homes a year. If just 1% of London's homes added an extra unit above their property through upward extension each year, this could increase to 35,000 homes a year. Where 10% of London's existing housing stock

¹⁸¹ Savills Research, How do you measure housing demand?, 2015

¹⁸² DCLG and Mayor of London, Consultation on upward extension in London, 2016

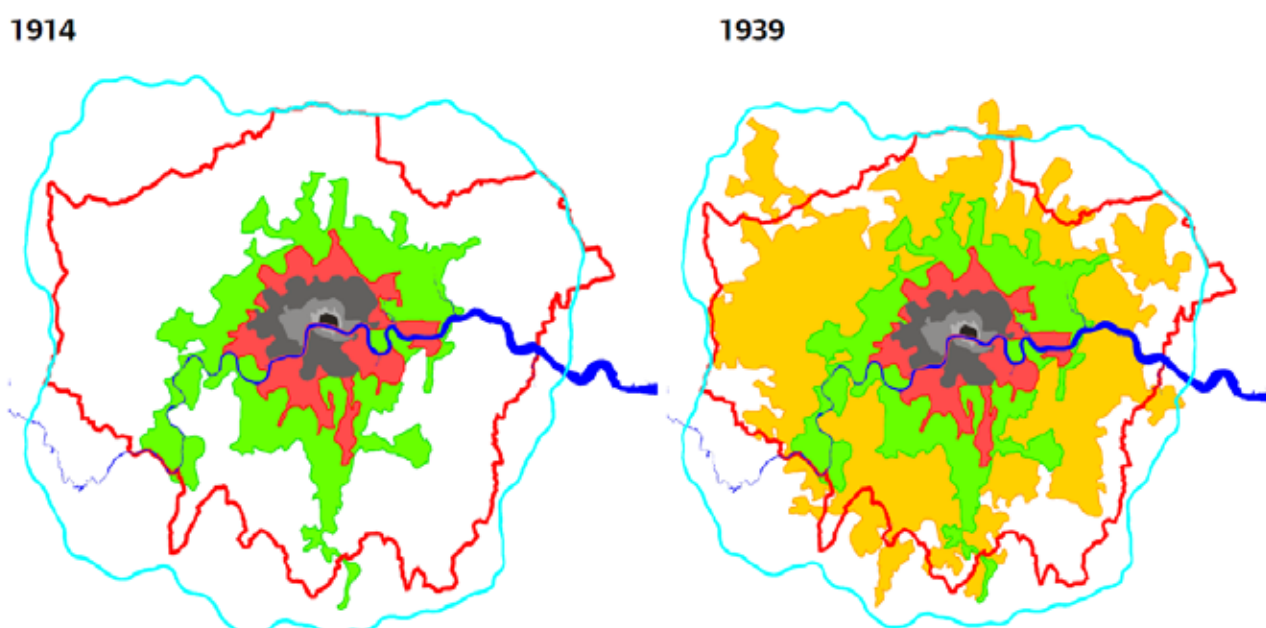
added an extra unit, 350,000 new homes. Hence, it is easy to see why Government are interested in increasing delivery through this source.

- 9.6 The Commission believes that it is justified for the Government and the Mayor to be exploring the potential mechanisms available to accommodate additional housing through upwards extensions, providing appropriate safeguards are put in place to secure high quality design and take into account the impact on local character and heritage assets.

Suburban intensification

- 9.7 Inter-war era suburbs in London have provided desirable family homes for Londoners for nearly a century. Much of this era of housing was built at densities around 25-30 dwelling per hectare and is characterised by spacious plots (circa 8-9m wide by 35-40m deep) with generous front and rear gardens and relatively homogenous typologies of housing provision. Whilst this has been a popular form of family housing, this form and density of development over such a wide area would be considered sub-optimal by today's standards, particularly in areas close to tube and rail stations.
- 9.8 Research by HTA suggests that doubling the density of just 10% of homes in Outer London Boroughs could create one million new homes¹⁸³. Their study shows that if even just a quarter of the homes within a typical suburban block added one additional dwelling, the density would increase to 45 dwellings per hectare. Drawing on Valuation Office Agency data¹⁸⁴, the Commission have found that there are over 700,000 inter-war era homes in Outer London. Incrementally doubling the density of just 10% of this stock over a 10 year period could provide around 70,000 new homes, helping to provide around 7,000 new homes a year.

Figure 9.1 – spatial growth of London during the inter-war years (1919 – 1939)



Potential scope

- 9.9 HTA's illustrative examples show that a wide range of possible redevelopment scenarios could be accommodated depending on local circumstances. This could range from infill development on rear gardens to more comprehensive redevelopment of a semi-detached home or pair of semis to provide a mix of flats, duplexes or terraced homes ranging from 2 or 3 storeys, without fundamentally changing the character of an area¹⁸⁵. Where possible, homeowners could also collaborate with their adjoining neighbours in order to achieve a greater development value and generate a more significant net increase in housing.

Figure 9.2 – illustrative scenarios for incremental suburban intensification (HTA)



Source: HTA et al: Transforming Suburbia, 2015

- 9.10 Demographic changes in Outer London also mean that household occupancy levels in some areas have reduced. According to the 2011 census, 34% of households in Outer London are currently under-occupying their homes to the extent that they have a surplus of two or more rooms (based on the number of recorded household residents). This compares to just 19% of households in Inner London. In some Outer London boroughs the rate is between 40% and 50% of all households¹⁸⁶. Whilst a degree of under-occupancy will be inevitable as households may often desire to own larger properties, this does suggest that there is scope to incentivise homeowners to either downsize or remodel their assets at some point in their life.

Wider benefits associated with suburban intensification

- 9.11 Carefully managed intensification could also widen the mix of housing types and

¹⁸⁵ HTA, Pollard Thomas Edwards, Savills, NLP, Transforming Suburbia – Superbia semi-permissive, pages 21 - 31

¹⁸⁶ Bexley (43%), Bromley (51%), Havering (45%), Kingston-upon-Thames (43%); Richmond upon Thames (48%); Sutton (41%)

sizes provided in an area and help to revitalise local high streets and services by increasing local demand and footfall. Suburban intensification could also help to address London's growing affordability challenges by providing increased opportunities for home ownership or private rent in more affordable locations of London, including self-build and group custom build schemes. The scope of suburban intensification could also include high streets and retail parades which could also be suitable for mixed use redevelopment and housing intensification.

- 9.12 Importantly, suburban intensification would help to generate considerable work for small and medium sized (SME) builders who have declined significantly, helping to revive their contribution to overall new build housing supply. A steady supply of work from this source would also support other aims such as addressing skills shortages and boosting the overall capacity and diversity of the house building industry. It could also significantly widen the potential scope for individual households or groups of households to commission self-build or custom-build housing in London, which might otherwise be limited by a lack of available sites and the costs of acquiring land. A further benefit might also be to reduce the capital's reliance on large developers and complex brownfield.
- 9.13 It is also true that a degree of housing intensification is already occurring in London's suburbs, for example through conversions, extensions and so-called 'beds in sheds', albeit this is often unmanaged and can have negative consequences. Indeed, current permitted development rights for houses mean that considerable areas of garden land can now be built on, without the need for planning permission. In contrast, a carefully targeted and managed policy framework to guide plot intensification would have a number of advantages in terms of design control, net housing supply and infrastructure planning and delivery.

Potential incentives for existing suburban households

- 9.14 The average equity released in London by households downsizing is estimated to be £71,000 (through asset sale, not redevelopment)¹⁸⁷. However, according to research by consultants HTA, Savills and NLP, the potential financial incentives associated with plot intensification or redevelopment could be significant, ranging between £110,000 and £210,000 per household. This would vary depending on the redevelopment option and typology adopted on any particular site¹⁸⁸. Whilst this market incentive may not be viable or practical for all households, plot intensification could be particularly attractive to older households in order to help fund care costs or home adaptations and could release equity to children with families who may be struggling to afford to buy in London.
- 9.15 Research by think-tank ILC has highlighted a number of other potential benefits associated with downsizing which include reduced domestic maintenance and

¹⁸⁷ Knight Frank Residential Research, 2014

¹⁸⁸ HTA, Pollard Thomas Edwards, Savills, NLP, Transforming Suburbia – Superbia semi-permissive

energy costs, together with the health and social benefits of living in more suitable accessible and adaptable accommodation¹⁸⁹. However, there are a number of potential financial and emotional barriers which may inhibit the potential for downsizing. These include attachment to a locality or home and the nuisance of moving. While freeing up equity is a benefit of downsizing, some households may find the inconvenience and costs associated with the process, such as stamp duty, outweigh their potential equity and encourage them to stay in their properties in order to guarantee an inheritance to their children.

- 9.16 For this reason, think-tank ILC recommend that Government should incentivise downsizing by making the process more affordable by by exempting older households from stamp duty when they downsize or move into specialist retirement housing. However, this might raise concerns about inter-generational equity, in view of the high costs of home ownership which face younger households. Taxing under-occupancy may be another option Government could consider to incentivise downsizing, which has been done in the social housing sector. However, this is politically unlikely, particularly given the level of objections this measure aroused.

What are the current barriers to suburban intensification?

- 9.17 Whilst current planning policies do not entirely prohibit suburban intensification, they do pose existing barriers to implementing this approach. The NPPF suggests LPAs should consider the case for resisting inappropriate development of residential gardens where this would cause harm to the local area¹⁹⁰ and prohibits authorities relying on historic rates of housing delivery on residential gardens for the purpose of calculating future housing supply estimates¹⁹¹.
- 9.18 In addition, the London Plan Policy 3.5 states that boroughs may introduce a presumption against development on back gardens where this can be locally justified. Policies of this kind would evidently be a barrier to suburban intensification. London Plan accessibility standards which necessitate step-free access (lifts) to units accessed above the ground floor would also need to be applied flexibly taking into account viability and service charges, as advised in the proposed Minor Alterations to the London Plan (MALP).
- 9.19 Similarly, to enable incremental intensification, planning policies relating to local character may also need to be revised or applied more flexibly in certain areas in order to enable a greater degree of change and redevelopment in particular areas. This kind of approach is being considered by some Outer London boroughs, such as Croydon and could be informed by urban characterisation studies. Current permitted development rights also do not allow for the provision of an additional self-contained unit on a plot and only apply to houses, not flats.

¹⁸⁹ ILC and McCarthy & Stone, *Generation Stuck – Exploring the reality of downsizing in later life*, 2016

¹⁹⁰ DCLG, NPPF, paragraph 53

¹⁹¹ DCLG, NPPF, paragraph 48

- 9.20 Affecting this type of change would be locally contentious and would take considerable time and require political will. Submissions to the Commission raised legitimate concerns about design quality, social infrastructure provision, public transport access, parking and biodiversity, which the Commission also view as important planning issues which would need to be carefully considered and addressed through the design of any initiatives.
- 9.21 Though the cumulative impacts on social infrastructure provision could be difficult to estimate and respond to, this challenge is not unique to suburban intensification and is also associated with small and large developments and demographic changes. Moreover, net additional residential floorspace would be liable for CIL which could ensure increases in local density are matched with increased funding for local infrastructure and enhanced local facilities.
- 9.22 The Commission believes that accommodating additional homes through plot intensification or redevelopment on even only a small proportion of London's inter-war housing stock where there is moderate or good public transport connectivity (PTAL) levels could play an important cumulative role in helping to address London's housing need and that this should be enabled in appropriate locations by the London Plan. The Commission is of the view that issues associated planning issues – including design quality, public transport and social infrastructure provision, biodiversity, heritage, climate change, energy efficiency, parking and cycle parking - though important, can be addressed through the careful design and application of any adopted planning policy and/or any permitted development framework.

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.

In addition, 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.

Semi-permissive approaches to enable incremental suburban intensification

- 9.23 There are also other planning mechanisms, beyond policy, which could enable suburban intensification. Consultants HTA and Pollard Thomas Edwards (PTE)

suggest that the most appropriate mechanism to incentivise this type of growth would be through a more permissive approach to planning in appropriate locations through development orders¹⁹². This could be orchestrated on a local basis via a consensual, design-led and carefully managed manner using geographically targeted local or neighbourhood development orders, linked to design codes or so-called 'plot passports'. These could outline clear planning and design parameters and requirements in relation to building height, materials, plot coverage, parking, cycle parking, energy efficiency, building lines, frontages treatment and soft landscaping, which proposals would need to comply with.

- 9.24 Alternatively, Consultants PTE suggest that planning regulations could be changed across London through the General Permitted Development Order by Government. This could specify particular locations where these permitted development rights would apply, for example, within 800m of a tube or rail station; and where they would not apply, such as in a conservation area or in the case of a listed building.
- 9.25 This latter approach has the advantage of having a much wider geographical coverage and not being contingent on the motivation or resources of a local authority or neighbourhood forum. It is estimated that around 40% of land in outer London falls within 800m of a station, which suggests around 287,000 homes could meet this requirement, although conservation areas would need to be discounted¹⁹³. PTE estimate that if 10% of the owners of these homes brought forwards proposals to double the net density on their plots, this would create 72,500 additional homes and could increase to 200,000 where take-up was 15% of suitable homes and potential plot densities fully optimised.
- 9.26 The underlying premise behind both concepts is that, with a degree of tailored planning deregulation, existing homeowners could be given a strong financial incentive to consider the redevelopment or intensification of their plots, helping to change a static situation to a more dynamic one by enabling greater choice. Importantly, development orders would be enabling not prescriptive, ie. households would have the right to exercise these permitted development rights if they wished to, but would not be compelled to undertake redevelopment.

¹⁹² HTA, Pollard Thomas Edwards, Savills, NLP, Transforming Suburbia – Superbia semi-permissive

¹⁹³ HTA, Pollard Thomas Edwards, Savills, NLP, Transforming Suburbia – Superbia semi-permissive

Recommendation 30

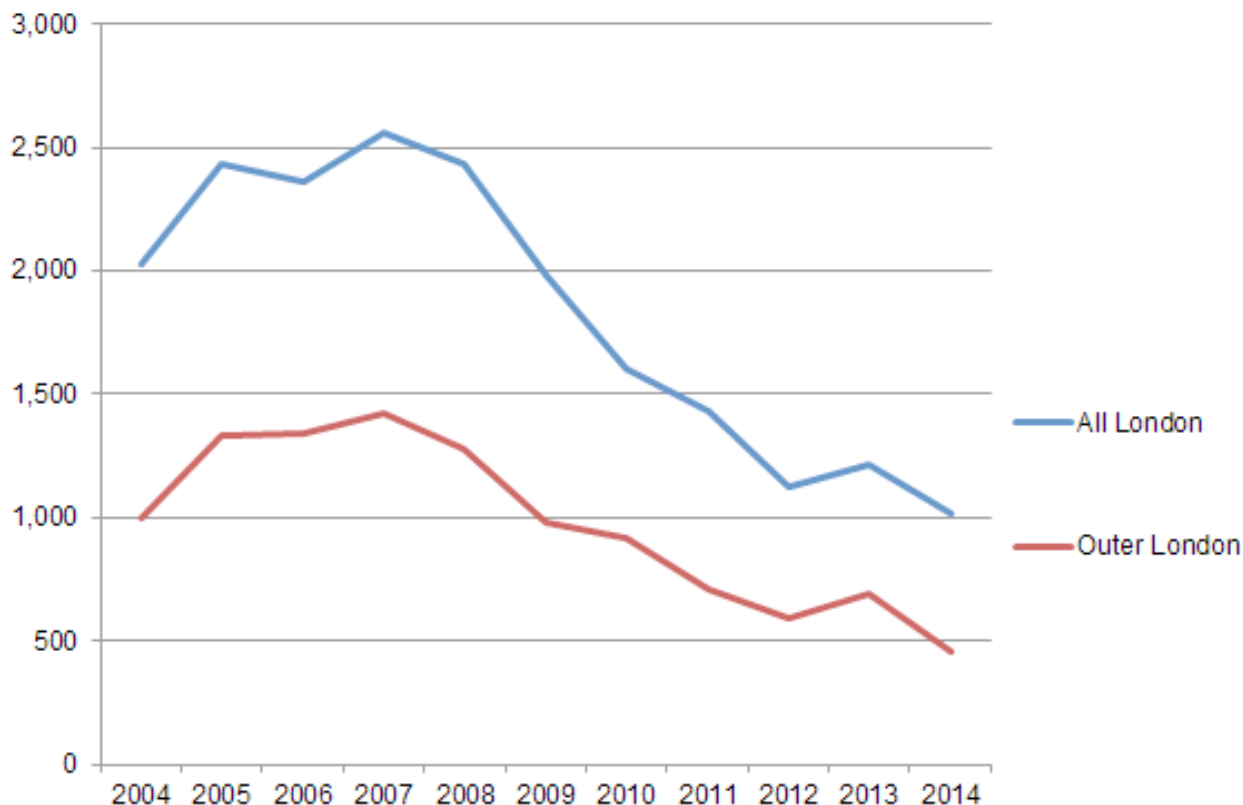
In addition to and alongside the approach outlined in recommendation 29, Government, the Mayor and London boroughs should examine the potential to implement a tailored permitted development framework to enable incremental suburban intensification through development orders and explore how associated design codes could ensure high quality, sustainable development. These should encourage the redevelopment and/or intensification of the existing housing stock providing this:

- is within 1km of a tube or rail station;
- is outside conservation areas and flood zone 3b;
- results in net additional housing provision on a plot; and
- complies with design quality standards, as set out in Mayoral SPG or local planning documents.

Residential conversions

- 9.27 Net additional housing output from conversions (subdividing homes in to flats) has historically made a substantial contribution to overall housing supply in London, accounting for 9% of overall housing supply in 2007. However, as shown in Figure 9.2, housing provision from this source has reduced by 60% across London and nearly 70% in Outer London.
- 9.28 There are a number of reasons which may explain this decline. Reduced domestic net migration from London to the surrounding Districts, especially in terms of families, could have reduced the number of large properties available for conversion, particularly in Outer London. Increasing numbers of de-conversions – where flats are amalgamated into larger homes – may have an impact on net supply, especially in high value inner London areas. Restrictive planning policies in some boroughs such as conversion quotas may have to some extent reduced the number of conversions coming forward. Whilst ensuring sufficient provision of family housing is a priority in the London Plan, there may be substantial potential for some areas through conversions, particularly in locations with good public transport connectivity and relatively low household occupancy levels, to play a substantial role in meeting housing need.

Figure 9.3 – net housing output from conversions (2004 to 2014)



Source: London Development Database

- 9.29 Planning policies in London will need to facilitate growth in smaller households through managed levels of housing conversions in order to meet housing need and support labour market mobility, recognising that new build housing will only account for a small percentage of overall housing provision in a location in any single year. In addition, older households may be under-occupying large properties and may wish to downsize to more suitably sized properties or elect to sub-divide their own property into flats to fund their care in later life or in order to release equity for children.

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.



CHAPTER 10:

INDUSTRY CAPACITY

Measure 14 - Enhancing the capacity of the house building industry

- 10.1 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. Macro-economic and housing market volatility reduces the incentive to train and maintain a skilled labour force and recessionary periods typically result in large-scale contractions in industry output and job losses. This leads inevitably to labour shortages during periods of rapid economic recovery and a reliance on migrant labour to plug these gaps, as well as potential shortages in essential building materials such as bricks.
- 10.2 The latest Molior report on barriers to housing delivery (2014) suggested that increasing construction costs and the availability of materials and construction staff could be causing housing starts in London to plateau¹⁹⁴. Submissions from the British Property Federation (BPF) suggest that a lack of trained 'finishers' (plasterers, plumbers, electricians, etc) often delays developments¹⁹⁵.
- 10.3 One vital aspect of the sector's ability to deliver at present is being able to employ skilled labour from other EU countries, and any potential UK exit from the European Union following a referendum could have significant implications in terms of recruitment and skills shortages. If this did occur, any replacement UK border arrangements would need to ensure that London could rely on sufficient numbers of trained construction workers. Increasing the domestic pool of skilled construction and trades staff through apprenticeships should also be a key priority for industry, Government, the Mayor and the London Enterprise Panel.
- 10.4 Overcoming industry capacity issues is seen to depend on ensuring a consistent pipeline of investment and stabilising demand as well as boosting the role of technology, for example through offsite/ modern methods of construction, which will enable higher productivity¹⁹⁶. Submissions from the British Property Federation (BPF) highlighted the need to continue to invest in or enable social housing and build to rent (PRS) housing in order to maintain construction sector output and capacity during inevitable downturns¹⁹⁷. This is examined in chapter five. Other supply-side measures outlined in this report would help to increase the capacity of the house building industry, most notably those which relate to identifying additional sources of housing supply, supporting small and medium sized house builders, and improving the speed of the planning system.
- 10.5 Modern or off site methods of construction have long been seen to have a key role in accelerating and improving the efficiency and cost of housing delivery, but have not yet taken off as expected. Submissions from the BPF highlight

¹⁹⁴ Molior, Private sector housing development on larger sites in London, page 19

¹⁹⁵ British Property Federation Submission

¹⁹⁶ University of York, DCLG Feasibility Study of Directly Commissions Housebuilding, 2015

¹⁹⁷ British Property Federation Submission

the 'chicken and egg' problem in which justifying the up-front cost of running an off-sight manufacturing plant/factory would require a substantial, sustained and reliable source of demand¹⁹⁸. This is constrained by the fluctuating nature of private sector demand and mortgage lending practices. However the BPF do consider there to be potential to boost demand for modern methods through public sector funded housing provision, build to rent (PRS) and student accommodation.

Development Finance

- 10.6 Research by Molior (2014) has suggested that the development finance issues facing large sites in London have gradually reduced, particularly in areas of London which were previously considered risky¹⁹⁹. Nevertheless, private sector submissions also highlight issues with constrained development finance, particularly where planning requirements increase the levels of development risk and uncertainty²⁰⁰. For example, the increased use of affordable housing review mechanisms was considered to represent a risk of future, often uncapped, additional costs for schemes which can deter funders or increase the cost of funding.
- 10.7 A more certain and fixed planning framework for schemes both prior to and following consent and the commencement of development could increase the certainty for those lenders and investors in residential development as well as developers. Finance issues facing small house builders have been highlighted as a particular concern, which are addressed in chapter five²⁰¹.

¹⁹⁸ *ibid*

¹⁹⁹ Molior, Private sector housing development on larger sites in London, page 4

²⁰⁰ Berkeley Submission

²⁰¹ NHBC Foundation, Improving the prospects for small builders and developers, 2014

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.

APPENDICES

APPENDIX 1 THE COMMISSION MEMBERSHIP

William McKee, CBE, Chair of Outer London Commission

Corinne Swain, Arup

Ian Gordon, London School of Economics

Peter Eversden, London Forum of Amenity & Civic Societies

Tony Pidgley, The Berkeley Group Holdings plc

Lucinda Turner, Transport for London

Colin Stanbridge, London Chamber of Commerce & Industry

Simon Keal, London Councils

Teresa O'Neill, Mayoral Adviser on Outer London and Leader LB Bexley

Stephen Alambritis, Leader London Borough of Merton

Chris Robbins, Leader London Borough of Waltham Forest

Stephen Carr, Leader London Borough of Bromley

Sue Wilcox, Quod

Alistair Parker, Cushman and Wakefield

Keith Mitchell, Peter Brett Associates

APPENDIX 2 MEETING DATES

Wed 15 July 9am–12pm

Civic Centre, Enfield Council, Silver Street Enfield EN1 3XA

Tues 21 July 2015 9am – 12pm

Ealing Town Hall, New Broadway W5 2BY

Wed 22 July 2015 2pm–5pm

Croydon Town Hall, Chamber, Katharine Street, Croydon CR9 1ET

Wed 29 July 2pm–5pm

Bexley Council Chamber, Civic Offices, 2 Watling Street, Bexleyheath, Kent DA6 7AT

APPENDIX 3 QUESTIONS

- H1 What are the particular barriers holding back delivery of new housing in this sub region?
- H2 What is constraining the private sector from translating London's pipeline of approved homes into completions, in terms of:
- developer sales practices and private sector concerns about market absorption;
 - the scale of land banking and the number of approved sites owned by firms that do not actually build houses;
 - the range and size of housebuilding firms in London and the level of competition within the development sector; and
 - private sector capacity and skills shortages.
- H3 What potential is there in Outer London for:
- purpose built long-term, private rented sector housing (PRS)?
 - specialist housing for students and older Londoners?
 - housing intensification through estate regeneration schemes?
 - the delivery of higher density development in town centres, taking into account land ownership constraints and the surrounding suburban context?
- H4 What are there practical measures boroughs can take to boost supply, such as:
- providing a more certain and speedy development management process for large developments prior to and following outline planning consent (eg s106 negotiations, use of conditions and condition discharge);
 - greater use of CPO powers;
 - wider application of the Housing Zones model to address particular local delivery challenges, working closely with the private sector and other stakeholders;
 - widening the pool of identified and allocated large sites in Local Plans;
 - providing a more positive and certain policy and development management framework for small scale/infill development in order to support small and medium sized house builders;
 - requiring large sites to be parcelled up and split between a number of different developers in order to address slow build out rates and potential land banking; and
 - conditioning minimum levels of housing output on large sites over a fixed short
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to medium term horizon.

- exploring the potential scope for 'use it or lose it' powers.

- H5 What potential role could local authorities play in building houses, especially on surplus public sector owned land? What are the financial and regulatory obstacles that need to be overcome to enable local authorities to contribute more directly to house building in London?
- H6 Is there an issue about skills and capacity within local authorities in delivering planning consents for large scale developments?
- H7 What role could modern methods of construction play in boosting private sector build out rates?
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