
HOMES FOR LONDON

THE LONDON HOUSING STRATEGY



DRAFT FOR LONDON ASSEMBLY
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MAYOR OF LONDON

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CONTENTS

CONTENTS	1
FOREWORD	2
EXECUTIVE SUMMARY	4
PART 1 IDENTIFYING THE CHALLENGE	6
Housing London's growing population	7
Supporting London's economy	12
PART 2 SETTING THE AMBITION	14
Increasing the supply of new homes	15
Improving design	20
Improving existing homes and estates	22
PART 3 FULFILLING THE COVENANT	25
Supporting working Londoners	26
Meeting a range of housing need	35
PART 4 DELIVERING THE VISION	43
Learning the lessons of the past	44
Financing housing delivery	45
Bringing forward land for development	51
Increasing development capacity	59
APPENDIX 1 Summary of policies	62
APPENDIX 2 Funding proposals	67
ENDNOTES	68

FOREWORD



London is booming. Our economy is growing. The result—more jobs, more prosperity, and more people—puts even greater pressure on infrastructure, and in particular housing.

Since 2008 London's population has increased by 600,000. By 2020 we will have nine million Londoners, by 2031 we are predicted to blast through the ten million barrier. My 2020 Vision set out the scale of the challenges we face in maintaining London's position as the best big city in the world. Rising to our housing challenge is an economic as well as a social imperative.

We need to help find every way possible for hard working Londoners to access decent low cost affordable housing at a time when for many it appears all that is on offer is ever more unaffordable. I published a draft housing strategy in November, setting out how I want London to rise to this challenge. It has had a tremendous response and every good idea has been included.

While this housing strategy is not only about supply, it is clear that supply above all else is central to London's housing needs. With increased supply come opportunities to address affordability, help for people to meet their aspirations, improved quality, renewal of post-war estates, and the ability to tackle entrenched issues like homelessness and overcrowding.

Post-recession London is seeing a vast expansion of house-building. A record number of new homes were registered to be built in 2013, while construction orders for new housing rose to £5.3 billion. Affordable house-building is on track to deliver 100,000 homes by 2016, a record in the history of City Hall.

Yet the challenge is enormous, because historically the number of homes being built was too low. For the last 30 years or more, housing delivery has all but flatlined at around half the level we now need. Housing in the capital has been a story of boom then bust, of economic cycles that follow their inexorable cycle paths, of governments of all political colours that rise and fall but simply don't grip or change the fundamental story – we just do not build enough homes.

This all leaves London facing an epic challenge: to double house-building and build 42,000 new homes a year, every year, for the next twenty years. That's a level of house-building unseen in our great city since the 1930s and then only for a few short years. And of course, unlike in the 1930s, we do not have the option of simply building over miles of virgin countryside.

London has some of the most exciting development opportunities in the world. From Battersea to the Royal Docks, from Croydon to Brent Cross. As far as the eye can see the cranes that speak of the scale of opportunity in the capital dot the landscape. In truth we need more of them.

We also have to ensure that the new homes we build are inspiring for current and future residents, that they are set in attractive neighbourhoods and vibrant town centres, and are well connected to jobs. There is massive neo-Victorian investment now happening in London's transport system and we must make the most of this to underpin the delivery of new homes.

My aim is to make sure that the homes we build better reward those who work hard to make this city a success – by massively increasing opportunities for Londoners to own their homes through innovative new products, by improving the quality and management of the private rented sector, and by ensuring working Londoners have priority for low cost affordable homes to rent. I will also continue the ground-breaking work City Hall has done to tackle the needs of those most disadvantaged by the housing crisis, the homeless, rough sleepers and overcrowded households.

This strategy aims to put in place the resources to deliver more than 42,000 homes a year. To achieve this aim, virtually doubling housing delivery, needs us all to recognise that this is not the job of “someone else” - not the boroughs, the Government, the Mayor, the private sector, or the public sector. It is the job of all of us and only by working together can we make this happen. So support me in making the case for a long-term financial settlement with national Government and for freeing up local councils to build. Support me in promoting institutional investment in new purpose built high quality private rented housing. Support me in bringing forward surplus public land and in developing the ten Housing Zones I envision across the capital to drive delivery. Support me in all these and we have the chance to build the homes we need.

EXECUTIVE SUMMARY

London's population is increasing, its economy is booming and by many measures it is the greatest city on earth. But with the city's remarkable success come challenges, one of the biggest of which is the massive shortfall of homes that most Londoners can afford. Addressing this is essential to ensure London's continued growth and the retention of its status as a pre-eminent global city. Meeting this challenge will not be done easily or quickly as it is a structural challenge that London faces, not a cyclical one. It requires a long-term plan, stretching over a number of Mayoral terms, economic cycles and spending rounds. It also requires a cross-party consensus on the importance of investing in housing, as there is to a much greater degree in other critical areas of provision such as health and education.

Supply is picking up, even to the extent that brick shortages are now being experienced. NHBC figures identify that more homes were registered last year in London than at any point in the last 25 years, showing that the market has more than recovered to pre-recession levels. Roughly 25,000 new homes were built in each of the last two years and the Mayor is on track to deliver over 100,000 affordable homes over his two terms, the most delivered in the capital for decades. But this recovery still falls short of the Mayor's ambition.

The shortage of housing pushes up prices and rents and there can be no doubt that London has an affordability crisis. It affects those in most acute need, whether homeless or overcrowded. Rising housing costs are also hitting working households on low and middle incomes the hardest. The economic case for providing adequate housing for those on modest incomes, who drive the London economy and therefore the national economy, is compelling. If these essential workers cannot afford to live in the capital, it impacts not just on London, but on the nation's economic growth and competitiveness.

The overriding aims of this strategy are to increase the supply of housing of all tenures and to ensure that these homes better support London's continued economic success. The strategy is not just about supply; policies range from improving the existing stock to tackling rough sleeping – but supply is at the heart of it, underpinning each of its five key priorities:

- increasing housing supply to levels not seen since the 1930s;
- better supporting working Londoners and helping more of them into home ownership;
- improving the private rented sector and promoting new purpose-built and well managed private rented housing;
- pushing for a new, long-term financial settlement for London Government to drive housing delivery; and
- bringing forward land for development and accelerating the pace of housing delivery through Housing Zones and the London Housing Bank.

The strategy is designed to ensure that there should be homes for all those who are struggling to find somewhere decent and affordable to live in the capital. It focuses greater priority on working Londoners, improving their housing offer across all tenures. It increases opportunities for them to access low cost home ownership, it does more to support them as existing home owners, it improves their private rented options and gives them greater priority for affordable homes to rent.

The strategy also looks to respond better to the housing needs of older Londoners, encouraging the development of more homes that are attractive and suitable for older people, while developing for the first time a tailored housing offer for younger people. It also maintains a focus on supporting those who are most disadvantaged by the housing crisis, the homeless and rough sleepers.

It sets out a long-term ambition to increase supply to at least 42,000 new homes per annum, around double what has been achieved over the last 20 years. Of these, at least 17,000 should be affordable with 5,000 for purpose-built long-term market rent. In the 2015-18 investment round the Mayor will use the funding available to increase the delivery of affordable homes to 15,000 per annum. This will

deliver 100,000 affordable homes over the Mayor's two terms and start building the future pipeline beyond 2016 when even higher levels will be needed to meet the longer-term aims of the strategy.

The affordable housing programme addresses the shortage of homes for low and middle income working households while continuing to provide homes for those in the most acute need, setting a mix for new affordable housing of 40 per cent low cost home ownership and 60 per cent rent. Half of the affordable homes to rent will be at lower 'capped' rents, targeted at those most in need and half will be at 'discounted' rents, no more than 80 per cent of market rents, prioritised for working households.

The Mayor believes that all new homes should meet high design standards, with minimum space standards and should be designed to be accessible and adaptable for people at all stages of their lives. Improving the quality and energy efficiency of existing homes also remains a key priority. To achieve this, the Mayor will make funding available to ensure that all boroughs are able to reach the Decent Homes standard by 2016 and will encourage retrofitting for improved energy efficiency across all sectors.

The strategy explicitly recognises the growing importance of the private rented sector, not only for groups who have traditionally been housed in that sector, such as young single people, but also for families with children. The new London Rental Standard promotes professional standards of management for landlords and letting agents, aiming to accredit 100,000 landlords by 2016. The Mayor will also work with boroughs to improve property conditions in the sector. The strategy also sets for the first time a target to increase the supply of new purpose built private rented sector housing, and the Mayor will work with institutional investors to support the delivery of these homes.

The strategy reiterates the Mayor's priority to tackle overcrowding and the ambitious target to halve severe overcrowding in social rented housing by 2016. Alongside making funding available for larger homes, with at least four bedrooms, and a long-term commitment to deliver the family-sized affordable homes identified in the Strategic Housing Market Assessment, there is a stronger focus on freeing up more of the capital's existing family sized housing. The strategy will increase the provision of smaller affordable homes targeted at those downsizing, support purpose-built older people's housing and offer better incentives for older people to downsize. The Mayor will be monitoring and reporting on the success of these initiatives in freeing up larger homes.

The strategy addresses the linked challenges of funding, land availability and development capacity that must be addressed to achieve the ambitious targets on increasing supply.

It is clear that London needs a long-term and stable funding settlement for housing that transcends individual public spending rounds and enables the Mayor, boroughs and housing providers to plan ahead with certainty. The Mayor is seeking more flexibility in the rules governing GLA and borough borrowing for housing and is also working on a London Housing Bank to accelerate the pace of development.

To provide the land for development the Mayor will have an exit strategy for all GLA landholdings by 2016, will seek a greater role in bringing forward surplus government land and will lobby government for additional funding to acquire land to drive housing delivery. Up to ten Housing Zones will be launched with innovative approaches to maximise the capacity of key sites to rapidly deliver new homes and the Mayor will promote at least three new "garden suburbs".

To ensure that London has a development industry that is capable of delivering more homes, the Mayor will encourage new entrants to the market and long-term investment to support covenanted, purpose-built private rented homes that will accelerate the rate of building, especially on large multi-phase sites. The Mayor will also encourage development by small and medium-sized builders and community-led organisations, with non-developing housing associations encouraged to unlock their financial capacity to get building.

PART 1 IDENTIFYING THE CHALLENGE

Part 1 sets out the scale of the challenge. It describes the increased demand for homes driven by a growing population and changes in the patterns of tenure. It describes the impacts of insufficient supply – undermining economic competitiveness, worsening housing affordability and increasing levels of acute housing need. It goes on to set out the economic case for housing as infrastructure that is essential to support London's growth, detailing the contribution that house building makes to GDP and to job creation. It identifies how a failure to provide adequate housing for low and middle income Londoners could have severe impacts for future economic growth.

Housing London's growing population

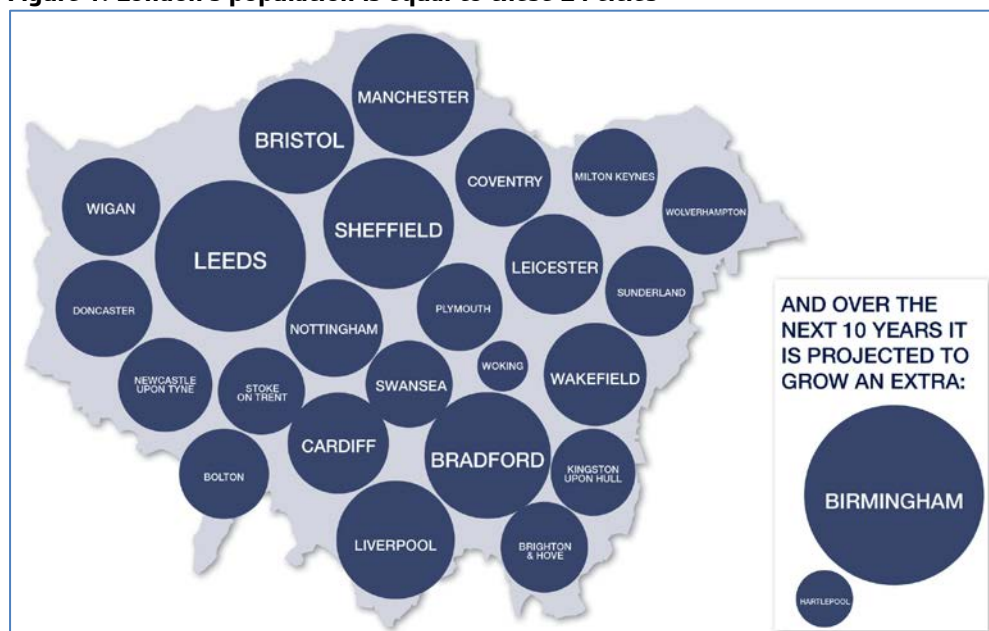
1.1 London's population boom

By many measures, London is the greatest city on earth. It is the UK's only global city and Europe's most cosmopolitan capital. Between 1997 to 2012 London's economy more than doubled in size, growing from £147 billion to £309 billion.¹ Over the same period, its share of the UK's gross value added increased from 19.4 per cent to 22.4 per cent. This welcome growth comes at a price and London's infrastructure, including housing, is under tremendous pressure, both from indigenous population growth and from newcomers looking to share in the success of the capital.

London's population has grown rapidly, from 6.8 million in 1986 to 8.4 million in 2013 and is now projected to surpass its 1939 peak of 8.6 million as early as 2016.² This significant growth, after decades of falling population from the 1940s to the 1980s, is influenced by a number of factors, but primarily the natural growth that results from London's relatively youthful population. There has also been a fall in out-migration over the last ten years, with more people choosing to stay and raise families while in-migration has stayed more constant.³

Although the population trend is clearly upwards, there is some uncertainty as to its long-term trajectory. This is in part because it is not yet clear whether the recovery of the housing market across the wider south east will lead to a resumption of historic levels of out-migration. The GLA's best estimates are that the population will reach nine million by 2020 and ten million by 2035.⁴ This is more than the equivalent of adding the population of the UK's second biggest city, Birmingham, or three new London boroughs the size of Croydon, every ten years.

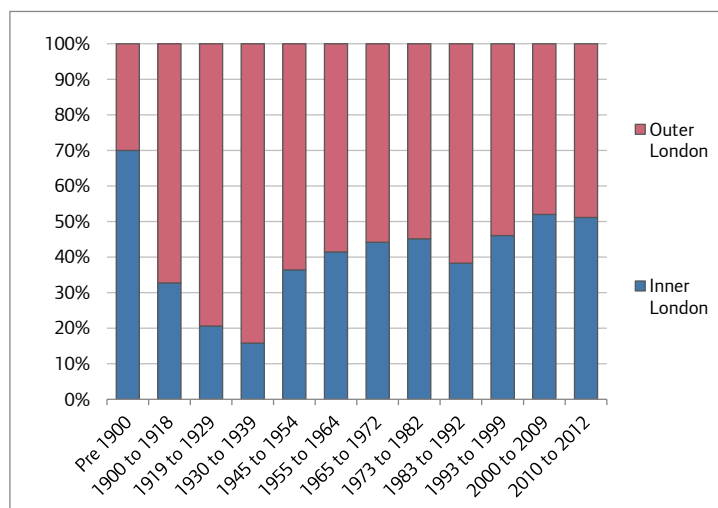
Figure 1: London's population is equal to these 24 cities⁵



The current population of 8.4 million Londoners is formed into roughly 3.4 million households and this is projected to rise to around 4.2 million over the next 25 years, an annualised growth of around 40,000 households.⁶ The main drivers are expected to be one-person households (projected to rise by 160,000 between 2011 and 2035) and couple households (projected to rise by 475,000).⁷

While London's population has grown more over the last ten years than at any time in its two thousand year history, housing supply has not kept pace. Figure 8 below shows that annual new house-building has stayed around 20,000 to 25,000 over the last 30 years, all but untouched by successive periods of boom and bust. The mismatch between supply and demand has grown widely in the last decade and is reflected in the average household size in London increasing for the first time in over 100 years, from 2.35 in 2001 to 2.47 in 2011.⁸

Figure 2: Inner and outer London homes built by period⁹



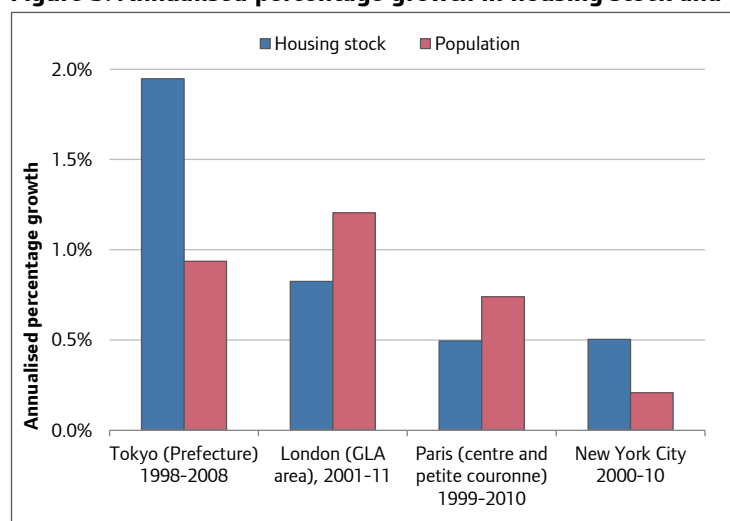
Throughout the twentieth century, most new house building was in outer London. Figure 2 shows that 84 per cent of London's surviving homes built in the 1930s are in outer London, but outer London's contribution to new housing supply has fallen since and it accounts for just under half of the homes built since the millennium. The highest growth was in the first four decades of the twentieth century, with around half a million homes built in outer London between 1900 and 1929 and another half a million in

the 1930s. By contrast, the twenty first century has seen slightly more homes built in inner London.¹⁰

A rising population requires a significant and sustained increase in supply in both inner and outer parts of the capital. Even at the pre-recession peak, new supply was far below the estimated minimum 42,000 homes per annum that are now required.

1.2 A global challenge

Figure 3: Annualised percentage growth in housing stock and population¹¹



Global cities around the world are all facing a massive challenge in providing enough new homes to meet the demands of growing populations. Over the last decade, London increased its housing stock at a much faster rate than Paris and New York, both of which also had lower rates of population growth.¹² However, London's stock grew at a much slower rate than Tokyo's, which increased by around two per cent per annum.¹³ To achieve a similar rate of growth, London

would need to build around 60,000 homes every year. It is also notable that Tokyo saw a substantial growth in owner occupation in this period. Tokyo's rapid housing growth is due to a number of factors including close integration of transport and housing development, alongside a more flexible planning regime that encourages greater development densities.¹⁴

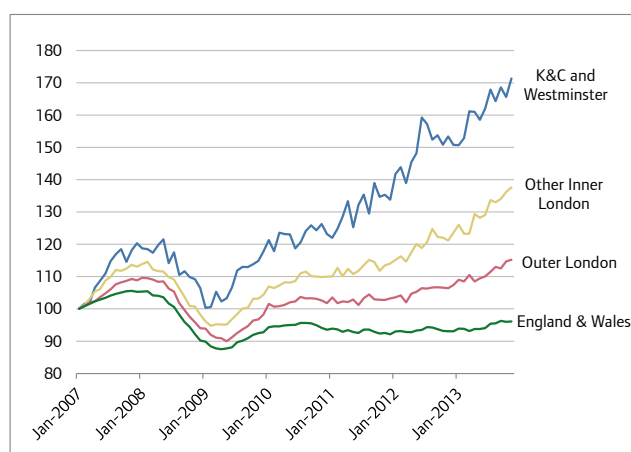
1.3 London's housing sub-markets

London's housing market is complex and diverse and there is not a homogenous housing market within any single borough boundary. It contains a range of sub-markets which vary widely, not just by tenure and price, but by the type of purchaser and renter. The prime central London market has seen very rapid growth in demand, and consequently prices, since the depths of the last recession, with a high proportion of cash purchasers and overseas investors buying both new and existing homes.¹⁵

The rest of inner London has also seen a strong growth in prices, again in part due to overseas investment, but to a far lesser extent than prime central London, and in part due to strong domestic demand from both home owners and landlords.¹⁶ Finally, most of outer London is still predominantly a traditional mortgage-led market and has thus seen less price growth in recent years, though there is also rapid growth in renting in town centres and suburbs.¹⁷ These markets overlap and affect each other; even if prime central London's property market can seem totally detached, displaced demand as a result of its high prices still affects the rest of the city.

1.4 London's affordability crisis

Figure 4: Estimated London house price indices¹⁸

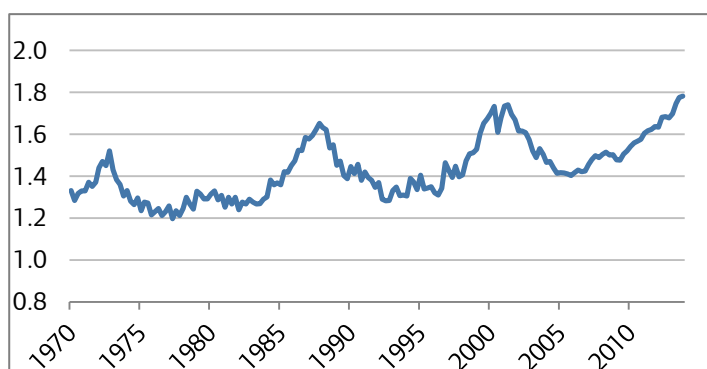


Given London's status as a global city and its significance to the UK economy, it is unsurprising that land and property prices are higher than the national average. However, the scale of the gap, and the extent to which it is growing, is striking. In December 2013, the average house price in the capital was £450,000, compared with an England average of £260,000. Average prices in London have risen by twelve per cent in the last year, compared with six per cent nationally. Figure 4 shows that price growth has been fastest in the two most

expensive boroughs (Westminster and Kensington and Chelsea), followed by the rest of Inner London, with comparatively slow growth in outer London, which is much closer to price trends in the rest of the country.¹⁹ Rents are also higher in the capital, with the median monthly rent for a private rented home at £1,300, compared with a national average of £595.²⁰ Private sector tenants in London spend an average of 36 per cent of their gross household income on rent.²¹

Figure 5: Ratio of London average house prices to UK average²²

As Figure 5 shows, average house prices in London are now 78 per cent higher than the UK average, the widest gap since at least the late 1960s. Over this entire period the gap has never been less than 20 per cent, but each house price cycle has left prices in London further away from UK prices than before.



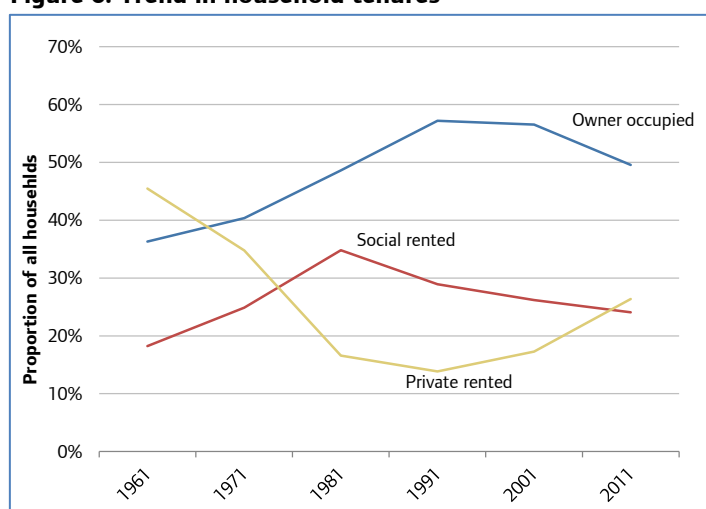
It is estimated that overseas-based investors purchase in the region of ten to 15 per cent of new build homes in London as a whole, but this activity is highly concentrated in 'prime' central London areas with UK residents buying over 90 per cent of new build homes in outer London.²³ As overseas investors are mainly focused on the new build market, they account for only around three per cent of total transactions and 6.5 per cent of total sales by value in London when sales of both new and second hand homes are included.²⁴ Prices across most of London's housing market are thus determined far more by domestic factors than overseas investment.

Overseas investment plays a vital role both in terms of retaining London's status as a global city and in financing construction. Such buyers tend to stimulate supply as they have a propensity to purchase off-plan, triggering development by providing vital pre-sales, without which projects are often unviable.²⁵ This is not a new phenomenon. It is estimated that the proportion of sales to overseas buyers in 2012 was much the same as in 1990.²⁶

A related concern is that buy to let landlords may be crowding out first time buyers because of easier access to mortgages. Buy to let mortgages account for around 13 per cent of all outstanding mortgage debt in the UK and probably a significantly higher proportion in London given its relatively large rented sector. However, there is little evidence that buy to let lending is crowding out lending to first time buyers as the lending conditions for each are governed by very different rules. As with overseas investors, forward sales to buy to let investors are an important way for developers to reduce costs and risk, thereby supporting higher levels of housing supply.

1.5 London's changing tenure pattern

Figure 6: Trend in household tenures²⁷



Population growth, limited supply of new homes and the consequent affordability gap are causing profound shifts in patterns of tenure in the capital. Fewer households are home owners or social tenants and far more are renting in the private sector. Owner occupation, which had been rising steadily for decades, flatlined in the 1990s and has been declining since 2001. There has been an even longer-term fall in the proportion of social rented housing, notwithstanding growth in the stock of affordable homes over the last four

years. These changes have resulted in the private rented sector growing significantly over recent years. It now houses 25 per cent of households, exceeding the number in social rent for the first time since the early 1970s.²⁸ On current trends, the proportion of owner occupation and private rent would be around the same at just under 40 per cent each by the mid-2020s.

Over 37 per cent of social sector households have dependent children, which is the highest percentage in any tenure and this has stayed fairly stable for many years. However, the proportion of private renting households with children has increased sharply, from 19 per cent to 29 per cent between 2001 and 2011, indicating a growing reliance on this sector by families.²⁹

1.6 London's acute housing need

There are significant challenges for those in the most acute housing need in the capital. After declining for several years, the number of households placed in temporary accommodation by London boroughs (see Figure 7) is increasing. Although low in historic terms, it is up by 14 per cent in the last three years. There has also been a twelve per cent rise in the use of bed and breakfast accommodation in the past year.³¹

The number of people seen sleeping rough in the capital rose by 13 per cent between 2011/12 to 2012/13, although the increase is slowing and foreign nationals comprise most of the increase. But the overall numbers of people living on the streets is low, with 75 per cent of rough sleepers seen only once.³²

Figure 7: Households in temporary accommodation³⁰

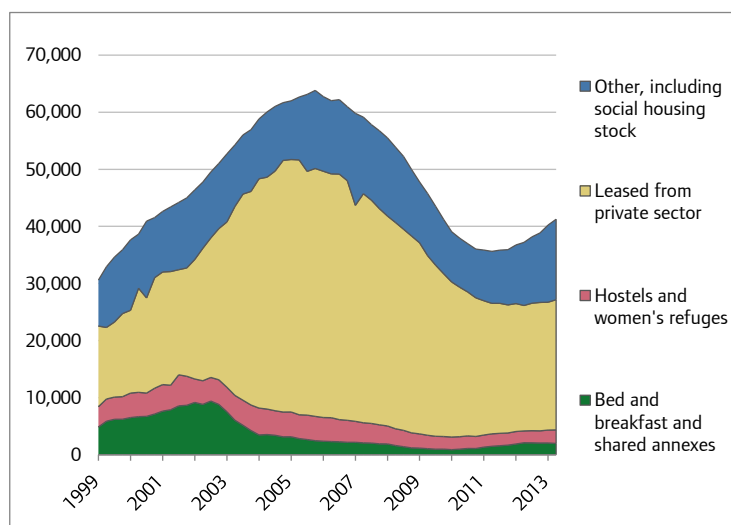
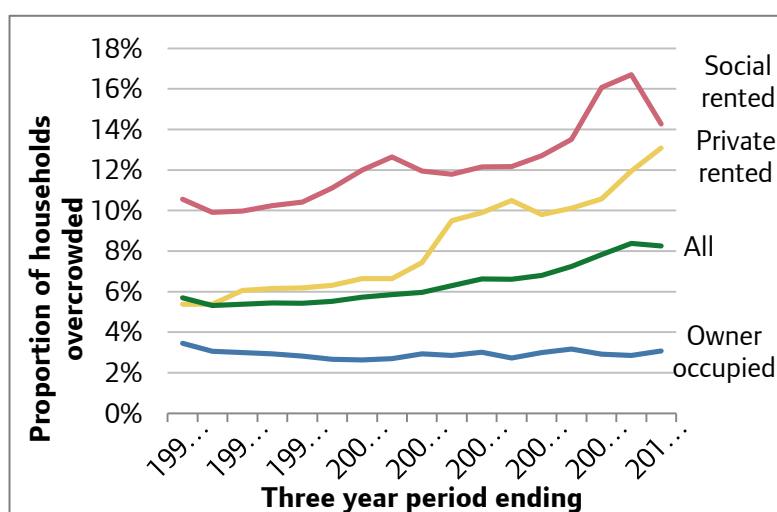


Figure 8: Proportion of households in London overcrowded by tenure³³



London has the highest rates of overcrowding in the country, with 255,000, or eight per cent, of all households lacking one or more bedrooms, compared to two per cent in the rest of England. This is up from five per cent at the end of the 1990s. Overcrowding rates are far higher in rented housing, with 14 per cent of social renting households and 13 per cent of private renting households overcrowded, compared to just three per cent of owner occupied households. Finally,

an estimated 1.6 per cent of social renting households are severely overcrowded, that is, they lack two or more bedrooms. This estimate has fallen from 2.2 per cent in the last year.³⁴

A full assessment of London's housing markets, including condition and need, can be found in the GLA publication, [Housing in London](#).

Supporting London's economy

1.7 Housing as essential infrastructure

High quality infrastructure is fundamental for a city to function effectively. Public transport, roads and utilities are all essential for economic growth, and so is high quality and plentiful housing. Economic growth will be stunted without the necessary investment in transport networks, but a shortage of suitable homes for London's workforce is just as great a barrier to growth. London benefited from major improvements to its transport infrastructure in the last decade, and the network will be further enhanced when Crossrail opens in 2018. However, Crossrail is expected to be operating at capacity as soon as it opens, and Transport for London is forecasting increased overcrowding on both road and rail networks in the coming decades, adding to the already significant economic costs of congestion.³⁵ It is therefore essential to reduce the load on transport networks by building more homes close to where jobs are situated, or are likely to be created in the capital's growth areas. It is also important to focus house-building where population growth is projected, rather than in parts of the country where there is less demand.

London is one of the most important business and financial centres in the world, with an economy nearly six times larger than that of Wales, two and a half times larger than Scotland's, and bigger than all but eight national European economies.³⁶ However, it risks losing its global competitive advantage as other international cities invest in their infrastructure. Like transport, housing needs a long-term funding settlement to enable a steady supply of homes, rather than the stop-start nature of recent investment rounds. Proposals for such a long-term settlement are discussed later in Part 4.

1.8 Building homes and creating jobs

London's growth is important for the economic health of the whole country. London makes a net contribution to the national Exchequer of between £10 billion and £20 billion per annum.³⁷ House-building creates jobs directly in construction and the related supply chains that extend far beyond London's boundaries. Housing construction supports more jobs per pound invested than most other sectors because it sponsors a range of related activity such as concrete production, and glass and brick manufacturing. Construction-related activity is also very largely sourced from across the UK. Every new home built creates two jobs for at least a year, and house builders are significant providers of apprenticeships.³⁸ Every £1 of investment in construction is estimated to generate a total of £2.84 in total GDP.³⁹ Housing construction, repairs and maintenance have accounted for an average three per cent GDP in the last decade.

Investment in affordable housing has additional benefits for the economy, often underpinning the delivery of market housing and thus creating more employment. The economic and social benefits of investment in affordable housing are greater in London than elsewhere, as affordable housing in the capital is used more intensively and the larger differential between its costs and private rents represents a bigger saving to the public purse from households claiming less in housing benefit. Developments in London also use less land per home, yet lever in more private funding to supplement the available public funding.⁴⁰

1.9 Supporting London's skilled workforce

Based on historical trends, employment in London is projected to reach almost 5.8 million jobs by 2036, an increase of 860,000 from 2011. These jobs are forecast to be highly concentrated, with 280,000 of these new jobs being within the Central Activities Zone, already an area with one of the highest jobs densities in Europe.⁴¹

This density of employment generates a range of benefits for firms and workers through what economists call 'agglomeration' impacts. The benefits include a deeper pool of talent, better matching between skills and jobs, and spill over effects such as the rapid spread of knowledge and innovation. Agglomeration helps to explain why finance, creative and hi-tech industries all cluster in certain parts of London, driving growth in both employment and wages. The benefits of agglomeration can be maintained and enhanced with investment in transport and housing to increase the size of London's labour market.

London's employment market provides an escalator effect for the whole country, enabling lifelong Londoners and newly arrived migrants alike to improve their skills and to increase their earnings at a faster rate than in any other part of the UK.⁴² A healthy supply of new housing is a critically important part of this dynamic. If affordability worsens, London could become a city of predominately higher earners.

It is estimated that half of all employment growth between 2010 and 2020 in London will comprise professional, senior manager or associated professional and technical jobs, accounting for around 80 per cent of all earnings. Although these earnings are forecast to rise faster than average incomes, there could be a total shortfall of between 50,000 and 90,000 homes for professionals in London over the next ten years. Failure to provide homes for this group could have a seriously negative impact on London's economy, estimated at up to £35 billion over the decade.⁴³

The cost of owner occupation in some parts of the capital means that much of it is already accessible to only a minority of Londoners. 80 per cent of the new build sales market is affordable to only 20 per cent of working households, and the average first time buyer is now in the top 20 per cent of London's household income distribution.⁴⁴ If the increase in house prices continues to outpace the growth in wages, these disparities will become more extreme over the coming years. Research indicates that the greatest shortfalls in supply relative to demand are in the low to mid-priced segments of the market.⁴⁵ These trends suggest that there is a need to expand both the range of products delivered and the number of places where they are built. There is also a need to make the intermediate housing market more flexible to aid mobility for working Londoners.

In addition to improving the mid-market offer, providing secure, high quality affordable housing to rent for those on the lowest incomes is also important. It reduces the demands on a range of public services, especially health care and social services and provides stability for future generations, improving educational and employment outcomes. Providing these homes within the capital enables low paid workers, who often deliver the services that support the London economy and make the city liveable, to live close to their jobs and so reduces travel costs and transport congestion. Investment in new homes with low rents for those who need them also represents better long-term value for taxpayers than meeting the high costs of market housing through housing benefit.

PART 2 SETTING THE AMBITION

Part 2 identifies the number of new homes that are necessary to meet newly arising and backlog housing needs over the long term and the market and affordable housing proportions. It sets out the aims of the 2015-18 affordable housing programme and the design standards expected for these homes. It also identifies ambitions to improve the quality and energy efficiency of existing homes.

Increasing the supply of new homes

2.1 Delivering homes of all tenures

Over the last ten years the overall level of new housing supply has averaged between 20,000 and 25,000 homes per annum. This is significantly more than over the preceding twenty years, but not nearly enough to meet London's housing needs. Over the Mayor's two terms, more than 100,000 new affordable homes to rent or buy will be built, providing good quality homes for around a quarter of a million Londoners, significantly more than any eight year period for some decades, but it is still insufficient to meet London's need for affordable housing.

The Mayor will use his full range of powers to get more homes built in all sectors and this will involve new initiatives to secure additional finance, bring forward the land for development and build the industry capacity to deliver these homes as set out in part four of this strategy.

2.2 An ambitious long-term programme for London

This strategy is fully consistent with, and should be read alongside, the policies in the Mayor's London Plan, and with the draft Further Alterations to the Plan published in January 2014. The London Plan sets out the Mayor's long term planning policies for London, and the draft Further Alterations amend the key housing policies in the London Plan to reflect new evidence on the requirement and capacity for new housing. The strategy sets out how the Mayor aims to deliver those homes and how the funding in the next investment round will be used to deliver these aims.

The 2013 Strategic Housing Market Assessment (SHMA), published alongside the draft Further Alterations to the London Plan, provides the evidence of London's requirement for new housing of each tenure and size to 2035. It takes into account the population and household growth discussed above, the affordability of different tenures, and the backlog of housing need due to long-standing under-supply. The total backlog is estimated at around 349,000 households, but only around 121,000 of these require additions to the housing stock. The others need a different size or tenure of home, but will free up their own home for another household when they move. So these households affect the mix of homes required but not the total number.

Taking all these factors into account, the SHMA identifies a requirement for around 48,800 new homes a year between 2014/15 and 2034/35, a significant increase on previous estimates of housing need, broken down by tenure and size in Table 1.

Table 1: Annualised requirement for new homes, 2014/15 to 2034/35

	1bed	2bed	3bed	4+bed	Total	% of total
Market	2,798	5,791	8,545	6,083	23,217	48%
Intermediate	3,357	2,240	2,506	1,799	9,902	20%
Social rent	10,225	1,003	1,774	2,720	15,722	32%
Total	16,381	9,034	12,825	10,602	48,841	100%

These figures assume that the backlog of housing need is fully cleared over twenty years, that all those needing affordable homes have their needs met and that overcrowding and homelessness are completely cleared. The SHMA also considers another set of results covering

just the ten years 2014/15 to 2024/26 and assuming that the backlog is cleared by the end of that period. Under these assumptions the annual requirement would be for around 62,000 new homes, due in part to higher household growth in these early years and in part to reflect the assumption that the backlog is cleared twice as fast.

The Strategic Housing Land Availability Assessment (SHLAA), also published alongside the draft Further Alterations, sets out the evidence on London's capacity for new homes, based on an exhaustive survey of allocated and potential housing sites carried out with the London boroughs. Taking into account both larger sites (over 0.25 hectares) and the expected supply from smaller sites, it finds firm evidence of capacity for 42,000 new homes a year between 2015 and 2025 within existing London Plan policies and constraints. There is scope for delivering significantly more, up to the 49,000 SHMA need figure, particularly if the density of new schemes in Opportunity Areas and town centres can be increased.

In summary, the evidence indicates that both London's housing requirements and its capacity for new homes have increased significantly, but that the need for new homes still significantly exceeds the capacity. Getting to 42,000 a year will be a huge challenge in itself, almost doubling current levels of supply, and this strategy sets out significant changes to existing models of housing finance and delivery to help meet that challenge.

As shown in Table 1, around 25,600 or 52 per cent of the estimated annual housing requirement is for affordable homes, comprising 20 per cent intermediate homes and 32 per cent for affordable rent. However, the vast majority of new affordable homes in London are part funded by public subsidy and any affordable housing target must be deliverable in the light of plausible future subsidy levels. The draft Further Alterations therefore set a target for an average of 17,000 new affordable homes a year over the life of the London Plan, a level significantly higher than either the previous target or the average supply in recent years. If further housing capacity in London is identified then the affordable housing element of supply would also be expected to rise proportionately.

For the 2015-18 investment round, this strategy sets a target of 45,000 affordable homes, a number determined partly by the level of funding that we know to be available and in the knowledge that overall levels of supply will take time to build-up. This represents an increase of approximately ten per cent compared to the 2011-15 investment round.

2.3 Delivering a better mix of homes

As well as building at least 42,000 homes a year, it is essential to deliver homes suitable for those across the income spectrum. Given the SHMA identified a serious deficit in housing supply in the mid-market, there needs to be a better balance of housing products beyond the traditional split of homes for market sale and for social rent. This improved mix of products could also attract new providers and forms of finance to help to diversify and better balance London's housing market.

Londoners in the highest income brackets are able to meet their housing aspirations without any state assistance. At the other end of the scale, social rented housing still accounts for nearly a quarter of all existing homes, a figure that rises to one third in inner London.⁴⁶ Yet just 1.3 per cent of London homes are low cost home ownership, despite this emerging as a highly relevant new tenure for those priced out of mainstream owner-occupation.⁴⁷ The evidence in the SHMA shows that this tenure is seriously under-supplied given the increasing pressures facing modestly paid households.

The average first time buyer is now in the top 20 per cent of the household income distribution, with those on low and middle incomes struggling to afford new homes outside the rented sector. This latter group must be a greater priority in future funding plans. Home ownership has many benefits for the owner and for the wider community. It enables people to accumulate an asset which they can pass on to their children or use as equity during financial difficulties and avoids the state needing to meet housing costs after retirement, potentially an enormous burden in the decades ahead as more people live for longer.

The downward trend in owner occupation is therefore a concern. In response, the government has launched the two-part Help to Buy scheme: the new-build equity loan scheme that has been available since April 2013 and the mortgage guarantee scheme launched in October 2013. The scheme is open to both first time buyers and existing owners to buy homes valued at up to £600,000, and does not have an income limit for eligibility. This is helping to get more homes built and more households to buy, but there needs to be more support specifically for those on low to middle incomes. Building on the successful First Steps programme and the Mayor's commitment to help 50,000 Londoners over two terms, affordable housing investment in future programmes should shift towards a greater supply of low cost home ownership homes. While capital investment is critical to promoting the growth of intermediate housing, policy reform is also needed to create a more flexible market, as set out in section 3.2.

Equally important is providing good quality homes to rent. To encourage the significant increase in the supply of new market homes that is needed, the Mayor will seek to ensure that private developers and registered providers build at least 5,000 long-term private rented homes a year. Any scheme of more than one phase should ideally build private rented homes that remain available in that sector for an extended period, preferably through a covenant mechanism that prevents them being sold. Local planning authorities are encouraged to take into account the impact on viability of such an approach for relevant planning applications. This strategy is the first to set a target for purpose-built rented homes as part of its target for 42,000 homes per annum as set out in section 2.3.

Traditionally, affordable housing has not delivered a product explicitly designed for low income working households. While many middle income Londoners struggle to find a decent affordable home to rent in the open market, they do not necessarily need rents as heavily subsidised as target rents for social housing. Providing homes for these households, with rents set above target rent levels but below market rents – defined here as 'discounted' rents, will greatly reduce the subsidy needed for these homes and so get more homes built. Ensuring these homes are provided for low and middle income working households will give providers greater certainty over their viability and will provide a rented offer to complement the continued provision of low cost home ownership products. Alongside this approach, providing rented homes for those on very low incomes, particularly families who are reliant on benefit support, remains a priority. Given very high rents in the market sector, the Mayor will support the provision of homes at lower rents for this group – defined here as 'capped' rents.

2.4 The 2015-18 affordable housing programme

Affordable housing includes affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. The current average annual household income of those who access affordable homes for rent is £12,000 and £37,000 for low cost home ownership products.⁴⁸

The Mayor's aim is to deliver a balanced programme that supports low paid working households who would otherwise face punitive costs in the private rented sector, as well as providing a

safety net for those in the most acute need. In the 2015–18 programme the GLA will fund a more differentiated affordable rent product that reflects the needs of both these groups. This will comprise some delivery at low rents targeted at those most in need, balanced with some homes rented at a lower level of discount relative to the market targeted at low income working Londoners. This will deliver better value for money and increase supply by greatly reducing the overall need for public subsidy, compared to the delivery of homes at very low rents alone.

For the 2015–18 period the Mayor has introduced an opportunity for boroughs to have much greater influence over the delivery of GLA funded affordable housing while maximising affordable housing supply. Work is ongoing with boroughs, through their strategic planning and enabling roles, to agree a framework to guide the operation of the programme in their areas. Contracts to deliver the affordable housing programme will be negotiated with providers on a flexible basis, guided by these local frameworks.

The Mayor will seek to deliver 45,000 affordable homes over the 2015–18 investment period, in a programme that will deliver the London Plan affordable tenure mix of 40:60 intermediate:rented homes.

The forty per cent that is intermediate housing will primarily be flexible low cost home ownership products. This will be a mixture of shared ownership, shared equity, rent-to-save, or other intermediate models, depending on the financial circumstances of individual households. Eligibility for these homes will be based on existing First Steps criteria as set out in section 3.2. Over the longer term, the ambition is to double the number of First Steps homes by 2020, and double again by 2025.

The sixty per cent that is affordable rent is expected to be split equally between two housing offers, within this there is scope to agree local variations, full details of which are set out in the funding prospectus.

There will be homes ‘capped’ at low affordable rents, intended to meet the needs of a range of households including downsizers, households affected by estate regeneration and those in need of long-term support. For the purpose of this investment period only, and for this part of the programme, the Mayor will promote smaller homes specifically to enable moves by under-occupying households affected by the social sector size criteria, thus unlocking a greater supply of existing larger properties. Boroughs are encouraged to give greater priority to under-occupying households for these homes.

The balancing number of homes are expected to be at ‘discounted’ rents, set at the lower of up to 80 per cent of market rent or the local housing allowance. All households nominated to ‘discounted’ rented properties should be unaffected by the total benefit cap and the Mayor would like to see these primarily aimed at low income working households. Boroughs will have flexibility on nominations as long as these give providers much greater certainty over the rental stream and consequently the viability of the product. While ‘discounted’ rent is not an intermediate rented product, it is aimed at helping low income working households who would otherwise face higher rents in the private rented sector and could therefore also be more reliant on housing benefit to meet their housing costs.

2.5 Family-sized housing

Increasing the availability of larger properties to relieve overcrowding remains a high priority for the Mayor, but overcrowding cannot be addressed solely by building larger homes; the new homes that are built and the existing social homes also need to be used as effectively as

possible. This is why the Mayor has a three pronged approach: supporting mobility so that people who are under-occupying can downsize and free up properties for households who are over-crowded; making funding available for substantially larger homes (four bedroom plus) in the 2015-18 programme; committing to a long-term aim to deliver larger family sized homes in line with the SHMA.

The funding prospectus seeks to increase the supply of affordable housing and the provision of new high quality smaller homes for rent to encourage people to move from under-occupied family sized homes. It seeks bids for 36 per cent of 'discounted' rented homes to be three bedroom or larger and where there is a specific local need, providers are encouraged to make provision for even larger homes, of four or more bedrooms. The GLA will review and report on the impact of this policy. As under-occupation is addressed the Mayor will focus investment in future programmes on a greater proportion of larger homes in line with the 2013 Strategic Housing Market Assessment.

Part 3 sets out further details about improving the intermediate housing offer (3.2), priority for affordable housing allocations (3.5) the use of fixed-term renewable tenancies (3.6) and the Mayor's plans to alleviate overcrowding (3.10).

Further detail on the affordable housing products, programme requirements and the process for bidding is contained within the [2015-18 Mayor's Housing Covenant Funding Prospectus](#).

Policies: Increasing the supply of new homes

- P1** The Mayor will work with partners to increase supply to deliver the London Plan target of 42,000 homes per annum. This will comprise:
- 25,000 market homes;
 - 17,000 affordable homes to rent or buy;
 - 5,000 of the market homes will be for purpose-built long-term private rent, particularly on schemes with more than one phase.

These targets will be monitored in the GLA's Annual Monitoring Report.

- P2** In the 2015-18 investment period the Mayor will deliver 15,000 affordable homes per annum. This will comprise:
- forty per cent for low cost home ownership
 - sixty per cent for affordable rent comprising 'capped' rent and 'discounted' rent products with the latter intended to be prioritised for low income working households.

These targets will be monitored in the GLA's programme monitoring statistics and Department for Communities and Local Government statistics.

- P3** The number of First Steps homes delivered in the capital will be doubled by 2020, and doubled again by 2025, helping 250,000 Londoners into home ownership.

- P4** To deliver homes to tackle overcrowding the Mayor will:
- support mobility so that people who are under-occupying can downsize and free up properties for households who are over-crowded;
 - make funding available for substantially larger homes (four bedroom plus) in the 2015-18 affordable housing programme;
 - commit to a long-term aim to deliver larger family sized homes in line with the Strategic Housing Market Assessment.

The GLA will monitor the impact of the 2015-18 programme on increasing the availability of family sized housing.

Improving design

2.6 The Mayor's Housing Standards

It is not just the number of homes that are delivered that matters. London also needs high quality homes that perform well for their occupants, that stand the test of time and that complement London's rich architectural history. London has a proud tradition of excellent housing that includes merchants' houses gracing Georgian squares, the suburban Victorian terrace, Edwardian mansion blocks and plenty of high quality modern housing, all of which successfully blend elegance with functionality. The Mayor's London Housing Design Guide, as adopted through the Housing Supplementary Planning Guidance, encourages a new London vernacular that draws on historically successful urban housing without imposing any singular architectural style. The guide is already having a major influence on the quality of new building in London as it seeks to create attractive homes and neighbourhoods, without segregation by type or tenure.

The Housing Design guide focuses on standards to improve the internal design of new homes and sets out minimum space standards (broadly equivalent to ten per cent larger than the historic Parker Morris standards) including ceiling heights, room sizes and levels of usable integrated storage. It recognises that in higher density developments it is important that internal design is integrated with the immediate residential environment and includes provision for private amenity space such as generous balconies for residents without gardens. The guide also gives consideration to the wider urban environment, the layout of blocks, and the relationship to other uses, which can assist in making successful neighbourhoods. The design guide has also reduced the burden on developers by rationalising the number of requirements to which they must refer from more than 300 to 90.

New dwellings should be fully functional and accessible for residents, including those with disabilities, at all stages of life. The guide's minimum space standards ensure that homes have the long-term adaptability to suit changing circumstances as people age, families grow and new occupants arrive. The ability to quickly and cheaply adapt a home when circumstances change is particularly important in an ageing society so that people can maintain their quality of life, remain independent and stay in their own homes for as long as possible. To ensure this happens, the London Plan stipulates that all new homes should be built to Lifetime Homes standards and that at least ten per cent should be wheelchair adapted or easily adaptable. Section 3.10 sets out more details about housing for older people.

The design standards have been successfully adopted as planning policy through the London Plan. They are the first design standards to apply to new homes across all tenures and have been incorporated into the specification of all major house builders and registered providers operating in the capital. All bids from providers for the 2015-18 programme must be based on full compliance with the design standards. The Mayor recognises that the government has set out a new approach to housing standards in its Housing Standards Review and will continue a dialogue with Government as the outcomes of its Review are implemented to ensure appropriate space standards, environmental standards and homes that are accessible and adaptable for people at all stages of their lives in London.

Innovative building approaches are required to achieve the Mayor's ambition of doubling the number of new homes built each year. The Mayor will therefore look to support modern methods of construction, particularly on schemes where the GLA owns the land. With shortages reported in bricks and skilled labour, this could help ensure a faster rate of building. New building forms could play an important role in some of the new products the Mayor would like

to see, including those targeted at young people living independently (see section 3.9). The Mayor also envisages that modern methods of construction could enable some small to medium-sized business to enter London's housing market, in some cases as outright developers and in other cases as suppliers to existing developers.

Policies: Improving design

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| P5 | All new homes should be built to the London Housing Design Guide standards, as set out in the London Plan Housing Supplementary Planning Guidance. |
| P6 | New homes should be built to Lifetime Homes standards, with at least ten per cent wheelchair adapted or easily adaptable. |
| P7 | The Mayor will include innovative approaches to design, including modern methods of construction. |

Improving existing homes and estates

2.7 Retrofitting and improving energy efficiency

As well as improving the design of newly built homes, the Mayor is committed to a targeted programme of retrofitting and upgrading the capital's existing housing stock. The new homes delivered in any year will only ever be a small fraction of London's overall housing stock and it is therefore essential that the quality of existing homes across all tenures is maintained and, where necessary, improved. London's housing stock is relatively old compared with the rest of the country, with 15 per cent of it dating from the nineteenth century or earlier, and over half from before the 1940s. Just ten per cent of homes date from 1991 onwards.⁴⁹ This has implications for stock condition and energy efficiency because older homes are more expensive to maintain or upgrade to modern standards.

Despite these challenges, London is a relatively low-carbon city and has significantly lower per capita carbon emissions than the rest of the country, which have fallen by over 20 per cent since 2000. Notwithstanding this, London's domestic buildings remain a major source of the city's overall carbon emissions at 36 per cent (excluding aviation).⁵⁰ This is a particular issue for private sector homes, which tend to be significantly less energy efficient than more recently built affordable homes.⁵¹

Established in 2009, RE:NEW is the GLA's domestic retrofitting programme, and has already improved the efficiency of over 103,000 homes, saving over 24,000 tonnes of carbon and providing significant savings on energy bills. Unfortunately however, London received only six per cent of the total UK insulation installations, much less than London's share of the total housing stock of roughly twelve per cent.

To increase retrofit numbers under the government's Energy Company Obligation (ECO) and Green Deal schemes, the RE:NEW programme has put in place measures to assist all large landlords in London to identify works that can be carried out to their stock, procure the works, access finance and manage contractors. With the anticipated provision of £2.6m of funding from the European Investment Bank's ELENA programme this would continue until at least 2016, maintaining the momentum for the successor ECO arrangements. The Mayor is keen to expand retrofit activity to operate across more strategic programme areas, or even whole boroughs. The Green Deal represents an innovative way to finance energy efficiency works which saves money for individual households. The Mayor will continue to promote the opportunities that the Green Deal offers to Londoners across all tenures. As Table 1 shows, the projected rate of delivery in London is therefore expected to increase significantly over the next three years.

Table 2: Domestic CO2 reductions enabled by GLA to 2015

	Delivered to date	Projected		
		2014/15	2015/16	2016/17
RE:NEW (homes)	24,005	26,000	32,000	35,000

The Mayor will work with partners towards the environmental retrofitting of all London's affordable housing 2020. This would help London's poorest households stay warm and reduce costs, and will lead the way for all of the remaining stock to be retrofitted by 2030, saving up to 600,000 tonnes of CO2 per annum.

Retrofitting in the private rented sector has always been challenging, but the Mayor remains committed to seeing progress. The GLA's RE:NEW programme will provide support to landlords

in the private rented sector and the Mayor is supporting a bid to the Department of Energy and Climate Change to drive retrofitting in this sector. Through the London Rental Standard, the Mayor will also look at ways to support private landlords to improve their stock and meet new legislative requirements that will restrict the selling and renting of properties with low EPC ratings.

2.8 Upgrading the housing stock

Alongside some of the country's finest housing, London has some of the worst housing conditions, and this has a direct impact on people's quality of life, their health and educational attainment. In 2011, 22 per cent of homes across all tenures in London were estimated to fall below the Decent Homes standard.⁵² To tackle the backlog of improvement works for council homes, the Mayor secured £821 million in the 2011-15 spending round period for boroughs to improve the condition of 45,000 homes. However, even after this investment, London will still have eleven of the 13 local authorities in the country where more than ten per cent of their homes do not meet the Decent Homes standard.

The government has recently announced that it is extending the programme into 2015/16. The GLA is likely to receive around 90 per cent of this newly available funding and will invest up to £145 million to bring around 9,500 homes up to the Decent Homes standard. This additional funding should put all London borough landlords in a position to resolve their Decent Homes backlog independently. As well as addressing fuel poverty through reduced energy bills, improving the quality of life for residents and contributing to environmental improvement, Decent Homes works create jobs and local economic activity. It is estimated that every £1 invested through the programme generates local spend of £1.46 through orders to local tradespeople and suppliers⁵³, and every £1 million of investment creates an additional sixteen jobs.

The Mayor will make it a condition of funding that all borough landlords in receipt of Decent Homes monies should also have detailed plans for environmental improvement of their homes and where possible carry these out alongside GLA-funded works.

The Mayor welcomes the financial protections the Government is consulting on with regard to a cap to the service charge contribution of leaseholders for Government-funded works, but will also work to ensure additional protections are in place for leaseholders. In the assessment and management of the 2015/16 Decent Homes programme, and for all domestic retrofit programmes, the Mayor will want to see that the financial impacts on leaseholders are considered and borough landlords will be encouraged to offer appropriate support to their leaseholders. The strategy sets out a suite of policies to address the wider concerns of leaseholders in section 3.4.

The Mayor is bringing together the GLA's retrofit and stock upgrade work into a comprehensive, joined up approach to renewing estates, building on previous work on Decent Homes Plus. For some social housing estates, redevelopment and intensification may be the most appropriate solution to upgrading the housing stock and where this is the case the Mayor will consider investing in estate regeneration projects. This is explored in more detail in section 4.8.

2.9 Empty Homes

Empty homes are a wasted housing resource and can often be a blight on neighbourhoods. Fortunately, the proportion of London's homes that have been empty is the lowest since the 1970s and has fallen by 12,000 since 2008.⁵⁴ Just 0.7 per cent of the total stock has been empty for over six months⁵⁵ and, with relatively small public investment, many of these could be brought back into use.

The Mayor is committed to maintaining the historically low level of empty homes and since 2008 around £75 million has been invested in London to enable over 6,000 empty homes to be brought back into use by 2015. Due to the historically low levels of empty homes there will be no specific empty homes programme in 2015-18 but providers are encouraged to bid for funding, through the affordable housing programme, to bring empty homes back into use as affordable housing. Bids are especially encouraged from boroughs that can match this investment with use of their existing powers and resources.

The Mayor is keen to see that all London homes are occupied whether new build or existing homes and encourages boroughs to make use of the freedoms available under the Local Government Finance Act 2012 to increase council tax on properties empty for two years or more by 50%.

Policies: Improving existing homes and estates

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| P8 | The Mayor will work to retrofit all poorly insulated home in London by 2030, including through his RE:NEW programme. |
| P9 | The Mayor will work with partners towards the environmental retrofitting of all London's affordable housing by 2020. |
| P10 | All London boroughs should be in a position to independently resolve their Decent Homes backlog by 2016. |
| P11 | No more than one per cent of homes in London should remain empty for more than six months. |

PART 3 FULFILLING THE COVENANT

Part 3 sets out how to make best use of the new homes that will be built. It sets out the principles behind the Mayor's Housing Covenant as a framework for supporting London's workers and for rethinking policies on intermediate housing, the private rented sector and affordable housing allocations. It also makes proposals to improve the offer for both older and younger Londoners and meet a range of acute housing needs, including those sleeping rough and those living in overcrowded homes.

Supporting working Londoners

3.1 Re-defining need

Alongside the overarching need to build many more homes is the question of who should benefit from the new homes that are built – especially those constructed through public subsidy. With rents and house prices rising, many Londoners are struggling to find a home they can afford. They are often locked out of home ownership, living in inappropriate or poor quality private rented accommodation or forced to flatshare, because they are unable to set up home on their own. As the Shelter Report ‘Homes for Forgotten Families’ argues: *“We need a lot more shared ownership, and it needs to operate much more like the mainstream market”*⁵⁶. The Mayor agrees with their analysis that, alongside a continued commitment to helping those in the most acute housing need, more priority needs to be focused on the working households that are the backbone of the economy, but who cannot afford to meet their housing aspirations in the capital.

In 2012, the Mayor launched his Housing Covenant which set out a package of housing support for those who contribute through hard work to London’s economic success. That is why the strategy sets out to improve affordable home ownership and private rented sector options and make best use of affordable homes to rent.

3.2 A more structured intermediate market

London is a city where most areas are home to diverse communities on a wide range of incomes. In recent years, however, a growing proportion of London’s workforce that would have traditionally expected to access home ownership now finds itself locked out by high housing costs in many areas. The top end of the market continues to boom, while at the other end, the supply of affordable housing has been sustained. But in the middle market, where most of the unmet demand exists, the deficit in supply has grown. There are an estimated 420,000 households in London’s private rented sector, earning between £10,000 and £40,000 per annum, increasingly unable to access home ownership.⁵⁷ Improving affordability for these households is essential as they are crucial to the capital’s economy and services. Intermediate housing products are set to become a more important part of London’s housing offer and with this they are likely to be seen as a market in their own right. Intermediate products play a valuable role in helping people who cannot afford to buy outright in London’s housing market, with the average household income of purchasers being about £ 37,000 per annum.⁵⁸

Through First Steps, the Mayor launched a highly ambitious intermediate housing programme that has delivered 22,000 intermediate homes and helped 35,000 Londoners gain a foothold on the housing ladder since 2008 as part of a target to assist 50,000 Londoners through First Steps. The first [Housing Covenant](#) document built on this success by introducing a number of policy changes to streamline and improve the intermediate housing market.

This included introducing the “flexible home ownership product”, which enables buyers to find the home they would like and then agree the most appropriate form of intermediate housing financial package. It allowed equity loans to be transferred to another intermediate home for households that still fall within the London income thresholds for First Steps, thereby supporting mobility and creating a more mature intermediate market. It also broadened eligibility for First Steps homes; to be defined by income rather than narrow employment categories and extended eligibility to existing households in intermediate housing as well as first time buyers. It set out differentiated household income thresholds for eligibility for smaller homes and for larger homes for families.

Building on these changes the draft Further Alterations to the London Plan amended policy to treat intermediate homes as a pan-London resource, by ensuring that homes are available to all Londoners meeting headline First Steps eligibility criteria, where there is insufficient local demand during a specified period. Finally, to reduce unnecessary bureaucracy for consumers, the First Steps Agents service was replaced with an enhanced pan-London website service. The single portal acts as a one-stop-shop for Londoners to view properties and to access information about their housing options, as well as enabling partners to market intermediate homes. The service is provided by a private sector partner at nil cost to the public purse, representing a saving of £700,000 per annum to the taxpayer.

These policies, alongside the draft Further Alterations to the London Plan, clarified eligibility for First Steps homes in London. That is:

- Households on incomes set out in the London Plan intermediate income range, and updated annually in the Annual Monitoring Report, currently no more than £66,000 per annum, or £80,000 per annum where it is a family buying a 3 bed or larger home.
- Households that live or work in London, with priority in the first instance being given to members of the armed forces and those in social rented housing.
- Households that are first time buyers or are existing occupiers of intermediate housing.

Local criteria that further restrict eligibility by occupational definition, income level, or local connection are discouraged, but where boroughs choose to do this through planning policy, these should apply for no more than three months from initial marketing.

Alongside the policy review, the Mayor launched a fund of up to £100 million to stimulate new intermediate housing supply and products. The Mayor remains committed that the returns from this fund realised by the GLA over the next ten years will be reinvested into further affordable home ownership. The Mayor's Housing Covenant fund now totals £300 million.

The response from the housing industry to these policy changes and the additional funding has been overwhelmingly positive. The Mayor will continue to work with partners to explore how the intermediate housing offer can be further improved. The 2015-18 programme will seek to increase the number of low cost home ownership homes and over the longer term the Mayor will aim to double the number of new intermediate homes by 2020, and double this again by 2025, helping an estimated 250,000 Londoners. There is potential to accelerate delivery on large sites through this model with huge benefits for working Londoners who are currently squeezed out of home ownership. The policy changes set out above should also help to make intermediate housing a more attractive investment proposition for financial institutions and others.

It is not just new homes that have the potential to offer an equity stake to their occupants. The London Borough of Hammersmith and Fulham is developing a right to part buy scheme that offers the sitting tenant the opportunity to buy a share of their home. The Mayor supports the roll out of this kind of scheme across the capital and will fund housing associations to offer such schemes to their tenants.

The introduction of fixed-term tenancies means that landlords will need to offer support, and possibly alternative housing options, to households whose tenancies are coming to an end. Purchasing a stake in the property at the end of the fixed-term could offer long-term security of tenure that would not otherwise be available and should be actively considered as an option by social landlords.

3.3 Supporting home ownership

The primary means of supporting the aspiration of Londoners on low to middle incomes to become home owners is through First Steps. In addition to supporting the Help to Buy initiative which enables those who can afford a mortgage but who cannot raise the deposit to get on the housing ladder, the Mayor will press mortgage lenders to increase competition in the lending market for intermediate housing. The Mayor will continue to work with the Council of Mortgage Lenders and individual lenders to develop specific products for London's intermediate housing market.

Those who are buying on the open market without financial assistance from the public purse, particularly first time buyers, also deserve support to realise their aspirations, as do existing owner occupiers, who make up half of all Londoners. Over the last few years we have seen stable interest rates and the Mayor would encourage stability of interest rates over the longer term to provide certainty for home owners and developers.

The current development market in London relies heavily on pre-sales, where the time between securing a mortgage offer and actually taking ownership is a lot longer than for purchases of existing homes. This puts potential UK owner occupiers at a disadvantage against overseas investors, as most UK mortgage offers expire after three to six months. The Mayor will press mortgage lenders to offer nine month in-principle mortgage approvals in London. On the 20 January 2014, Leeds Building Society extended the length of its mortgage offers to six months from three and the Mayor looks forward to the remainder of the industry responding positively.

The Mayor also wants to ensure that Londoners looking to purchase new homes are not disadvantaged compared to overseas investors, through the way that new homes are marketed. To ensure this, the Mayor has agreed a concordat with the development industry to stop the marketing of properties overseas in advance of giving London purchasers the chance to reserve homes. The Concordat is already supported by London First, London Chamber of Commerce and the Home Builders Federation and is signed by 60 large and small developers in London.

3.4 Improving the experience of private sector leaseholders

Given the high proportion of flatted properties in the capital, residential leasehold tenure makes up a significantly high proportion of London's housing market, with the majority in the private sector. Estimates of the number of private sector leaseholders in London vary from 500,000⁵⁹ to 1.5 million⁶⁰, with the average service charge in the private sector standing at around £1,800 - £2,000 per annum.⁶¹ Evidence to the London Assembly suggests that London residential leaseholders in the private sector are disproportionately impacted by excessive charges, bad practice among freeholders and their agents and by the barriers to achieving the right to manage.⁶² In response, the Mayor is committed to lobbying Government for legislative and other changes that will improve the experience of private sector residential leaseholders in the capital.

Residential leaseholders can often avoid unnecessary and unfair charges and reduce service charges by achieving the right to manage the block and appointing their own managing agent. But this can be a complex and time consuming process, which is further frustrated in London by the fact that many leaseholders are also absent landlords. The Mayor will lobby the Government to amend the legislative requirement that fifty per cent of all leaseholders must vote in favour of the right to manage, to fifty per cent of those leaseholders who respond to the opportunity for self-management once it is presented. The Mayor will also lobby the Government to

consider the removal, or amendment, of the requirement that 75 per cent of a building must be residential, as this is also a disproportionate barrier to achieving the right to manage in London, with its higher proportion of mixed use developments.

A key factor in many disputes between residential freeholders, managing agents and leaseholders is the separation of the responsibility for determining costs and the responsibility for paying them, inherent in service charges. The Mayor will lobby the Government to improve the system for redress and dispute resolution for private sector residential leaseholders, to review how leaseholders can better challenge undue costs and to extend the provision of lower cost or free mediation services.

The relationship between freeholders/managing agents and leaseholders is open to abuse but, unlike most other services where consumers can 'switch' providers relatively easily, this is not the case for leaseholders. Many have made a significant financial commitment to their property and for many moving is not an easy or realistic option. The Mayor will thus lobby Government to consider the introduction of statutory regulation into this industry to ensure leaseholders have the protection they need against excessive, unclear or unfair charges. But any such regulation should be balanced with the financial and administrative burden to the industry, additional costs to the customer and the risk of deterring entry into the industry.

Policies: Supporting working Londoners

A more structured intermediate market

- P12** The Mayor will fund providers to deliver the flexible home ownership programme, which enables households to choose a First Steps home and then agree the appropriate financial package.
- P13** The Mayor will allow investment in equity loans to be transferred to a different property for households that fall within the income thresholds for First Steps.
- P14** Intermediate homes funded by GLA programmes should be made available to all Londoners meeting the First Steps eligibility criteria. Any local criteria that restrict eligibility by occupational definition, income level, or local connection should apply for no more than three months from initial marketing.
- P15** The Mayor will provide funding to housing associations who wish to offer tenants the right to part-buy.
- P16** The Mayor will encourage more participants and competition in the intermediate mortgage market, particularly for shared ownership and will work with lenders to create specific products.

Supporting home ownership

- P17** The Mayor will lobby Government for changes that will improve the experience of private sector residential leaseholders in London, including amendments to the legislative requirements for a vote in favour of the right to manage, improvements in the system for redress and dispute resolution and consideration to the introduction of statutory regulation of managing agents.
- P18** The Mayor will work with the Council of Mortgage Lenders to encourage lenders to extend in-principle mortgage approvals.

3.5 Improving the private rented sector

The private rented sector plays a vital role in supporting London's economy. It is the tenure that almost all adults in London experience first, offering choice and flexibility to both new entrants to the labour market and young people leaving home. A quarter of London's households are now private tenants, almost double the number of two decades ago, and the highest level since the early 1970s and the demographic of London's private rented sector is changing; people are renting for longer, and there are increasing numbers of families with children.⁶³ Therefore a more professionalised sector with increased protection for tenants is essential.

The Mayor has set out an ambitious range of policies on the private rented sector: increasing supply, improving quality of the stock and raising management standards. The proposals for increasing supply through a purpose-built private rented sector are dealt with in part 4. This section sets out a 'new deal' for tenants that includes professionalising landlord management, raising the standards of lettings agents, encouraging longer-term tenancy agreements, supporting tenants with deposits and improvements to stock condition. Additional proposals on retrofitting private rented sector stock are covered in section 2.7 above.

Although private renting tenants have relatively high levels of satisfaction,⁶⁴ there are problems in parts of the sector. Most landlords offer a good service to their tenants – but many are not professional landlords and could benefit from support to better understand their responsibilities. This is the core aim of the Mayor's target to extend voluntary accreditation under the London Rental Standard. At the same time, there is a small minority of landlords who provide unacceptably poor homes and management and there could be much tougher enforcement action at a local level. The Mayor has committed to work with central Government to support more effective enforcement in this part of the sector by the London boroughs, who have the statutory responsibilities, powers and resources to tackle these landlords.

In December 2012, the Mayor published his [Housing Covenant for private renters](#). The centrepiece was the ambitious London Rental Standard, the final version of which was published in July 2013. Developed by the Mayor, in collaboration with accrediting organisations and boroughs, it sets the benchmark for the standards that are expected of landlords and letting agents. The London Rental Standard is not an accreditation scheme in its own right, but sets the framework for other accreditation schemes in the capital. All the accreditation schemes that are compliant with the London Rental Standard will be allowed to issue their members with a "single badge" of accreditation to help create consistency across the sector. The Mayor will also be running a major publicity campaign to drive take up of accreditation.

The purpose of accreditation is that it gives certainty to tenants about the standards that they can expect, reduces the risk of litigation for landlords, and generally improves the knowledge and professionalism of the sector. Building on the success of more than doubling the number of accredited landlords and agents since 2008, the Mayor has set a target to achieve 100,000 accredited landlords and agents by 2016. As with other self-regulatory markets, it is vital that the industry leads the drive to improve standards through attracting more landlords and agents to take up accreditation. The Mayor is working with all the major landlord and letting agent industry bodies, as well as local authorities and organisations that represent the interests of tenants, like Shelter, to create a workable and effective system. To help with this the Mayor will also be working with commercial sponsors to offer incentives to landlords, such as discounts on goods and services, to offset and provide benefits over and above the modest cost of undertaking accreditation. The Mayor will lobby Government for housing benefit to be paid direct to landlords who are accredited.

The Mayor is keen to see landlords testing new and innovative tenancy agreements that will deliver more certainty for tenants. The assured shorthold tenancy regime is flexible enough to accommodate longer tenancies, as well as more certainty over rent increases. Some larger landlords are already providing this, such as Get Living London at East Village and Genesis at Stratford Halo, both supported by the GLA. All those developing purpose-built private rented sector homes under the Build-to-Rent fund will be expected to offer an option of longer tenancies.

Along with landlord management standards, it is also important to improve the quality of lettings and management agents. The Mayor called for and welcomes amendments to the Enterprise and Regulatory Reform Act 2013, which give the Government the power to require all lettings agents to be members of an independent redress scheme⁶⁵ and supports the ruling by the Advertising Standards Agency that requires all lettings agents to publish details of up-front, non-optional fees.⁶⁶

The Mayor strongly supports the Government's plans to improve the lettings agent market, but believes that voluntary accreditation, including through the framework of the London Rental Standard, needs to be given time to succeed before further regulatory measures are considered.

Case study 1: Get Living London, East Village⁶⁷



Get Living London, the brand name for the joint venture between Qatari Diar Real Estate Development Company and Delancy (QDD), is offering new private rental homes at the East Village. A significant proportion of the homes which made up the Athletes Village were acquired and now 1,439 homes have been made available for private rent, a unique example of a long-term commitment to London's private rented sector from a professional and long-term investor. This commitment is reflected in the longer tenancies that will be offered, for up to three years, with options to downsize or upsize as a tenant's situation changes, and transparency of rental fees. Tenants started moving into homes during Winter 2013.

Alongside improving management, it is necessary to promote better property standards. Although most homes in London's private rented sector are of a good standard, 30 per cent fall below the Decent Homes benchmark – the highest proportion of any tenure.⁶⁸ Reasons for this include the age and nature of much of London's privately owned stock, but it is also because some private landlords lack the skills and knowledge to manage their portfolio professionally. A range of legislation is in place giving local authorities powers to enforce minimum standards. Boroughs and accrediting organisations are encouraged to share data on landlords who are accredited under the London Rental Standard, thereby helping boroughs to focus their efforts on non-accredited landlords, instead of those who are already committed to improving their standards.

The Mayor is also committed to supporting boroughs in tackling poor quality at the bottom end of the market, which blights communities and the health and wellbeing of tenants. Sub-standard practices and the actions of a small minority of negligent and even criminal landlords adversely affect the reputation of the whole sector. The Mayor is represented on the national 'beds-in-sheds' taskforce and will be making the case for further measures, including advice to magistrates to maximise fines for criminal landlords. The Mayor is working with central Government on recommendations to improve the Housing Health and Safety Rating System

which is used to assess hazards. To support this the Mayor is advocating higher fines for criminal landlords found to be in breach, mandatory disclosure of other rented properties for convicted landlords and for local authorities to keep a proportion of fines, ring-fenced for enforcement work, to help them tackle poor conditions in the private rented sector.

Finally, the Mayor is concerned about the problem of high deposit requirements in the private rented sector, and the impact that this might have on London's businesses in recruiting and retaining staff. The Mayor is working jointly with Shelter to encourage employers to give staff loans of up to £5,000 to cover rental deposits, analogous to season ticket or bike loans. The GLA will be offering this to its employees, and will encourage major employers in the capital to do likewise. The Government's decision to increase the exemption threshold for employment-related loans from £5,000 to £10,000 will increase the impact of this offer. In addition, large employers will be encouraged to invest in low cost homes to reduce the costs of housing for their employees or entrepreneurs from other sectors.

Policies: Supporting working Londoners

Recognising the importance of the private rented sector

- P19 The London Rental Standard will be implemented to improve management standards, with a target to accredit 100,000 landlords and agents by 2016.**
- P20 The Mayor will lobby Government to make payments of housing benefit direct to landlords who are accredited.**
- P21 The Mayor will work with boroughs and central Government to improve the quality of private rented sector homes by making full use of existing enforcement powers and seeking improvements to the Housing Health and Safety Rating System.**
- P22 The Mayor will work with landlords, especially registered providers delivering private rented homes, to promote the delivery of longer-term tenancies, within the framework of the assured shorthold tenancy regime.**
- P23 The GLA will offer its employees interest-free loans of up to £5,000 towards private rental deposits, and will promote this initiative to London's employers.**
- P24 Major employers in the capital will be encouraged to invest in subsidised housing products to reduce the costs of renting for their employees.**

3.6 Rethinking affordable housing allocations

While proportionately fewer individuals own their home in London than in the rest of the country, a greater proportion of Londoners live in affordable rented accommodation (24 per cent, compared with 17.5 per cent nationally).⁶⁹ Affordable housing is an extremely valuable public asset providing low cost and secure accommodation for vulnerable and low income households. However, there are 344,300 London households on waiting lists,⁷⁰ and the number of lettings of affordable housing is in long-term decline. There is an urgent requirement to ensure that this scarce asset is used most effectively to meet housing need.⁷¹

Boroughs have been rethinking their allocations policies, with many revising their policies to reflect local circumstances and policy priorities. The Mayor will encourage boroughs to give greater priority for allocations to working households on low incomes. In doing so, boroughs

should ensure that decisions to award additional priority are proportionate and take account of factors that might exclude certain households from receiving this priority. It should also be balanced with the need to ensure that the most vulnerable are looked after. This would help to better reward those who are supporting London's economy, while protecting older and vulnerable people. It would also mean boroughs making the most of their new flexibilities to prioritise working households for affordable housing, while still working within the statutory framework of reasonable preference categories.

3.7 Facilitating mobility

The Mayor's successful Housing Moves scheme is designed to facilitate cross-borough mobility for affordable housing tenants who wish to move within London. The scheme prioritises those in employment and helps to tackle overcrowding by prioritising under-occupying households. Since the launch of the scheme in May 2012, over 270 households have moved to homes across the capital. The Mayor is currently considering proposals to extend the scheme, along with Seaside and Country Homes, which is targeted at affordable housing tenants aged over sixty.

Fixed-term renewable tenancies can assist social landlords to facilitate mobility within and out of the sector, ensuring that lettings are targeted at those in most need. The employment and income status of tenants should be considered at the end of their fixed-term. Under-occupying households could be offered alternative appropriately sized homes and those on high incomes could be assisted into intermediate or market home ownership, or pay a higher rent to remain in their home, the proceeds being used to support new affordable housing. The use of fixed-term renewable tenancies should be accompanied with appropriate exceptions and safeguards and lifetime tenancies should remain an option for the most vulnerable households.

On new developments, there is scope to go further. In future spending rounds, the Mayor will use his investment and other powers to ensure that the benefits of investment in new affordable housing are shared across the capital. To achieve this, the Mayor will require that five per cent of all new rented homes that receive GLA funding, and ten per cent on larger strategic schemes (ie schemes that would be referred to the Mayor for planning purposes) will be let on a pan-London basis. Registered providers will be able to retain a further ten per cent of lettings to assist their housing management functions. It is intended that this system will replace existing sub-regional nominations arrangements.

3.8 Towards a London rental policy

London's working households are found in all three rented tenures – social/affordable rent, private rent and shared ownership where rent is paid on the unpurchased portion of the home. It is important that the rental policy across all three supports working Londoners.

There have been calls for rent controls in the private rented sector to achieve this. But where these have been tried, they have limited the supply of private rented homes by reducing the incentives for landlords to let. It was only after rent controls were abolished in England in 1988 that the long-term decline in the number of private rented homes in the UK reversed and the sector has been growing ever since.⁷² Rent controls can also result in the deterioration of properties, with landlords less willing or able to maintain them where rents are suppressed. Instead of compulsion, private rented sector landlords are encouraged to consider how greater certainty over rents can be provided to tenants, facilitated by longer tenancies, as successfully demonstrated by Get Living London and others (see case study 1).

Almost a quarter of Londoners live in the affordable sector.⁷³ More than half of these 786,000

households are solely reliant on state support for their income because of age, disability or care responsibilities. A further quarter have such low incomes that they require housing benefit even on subsidised rents. However, there are around 115,000 households who could afford to pay more towards their rent.⁷⁴ The average social rent in London is typically around one third of the average market rent, a difference of more than £5,000 a year on average⁷⁵, but a significant minority do not need this financial support.⁷⁶ While many thousands of low income households are excluded from the advantages that affordable housing offers, it is fair to consider the contribution that higher rents paid by higher earning tenants could make towards the provision of more affordable homes.

The Government has confirmed that it will take steps to enable social landlords to charge market rents to tenants with incomes of at least £60,000 per annum, and expects all additional income arising from the policy to be available for reinvestment in affordable housing. The Mayor supports the principle of pay-to-stay, but believes the thresholds at which London's social landlords opt to implement pay-to-stay should be set in line with the income limit for First Steps, i.e. £66,000 for smaller households and £80,000 for families in larger homes.

Concerns have been raised about rents and service charges in shared ownership homes, with some tenants feeling that these have been rising disproportionately. The Mayor will ensure through funding conditions and the standard shared ownership lease that all providers of low cost home ownership increase rents by no more than half a per cent above the Retail Price Index and that all service charge increases are proportionate, justified and transparent.

Policies: Supporting working Londoners

Rethinking affordable housing allocations

- P25** Local authorities and other affordable housing providers should give greater priority to working households for lettings.

Facilitating mobility

- P26** To encourage mobility and to enable best use of stock, affordable housing providers are encouraged to consider the use of fixed-term renewable tenancies.

- P27** For affordable rented homes funded through GLA programmes five per cent will be let on a pan-London basis and ten per cent on strategic sites. In addition ten per cent will be retained for nominations by the registered provider. This will replace the current system of sub-regional nominations.

- P28** The Mayor will explore the expansion of the Housing Moves and Seaside & Country Homes schemes for under-occupiers and those in employment.

Towards a London rental policy

- P29** Private sector landlords should consider the use of longer tenancies, tied in with greater certainty over rents, where this is viable.

- P30** Affordable housing providers should consider adopting a high earners' contribution in line with the First Steps income thresholds.

- P31** Funding conditions will limit shared ownership rent increases and providers of low cost home ownership should ensure that service charge increases are proportionate, justified and transparent.

Meeting a range of housing need

3.9 Housing for younger Londoners

The number of young adults in their twenties in London, already very high by national standards, grew by 180,000 between 2001 and 2011.⁷⁷ While London attracts a large net inflow of people of this age from the rest of the UK, it sees a net outflow of people of every other age group.⁷⁸ Attracting this young talent has long been a key ingredient in making London's economy so successful and its social and cultural life so dynamic.

As the trend to single person households grows in London, the percentage of people aged 25-29 heading a household has fallen from 44% in 1991 to 32% in 2011. The likelihood that this age group will own a home fell even faster. While owner occupation was the largest tenure for households aged up to 34 in 2001, it has fallen sharply, and by 2011 more than half of young people rented in the private sector, with only a quarter owning their home and a fifth in social housing.⁷⁹ The affordability crisis has made it more difficult for many young people to leave the parental home or live independently.

Case Study 2: Y:Cube Housing



Y:Cube Housing provides portable, self-contained homes that are affordable for single people in housing need. With input from Roger Stirk Harbour, these homes are designed to meet building regulations and achieve a minimum of Code for Sustainable Homes Level 4. They are ideal for single people moving on from hostels or other temporary housing. The standard model is clusters of 24 to 40 semi-permanent homes (26 sq. m. each) on brownfield sites that are purchased or leased. The construction materials are high quality and eco-efficient, and construction is thirty per cent cheaper than other traditional forms. Where the site is leased, the homes can be moved to another site at the end of

the lease period. YMCA London South West is aiming to open the first Y:Cube scheme in Merton in 2014.

The Mayor is keen to develop a housing offer for young people that can better meet their specific housing needs, particularly for those starting to live alone or independently for the first time. The growth in the proportion of young people renting privately means that they will be the biggest beneficiaries of the programmes to improve the private rented sector set out in section 3.5. For those in poor quality private rented sector housing, or at home living with parents and finding it increasingly difficult to live independently, the Mayor will explore new housing products, such as "graduate" housing and purpose built rented housing tailored to young people who are essential to London's economy.

Working with the Department for Communities and Local Government and the Department of Health, the Mayor is seeking to develop a programme that will offer time limited shared accommodation for young people. This is targeted at those with low support needs who would not currently be accepted as homeless by councils, as they are not in priority need. A young

person aged 18-24 would be eligible to be accommodated in this scheme by demonstrating their housing need and participating in work or training as condition of access to the accommodation. Schemes such as the YMCA's Y-Cube project (see case study 2) are examples of the sorts of homes that can be delivered by this sort of approach.

In addition the Mayor will review the level of hostel provision and continue to make funding available for new provision. The GLA will also work with providers to seek to improve the provision of move-on accommodation from hostels for young people. The Mayor also encourages providers to bid to the Fair Chance Fund, which is a payment by results programme of up to £15 million, jointly run by DCLG and the Cabinet Office, that aims to improve outcomes for a group of young, homeless people (predominantly 18 to 24 year olds) whose needs are difficult to address using existing services but, if not addressed, are likely to lead to long-term benefit dependency, health problems and increased crime.

3.10 Housing for older Londoners

London has a comparatively young population, but with many Londoners living longer, healthier lives, the number of older people in the population is set to grow, with those over 64 projected to increase by almost two thirds to reach nearly 1.5 million by 2036, including almost 90,000 more who are over the age of 90.⁸⁰ Alongside this growth, challenges have emerged to traditional assumptions about ageing and the housing needs of an older population. The vast majority of London's older population will live in mainstream homes and will continue to be a part of their communities. For this reason it is vital that all new housing is accessible to the current and changing needs of older people.

Lifetime Neighbourhoods are as important as Lifetime Homes. Older and less mobile people need easier access than the general population to community facilities such as post offices and doctors' surgeries. Easy access to social and leisure facilities can enhance independent living and redress isolation. This could make town centre locations particularly appropriate for purpose-built accommodation, especially for the active elderly. The Dickens Yard and Kidbrooke developments (see case studies 3 and 4) demonstrate the potential for meeting wider ambitions around regeneration projects, providing a boost to local economies while helping to meet the housing needs of older people.

For many, such developments will also provide an opportunity to downsize to a more manageable home which will, in turn, improve the wider housing market by freeing up larger properties, helping to tackle overcrowding. The Mayor is keen to see greater incentives for older people to downsize. These could include a better quality and choice of product offers, including new purpose-built homes for market sale or shared equity in high quality attractive mixed tenure developments. The Mayor will also support efforts to introduce tax incentives for downsizers, including some form of relief on inheritance tax.

Case study 3: Apsley House, Dickens Yard, Ealing⁸¹

Apsley House forms part of the Dickens Yard development in Ealing, a partnership between Catalyst Housing and St George. The scheme comprises new flats for older residents who relocate from homes they are under-occupying. Schemes such as this ensure that active, older residents are offered appropriate, well situated accommodation. This then releases larger family homes that can be allocated to overcrowded families. The level of interest in the project far exceeded expectations and offered the potential to free up nearly 250 bedrooms for much needed family housing. Although Apsley House cannot satisfy all this demand, the initiative has shown that offers such as this can help to tackle under-occupation and provide safe, accessible homes for the over-55s.

There is insufficient supply of purpose-built older people's housing, especially in the market sector and the Mayor is keen to encourage more specialist and mainstream developers to build more housing suitable for older people. The challenge over the coming decades will be how to plan adequate housing provision for older people with increasingly limited financial equity.

The Mayor has set out in planning guidance that all new homes built in London should meet the Lifetime Homes standard, and that at least ten per cent should be designed to be wheelchair accessible or easily adaptable for wheelchair users. London's housing stock should, therefore, increasingly be able to accommodate changing circumstances for older and disabled people as a matter of course. The draft Further Alterations to the London Plan also set out for the first time specific requirements for purpose built homes for older people in the capital – 2,600 market, 1,000 shared ownership and 300 affordable per annum, alongside 400 to 500 new bedspaces per annum in care homes.

Case study 4: Kidbrooke Village extra care scheme⁸²

The extra care scheme at Kidbrooke is the cornerstone of the second of five phases in the £1 billion redevelopment of Greenwich's Ferrier Estate. Berkeley Homes and Viridian Housing have delivered 170 new homes specifically designed for older residents, based on the ethos and principles recommended by the Housing our Aging Population: Panel for Innovation (HAPPI). All are one and two bed self-contained homes; 150 affordable rent, twenty intermediate. The residential block contains communal facilities including a café, IT suite and a salon. The outside space has been carefully planned to include two roof gardens, fully accessible to those in wheelchairs. The scheme has already won the 2010 HAPPI award, a 2013 Premier Guarantee Award and has been listed as one of the Top 50 Affordable Housing Developments.

3.11 Specialist housing

Some of the more vulnerable older Londoners will require more specialist housing. As part of the [Housing Covenant](#), the Mayor announced £30 million to increase the supply of purpose-built quality homes for older and disabled people, including people with mental health problems. The first phase allocated funding to 35 supported housing developments, to deliver almost 700 specialist, high quality homes. The development of specially designed housing of this kind will give older and disabled Londoners homes that are better suited to their individual needs. The second phase invited expressions of interest from developers to submit plans to stimulate the private specialised housing market with innovative design, accessibility and new

technology. As part of this, the Mayor is keen to promote telecare and telehealth services that make use of technology to help people, including those affected by dementia, to live independently in their homes. Proposals should have a positive effect on the long-term usability of homes for their residents and offer good value, including through making sustainable savings to local health budgets. The Mayor is currently negotiating with the Department of Health on phase two of the programme.

The Mayor also recognises that there are other groups of Londoners, such as people with complex needs or learning difficulties, who need specialist housing with facilities for on-site care and support. The delivery of all supported housing requires joint work with health and social care to ensure that funding for health, care and support services is also available alongside funding for the delivery of housing. The Mayor recognises the value of supported housing to the health and wellbeing of their residents and the quality of life of their family members. It is vital that specialist housing continues to meet the needs of the most vulnerable and for this reason the Mayor welcomes bids for supported housing as part of the GLA's 2015-18 affordable housing programme.

Case Study 5: St Mungo's Pound Lane⁸³

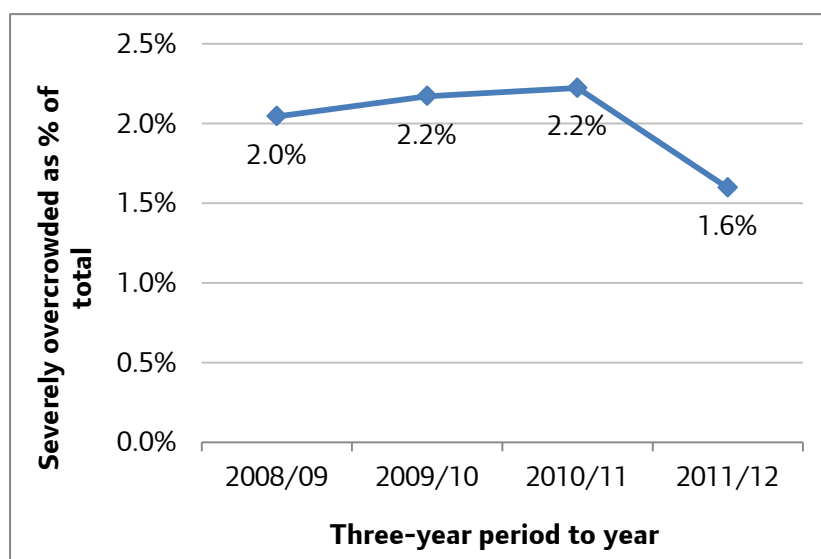


The St Mungo's Pound Lane centre is an innovative, light-filled, environmentally friendly building designed from scratch on the site of a previous hostel. It provides living accommodation for 85 homeless people, comprising 48 hostel beds, 23 semi-independent rooms, and 14 self-contained studio flats for people with different levels of skills and need. St Mungo's undertook the £9.2 million refurbishment in partnership with the London borough of Brent, which supported the scheme for funding through the Places of Change programme, a predecessor to the Homelessness Change programme.

The Mayor encourages boroughs to have accessible housing registers in order to make best use of adapted and accessible properties whether in their own stock or available for letting through registered providers. It is essential to maximise the choices available to older people and people with disabilities who are looking for homes that match their needs. It will also ensure value for money from the public investment that has gone into building adapted and accessible properties, or subsequently fitting aids and adaptations.

3.12 Reducing overcrowding

In 2010, the Mayor introduced London's first ever target to reduce severe overcrowding in social rented housing, aiming to halve it by 2016. Tackling overcrowding remains a key priority and for the capital's affordable housing sector this means making better use of the existing stock and in particular of the new affordable homes that are delivered.

Figure 9: Severely overcrowded households as a proportion of all households in social housing ⁸⁴

There are 255,000 households in London lacking one or more bedrooms – a situation that can damage health, lower educational attainment and erode general well-being. Overcrowding rates are far higher in rented housing, with 14% of social rented households and 13% of private renting households overcrowded compared to just 3% of owner occupied households.

There are 106,000 families living in overcrowded social rented homes in London, 12,000 of whom endure severe overcrowding. At the same time an estimated 43,000 households under-occupy social rented homes.⁸⁵ London must make better use of its existing stock. Government reforms to introduce greater fairness in the welfare system will encourage more working age tenants to find homes that better meet their needs. By introducing the social sector size criteria for working age social housing tenants, the Government has brought these households in line with those supported to rent privately. This will free up under-occupied properties as households find homes that better reflect their needs.

The Mayor will continue to support opportunities for downsizing through the Housing Moves and Seaside & Country Homes schemes. In future funding programmes the Mayor intends to use his investment powers to ensure that the benefits are shared across the capital. Between five and ten percent of all newly funded rented homes will be let on a pan-London basis. Overcrowded households or those downsizing to free up larger homes will be given priority for these homes.

Increasing the availability of larger properties to relieve overcrowding remains a high priority for the Mayor. The funding prospectus for the Mayors Housing Covenant – 2015-18 Programme seeks to increase the supply of affordable housing overall, which is the most important single contribution to meeting the needs of overcrowded households in the social rented sector.

Many overcrowded homes are in fact two households, often families including children and grandchildren, which need two smaller properties. The provision of new, high quality smaller homes for rent can also make available many of the 43,000 larger homes currently under-occupied, some of which are occupied by tenants who may be subject to the social sector size criteria⁸⁶. Freeing up family homes by prioritising these households for new homes is an explicit aim of the ‘capped’ rent part of the programme. Where there is a specific local need, providers are also encouraged to make provision for larger homes, of four or more bedrooms. The Mayor will review and report on the impact of these policies in improving the efficient allocation of family homes and increasing their availability through the chain of lettings.

Under-occupation of rented housing prevents over-crowded households from accessing the space they need. This can be addressed through the use of fixed-term tenancies across all rented homes and the Mayor is encouraging all providers of affordable housing to use fixed-

term tenancies. Where a tenancy review finds that a household is under-occupying, the Mayor would expect the tenant to be offered suitable alternative accommodation so the property could be put to best use. The Mayor will review and promote good practice in addressing under-occupation and overcrowding, including through the use of fixed term tenancies and targeted nominations.

Over the medium to longer term, as under-occupation is addressed, the Mayor will focus investment in future programmes on a greater proportion of larger homes, in line with the 2013 Strategic Housing Market Assessment and draft Further Alterations to the London Plan.

3.13 Tackling rough sleeping

Rough sleeping is the most acute manifestation of housing pressures in the capital. In 2008, the Mayor set London's first ever target to eradicate rough sleeping in the capital, and has been working closely with statutory and voluntary organisations to ensure that no one should live on the streets and no one arriving on the streets should sleep rough for a second night. Several notable successes have been achieved:

- Despite an increase in the number of new rough sleepers, the No Second Night Out initiative has reduced the proportion of new rough sleepers who spend more than one night on the streets from 41 per cent in 2008/09 to 25 per cent in 2012/13.⁸⁷
- Since 2009 there has been a more than three quarters reduction in the number of the most entrenched rough sleepers in the capital.⁸⁸
- The Mayor launched the London Delivery Board in February 2009, to provide the cross-sector, cross-authority partnership necessary to reduce rough sleeping. The Board was the first of its kind in London and in 2013 it was succeeded by the Mayor's Rough Sleeping Group.
- Responsibility and funding for commissioning pan-London rough sleeping services was devolved from central Government to the GLA in 2011. The funding to support these services amounts to almost £34 million for the period 2011-15.
- The Housing First pilot offering settled accommodation with intensive support to entrenched rough sleepers for whom other options have been unsuccessful.
- No Living on the Streets (NLOS), the rapid assessment service for those who are not new to the streets was launched, complementing No Second Night Out.
- In 2012, the Mayor launched one of the first Social Impact Bonds in the country with funding from the Department of Communities and Local Government providing up to £5 million to improve the currently poor outcomes for a cohort of 830 rough sleepers who frequently return to the streets. This model reduces the financial burden on the public purse, as payments are made to the service provider only where specified outcomes are achieved.

Building on these successes, the Mayor will work with boroughs and the voluntary sector to promote a consistent pan-London approach to the delivery of outreach services. In addition, the Mayor is discussing with the Department of Health and Department of Communities and Local Government additional capital funding into a specific hostel accommodation programme, building on the success of the current Homelessness Change Programme, with a strong focus on health outcomes, particularly around mental health and reducing the 'revolving door' of rough sleepers at A&E departments.

While it is vital to continue to address the needs of current rough sleepers, the flow of new rough sleepers, largely though not exclusively non-UK nationals, onto the streets has been

increasing. It is therefore also essential to improve responses to preventing this flow. The Mayor will work with the boroughs and others to ensure that housing options services and also voluntary sector services effectively prevent those at risk of rough sleeping from spending a first night out. New approaches to the boroughs and the voluntary sector working together to achieve this will be piloted, and the Mayor will also lobby Government to ensure that boroughs are fulfilling their advice and assistance obligations to this group. In addition, the Mayor will work with foreign governments to address the increase in the number of non-UK nationals sleeping rough, who now represent the majority of rough sleepers, with a particularly high proportion being people from the European Economic Area (EEA).

3.14 Addressing statutory homelessness

After a prolonged period of decline, the number of households accepted by boroughs as homeless and in priority need has increased steadily since early 2010. An estimated 14,500 households were accepted as homeless in 2012/13, compared with just 9,500 in 2009/10. This growth has contributed to the increased use of temporary accommodation, which now houses 40,230 households, compared with 35,800 in 2011.⁸⁹

Recent legislative changes give boroughs greater flexibility to use the private rented sector to meet the needs of homeless households and so prevent prolonged and detrimental stays in temporary accommodation. Given London's limited supply of affordable housing, the private rented sector is proving a vital source of housing for homeless and vulnerable households. There should be an appropriate balance in the use of the private rented and affordable housing sectors by boroughs when discharging their duty to house homeless households. When boroughs do assist homeless households to access homes in the private rented sector, it is important that they comply with their statutory obligations in relation to location, quality and length of tenancy. Boroughs should also promote the London Rental Standard to ensure landlords offer high management standards.

Similarly, boroughs should continue to make appropriate use of mechanisms such as London Councils NOTIFY and the pan-London inter-borough accommodation agreement in order to monitor out of borough placements, to notify receiving boroughs in a consistent and transparent manner, and to help ensure that households have access to relevant services.

Policies: Meeting a range of housing needs

- P32** The Mayor will develop a housing offer for young people, including those starting to live independently for the first time.
- P33** The Mayor will increase the provision of older people's housing across all tenures, including extending the funding in the affordable housing programme.
- P34** The Mayor will lobby Government for greater financial incentives for older people to downsize, including tax incentives.
- P35** The Mayor will encourage bids for supported housing under the GLA's 2015-18 affordable housing programme and fund as many suitable applicants as possible.
- P36** The level of severe overcrowding in affordable rented housing will be halved by 2016.
- P37** The Mayor will review and promote good practice in addressing under-occupation and overcrowding, including through the use of fixed-term tenancies and targeted nominations.
- P38** The Mayor will work with boroughs and other partners to ensure that no one new to the streets sleeps rough for a second night, no one lives on the streets of London and the flow of new rough sleepers onto the streets is minimised.
- P39** Boroughs should continue to make appropriate use of mechanisms such as NOTIFY and the pan-London inter-borough accommodation agreement when placing homeless households in out of borough accommodation.

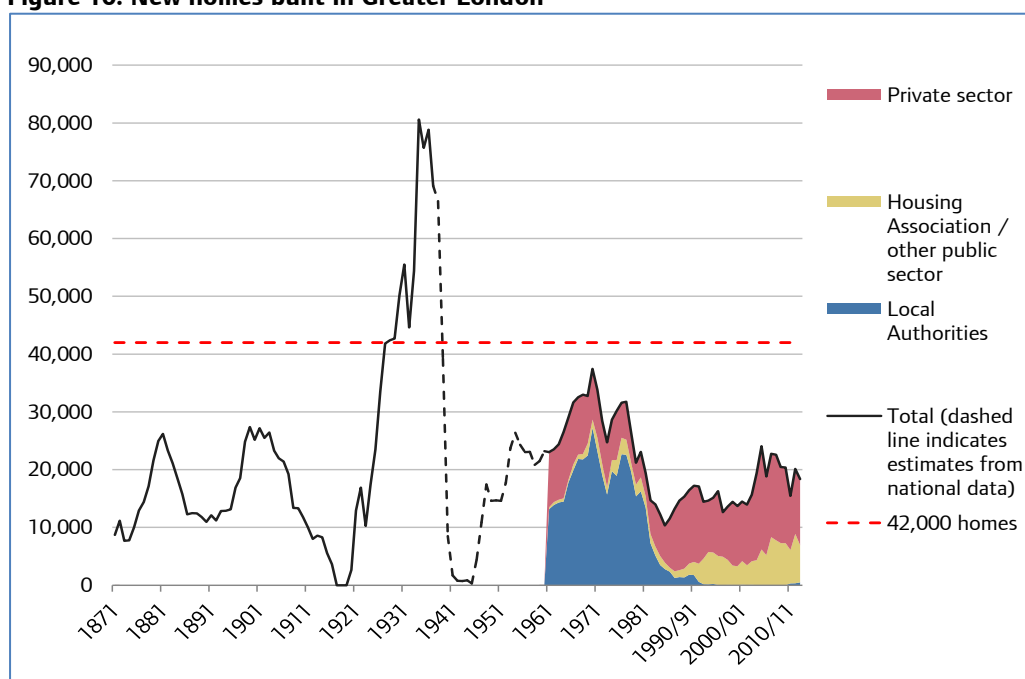
PART 4 DELIVERING THE VISION

Part 4 sets out how the ambitious number of new homes and improvements to the quality of homes will be delivered. It identifies the failure over many decades to provide the level of house building now required in the capital. This section also sets out the need for a long-term financial settlement for housing in London, and identifies a range of interventions to bring forward land for development, optimise affordable housing assets and unlock development capacity

Learning the lessons of the past

Over recent decades, and successive economic cycles, the house building sector has failed to keep pace with London's housing requirements. Despite house prices rising to record levels, and development and mortgage finance being available with almost unprecedented ease until 2009, the number of homes built in London peaked at just over 20,000 homes per annum – around half the number of homes now required. Even were it possible to re-create the benign lending conditions of the pre-2008 market, this would almost certainly not deliver the requisite volume of homes. There is a more fundamental and long-term structural problem with the housing market that needs to be addressed.

Figure 10: New homes built in Greater London⁹⁰



It is instructive to examine the two eras when London built the most homes. These were the 1930s, when suburban 'metroland' development reached levels unprecedented before or since and the post-war era of council-led reconstruction.

In the inter-war era, much of the development was on greenfield land, along the new tube lines and roads that were being run out to the suburbs, by numerous small builders often working to shared design pattern books. This came to an end with the second world war and the subsequent introduction of the green belt and modern town planning arrangements, which halted what was perceived as the urban sprawl of low-density suburban development. In the post-war era, governments sought to rebuild the economy and end the squalor of poor housing, providing massive funding for council-led house building programmes. This ended in the 1980s with the end of subsidies for council house building and the emergence of housing associations as major players in the provision of affordable housing.

The Government has not proposed to reverse green belt policy, and it seems unlikely that earlier levels of public investment will return any time soon. So a new approach to harnessing the resources and effort necessary to increase house building is therefore required. This means addressing the inter-related challenges of finance, land and the capacity of the development industry.

Financing housing delivery

4.1 A long-term financial settlement for housing

In recent years, there have been significant moves towards greater devolution of housing and regeneration functions from central Government to both the Mayor and London boroughs. The Mayor is now able to invest directly in housing, complementing existing powers on planning and infrastructure. Boroughs are able to retain the rental income from the homes they own and are free to make spending decisions for their Housing Revenue Accounts (HRA), albeit within borrowing caps set by Government. This is helping to drive a major programme of affordable housing and to upgrade existing homes, matched with greater efforts to bring forward surplus public land for development, as well as a better alignment of housing, regeneration and infrastructure planning.

Although these new powers will assist future delivery, they are constrained by a lack of financial autonomy which seriously undermines the efforts to make the long-term plans that London's housing providers need. The Mayor believes that the short-term, top-down nature of existing public funding arrangements for housing investment is not fit for purpose. London is an extreme outlier in comparison with other international cities with regard to its financial autonomy. Just 1.7 per cent of the tax raised in London is determined by the Mayor or boroughs, the rest is decided by national Government. This compares with ten per cent in Germany and the United States, and over fifteen per cent in Canada and Sweden.⁹¹

London is an outlier even in comparison with the devolved governments of Scotland, Wales and Northern Ireland, which have gained increasing powers and financial freedoms; including, in the case of Scotland and Wales, the power to raise and retain stamp duty land tax (SDLT). By comparison, the powers and remit of London Government are significantly more constrained, and the way it is funded is very different. Grant funding to London is subject to ongoing negotiations with Government, sometimes with limited scope to determine policy priorities within the individual grants. The Barnett Formula, by contrast, automatically adjusts the resources available to Scotland, Wales and Northern Ireland in relation to changes in the UK total. This disparity is difficult to justify when London's population is roughly equivalent to those of Scotland and Wales combined and its economy is more than twice their combined size.⁹²

Greater stability of funding, together with more flexibility in applying that funding, would deliver a longer term framework for developers and investors to plan and increase their commitments. It is especially important that there is certainty over funding for affordable housing. Fixing London's housing crisis will be a long-term endeavour, and it is seriously undermined by short-term public spending rounds. Although there is little expectation that there can be an early return to the levels of public subsidy of the post-war years, there are two proposals that would help to provide the resources necessary to increase housing provision: greater borrowing freedoms and the devolution of property taxes.

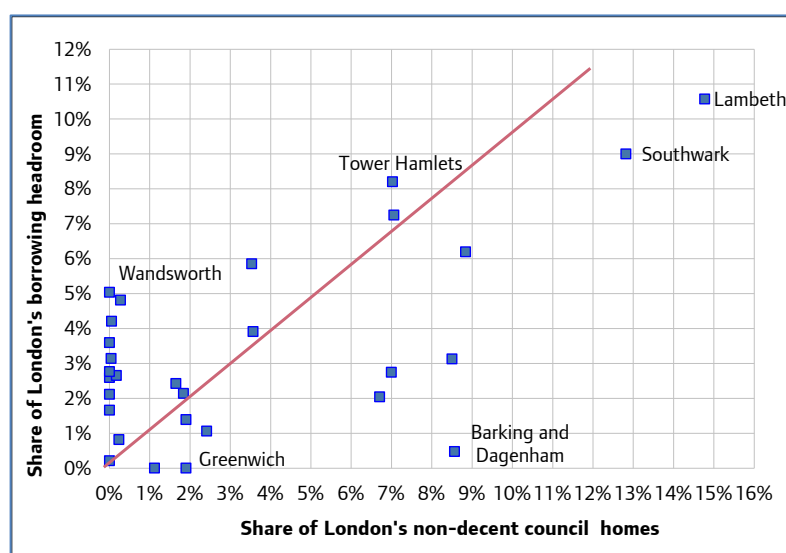
4.2 Further borrowing reforms

The Mayor wants to see more flexibility in the borrowing rules for housing, both for the GLA and for boroughs. London boroughs want to, and should, become important players in the delivery of new homes. Following the 2012 reform of the HRA, the Mayor has worked closely with boroughs to encourage and fund their development ambitions; 30 per cent of the funding in the Building the Pipeline programme has gone to local authorities and 28 boroughs now receive funding through GLA housing programmes. However, boroughs' capacity has been

massively reduced by their current borrowing caps, preventing sustainable borrowing for new developments based on asset values and income. The Mayor would like to see new arrangements for prudential borrowing for new housing so that it is not counted as Government debt, which would distinguish it from more mainstream public borrowing, along the lines that apply in much of the rest of Europe.

The Government has already taken steps to unlock the capacity of local authorities to deliver additional affordable housing in their own right. The Mayor will positively encourage engagement with the bidding process for the £300m of additional borrowing headroom announced in the 2013 Autumn Statement to ensure that London receives an appropriate share of this facility. The Mayor will also positively engage with the ongoing review of local authorities' role in housing supply, to ensure the unique context of the housing challenge in London is fully appreciated. Beyond this the Mayor believes more needs to be done.

Figure 11: HRA borrowing headroom and Decent Homes backlog, 2012⁹³



The removal or significant revision of boroughs' borrowing caps could generate funds for a significant increase in council house building, help deliver complex estate regeneration projects and accelerate stock improvement programmes. The revised Right to Buy scheme, with its larger discounts, should also increase the amount of capital available to boroughs to invest in new supply. If this was coupled with relaxation of

borrowing caps, there could be a considerable increase in housing delivery.

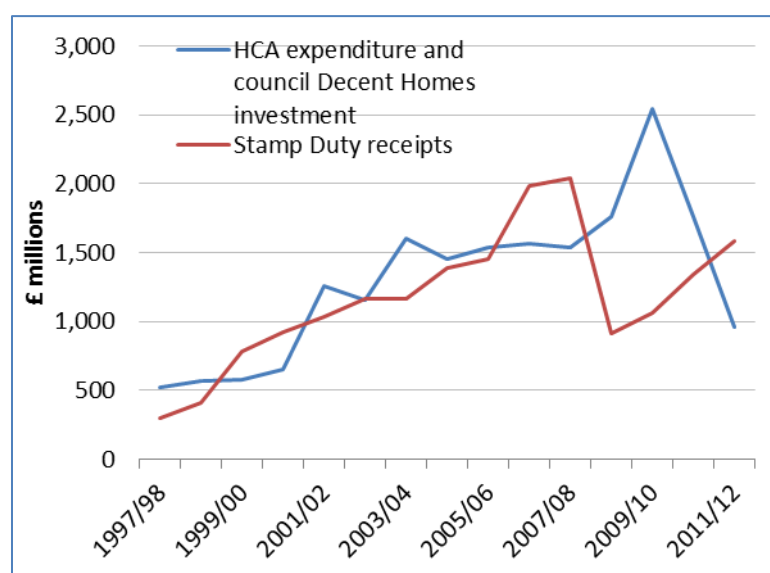
A relaxation of borrowing rules was supported by the London Finance Commission. The Commission argued that borrowing that is used to promote growth or that will be repaid and reduce public expenditure, should be distinguished from recurring or revenue borrowing. It reiterated the Mayor's call for local authority borrowing limits for housing purposes to be relaxed or removed, within prudential borrowing rules.

If it helped make the case for greater devolution of HRA borrowing capacity to London, the Mayor would be willing to manage the process of approvals for additional borrowing to ensure capacity is focused on new development. The Mayor might, for example, administer a programme whereby London boroughs would bid for an inflation-linked debt cap in return for commitments such as new supply or improvements to existing homes and estates. To enable this to happen, the Mayor would be willing to explore the possibility of matching borough commitments with GLA funding, through a bridge-financing model. It would also be useful if boroughs could pool or trade their borrowing capacity in order to invest in affordable housing, especially in instances where one borough lacks viable local capacity. The Mayor would be willing to act as a broker for arrangements between boroughs in such a scenario.

4.3 Devolving property taxes

The relaxation of borrowing restrictions should be accompanied by the devolution of London property taxes to London Government. The London Finance Commission examined the case for this in detail and has called for the devolution of the full suite of London's property taxation, including SDLT, council tax, business rates, annual tax on enveloped dwellings and capital gains property disposal tax. A devolved arrangement would include setting the tax rates and decisions over matters such as revaluation, council tax banding and discounts. The yields would be offset through corresponding reductions in grant to ensure an initially fiscally neutral position for the Exchequer. This 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.⁹⁴ The Government has already devolved SDLT to the Scottish Parliament and has recently agreed to devolve it to the Welsh Assembly, making the case for devolution to London all the more compelling.

Figure 12: Affordable housing and Decent Homes investment and stamp duty land tax receipts⁹⁵



A devolution of property taxes would revolutionise London Government's ability to address the capital's housing challenges. It would provide a significant ongoing income stream against which the Mayor and boroughs could pump-prime infrastructure funding to unlock housing growth and enable London Government to achieve a greater efficiency and fairness in property taxes that better reflect London's particular circumstances. It would allow the Mayor and boroughs to

significantly expand the supply of homes of all tenures and invest in estate regeneration. It would also help to create greater confidence for developers to make long-term investments and get more complex and long-term schemes underway. This would have particular importance for bringing forward some of London's strategic sites within the Opportunity Areas that are fundamental to the delivery of additional homes in London, but where remediation, land assembly, infrastructure and other 'abnormal' costs demand a public-private partnership approach.

The London Finance Commission also made the case for a shift in housing finance from personal to capital subsidy. Over the last ten years, London has received around £17 billion of capital investment to build new, or improve existing, homes, while the total housing benefit bill has been £50 billion.⁹⁶ In a period when the most pressing problem is a shortage of supply, it is important to find ways to shift more public subsidy towards investment in the bricks and mortar of new affordable homes, which will lead to reductions in the overall housing benefit bill. The challenge would be the transitional consequences for low income households in receipt of benefit who need to continue to pay high rents in the private sector while funds flow towards home building. The Mayor will explore with Government how to put together an appropriate

future capital settlement alongside the revenue funding necessary to mitigate any transitional costs.

Until such time as there is a stable and long-term settlement for London's housing, resources from Government should reflect the city's needs. The Mayor will continue to lobby Government to ensure funding allocations are directed to those areas of the country with the most serious housing needs, and that London gets a fair share of that funding, alongside greater flexibility over how it is used.

4.4 A new investment framework

The future funding of affordable housing is not only a question of where the resources come from, but also how they are made available. The model over recent decades has been one where housing grant dominated. Grant still has a significant role to play in delivering affordable homes: if housing needs subsidy, grant is the simplest method of making that available. There is, however, a compelling need to make the levels of grant that will become available over the foreseeable future work much harder to deliver value for money, while also delivering the ambitions set out in this strategy. There is likely to be a greater focus on equity investment models in future years, where the public sector is able to recover and reinvest its original investment, or loan guarantees, which can bring down the cost of borrowing for developers.

Case study 6: Pocket Homes⁹⁷



It is critically important to increase the number of house-builders operating in the London market, and providing loan or equity investment rather than just grant is one way of achieving this outcome. In September 2013, Pocket Living, a private developer of affordable housing, was awarded £21.7 million loan funding for ten years by the GLA as part of the Mayor's Housing Covenant commitment to help thousands of working Londoners into home ownership. Targeted at the intermediate market, this investment will see around 400 Pocket homes developed across several London boroughs in the first three years alone. Pocket intends to reinvest its profits to deliver the maximum number of homes by 2023, and the first homes are anticipated to be ready for occupation by summer 2015.

The Mayor would also like to see the banks taking a more active role in lending for growth beyond their role in increasing mortgage lending. The Mayor would be keen to explore the extension of public sector guarantees to free up development finance, particularly for small and medium-sized builders

4.5 The London Housing Bank

The supply of new homes is not increasing at the pace that might otherwise be expected, considering London's currently extremely buoyant housing market and the record numbers of homes being approved through the planning system in the capital. One of a number of explanations put forward for this underactivity is that the traditional house-builder model faces "absorption" issues as developers manage the release of homes for sale at a rate that optimises viability and returns. This is particularly the case for large sites and in areas where there is a concentration of development activity.

The Mayor wishes to develop a London Housing Bank with the aim of accelerating the pace of development and generating additional housing supply, particularly on large sites where speed of delivery is significantly constrained by the traditional house-builder business model.

The Mayor will be developing the first phase of the London Housing Bank over the course of 2014. In the 2012 Spending Round the Government announced £400m of funding for a new affordable housing product, Affordable Rent to Buy. The Mayor has made the case to Government that the London Housing Bank should initially utilise up to £200 million of this funding, which would form the first phase of the London Housing Bank.

The proposed model for delivering this first phase is a soft-loan offered by the GLA to bring forward the building of homes. There will be flexible loan terms at lower than commercial rates to enable registered providers to offer sub-market rents for the period of the loan. At the end of the loan period the Mayor will expect a positive return on the loan and the initial capital to be paid back. Registered providers will agree an exit strategy for the homes developed and the Mayor particularly encourages consideration of bulk sales to institutional investors to stimulate more investment into the private rented sector.

This does not preclude the bank operating in different ways in the future. The London Housing Bank could include the purchase of market homes off plan or underwriting developments by offering guarantees. The funding for this could come from a range of sources, including the public sector and institutional investors.

4.6 Making affordable housing assets work harder

Although local authorities could be enabled to build more homes through the relaxation of borrowing rules, in the immediate future housing associations are likely to remain the major developers of affordable housing for rent and low cost home ownership. London's 368 housing associations own and manage over 430,000 properties – housing one in ten Londoners. While the sector is dominated by some very large organisations, the smaller housing associations (those with fewer than 1,000 homes) own 40,000 of these homes.⁹⁸

Many larger developing associations operating in London are already 'sweating' their assets through increased levels of borrowing. However, there are significant numbers of smaller associations that are not developing new homes, but which, between them, own many thousands of properties. Most of these homes were provided through public funding and, particularly for homes built decades ago, rental income now delivers surpluses for the associations involved. The social housing regulator has indicated that associations with 2,500 or fewer homes hold around 20 per cent of the sector's financial capacity, while contributing only three per cent of new development. Encouraging and enabling these associations to develop would deliver much needed affordable homes and meet reasonable expectations relating to the use of assets built up through Government grant. The Mayor will work with the g320, the g15⁹⁹ and a range of associations in between to explore how all organisations can be supported to unlock capacity in the sector.

Just as smaller, non-developing associations will be expected to utilise their borrowing capacity, larger associations should also utilise more of their own resources to fund development wherever possible. In recent years, many have generated record annual surpluses. The global accounts show that the sector recorded an aggregate surplus of £1.8 billion in March 2013, £400 million more than that recorded in 2012.¹⁰⁰ Over the past 30 years, they have accumulated taxpayer grant of £51 billion on their books. Healthy surpluses are crucial to the financial strength of housing associations, especially in the new regime of reduced grant funding. They

enable them to borrow at low interest rates and so allow more investment to be undertaken and more homes to be developed. However, the scale of London's acute housing need is such that the potential leverage from these surpluses should, where possible, be fully exploited so that the maximum possible number of homes is delivered for each pound of investment, both current and historic. The Mayor will explore with the social housing regulator how housing associations can be incentivised to fully utilise these surpluses to maximise new development, including, the treatment of recycled capital grant funding and historical grant, where this is appropriate.

In addition to borrowing against assets and revenue streams, active asset management can help unlock financial capacity for providers. Housing associations may already dispose of homes as part of their normal asset management strategies, but conversions to Affordable Rent are only possible where all financial capacity generated is put towards new supply as part of a contract with the GLA. For investment partners with a contract to deliver a GLA funded programme in 2015-18, the Mayor wants to move towards a more balanced programme of targeted disposals (in addition to existing asset management strategies) and conversions. Firstly, due to the imperative for increased supply of homes of all tenures, it is expected that cross-subsidy will primarily come through the provision of open market housing. All providers will be expected to provide market housing for rent and/or sale, alongside their affordable housing offer. Secondly, better use of asset management will also be a significant source of cross-subsidy. Providers will be strongly encouraged to give consideration to additional targeted disposals, or lettings at market rent, of selective high value or non-standard stock. As it is important to retain social rented homes which are in short supply, the Mayor believes that the case for conversions should be recalibrated, in particular, as a way of introducing households with a range of incomes onto mono-tenure estates. This could be through conversions to Affordable Rent properties or shared ownership let to working Londoners.

Policies: Financing housing delivery

- P40** The Mayor will lobby Government for changes to housing finance arrangements in the capital. This will include:
- the relaxation of borrowing rules for both the GLA and boroughs for housing purposes;
 - the devolution of the full suite of property taxes to London Government;
 - exploratory work on how stamp duty land tax can be made more equitable and efficient.
- P41** The Mayor will make greater use of equity investment or loan guarantees in future spending rounds, where it is able to recover and reinvest its original investment.
- P42** The Mayor will work with partners to introduce a London Housing Bank model, with the first phase to be launched in 2014.
- P43** The Mayor will lobby Government to explore potential options for establishing a Help to Build guarantee scheme to support development finance.
- P44** The Mayor will work with the regulator to explore how housing associations can be incentivised to maximise development capacity.
- P45** The Mayor will encourage registered providers to consider additional disposals and conversions of properties to unlock capacity, within the context of a contract with the GLA to deliver an affordable housing programme.

Bringing forward land for development

4.7 Regenerating the capital

The Localism Act 2011 devolved significant housing investment responsibilities and substantial landholdings to the Mayor. These now sit alongside the Mayor's existing powers for planning, transport and economic development. In addition, the Mayor chairs the London Enterprise Panel (LEP) and now has the power to set up Mayoral Development Corporations. Taken together, these present a new institutional platform for the Mayor, the wider GLA Group and London boroughs to maximise the benefits of regeneration activities.

Following the transfer of powers and assets in April 2012, the GLA owns a diverse mix of land and property. This ranges from buildings and sites currently let for employment use, through to brownfield sites suitable for commercial development and/or new homes. In total, the Mayor inherited 677 hectares of land together with joint venture interests (most notably Barking Riverside), with total capacity for over 40,000 homes and 100,000 jobs. The Mayor is using these land and property assets to drive housing supply and economic growth. Since April 2012, contractual commitments have been entered into for over 137 hectares of land, with an estimated gross development value of £3.6 billion. In the Royal Docks, contracts have been exchanged for Silvertown Quays and the Royal Albert Dock with a combined gross development value in excess of £2 billion, delivering over six million square feet of commercial space, 1,500 homes and 29,000 jobs. Other major GLA sites already under contract include Catford greyhound stadium, St Clement's and Queen Elizabeth hospitals in Tower Hamlets, Cane Hill in Croydon, Greenwich Square, Trenchard House in Westminster and Lymington Fields in Barking. These sites will provide a total of over 3,000 new homes.

Case study 7: Catford greyhound stadium site¹⁰¹



The former Catford greyhound stadium is a 4.7 hectare site in the London borough of Lewisham. The scheme will deliver a total of 589 homes, 173 of which will be for affordable rent or shared ownership. The GLA will contract with BDW Trading Ltd (Barratt) on the basis that the GLA will take a 25 per cent land receipt on grant of the building lease, and the remaining 75 per cent over five years from the signing of the lease (or

completion of construction, whichever is earlier). In addition, the delivery partner is expected to agree to planning and sales overages.

The Mayor will have an exit strategy in place by 2016 for all the landholdings devolved to the GLA. However, the Mayor will retain a strong and expanding role on land around long-term regeneration projects, like Greenwich Peninsula and Barking Riverside, and oversee the building of schemes on the land held by the GLA. The Mayor will also look to expand the GLA's land assembly role, including acquiring sites related to major initiatives, for example Housing Zones.

The GLA is also driving major regeneration schemes at Greenwich Peninsula, where it is the main landowner, at Barking Riverside in a joint venture with Bellway Homes, at Kidbrooke in Greenwich and at Woodberry Down in Hackney through grant funding and infrastructure investments. These four developments will provide in excess of 30,000 homes, as well as major employment, education and leisure facilities. Schemes such as these are significant sources of London's future housing supply, and require a long-term and coordinated approach from the GLA and delivery partners. The Mayor will help provide certainty by re-affirming a long term commitment to the completion of these schemes.

4.8 Estate regeneration

There is also vast development potential in London's existing affordable housing estates. There are over 100 estate regeneration projects underway at various stages across the capital, comprising a pipeline of over 35,000 new and re-provided homes over the next ten to fifteen years. However, projects of this scale are susceptible to delays or may be stalled, thereby holding back a significant source of new housing supply. The cause of delay is often the cost of infrastructure works, leaseholder purchase costs and land assembly. To mitigate these problems, the Mayor and partners have been working with Government on a proposal for a major new estate regeneration fund of around £200m for London. This would work with a Government-backed loan to support cash flows and project costs. From a sample of the eight largest projects currently struggling with viability and upfront costs it is estimated that approximately 22,000 new homes could be built over the next 15 years through this type of intervention. Of these homes, approximately 15,500 would be net additional private sale homes, the profits of which are required to cross-subsidise the early stages of development. The unbuilt private sale pipeline of the top eight London estate regeneration projects could be worth over £5bn over the next 15-20 years. In addition, construction at this scale will generate over 43,000 jobs on building sites and in the supply chain. If established as a revolving fund the further loans could be made as others were repaid, enabling a sustainable and long term approach to estate regeneration in London.

4.9 Twenty first century garden suburbs

London is home to one of the earliest and best examples of garden suburbs, in Hampstead, and has the land to develop more, where the highest quality housing design and public realm can help create places where people want to live. The first of these is already under construction at Barking Riverside, where the Mayor is supporting the creation of a new community larger than Windsor. The Mayor will actively explore, with boroughs, opportunities for at least three more "garden suburbs", including at Beam Park in Dagenham and at Thamesmead. The Mayor will also provide support to help bring forward more new developments along these lines.

Case study 8: Barking Riverside¹⁰²



At Barking Riverside, the Mayor is undertaking London's largest brownfield regeneration project, in partnership with Bellway Homes. The development, Sunday Times development of the year 2013, will deliver 10,800 homes and over 65,000 square metres of commercial, retail, leisure and community space, along with five schools. It takes the challenges of developing a post-industrial brownfield site in an area at flood risk and with extensive protected habitats, and uses these as an opportunity to integrate the design of new landscape, open space and green infrastructure. Incorporating many of the original principles of the garden city and suburb, 40 per cent of the scheme is dedicated to open space, including new parks and open areas linked by cycle routes and footpaths and a network of local and neighbourhood play areas, providing for formal and informal play alongside creating new habitats for wildlife.

At Barking Riverside, the Mayor is undertaking London's largest brownfield regeneration project, in partnership with Bellway Homes. The development, Sunday Times development of the year 2013, will deliver 10,800 homes and over 65,000 square metres of commercial, retail, leisure and community space, along with five schools. It takes the challenges of developing a post-industrial brownfield site in an area at flood risk and with extensive protected habitats, and uses these as an opportunity to integrate the design of new landscape, open space and green infrastructure. Incorporating many of the original principles of the garden city and suburb, 40 per cent of the scheme is dedicated to open space, including new parks and open areas linked by cycle routes and footpaths and a network of local and neighbourhood play areas, providing for formal and informal play alongside creating new habitats for wildlife.

4.10 Supporting innovative approaches to new housing supply

The Mayor supports new approaches to increase housing supply, and is keen to use his landholdings to test how new methods of ownership and construction can boost supply in cost-effective ways. The establishment of a community land trust for the St Clement's hospital site in Bow is one example of how communities can be supported in providing new housing to meet the housing needs of particular groups not well-served by the market. The Mayor would like to see more proposals come forward from community-led bodies to develop new housing, including bringing empty homes back into productive use and developing otherwise unused sites.

Innovative methods of design and construction can lower costs and speed up completion times, and so enable more housing to be supplied. There is a great deal of scope for the increased use of modular build homes and new forms of custom-build housing and the Mayor is prepared to support new approaches, such as these, to help them prove the concept of deliverability. This could be done through using the GLA's land on which to test new designs or construction methods, or through other means of support.

4.11 Housing Zones

The Mayor wants to accelerate housing delivery in areas with a particularly high development potential. These will be designated Housing Zones. Delivery in these areas will be supported by a menu of options, some possible immediately and others potentially requiring wider support or legislative changes. All Housing Zones will be underpinned by a shared delivery framework to hold partners accountable for the numbers of homes delivered. This will be a simple plan listing the sites in the relevant zone, the number of homes each could deliver, what the blockages are to delivery, what interventions might therefore be appropriate, and in what timeframe delivery could be achieved. This tightly-focused approach on delivery and specific policy interventions and outcomes, combined with a relatively small geographic area of focus, is a key distinguishing feature of a Housing Zone compared to an Opportunity Area.

Housing Zones will be a partnership between the Mayor and boroughs and the GLA will seek proposals from boroughs for the designation of zones. It is envisaged that some zones may straddle more than one borough. Ensuring the support of all the boroughs involved with any one Housing Zone is crucial.

The rationale for the GLA's action in these zones is to accelerate new housing delivery in tightly defined locations, with a targeted focus on measures that would enable new homes to come forward much more quickly than would otherwise be the case. The Mayor, working in concert with boroughs, will establish a bespoke set of local policies in each Housing Zone, and will align both its own, the boroughs' and other partners' resources to optimise output. This may involve investigating the case for targeted tax incentives, in a similar way to enterprise zones, lighter touch planning and effective land assembly, including, where necessary, the use of compulsory purchase powers. The Mayor will work closely with boroughs to identify up to ten potential zones, and will publish a prospectus in 2014.

4.12 Bringing forward public sector land

It is estimated that 40 per cent of brownfield land suitable for development is in the ownership of the public sector, including both central and local government¹⁰³. The Mayor is committed to accelerating the disposal of surplus public sector landholdings to boost the development of

homes, and the GLA has put in place a number of mechanisms to enable this. Firstly, the Mayor has set up the London Development Panel to accelerate the delivery of housing by making it faster, easier and cheaper for public land owners to bring forward land for development. It establishes a framework agreement of 25 developers and contractors, enabling public land owners, including boroughs and Government bodies, to enter into structured development agreements much more quickly and less expensively than going through a full Official Journal of the European Union (OJEU) competitive dialogue procurement process. The panel has been procured for a four year period, and has already been successfully used by the Metropolitan Police to procure a development partner for their Peel Centre site in Hendon (see case study).

Secondly, the Mayor has launched a database detailing all of its land assets and those of the wider GLA Group. The database includes information about the size and location of individual sites, as well as aerial photographs. It is the first time that details of these sites have been made available publicly, making it easier for development opportunities to be identified. Thirdly, the Mayor is participating in the Government's strategic land review, and is making the case that the GLA should take responsibility for bringing forward surplus strategic Government landholdings in London. The GLA will use its strategic property team to coordinate disposal of these assets and seek efficiencies from the asset management of them while they are in the public sector. The Mayor is already engaging with NHS trusts in London as part of the Department of Health's public land investment fund programme.

In addition to existing activity, the Mayor is keen that additional funding should be made available for the GLA and boroughs to support the acquisition of new sites that can help deliver homes. This funding would be used to acquire sites where there is a clear strategic interest or market failure and where there are links to other policy initiatives, such as Housing Zones or other major regeneration initiatives.

Case study 9: Peel Centre¹⁰⁴



as well as a substantial amount of green open space.

In September 2013, the Mayor's Office for Policing and Crime announced the preferred bidder to purchase its historic police training site in Hendon, the Peel Centre, which is now surplus to operational requirements. The site was the first to be brought forward through the Mayor's London Development Panel. Redrow was selected as the successful developer, following a streamlined procurement process that lasted only three months. The 22 hectare site is a thriving new neighbourhood with more than 1,650 homes, cycle routes, retail units, a new school and nursery,

4.13 Maximising the value of London's Opportunity Areas

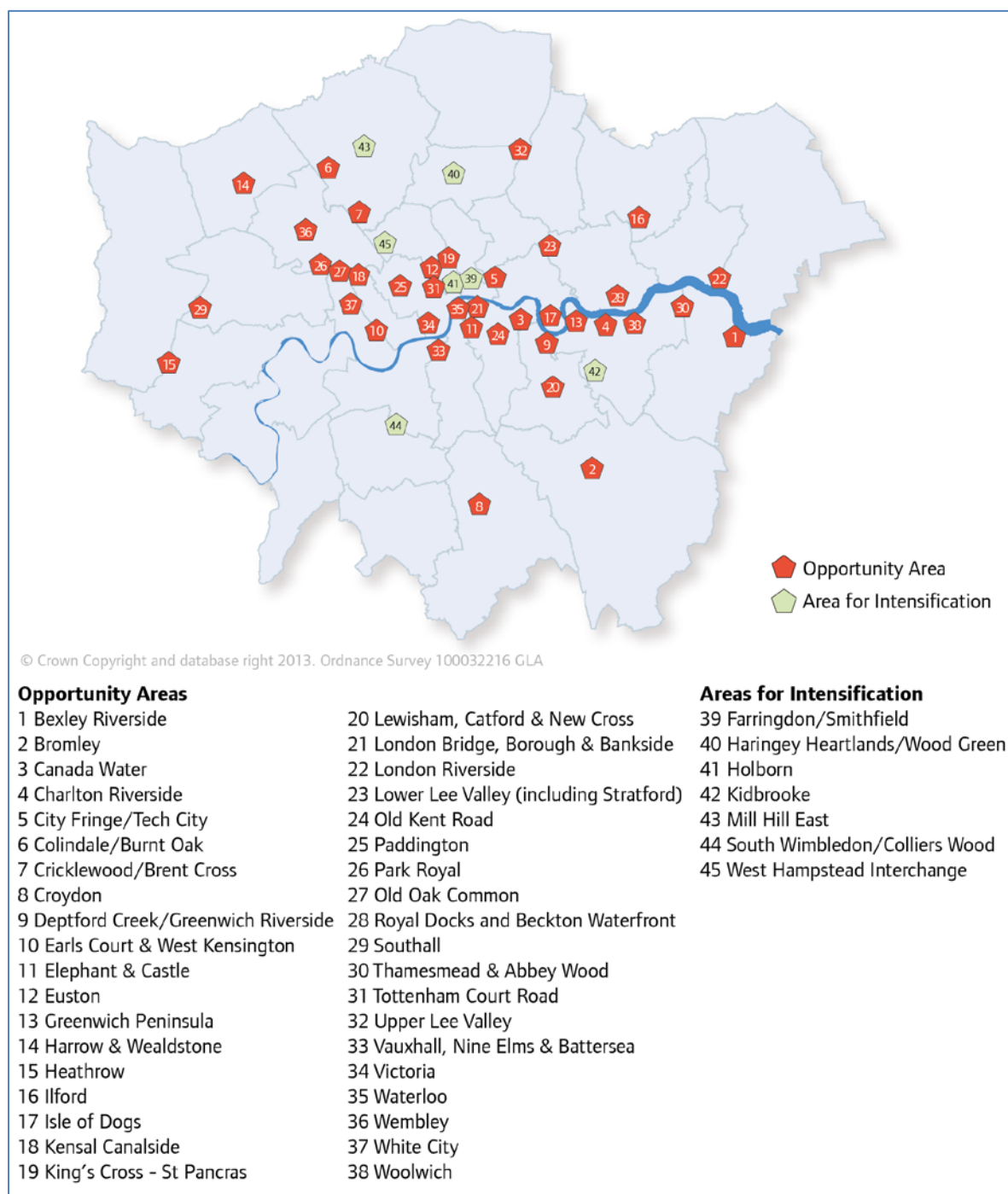
The scale of some of London's major regeneration schemes is truly impressive, with nine out of ten of the biggest regeneration schemes in the whole country being found in the capital. Some, like Vauxhall Nine Elms and Battersea, with 16,000 new homes, are the size of new towns.

There is scope to do a great deal more on these sites, which is essential because if the pace of development does not quicken, then there is little prospect of coming close to meeting the new housing ambitions for the capital. The draft Further Alterations to the London Plan have increased the number of London's Opportunity Areas from 33 to 38. Collectively they could provide nearly 300,000 new homes, and have capacity for 568,000 new jobs. If this housing could be built out over the next ten years, it would represent over 70 per cent of the 420,000

homes London needs over the coming decade.

Collectively, the Opportunity Areas constitute a massive development opportunity. However, as can be seen from the three examples below, each has its own unique story, with different challenges and solutions driving the outcomes. What they all have in common is the need for significant infrastructure investment to bring them forward and a co-ordinated approach by the public sector to enable the private sector to deliver. A wider placemaking and regeneration approach is also needed to ensure these places are attractive enough to make viable new neighbourhoods.

Figure 13: London's Opportunity Areas



The Royal Docks



The Royal Docks includes 270 hectares of the Mayor's land which includes the regeneration of the development sites of Silvertown Quays, Royal Albert Dock and Royal Albert Basin – with a development value in excess of £10 billion. The docks were once at the forefront of international trade and exchange, and will be once again, aided by innovative developments such as a Floating Village, the Siemens Crystal and the Emirates Air Line cable car. The Royal Docks enterprise zone supports business ventures, helping to create an estimated 29,000 jobs, and the overall area will accommodate 11,000 new homes. In addition, a £2 billion private investment will create London's first Asian business park. There will be transport links to Crossrail at Custom House with connections to London City Airport.

Lower Lea and Stratford

Queen Elizabeth Olympic Park will be at the heart of a new urban district in east London. Alongside the Westfield Stratford shopping centre (which employs 10,000 people, over 2,000 of them previously unemployed local residents), will be up to 10,000 new homes on the Park. iCity's leading technology and digital cluster, Here East, will provide 5,300 jobs; the Olympicopolis project will create a major new higher education and cultural district that will potentially see two world class institutions – University College London and Victoria and Albert Museum build new sites adjacent to Stratford waterfront. In all, it is estimated that 20,000 jobs will be created on the Park by 2019, and the development potential across the Lower Lea Valley and Stratford will total 32,000 new homes and 50,000 jobs.



Vauxhall Nine Elms and Battersea



Driven by new transport infrastructure, including the Northern line extension, rail, bike and river boats, this part of central London will move forward a century in a matter of years, creating 25,000 jobs and 16,000 homes across the £8 billion office, retail and community development. Many of the new homes in the soon to be rejuvenated Battersea Power Station have already been bought off plan. The US and Dutch Embassies are to be at the heart of a new diplomatic quarter south of the river, while parkland and a river passage for pedestrians and bikes will make up 50 acres of new public space. Construction will start on the Northern Line extension to Vauxhall Nine Elms and Battersea by 2016

4.14 Making better use of existing land opportunities

Any increase in housing supply in London will be overwhelmingly brownfield land development and is likely to involve increasing densities in areas with good public transport accessibility. In recent years it has become clear that higher densities, if carefully planned and designed, can improve the vitality and viability of local communities, as well as providing more homes for more Londoners.

The Opportunity Areas represent the greatest potential to build high density housing on brownfield sites. A second potential source of brownfield land is surplus industrial land. While it is essential for London's economy that sufficient capacity for employment, utilities and other infrastructure is maintained on these sites, the London Plan and the Industrial Land Supplementary Planning Guidance provide geographical and economic criteria to carefully manage the release of identified surplus capacity. The Mayor is considering whether London Plan policy should be altered to ensure that the process for managing this release takes into account the potential for bringing forward surplus sites near transport nodes which can support higher density housing development.

There is capacity to go further, especially where there are small infill plots, as well as in the inner suburbs, in town centres and near transport links. The Mayor will explore with boroughs the opportunities available in identifying and developing small parcels of land, either undeveloped or with unrealised housing capacity, that could support in-fill housing development.

The greatest opportunities for town centre intensification are likely to be in outer London. The Mayor's Outer London Commission was clear that improving housing provision to support the wider London economy does not mean relegating outer London to a 'dormitory' role, as housing provision can also increase local jobs. The Commission stressed the importance of looking at how new homes should be planned for, built and supported with the social and other infrastructure that new and existing neighbourhoods need if they are to be sustainable.

Where sites are within, or immediately adjacent to, transport hubs, significant increases in density can be achieved and, through careful design, this should not undermine local historical and architectural contexts. There are some places, such as Vauxhall or London Bridge, where the case for high rise development is particularly strong.

Town centres can also provide ideal locations for the densification of housing, and some of the best post-millennium urban renaissance across the UK has been driven by revitalising town centres in large cities.

Case study 10: King's Mall car park, Hammersmith¹⁰⁵



should accommodate housing growth through intensification.

The King's Mall scheme will see St George West London re-develop office buildings and a car park to provide a mixed-use development comprising over 400 residential units, over 500 square metres of commercial floor space, replacement car parking and amenities space. The site is located within Hammersmith town centre, which is designated as a 'major centre' in the London Plan. According to the plan's principles of development, such schemes

Policies: Bringing land forward for development

- P46** The Mayor will commit to supporting the successful delivery of major regeneration schemes in London over the long-term, prioritising them over successive investment rounds.
- P47** The Mayor will work with Government to develop a long-term fund to support estate regeneration.
- P48** The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development.
- P49** Up to ten Housing Zones will be identified to accelerate housing delivery with new approaches to planning, land assembly, funding and taxation.
- P50** The Mayor will have an exit strategy in place by 2016 for all the landholdings devolved to the GLA.
- P51** The Mayor will promote garden suburbs on sites such as Barking Riverside, Beam Park and Thamesmead and will seek other locations for such communities.
- P52** The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development.
- P53** The Mayor will use GLA land holdings to support new forms of community-led development and innovative approaches to design and construction.
- P54** The GLA will act as a conduit for surplus public sector land in London, and will encourage public sector landholders to use the structures the GLA has in place, such as the London Development Panel and its public land register, to bring forward landholdings.
- P55** The Mayor explore purchasing strategic sites especially in Housing Zones.
- P56** The Mayor will work with boroughs and other partners to support housing-led, high density, mixed-use town centre renewal.
- P57** The Mayor will explore the potential to manage the release of surplus industrial land around transport nodes for higher density housing, taking into account London Plan policies.

Increasing development capacity

4.15 Driving supply through private rent

The Mayor wants to attract new sources of investment, particularly from long-term financial institutions seeking annuity type returns, in order that the private rented sector can contribute more to new housing supply.

It is already clear that institutional investment into the private rented sector is generating significant interest in London. The capital has the most buoyant rental market in the UK. It is the destination for significant levels of domestic and overseas investment in housing, and many of the institutions and investment funds that would be involved in such models are based here. Several recent examples demonstrate the potential of this new source of investment: the Get London Living scheme at East Village, London Borough of Barking and Dagenham accelerating the development of homes they will own, Genesis' Stratford Halo scheme, Fizzy Living in Canning Town, Royal Borough of Kensington and Chelsea foregoing capital receipts for an ongoing rental stream from new built homes, and London & Quadrant's commitment to set up a £250 million private rental arm.

The [Housing Covenant](#) sets out the Mayor's ambition to promote bespoke rented products and the right financial climate to make these kinds of investments viable and attractive. The Mayor wants to accelerate delivery, bringing new players into the market. To enable institutional investment well designed purpose-built homes for rent need to be developed, with reduced maintenance costs and longer tenancy agreements. To demonstrate the potential further, the Mayor will encourage these types of development on the GLA's own landholdings, building on the deals already struck at the Newington Butts development at the Elephant and Castle (see case study) and with Sigma Capital at Barking Riverside. The latter is understood to be the first covenanted private rented sector land deal in the country.

There is also scope to explore how the tax and regulatory regime could encourage further investment into private rented sector supply models. Real estate investment trusts (REITs) offer an opportunity to leverage institutional investment into the residential housing market in London and, notwithstanding recent proposals to amend the tax regime surrounding them, they have yet to take off as a mainstream method of funding housing investment. Equally, self-invested personal pensions (SIPPs), where investments are held in a 'wrapper' until retirement, may offer scope for investment. The London housing market is where residential investment vehicles for the private rented sector are most likely to work in the UK, and so the Mayor will convene a group to consider whether and how investment structures such as those mentioned above might be effectively employed to unlock more private rented sector capacity.

Case study 11: Newington Butts Elephant at Castle¹⁰⁶



In July 2013, the Mayor struck a ground-breaking deal. The development of the Newington Butts site in Elephant and Castle, owned by the GLA, will see preferred developers, Mace, using institutional investment to deliver one of the largest professional rental developments seen in the capital for decades.

The Mayor is also encouraging local planning authorities to support private rented-led developments through amendments in the draft Further Alterations to the London Plan and will seek to ensure that this support is available to providers who covenant to provide long-term rental housing.

4.16 Encouraging more competition in the house building industry

London needs a significant increase in housing of all tenures. The experience of recent decades shows that the existing model of a market dominated by fewer and fewer developers cannot alone deliver the number of homes needed – no matter how efficient and effective they are. London needs a wider range of organisations building housing.

The UK house-building industry is now the most concentrated it has ever been. Less than 20 years ago, over two thirds of homes were built by small and medium-sized building companies. Today, the largest house builders (those producing more than 500 units a year) account for around 70 per cent of total house building in Britain, the highest share since records began. There are now fewer developers registered with the NHBC than there were in 1994.¹⁰⁷

Some of this is down to the challenging economic climate that has slowed down production. But the failure to build enough homes is a longer-term problem and is a symptom of the structure of the house-building sector. The slow output on large sites is partly caused by the challenge of absorption. A recent study found that in the 24 months to June 2012, in schemes of 20 or more private homes, 23,700 private sale units were started on 318 sites across London. This is an average of 37 starts per scheme, per year – around 100 private sale units on average in any three year period. When affordable housing delivery on these sites is accounted for, the average delivery per scheme across London is roughly 150 units in any three years.¹⁰⁸

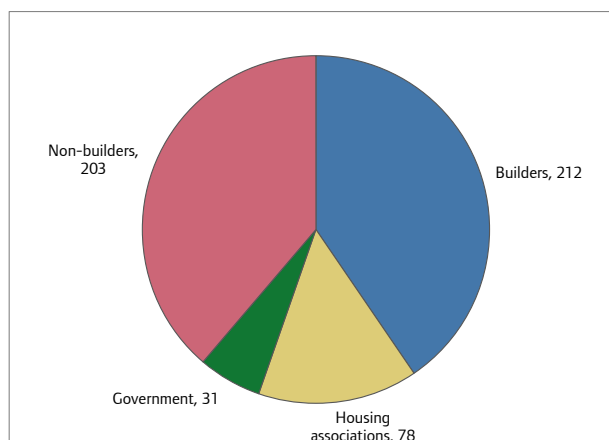
It is notable that in the two periods of highest housing supply in London, the market was not dominated by large-scale builders and did not suffer the same absorption constraints because of increased competition. For example, in the inter-war years, in addition to the large-scale builders, there were a large number of small and medium-sized builders. Greater dispersion and competition for the delivery of housing for sale should increase the speed at which homes are built, as should an increase in the provision of homes built for long-term rent (both affordable and market) and low cost home ownership, which do not compete with homes for sale on the open market.

So, alongside these complementary products and finance, there is a need to promote new entrants to the London house building market: boroughs developing homes, contractors working with investors, small and medium-sized developers, community-led schemes and self-builders. Although the barriers to entry for new smaller builders are serious in London because of the high cost of land, planning risk and the difficulties of development finance, the contribution of smaller house builders to overall supply could be increased if, for example, there was more flexibility around their Community Infrastructure Levy with payment on completion or after a property sale, rather than upfront.

4.17 Unblocking stalled sites

Figure 14: Ownership of the planning pipeline¹⁰⁹

Just as the public sector must play its part in releasing public sector land, the private sector must play its part in bringing forward stalled sites in private ownership. Although the pace of development has picked up strongly in the last year or two, there are too many sites in the development pipeline with planning permission that are currently not progressing. A GLA study into London's stalled sites found that nearly half of the 200,000 homes with planning permission in schemes of ten units or more are owned by organisations that are not house-builders.¹¹⁰



The Mayor will help developers bring these sites forward, and is working with Government and boroughs on a package of measures to unblock delivery. In return, developers will be expected to get starts on site. To this end, the Mayor will explore use-it-or-lose-it options, where they could accelerate housing delivery. The Mayor will also examine proposals to restrict or reduce the ability of developers to extend the life of existing, unimplemented, planning permissions.

Policies: Increasing development capacity

- P58** The Mayor will encourage institutional investment in London's private rented sector, including through the GLA's own landholdings, and will convene a group to consider different structures for new investment.
- P59** The Mayor will encourage small and medium-sized builders to enter the London market, including for custom and self-build housing.
- P60** The Mayor will investigate with Government options for unblocking stalled sites and accelerating delivery on large sites.

APPENDIX 1 Summary of policies

Policies: Increasing the supply of new homes

- P1** The Mayor will work with partners to increase supply to deliver the London Plan target of 42,000 homes per annum. This will comprise:
- 25,000 market homes;
 - 17,000 affordable homes to rent or buy;
 - 5,000 of the market homes will be for purpose-built long-term private rent, particularly on schemes with more than one phase.

These targets will be monitored in the GLA's Annual Monitoring Report.

- P2** In the 2015-18 investment period the Mayor will deliver 15,000 affordable homes per annum. This will comprise:
- forty per cent for low cost home ownership
 - sixty per cent for affordable rent comprising 'capped' rent and 'discounted' rent products with the latter intended to be prioritised for low income working households.

These targets will be monitored in the GLA's programme monitoring statistics and Department for Communities and Local Government statistics.

- P3** The number of First Steps homes delivered in the capital will be doubled by 2020, and doubled again by 2025, helping 250,000 Londoners into home ownership.

- P4** To deliver homes to tackle overcrowding the Mayor will:
- support mobility so that people who are under-occupying can downsize and free up properties for households who are over-crowded;
 - make funding available for substantially larger homes (four bedroom plus) in the 2015-18 affordable housing programme;
 - commit to a long-term aim to deliver larger family sized homes in line with the Strategic Housing Market Assessment.

The GLA will monitor the impact of the 2015-18 programme on increasing the availability of family sized housing.

Policies: Improving design

- P5** All new homes should be built to the London Housing Design Guide standards, as set out in the London Plan Housing Supplementary Planning Guidance.

- P6** New homes should be built to Lifetime Homes standards, with at least ten per cent wheelchair adapted or easily adaptable.

- P7** The Mayor will include innovative approaches to design, including modern methods of construction.

Policies: Improving existing homes and estates

- P8** The Mayor will work to retrofit all poorly insulated home in London by 2030, including through his RE:NEW programme.

- P9** The Mayor will work with partners towards the environmental retrofitting of all London's affordable housing by 2020.

- P10** All London boroughs should be in a position to independently resolve their Decent

Homes backlog by 2016.

- P11** No more than one per cent of homes in London should remain empty for more than six months.

Policies: Supporting working Londoners

A more structured intermediate market

- P12** The Mayor will fund providers to deliver the flexible home ownership programme, which enables households to choose a First Steps home and then agree the appropriate financial package.
- P13** The Mayor will allow investment in equity loans to be transferred to a different property for households that fall within the income thresholds for First Steps.
- P14** Intermediate homes funded by GLA programmes should be made available to all Londoners meeting the First Steps eligibility criteria. Any local criteria that restrict eligibility by occupational definition, income level, or local connection should apply for no more than three months from initial marketing.
- P15** The Mayor will provide funding to housing associations who wish to offer tenants the right to part-buy.
- P16** The Mayor will encourage more participants and competition in the intermediate mortgage market, particularly for shared ownership and will work with lenders to create specific products.

Supporting home ownership

- P17** The Mayor will lobby Government for changes that will improve the experience of private sector residential leaseholders in London, including amendments to the legislative requirements for a vote in favour of the right to manage, improvements in the system for redress and dispute resolution and consideration to the introduction of statutory regulation of managing agents.
- P18** The Mayor will work with the Council of Mortgage Lenders to encourage lenders to extend in-principle mortgage approvals.

Policies: Supporting working Londoners

Recognising the importance of the private rented sector

- P19** The London Rental Standard will be implemented to improve management standards, with a target to accredit 100,000 landlords and agents by 2016.
- P20** The Mayor will lobby Government to make payments of housing benefit direct to landlords who are accredited.
- P21** The Mayor will work with boroughs and central Government to improve the quality of private rented sector homes by making full use of existing enforcement powers and seeking improvements to the Housing Health and Safety Rating System.
- P22** The Mayor will work with landlords, especially registered providers delivering private rented homes, to promote the delivery of longer-term tenancies, within the framework of the assured shorthold tenancy regime.

P23 The GLA will offer its employees interest-free loans of up to £5,000 towards private rental deposits, and will promote this initiative to London's employers.

P24 Major employers in the capital will be encouraged to invest in subsidised housing products to reduce the costs of renting for their employees.

Policies: Supporting working Londoners

Rethinking affordable housing allocations

P25 Local authorities and other affordable housing providers should give greater priority to working households for lettings.

Facilitating mobility

P26 To encourage mobility and to enable best use of stock, affordable housing providers are encouraged to consider the use of fixed-term renewable tenancies.

P27 For affordable rented homes funded through GLA programmes five per cent will be let on a pan-London basis and ten per cent on strategic sites. In addition ten per cent will be retained for nominations by the registered provider. This will replace the current system of sub-regional nominations.

P28 The Mayor will explore the expansion of the Housing Moves and Seaside & Country Homes schemes for under-occupiers and those in employment.

Towards a London rental policy

P29 Private sector landlords should consider the use of longer tenancies, tied in with greater certainty over rents, where this is viable.

P30 Affordable housing providers should consider adopting a high earners' contribution in line with the First Steps income thresholds.

P31 Funding conditions will limit shared ownership rent increases and providers of low cost home ownership should ensure that service charge increases are proportionate, justified and transparent.

Policies: Meeting a range of housing needs

P32 The Mayor will develop a housing offer for young people, including those starting to live independently for the first time.

P33 The Mayor will increase the provision of older people's housing across all tenures, including extending the funding in the affordable housing programme.

P34 The Mayor will lobby Government for greater financial incentives for older people to downsize, including tax incentives.

P35 The Mayor will encourage bids for supported housing under the GLA's 2015-18 affordable housing programme and fund as many suitable applicants as possible.

P36 The level of severe overcrowding in affordable rented housing will be halved by 2016.

- P37** The Mayor will review and promote good practice in addressing under-occupation and overcrowding, including through the use of fixed-term tenancies and targeted nominations.
- P38** The Mayor will work with boroughs and other partners to ensure that no-one new to the streets sleeps rough for a second night, no-one lives on the streets of London and the flow of new rough sleepers onto the streets is minimised.
- P39** Boroughs should continue to make appropriate use of mechanisms such as NOTIFY and the pan-London inter-borough accommodation agreement when placing homeless households in out of borough accommodation.

Policies: Financing housing delivery

- P40** The Mayor will lobby Government for changes to housing finance arrangements in the capital. This will include:
- the relaxation of borrowing rules for both the GLA and boroughs for housing purposes;
 - the devolution of the full suite of property taxes to London Government;
 - exploratory work on how stamp duty land tax can be made more equitable and efficient.
- P41** The Mayor will make greater use of equity investment or loan guarantees in future spending rounds, where it is able to recover and reinvest its original investment.
- P42** The Mayor will work with partners to introduce a London Housing Bank model, with the first phase to be launched in 2014.
- P43** The Mayor will lobby Government to explore potential options for establishing a Help to Build guarantee scheme to support development finance.
- P44** The Mayor will work with the regulator to explore how housing associations can be incentivised to maximise development capacity.
- P45** The Mayor will encourage registered providers to consider additional disposals and conversions of properties to unlock capacity, within the context of a contract with the GLA to deliver an affordable housing programme.

Policies: Bringing land forward for development

- P46** The Mayor will commit to supporting the successful delivery of major regeneration schemes in London over the long-term, prioritising them over successive investment rounds.
- P47** The Mayor will work with Government to develop a long-term fund to support estate regeneration.
- P48** The Mayor will prioritise efforts and investment to bring London's major Opportunity Areas forward for development.
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- P59 The Mayor will encourage small and medium-sized builders to enter the London market, including for custom and self-build housing.
- P60 The Mayor will investigate with Government options for unblocking stalled sites and accelerating delivery on large sites.

APPENDIX 2 Funding proposals

Some of the resources allocated to London to deliver against the aims of this strategy have been finalised and are summarised below:

- £1.25 billion to support the delivery of 42,000 affordable homes in 2015-18.
- £125 million for the Get Britain Building Fund to kick-start housing delivery on 22 sites to deliver 2,800 homes up until 2015.
- At least £750 million in aggregate from the Build to Rent programme and the Help to Buy equity loans programme up until 2016.

Other elements of the resources are still being finalised with Government. The Mayor expects negotiations to conclude shortly, at which point the GLA will be able to make announcements on funding for the following areas:

- Stock upgrade support to borough landlords - expected to be around £145 million to improve the condition of 9,500 council-owned homes.
- London Housing Bank - expected to be up to £200 million to deliver up to 3,000 homes.
- Care and supported housing.
- Rough sleeping hostels.

The expected outputs for affordable housing and stock upgrade to support borough landlords are set out in the table below:

Expected housing outputs from GLA programmes, 2008/09 to 2017/18¹

Tenure	2008/09 - 2010/11	2011/12- 2013/14²	2014/15	2015/16 - 2017/18
Rent (social and affordable)	22,260	22,541	13,434	25,200
First steps	18,400	11,395	6,617	16,800
London Housing Bank	-	-	-	3,000
Total new homes	40,640	33,936	20,051	45,000
Stock upgrade to support Borough landlords	n/a	23,915	21,085	9,500 ³

Initial allocations for the *Mayor's Housing Covenant 2015-18* programme are expected to be announced in July 2014. Details on the allocation process for the funding to improve the quality of existing homes will follow in the next few months along with bidding opportunities for the other programmes.

¹ Sources: 2008/09 to 2013/14: DCLG live tables and GLA Investment Management System; 2014/15: Forecast completions; 2015/16 to 2017/18: Projected split of new GLA programme

² Includes assumed delivery to end of 2013/14, will be updated following end of financial year.

³ Decent Homes funding for 2015/16 only

ENDNOTES

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- ³ 2013 London Strategic Housing Market Assessment, GLA, 2014
- ⁴ 2013 round demographic projections GLA, 2014
- ⁵ Infographic courtesy of Savills, based on ONS data
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- ⁷ 2013 London Strategic Housing Market Assessment, GLA, 2014
- ⁸ Census data 2001 and 2011, Office for National Statistics
- ⁹ Council Tax Property Attributes, Valuation Office Agency, 2012
- ¹⁰ Council Tax Property Attributes, Valuation Office Agency, 2012
- ¹¹ GLA analysis of data from Valuation Office Agency, Office of National Statistics, Tokyo Statistical Yearbook, French Census, and the American Community Survey
- ¹² GLA analysis of data from the French Census and the American Community Survey
- ¹³ GLA analysis of data from the Tokyo Statistical Yearbook, Tokyo Metropolitan Government, 2013, Valuation Office Agency council tax statistics and Office for National Statistics mid-year population estimates.
- ¹⁴ Tokyo Statistical Yearbook, Tokyo Metropolitan Government, 2013
- ¹⁵ International Buyers in London, Knight Frank, 2013 and The World in London, Savills, 2013
- ¹⁶ International Buyers in London, Knight Frank, 2013
- ¹⁷ Census 2011, Office for National Statistics according to Census data the proportion of households in the private rented sector in outer London rose from 12% in 2001 to 21% in 2011
- ¹⁸ GLA analysis of data produced by Land Registry in 2013. The period covered is January 2007 to July 2013. The indices have been calculated by GLA as weighted averages of borough level price indices, weighted by the number of sales in each borough in each period
- ¹⁹ GLA, analysis of data from Land Registry House Price Index
- ²⁰ Private Rental Market Statistics, Valuation Office Agency, 2014
- ²¹ , Housing in London 2013/14, GLA, 2014.
- ²² GLA analysis of House Price Index quarterly data from Office for National Statistics
- ²³ , International Buyers in London, Knight Frank, 2013
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- ³⁰ PIE data, DCLG, 2013
- ³¹ Homelessness statistics, DCLG, 2013
- ³² Street to Home annual report 2012/13, Broadway, 2013
- ³³ GLA analysis of Survey of English Housing and English Housing Survey. The chart uses three year rolling averages, so that the figure for 1995/96 represents the average of 1993/94 to 1995/96, and the figure for 2011/12 represents the average of 2009/10 to 2011/12
- ³⁴ GLA analysis of English Housing Survey data, 2009/10 to 2011/12
- ³⁵ The Mayor's Transport Strategy, GLA, 2010
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Chinese

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có bản bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নীচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος
εγγράφου στη δική σας γλώσσα, παρακαλείστε να
επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυ-
δρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں
چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫੋਨ ਕਰੋ ਜਾਂ ਹੇਠ
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.