

## **Homes for Londoners Board**

Date of meeting: **13 June 2017**

Title of paper: **New Delivery Models: Homes for Londoners Sub-Group Report**

To be presented by: **Liz Peace CBE, Chair of the New Delivery Models Sub-Group**

Cleared by: **James Murray, Deputy Mayor for Housing and Residential Development and Jamie Ratcliff, Assistant Director –Programme, Policy and Services (on behalf of David Lunts, Executive Director of Housing & Land)**

Classification: **Public**

### **1 Executive Summary**

- 1.1 The Homes for Londoners Board convened a sub-group to investigate the potential of new delivery models to drive an increase in the supply of homes that are affordable to ordinary Londoners. This report presents the findings of this sub-group.
- 1.2 The sub-group considered three possible areas where specific action or intervention might improve delivery:
- a) The provision of additional public and private finance through a variety of delivery vehicles;
  - b) The availability of land of sufficient quantity, quality and in the right locations to facilitate the delivery of sufficiently large housing developments to be attractive to private sector investors; and
  - c) The availability of the appropriate skills to assemble land and to negotiate deals between public and private sector landowners and potential finance and development partners.
- 1.3 The sub-group concluded that the availability of finance was not the principal problem in achieving the necessary housing numbers in London and that there remains additional funding capacity across the public and private sectors to finance delivery of large numbers of homes. The real issue was the availability of public and private land, at the right price, in the right place, in the hands of organisations that are able to build homes at pace. The sub-group agreed the private sector could not deliver this without significant change within the current operating and legislative contexts for land assembly. The sub-group therefore concluded that an increase in site availability could only be delivered through further public sector intervention to identify sites, to support the assembly of disparate sites and intensification of land uses, to help manage the procurement process and to provide the right level of skills needed to affect complex negotiations and development deals.

1.4 The sub-group makes the following recommendations:

- a) Working with the GLA, London boroughs should lead by example to identify the potential for assembling disparate public sector sites in their areas into larger development opportunities.
- b) As part of the identification of land for housing development, public sector bodies should be encouraged to systematically review the potential to intensify uses on their own land holdings. They should be required to provide to the GLA an audit of sites that shows which land holdings can be intensified or released and which cannot for operational or practical reasons.
- c) To support this, the GLA should consider a grant programme to fund the identification of public land assembly and intensification opportunities, to be supported by a small team at City Hall.
- d) Similarly, public sector bodies should carry out an exercise to identify where intensification of private sector land would allow for the delivery of more homes. This might be in conjunction with the development of adjacent public sector land. A grant programme might also be considered to support this activity.
- e) In order to ensure that there are the right skills available to negotiate site assembly and potential deals with investors and developers, there is a need for a wider pool of suitably qualified individuals to undertake these tasks either on behalf of or in support of the boroughs. The sub-group was aware of various initiatives already underway at the GLA, London Councils and elsewhere. The group recommended that, in order to avoid duplication and to ensure skills initiatives are complementary and aligned to achieve land use intensification in London, they be coordinated by one body. The GLA, with oversight by the Homes for Londoners Board, is well-placed to coordinate these initiatives, although it is recognised that the Board will wish to discuss this further.
- f) The GLA (overseen by Homes for Londoners Board) should highlight guidance and case studies to boroughs on the best ways of dealing with problems posed by public procurement arrangements, and particularly compliance with the OJEU process.
- g) The GLA (overseen by Homes for Londoners Board) should discuss with Government changes to national policy that are needed to allow for more effective and faster housing delivery, in particular focusing on the rules governing public land disposal and compulsory purchase.

## **2 Recommendations**

2.1 The Board is asked to:

- a) Note the report and the recommendations made by its New Delivery Models Sub-Group as set out at paragraph 1.4; and
- b) Discuss how these should be taken forward.

### **3 Introduction and Scope**

- 3.1 There is a clear need to significantly increase the level of housebuilding in London and in particular deliver many more genuinely affordable homes, contributing towards the Mayor's long-term strategic aim that half of new homes should be genuinely affordable. The current identified level of need is for 49,000 homes per year and these figures are likely to be revised upwards in the forthcoming housing needs assessment. London is currently only delivering on average 55 per cent of the homes needed per year, and this gap between housing need and supply is recognised to underpin many of London's housing challenges, including:
- growing unaffordability of house prices and rents;
  - declining home ownership;
  - growing levels of housing need and homelessness;
  - negative impacts on economic competitiveness and productivity; and
  - changes to London's social mix.
- 3.2 The New Delivery Models sub-group was commissioned by the Homes for Londoners Board to consider how new business and delivery models may drive an increase in and acceleration of the provision of new homes in London. The sub-group's Terms of Reference are attached at Appendix 1. The sub-group was chaired by Liz Peace CBE and involved a wide group of stakeholders, including housebuilders, housing associations, investors, local authorities, London Councils and Transport for London (TfL).
- 3.3 The Terms of Reference for this sub-group were broad, and discussions were therefore focussed on specific delivery issues in three key areas:
- a) The provision of additional public and private finance through a variety of delivery vehicles;
  - b) The availability of land of sufficient quantity, quality and in the right location to facilitate the delivery of sufficiently large housing developments to be attractive to private sector investors;
  - c) The availability of the appropriate skills to assemble land and to negotiate deals between public and private sector landowners and potential finance and development partners.
- 3.4 The Memorandum of Understanding on further devolution to London, announced alongside the Budget on 8 March 2017, sets out the Government's intention to establish a joint taskforce with the Mayor to pilot a land value growth model on a major infrastructure project in London. The sub-group has therefore not focussed in depth on this aspect of the Terms of Reference.
- 3.5 In the context of this report, 'public sector' and 'public sector bodies' are used to describe the wide range of organisations that deliver a government function or deliver public service functions to residents. This includes the GLA group, local authorities, Government departments and their arms-length public bodies (including Network Rail).

- 3.6 The group identified recommendations in four areas: improving land availability; skills and people; knowledge and processes; and London's powers to deliver.

## **4 Improving Land Availability**

### *The importance of improving land availability*

- 4.1 The group identified the availability of land in London as the most significant barrier to achieving an increase in and acceleration of housing supply in London. A shortage of land availability is hampering efforts of local authorities, housing associations and private sector housebuilders to deliver the homes that Londoners need. It is driving up the cost of development and has led to under-utilisation of public and private sector development capacity.
- 4.2 The group agreed that tackling inefficient land use in London could lead to the delivery of a significant number of new homes. For example, research by JLL has identified the potential to develop 75,000 new homes in London on urban car parks.<sup>1</sup> Infill sites and rooftop extensions also provide potential for further delivery.
- 4.3 The group therefore agreed the need to focus on increasing the availability of public and private land, at the right price in the right places, and getting this land into the hands of organisations that want to build homes at pace. The group also felt that there was considerable potential for intensification of land uses, on both public and private land.
- 4.4 Private sector developers are operating at their optimal capacity in terms of land acquisition, site assembly and land use intensification, given market conditions, their business models and regulatory environments. The sub-group therefore concluded that a step-change in land availability can currently only be achieved by greater public sector intervention.

### *Better use of public land*

- 4.5 The group recognised that public land can make an important contribution to meeting London's housing need: the 2013 London Strategic Housing Land Availability Assessment (SHLAA) identified capacity for 130,000 homes on public land through to 2023. This included a high proportion of GLA-inherited land, and the group recognised the progress made by the Mayor in entering into contracts on almost all this land with development partners. The group also recognised the progress made by the Mayor in unlocking delivery on TfL land, including at Kidbrooke (Greenwich), Landmark Court (Southwark), Blackhorse Road (Waltham Forest) and Fenwick South (Lambeth), which will collectively deliver over 900 homes, 51 per cent of which will be affordable.
- 4.6 Public land can also play a wider role in enabling land intensification, whilst also delivering benefits for the landowner. The group agreed that public land can be used to accelerate wider development and increase the delivery of affordable homes. Public land is at the core of land assembly models, and the GLA has commenced a town centre land assembly pilot with London Borough of Redbridge, Swan Housing and Notting Hill Housing Group at Ilford. Bringing

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<sup>1</sup> JLL (2017): Car park to residential: driving innovation.

forward public land can also deliver additional benefits for public landowners, including long-term revenue streams and affordable key worker housing.

- 4.7 In order to contribute to meeting London’s housing demand, the sub-group recommends that, **working with the GLA, London boroughs should lead by example to identify the potential for assembling disparate public sector sites in their area into larger development opportunities.**
- 4.8 In order to support this, the sub-group agreed that public sector bodies should also lead by example by examining how their own land holdings could be most efficiently used to bring forward development opportunities. The sub-group found that intensification of London’s public land can be constrained by how surplus land is defined and identified by landowners. This can lead to retention of large numbers of sites which are inefficiently used, and have no prospect of redevelopment by the public body. The sub-group endorsed systematic approaches, such as that employed by TfL, which focussed on maximising development on each site, to include consideration of how operational sites could be repurposed for mixed-use through architectural or engineering solutions. The sub-group recommends that **public sector bodies should be encouraged to systematically review the potential to intensify uses on their own land holdings. They should be required to provide to the GLA an audit of sites that shows which land holdings can be intensified or released and which cannot for operational or practical reasons.**
- 4.9 The sub-group notes that bringing forward public sector land for development can be challenging. Public landowners do not always engage with the GLA when disposing of land and corporate requirements to achieve best value can mean that land use is not optimised. The sub-group agreed this must change, and supported formalised and regularised engagement with the GLA by London’s major public landholders when disposing of land.
- 4.10 The sub-group recognised that the identification of land assembly and intensification opportunities requires resource input. The sub-group heard examples of how the One Public Estate (OPE) programme, delivered in partnership by the Cabinet Office Government Property Unit and the Local Government Association, had brought forward public land for development. OPE provides practical and technical support and funding to councils to maximise the potential of land holdings. A total of £3.7 million has been allocated to programmes in 14 London boroughs through OPE to date (with average funding of £56,000 per programme). This funding has identified land opportunities that will deliver 8,622 homes by 2026<sup>2</sup>.
- 4.11 The sub-group agreed that additional grant funding in London has the potential to enable and support land use intensification. The sub-group recommends that **the GLA considers a grant programme to fund the identification of public land assembly and intensification opportunities, to be supported by a small team at City Hall.**

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<sup>2</sup> Government Property Unit, May 2017.

### *Private sector land opportunities*

- 4.12 Whilst public bodies can lead the way by assembling and intensifying the use of public land, the sub-group recognised that this could only meet a small proportion of London's total housing need. Better use of private sector land will also be essential.
- 4.13 Collectively, public and private sector organisations hold a vast amount of knowledge about the potential for land use intensification and land assembly across London. The sub-group agreed that this knowledge needs to be better utilised to drive an increase in housebuilding in London. The sub-group recommended that **public sector bodies should carry out an exercise to identify where intensification of private sector land would allow for the delivery of more homes. This might be in conjunction with the development of adjacent public sector land. A grant programme might also be considered to support this activity.**
- 4.14 This exercise should complement and be supported by GLA's ongoing work to build intelligence of development activity and land opportunities across London. This work is intended to enable a more proactive brokerage role for the GLA to initiate or support interventions to relieve blockages in the land pipeline and deliver housing and regeneration.

## **5 Skills and People**

- 5.1 The sub-group found that attracting and retaining staff with the skills to take forward development is the most significant resource issue for local authorities and housing associations. In particular, the 'deal-making' skills required to take forward major or complex schemes were thought to be stretched across the public sector, hindering land negotiations and efforts to achieve more intensive land usage in a timely manner. The sub-group agreed that there is a need for a wider pool of suitably-qualified individuals to undertake these tasks either on behalf of, or in support of, the boroughs.
- 5.2 The sub-group identified a number of initiatives to provide skills and staffing resources to support development, which include:
- a) The Collaborative Delivery Vehicle (CDV) being developed by London Councils, on behalf of London boroughs, to increase local authority capacity to broker land deals. The vehicle has been conceived as a commercial company that would be owned and funded by boroughs, with additional investment from the GLA and HCA, to provide advice and consultancy, identify land opportunities, undertake brokering of investment deals and directly deliver housing through scheme-specific commissioning.
  - b) The Public Practice initiative to improve local authority place-making capacity, particularly where it supports the delivery of housing. Development of this initiative is currently being led by the GLA, in partnership with the LGA and East of England LGA. It aims to offer fixed-term placements for planning and regeneration practitioners in London and East of England, and support collaborative planning and sharing of resources across authorities. It also aims to achieve cost savings and greater continuity from a reduction in the use of agency staff and short-term commissioning arrangements.

- 5.3 The sub-group identified potential for overlap in the scope of these initiatives. It was agreed that coordination of these resources would deliver better use of public resources and would ensure they are aligned with the need to achieve a more intensive land use in London.
- 5.4 The sub-group recognised the importance of compulsory purchase to bring forward land where other options had failed, but noted the overall lack of capacity across London to exercise these powers. The sub-group agreed that establishing a London-hub to focus and share compulsory purchase experience, expertise and resource could be of significant benefit and greatly enhance capacity. A next step towards this could be for the GLA to explore this as an offer to willing boroughs.
- 5.5 The sub-group recommends that, **in order to avoid duplication and to ensure skills initiatives are complementary and aligned to achieve land use intensification in London, they be coordinated by one body.** This is referred to hereon as the ‘coordination function’.
- 5.6 The majority view of the sub-group is that the GLA would be best-placed to deliver this coordination function. This would support the delivery of the Mayor’s manifesto pledge to work with councils, housing associations and co-operatives to help them invest their land and resources effectively. The sub-group further suggests that the Homes for Londoners Board should provide oversight given that it is a platform for engagement with those with a stake in building new homes for Londoners. However, the coordination function could be delivered in a number of ways, and it is recognised that the Homes for Londoners Board will wish to discuss this further.

## **6 Knowledge and Processes**

- 6.1 Issues relating to public procurement, and particularly requirements under the OJEU were recognised by the sub-group as posing a potential barrier to timely development. The sub-group considered approaches to streamline procurement processes. This includes the GLA’s London Development Panel, which offers development services for public landowners and registered providers through an OJEU-procured framework. Joint ventures and investment partnerships provide an opportunity for more streamlined public procurement arrangements, and may be appropriate where the public body wishes to play an ongoing role in development, including by bearing development risk.
- 6.2 Further information on those delivery models considered by the sub-group is presented in Appendix 2. The sub-group recommend that **the GLA (overseen by the Homes for Londoners Board) should highlight guidance and case studies to boroughs on the best ways of dealing with problems posed by public procurement arrangements, and particularly compliance with the OJEU process.**
- 6.3 The sub-group found that finance was not the principal barrier to land intensification: there remains additional financial resource capacity across the sector to deliver homes. The availability of land acts to constrain the allocation of this financial resource, which prevents the sector achieving its maximum

capacity. However, the sub-group recognised that there is scope to further discuss housing development finance in London, and that the GLA could help to raise awareness of delivery models that may overcome potential barriers to development.

## **7 London's Powers to Deliver**

7.1 The sub-group also identified potential constraints on land intensification and the delivery of homes in the capital. These include:

- a) Compulsory purchase powers and processes. The sub-group heard that this process can be resource-intensive and time consuming, and that there is scope for streamlining compulsory purchase of public land.
- b) Legislation requiring public bodies to achieve best consideration when disposing of land. The sub-group heard that relaxing this legislation would enable sites to be brought forward to deliver housing where this is not the most viable use, and in particular could support the delivery of affordable housing.
- c) Public land disposal powers in London. The sub-group notes that the GLA does not have the same powers as the HCA in England to coordinate the disposals of non-operational public land.

7.2 The sub-group recommended that **the GLA (overseen by Homes for Londoners Board) should discuss with Government changes to national policy that are needed to allow for more effective and faster housing delivery.**

## **8 Equality comments**

8.1 The recommendations of the sub-group seek to increase the supply of housing in London. This will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups<sup>3</sup> and women<sup>4</sup>. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.<sup>5</sup>

8.2 Increasing the supply of affordable housing will help to alleviate poverty. Specific protected groups are more likely to experience poverty, including households headed by minority ethnic individuals, young people and disabled people, refugee and asylum seekers, travellers and gypsy groups, and workless households.<sup>6</sup>

8.3 The Mayor's policies for housing will be published in the draft London Housing Strategy and draft London Plan, both of which will be subject to equality impact assessment.

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<sup>3</sup> DCLG (2016): statutory data on homelessness,

<sup>4</sup> *ibid*

<sup>5</sup> Shelter (2013): People living in bad housing; Office of the Deputy Prime Minister (2004): the impact of overcrowding on health and education;

<sup>6</sup> Equality and Human Rights Commission (2016): Is England fair: the state of equalities and human rights



## **9 Next Steps**

- 9.1 Homes for Londoners Board is asked to consider the recommendations outlined in this report and direct further work as appropriate.

### **Appendices:**

- Appendix 1 - Terms of reference: Homes for Londoners Board sub-group – New delivery models
- Appendix 2 - Delivery models and case studies identified by the New Delivery Models sub-group