

Subject: Encouraging Diversity in London's House Building Industry

Report to: Housing Committee

Report of: Executive Director of Secretariat

Date: 16 October 2014

This report will be considered in public

1. Summary

- 1.1 Following its 25 March 2014 meeting, the Committee sent a letter to the Mayor regarding the use of public land to encourage diversity in London's house building industry. The Mayor responded to the Committee's findings in September 2014.

2. Recommendation

- 2.1 **That the Committee notes both the letter sent by the Chair to the Mayor about encouraging diversity in London's house building industry and the Mayor's response.**

3. Background

- 3.1 In March 2014, the Committee examined the barriers to entry into London's house building industry. It spoke to representatives of small builders, community groups, and academics as well as the Executive Director for Housing and Land from the Greater London Authority (GLA). In July 2014, it sent a letter to the Mayor setting out some of the findings from its meeting, as attached at **Appendix 1**. The Committee urged the Mayor to reconsider his approach to using public sector land to support house building in London. In particular, it said that – where possible – this land should be used to help new and/or small developers enter the market, an aspiration in the London Housing Strategy.¹
- 3.2 In his response to the letter (attached at **Appendix 2**) the Mayor welcomed the Committee's support for encouraging a more diverse house building industry and in particular the need to do more to support the small- and medium-sized enterprise (SME) sector. However, in terms of the practical solutions proposed by the Committee, the Mayor stated that the ability to adopt a different approach to using GLA land, such as dividing large GLA sites into smaller parcels reserved for SME developers, is limited by the small number of development sites still in GLA ownership that are not either in development or 'active procurement'. (The Mayor did not address what approach he would

¹ [Homes for London: the London Housing Strategy](#), GLA, page 60.

take to other public land in London over which the GLA might take strategic control – something alluded to in the London Housing Strategy.²⁾

- 3.3 The Mayor also questioned whether SME developers would find opportunities to build on larger sites either appealing or appropriate. He added that he has seen no evidence that SMEs have an appetite for a London-wide alternative to the London Development Panel (LDP) specifically targeted at them. Yet, the Federation of Master Builders issued the following statement in response to the Committee's letter which supports a similar development:

"The London Assembly Housing Committee's call to the Mayor of London to use his power to enable greater competition and diversity in the London house building market is a welcome initiative, because we desperately need more smaller house builders to deliver a wider variety of homes.

"The Mayor has been right to set ambitious targets for the number of new homes London needs to build. If this is to be achieved, it will require utilising the full capacity of the small and medium-sized house building sector. As the Housing Committee has rightly recognised, breaking larger sites down into smaller parcels is one way in which public authorities can support a healthier, more diverse house building industry.

"We are also very pleased to see the Housing Committee making clear that the Mayor must avoid acting in a way which reduces competition in the market. The London Development Panel is worryingly exclusive, involving only 25 large contractors and house builders. It is extremely important that the Greater London Authority (GLA) finds more flexible and dynamic framework arrangements, with streamlined processes, which will allow smaller firms fair access to public sector land."³

- 3.4 In other areas the Mayor is willing to accept the Committee's findings. Importantly, he agreed to publish a register of key information on LDP disposals by the end of October, which the Committee hopes will improve transparency (However, the Mayor also said that the capital receipt for disposals will be commercially confidential and therefore not disclosed). Depending on borough responses to the Housing Zones prospectus, the Mayor will also keep under review the Committee's suggestion to commission research into the risks and benefits of 'end-to-end project management', whereby the Mayor could take on a more proactive role in land assembly. And while not supportive of a London-wide alternative to the LDP, the Mayor said that the GLA would, where appropriate, support contractor panels operating at a borough level.
- 3.5 Lastly the Mayor pointed to some current examples of SME activity in the London house building industry. He said he continues to encourage LDP members to support and partner with the SME sector through contracts won through the LDP, citing the recent example of the Floating Village in the Royal Docks, which is using a small Dutch developer. He also highlighted that the GLA has established a £21.7 million revolving fund with Pocket Living to deliver homes across London over a ten year period.

² [Homes for London: the London Housing Strategy](#), GLA, page 54.

³ Brian Berry, Chief Executive, Federation of Master Builders, [Diversity Needed in London's House Building Industry, says FMB](#), press release, 8 August 2014.

4. Issues for Consideration

- 4.1 The letter that the Committee sent to the Mayor, dated 21 July 2014, is attached at Appendix 1. The response from the Mayor, dated 16 September 2014 is attached at Appendix 2.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:

Appendix 1 – Letter to the Mayor about encouraging diversity in London’s house building industry.

Appendix 2 – Response from the Mayor about encouraging diversity in London’s house building industry.

Local Government (Access to Information) Act 1985
List of Background Papers: None
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