

# Leaders' Committee

## London Housing Proposition

Item no: 8

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### Summary

Over recent months, London Councils officers have been working with London local government colleagues to develop a proposition for housing devolution in London that would be capable of significantly increasing housing supply across all tenures. This paper updates the Leaders' Committee on the progress of those discussions, and the broad outline of an emerging proposition.

Since the Mayoral election on 5<sup>th</sup> May, discussions have been continuing with City Hall on shared principles in respect of a London Housing Proposition

### Recommendations

Leaders' Committee is asked to use this report as an opportunity to discuss progress on agreeing a London housing proposition and to offer further advice.



# London Housing Proposition

## Background and Context

1. For some months London Councils working with London local government colleagues, has been developing a proposition for housing devolution in London that would be capable of significantly increasing housing supply across all tenures.
  - This work began as part of the London Proposition leading to the submission to HM Treasury on 4<sup>th</sup> September.
  - The work was extended through the commissioning of Metro Dynamics to assess boroughs' political aspirations and the potential value of creating a borough collaborative vehicle for housing delivery.
  - Government and Ministerial interest led to more direct discussions on a wider set of aspirations for improved housing delivery. These discussions ultimately involved government, London Councils and the out-going Mayor.
2. Conversations have now picked up with the new Mayor, who himself has made significant commitments to housing supply and affordability. Early engagement indicates that the Mayor is keen to work collaboratively with the boroughs to advance a housing proposal to government.
3. Most of the engagement on a proposal has been led by Mayor Bullock and Councillor Govindia, working with their respective party groups, sharing written notes and updates; and most recently in a discussion at Executive on 10 May 2016. Similar updates have also been provided to Councillor Dombey and Mr. Boleat who are not covered by the party group arrangements set out above.
4. Alongside these discussions, the Government has been taking its Housing and Planning Bill through the parliamentary process. The Bill is now enacted. More details in regulations are likely to emerge over the next few months, however it is clear that any housing supply model developed in London would need to achieve the requirement in the Bill to build two new replacement homes for every one sold as part of the High Value Asset Sale policy.

5. The Bill also legislates for the introduction of Starter Homes and a new duty on councils to promote them; introduces gradually higher rents for higher earners in social housing; and allows the government to compensate housing associations for offering right to buy discounts to tenants.

### **The Housing Proposition in Summary**

6. London Councils' proposition aims to create a new, more devolved framework for housing delivery across the capital, to be overseen by the mayor and the boroughs. The ambition is that this new policy environment should be capable of supporting a greater uplift in delivery across the private and public sectors. Separately, it also proposes a voluntary development vehicle or fund to operate as a framework for multi-borough deals across different London geographies. This would be likely to offer one new route for delivery alongside a number of other delivery mechanisms.
7. A broad summary of the emerging proposition is outlined below. Leaders have been asked, via the mechanisms set out above, for informal feedback on the emerging proposition. Discussion at this meeting will help shape the parameters to discussion with the Mayor and ministers.
8. The strategy entails an aspiration for very significant increases in delivery by 2021, including genuinely affordable homes for rent.

The strategy entails, at its core:

- Ensuring housing tenure mix helps maximise home building in London
- Empowering local government to deliver more
- Developing more effective relationships with housing associations across London
- Agreeing an enhanced funding package for London as a whole
- Addressing planning, land assembly and capacity constraints
- Better joint governance of housing delivery for the boroughs and the London Mayor.

More specifically, London Councils is also proposing:

- Maximising Home Building by aligning tenure with London housing economics – including a starter homes product that better fits with London's housing needs and delivery model
- The alignment of infrastructure investment with housing delivery

- Retention of sufficient proceeds from high value asset sales in London to fund 2-for-1 provision.
  - Retention of 100% of local authority Right to Buy receipts and the removal of restrictions on the use of receipts, so long as they are spent to deliver more housing.
  - Additional HRA headroom to be made available for short-term additional finance to help with particular short-term points of their development.
  - Optimising time limits on use of funds to maximise delivery before 2021
  - Confirmation of right to use S106 commuted sums outside of own borough for the purposes of providing affordable housing
  - A new long term rent settlement up to 2031 that ensures at least protection against inflation; or devolution of the power to do so to London government.
  - A minimum 10% of receipts from sale of all central government owned land in their borough should be retained locally to allow for investment in new housing supply.
  - Stronger and streamlined CPO powers to get more land for housing into development.
  - Streamlined process for leaseholder buy backs where leaseholders are offered an equity share in a new home on the same estate and staggered incentive tariffs to allow additional rewards for leaseholders who agree to move swiftly
  - Freedom on planning fees to enable London boroughs to set fees on a full cost recovery basis, with guarantees for faster decision-making and increased quality of service.
  - Streamlining of consents regime around HRA land to help de-risk the land assembly process.
  - A funding settlement commensurate with the increased delivery ambition.
9. The ambitions cannot be achieved unless the delivery capabilities of London boroughs, working with partners, are significantly enhanced. An increasing number of boroughs are setting up housing companies and this will help contribute in terms of local authority-led delivery. Greater economies of scale through collaboration are also needed.
10. As well as a wider strategy for a devolved approach to housing in the capital, many borough leaders have also indicated a desire to engage in a more collaborative approach to borough-led housing delivery. A collaborative vehicle or fund would be one of a number of different delivery mechanisms, but would allow boroughs to work

together more effectively across boundaries, maximising the opportunities of available land, funds and expertise within boroughs.

11. The Metro-Dynamics work on such a potential collaborative delivery vehicle involved discussion with a broad range of Leaders. Leaders and chief executives have been kept informed of the progress of discussions. A pan-London fund could be envisaged with a framework to facilitate multi-borough deals. If this approach is to be taken forward in time to be part of a wider strategy with the new Mayor and ministers, then decisions in principle will be needed relatively soon along with some consideration of how best to fund such a project.
12. More fundamental change would be required to increase land supply capacity, support new entrants to the building industry and facilitate different approaches to development that encourage more home building. The emerging proposition suggests the need for improvements to governance and also the establishment of formal machinery in which London government and national government can develop solutions to these more fundamental challenges.

### **Next Steps**

13. With the election of a new Mayor, discussions have begun to consider how London government can work together to increase the supply of homes in the interests of Londoners. Revised governance structures are likely to be implemented to oversee the implantation of plans.
14. It will be important to engage with developers and housing associations to ensure that plans are deliverable. There is also likely to be a conversation shortly with government on the spending settlement for London housing delivery over the next few years.
15. The Mayor has also indicated a desire to support boroughs in accessing private rented sector properties for those in housing need. Boroughs are likely to be asked what interventions or support might help with access to properties for use – for example – as temporary accommodation or homeless prevention.
16. The Leaders' Committee may wish to use this report as an opportunity to discuss progress on agreeing a London housing proposition and to offer further advice.

**Financial Implications for London Councils**

17. None

**Legal Implications for London Councils**

18. None

**Equalities Implications for London Councils**

19. None