

# Accelerating Housing Delivery

## Planning and Housing Practice Note December 2024

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### 1. Introduction

- 1.1 Increasing housing delivery in London is a key priority for the Mayor, and his strategy for Good Growth in London. As part of this, the provision of affordable housing is particularly crucial for ensuring that housing meets the needs of Londoners. Affordable housing provision is also important in diversifying and increasing overall supply.
- 1.2 In view of current market conditions, the GLA is bringing forward additional measures to support housing delivery under the Mayor's planning and housing powers. This practice note focuses on short-term delivery and forms part of wider approaches established through the London Plan and the Mayor's Housing Strategy.<sup>1</sup> It also sits alongside emerging work to implement the commitments in the Mayor's 2024 Manifesto including the delivery of council homes, rent controlled Key Worker Living Rent Homes, and the City Hall Developer, as well as work towards a new London Plan.
- 1.3 The practice note focuses on increasing the provision of affordable homes and wider housing delivery, including social rented housing for households in greatest housing need and intermediate housing for key workers and middle-income earners.<sup>2</sup> It includes time-limited approaches that will be kept under review and may be withdrawn as market conditions improve. It sets out measures to support councils and registered providers of social housing (RPs) to deliver more affordable homes and to attract more institutional investment to the sector.
- 1.4 This practice note is a material consideration for the purposes of determining planning applications. In recognition of the challenges currently facing housing delivery in London in the short term, Local Planning Authorities (LPAs) and applicants are strongly encouraged to implement the approaches in this practice note when bringing forward guidance, submitting and

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<sup>1</sup> See in particular: London Plan Good Growth objective GG4 and policies H1, H2, H3, H4, H5, H6, H8, H9, H11, H12, H13, DF1, D6, the Mayor's Affordable Housing and Viability Supplementary Planning Guidance and Draft Affordable Housing and Development Viability London Plan Guidance. Relevant documents under the Mayor's housing powers include: the GLA Capital Funding Guide, Affordable Homes Programme 2021-26 Funding Guidance and Accelerated Funding Route Guidance.

<sup>2</sup> The date of publication for the practice note is 20<sup>th</sup> December 2024.

assessing planning applications and supporting the delivery of the pipeline of consented schemes.

## **2. Policy, Funding and Market context**

- 2.1 Affordable housing secured through the planning system is estimated to account for half of affordable homes delivered nationally and more in London<sup>3</sup>. As well as helping to address housing need this supports the provision of mixed and inclusive communities which is a key principle in the current and previous London Plans.
- 2.2 The Mayor's policies and other interventions have helped to reverse the significant decline in affordable housing provision in residential developments between 2012 and 2016. Since then, the total number of affordable homes in referable applications approved by the Mayor as a proportion of all homes has increased from 25 to 38 per cent in 2023, and 46 per cent by habitable room. Net affordable housing completions in 2023/24 were at their highest level since 2011/12. The delivery of social and low-cost rent affordable housing for low-income households in London has also increased. This is in the context of higher overall housing delivery, with average net residential completions over the last eight years being significantly higher than in the period since 1991.
- 2.3 This has been achieved in large part through the London Plan 'threshold approach' introduced in 2017 and other interventions under the Mayor's planning and housing powers. The threshold approach enables schemes that provide the relevant threshold level of affordable housing to follow the Fast Track Route (FTR). This has helped to ensure that affordable housing requirements are reflected in land values and sped up the planning process.<sup>4</sup> Developments with a lower level of affordable housing are considered through the Viability Tested Route (VTR) to assess the maximum viable level of affordable housing, subject to reviews which determine whether this can be increased if viability improves over time.
- 2.4 Despite the increase in affordable housing provision, affordable housing need significantly exceeds delivery. The London Strategic Housing Market Assessment (2017) identified a need for c.43,500 affordable homes a year, of which 31,000 are for social / low-cost rent. In October 2024, London Councils estimated that over 183,000 Londoners are living in temporary accommodation arranged by their local borough. The particular need for

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<sup>3</sup> ONS live tables on housing supply. Affordable homes are secured through planning obligations in Section 106 agreements.

<sup>4</sup> Affordable housing in planning applications referred to the Mayor 2011 – 2023, GLA 2024. Analysis of the time between Stage 1 and Stage 2 Reports also indicates that the Threshold Approach has had a material impact on the time taken to determine planning applications, with Fast Track Schemes progressing to Stage 2 on average three months quicker than Viability Tested schemes between 2018 – 2023, and five months quicker in 2023. This does not take into account further time savings at pre-application stage, pre-Stage 1, and post Stage 2.

more social and low-cost rented housing is reflected in the London Plan, the Affordable Homes Programme 2021-26 and the National Planning Policy Framework (December 2024). The London Plan also seeks the provision of intermediate homes for key worker and middle-income households including London Living Rent.

- 2.5 In response to these issues the government has committed to “*deliver the biggest increase in social and affordable housebuilding in a generation*” which will be achieved “*through strengthening planning obligations to ensure new developments provide more affordable homes and supporting councils and housing associations to build their capacity and make a greater contribution to affordable housing supply*”.<sup>5</sup> In his 2024 manifesto, the Mayor also committed to delivering 40,000 council homes and 6,000 affordable Rent Control Homes with rents capped and linked to the incomes of key workers, as well as creating new Mayoral Development Corporations and an expanded City Hall developer.
- 2.6 As well as addressing housing need, affordable housing provision plays an important role in supporting wider housing delivery. It diversifies supply and reduces exposure to market sales absorption rates which determine the time that it takes for developments to be built out without market values reducing.<sup>6</sup> For this reason, an increase in affordable housing delivery will also be required to enable an acceleration in overall delivery.
- 2.7 However, there are a range of challenges that are affecting affordable housing delivery, including current market conditions and the sale of S106 affordable homes to Registered Providers and councils. There is a close relationship between housing delivery and interest rates which increased to their highest level since April 2008 in August 2023 (5.25 per cent), with reductions to 5 per cent in August 2024 and 4.75 per cent in November 2024. Housing delivery will be affected by the pace at which rates are reduced which will lower finance costs, increase mortgage availability and residential values.
- 2.8 Significant build cost inflation has increased development costs, although these appear to have now stabilised and market residential values are forecasted to exceed cost inflation over the next few years. While there are indications that market conditions are improving, RP and council financial constraints are, however, likely to continue to affect affordable housing delivery in the short to medium term.
- 2.9 This indicates that significant interventions will be required to maintain and increase affordable housing delivery in the coming years. The 2024 Autumn Budget set out initial steps towards this including:

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<sup>5</sup> [Proposed reforms to the National Planning Policy Framework and other changes to the planning system - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/proposed-reforms-to-the-national-planning-policy-framework-and-other-changes-to-the-planning-system)

<sup>6</sup> National Planning Policy Framework (NPPF), 2024; Competitions and Markets Authority Housebuilding market study, 2024; Letwin Independent Review of Build Out, 2018.

- an additional £100m for affordable housing delivery in London through the Affordable Homes Programme 2021-26;
- the commitment that funding for a future programme (focused on delivering homes for social rent) will be announced at the Comprehensive Spending Review in late Spring 2025 which will last at least for the duration of the current parliament;
- the announcement that government will consult on a new social housing rent settlement proposing a five-year settlement with rents allowed to increase by CPI+1 per cent and seeking views on other potential options to give greater certainty, such as providing a 10-year settlement;
- that local authorities will be able to retain 100 per cent of Right to Buy receipts; and
- that the Public Works Loan Board (PWLB) Housing Revenue Account rate which enables local authorities to borrow at 0.4 percentage points above gilt rates has been extended until March 2026.

2.10 The government also announced additional funding for:

- cladding remediation, which will include access for social landlords for tenanted homes;
- the prevention of increases in the number of families in temporary accommodation and help to prevent rough sleeping;
- small and medium enterprises (SMEs) and the Build to Rent sector, in the form of housing guarantee schemes, allowing developers to access lower cost loans and support the delivery of new homes;
- boosting and upskilling LPA capacity; and
- funding for TfL's capital renewals programme 2025-26 and to tunnel from Old Oak Common to Euston to ensure HS2 trains terminate in central London.

2.11 These are welcome measures that help address the asks put forward by the Mayor and partners in the 2023 London Housing Delivery Taskforce [Joint Position Statement](#). The Mayor will be working closely with partners and MHCLG to explore the case for further, bolder interventions. This practice note sets out the Mayor's approaches to support housing delivery in the short-term.

### **3. Incentivising the Fast Track Route**

#### *Meeting relevant requirements to follow the Fast Track Route*

3.1 London Plan Policy H5 sets out the criteria for following the Fast Track Route (FTR). As well as providing the relevant threshold level of affordable housing, these include further criteria setting out that applications must meet other relevant policy requirements and obligations to the satisfaction of the LPA, and the GLA for referable applications. The following section provides further guidance on the GLA's expectations on meeting other relevant obligations and requirements.

- 3.2 Given the benefits of the FTR in terms of delivering higher levels of affordable housing, providing additional certainty to applicants, LPAs and the Mayor, and speeding up the planning process, it is important that applicants are incentivised to follow the FTR and are not required to undertake viability testing unless relevant criteria are not met.
- 3.3 If a scheme meets the affordable housing threshold and other relevant affordable housing requirements including eligibility and affordability criteria, it should be considered under the FTR. LPAs should not generally require applications to follow the VTR unless the relevant affordable housing threshold and related affordable housing criteria are not met, or the applicant relies on viability information to demonstrate that another policy requirement cannot be achieved.
- 3.4 Where a local plan predates the London Plan, any conflict should be resolved in favour of the London Plan in line with Section 38(5) of the Planning and Compulsory Purchase Act 2004.

#### Local plan affordable housing policies

- 3.5 The threshold approach adopted in the Affordable Housing and Viability Supplementary Planning Guidance (2017) (SPG) and subsequently in the London Plan 2021 has helped to secure significantly higher levels of affordable housing through the planning process in approvals and residential completions<sup>7</sup>. Net residential completions of all tenures over this period have also been significantly higher compared with available data since 1991.<sup>8</sup>
- 3.6 Following publication of the London Plan, the majority of LPAs have brought forward affordable housing policies that reflect the threshold approach in London Plan H5, including a 35 per cent threshold level for private land and 50 per cent for public and industrial land.
- 3.7 However, a small number of boroughs have proposed local plan affordable housing policies with a site-specific requirement that is higher than the 35 per cent private land threshold in Policy H5. Where such policies have been adopted, the borough may require the applicant to follow the VTR even where the application meets the relevant London Plan criteria for following the FTR. Although intended to secure a higher level of affordable housing, where not supported by robust viability evidence, this approach can disincentivise applicants from following the FTR, slow down the planning process and require additional resourcing to assess the application. It can

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<sup>7</sup> [Affordable Housing in Planning Applications Referred to the Mayor 2011-2023](#)

<sup>8</sup> ONS, Live tables on housing supply, net additional dwellings 2024.

also result in lower levels of affordable housing being secured or reduce the effectiveness of viability reviews.<sup>9</sup>

- 3.8 This approach risks the successful implementation of the London Plan threshold approach which is a matter of strategic concern for the Mayor. This has been raised by the GLA and will continue to be raised as an issue of general conformity with the London Plan at local plan consultations and inquiries.

*Community Infrastructure Levy instalment and 'payment in kind' policies*

- 3.9 To enable the FTR to be followed wherever possible and affordable housing provision to be maximised in line with London Plan policies H4 and H5, LPAs are also encouraged to introduce Community Infrastructure Levy (CIL) instalment and 'payment in kind' policies in line with the CIL Regulations 2010 (as amended), if these are not already in place. This should assist development cashflow and encourage the provision of onsite infrastructure.

**4. Increasing social rent housing delivery**

- 4.1 The London Plan identifies the priority that should be given to low-cost rent housing, including social rent.<sup>10</sup> In view of the particular need for social rented homes to provide for households with the lowest incomes and reduce need for temporary accommodation for homeless households, the Mayor wishes to promote additional measures that enhance the delivery of social rent. This is consistent with the objectives of the government as set out in national policy and ministerial statements.<sup>11</sup>
- 4.2 The Affordable Homes Programme 2021-26 (AHP) also prioritises the delivery of social rented homes under the Mayor's housing grant powers. In 2024, the GLA introduced the Accelerated Funding Route (AFR) to provide greater certainty on the availability of funding, which is considered further below.
- 4.3 The Mayor will make funding available for the conversion of existing and planned affordable homes to more affordable tenures, including switching shared ownership to social rent. This will support the delivery of homes that are more affordable and better address housing need, as well as enabling more councils and RPs to purchase affordable homes secured through the planning system.

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<sup>9</sup> Between 2018 and 2023 the average proportion of affordable housing in referable applications that followed the FTR has been consistently higher than those that followed the VTR.

<sup>10</sup> The London Strategic Housing Market Assessment 2017 identified a net annualised requirement for 30,973 low-cost rent homes per year which is 47 per cent of the total requirement. Since then, the need for social and low-cost rent housing has increased significantly, as set out further below.

<sup>11</sup> NPPF, 2024; Letter from Minister of State for Housing to Homes England, 2024.

### Schemes providing affordable housing as social rent

- 4.4 London Plan policy H5 sets out details of the Threshold Approach which enables planning applications that provide specific levels of affordable housing and that meet other criteria to follow the FTR<sup>12</sup>. These schemes are not required to provide viability information and are not subject to mid-term or late stage viability reviews. A mix of low-cost rent and intermediate housing is typically provided based on local plan tenure splits which are normally weighted towards low-cost rent.
- 4.5 In view of the significant and increasing need for social rent, the Mayor will consider allowing schemes that provide affordable housing as **social rent only** (or with a majority of social rent) at a lower level than the relevant threshold to be delivered without requiring full viability assessments or mid-term or late stage reviews, where the social rent provision is the equivalent to the relevant affordable housing threshold level at the local plan tenure split.
- 4.6 For example, where 27 per cent of residential development is provided as affordable housing (by habitable room) which is social rent and this is verified as being the equivalent to 35 per cent affordable housing based on the relevant threshold level and local plan tenure split of 60:40 (social rent: intermediate), or 40 per cent with grant, a full viability assessment and mid-term and late stage reviews would not be required. Similarly, for a site with a 50 per cent threshold, this approach could be taken for a scheme providing 37 per cent affordable housing (all social rent) if this is verified as being the equivalent to the 50 per cent affordable housing at the required tenure split.
- 4.7 Further details on the approach to assessing equivalency are provided at Appendix 1. If the scheme is assessed by the LPA (and GLA for referable applications) as achieving this, a full viability assessment and mid-term and late stage reviews would not be required. Where this is not the case, the number of social rented homes and / or intermediate homes would be increased until equivalency is achieved. If equivalence is not reached, a full viability assessment and a late stage review, and mid-term reviews (where relevant), will be required.
- 4.8 This approach may be applied for current and new applications, as well as consented schemes, where the current tenure mix does not optimally meet housing need and councils and RPs would prefer to purchase the affordable housing with a higher proportion of social rent and with no or fewer intermediate homes. As such, this approach could be used to replace shared ownership housing (in whole or part) with social rent (or in combination with an element of intermediate rent). Where such amendments are proposed to schemes with an existing planning consent this should form part of a request

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<sup>12</sup> The threshold level is 35 per cent affordable housing and 50 per cent for sites on public and industrial land where these do not form part of a public land portfolio and where industrial floorspace capacity is not re-provided (in which case the threshold is 35 per cent).

to the LPA under S106A of the Town and Country Planning Act 1990 (as amended) and form part of a deed of variation to the S106 agreement.

- 4.9 Further details on the Mayor's approach to supporting the delivery of social rent through grant funding, including switching shared ownership and affordable rent to social rent, are set out below.

*Loss of existing affordable housing and estate regeneration*

- 4.10 In line with London Plan Policy H8, development proposals that entail the demolition of affordable housing, including estate-regeneration schemes, should maximise affordable housing delivery, providing an uplift in addition to the replacement of existing affordable housing floorspace. Affordable housing that is replacing social rent housing must be provided as social rent in perpetuity where it is facilitating a right of return (or remain) for existing tenants. If it is demonstrated as part of the application that there is no right to return or the offer has not been accepted, those specific units can be re-provided as either social rent or London Affordable Rent.
- 4.11 Where an estate regeneration scheme provides 50 per cent of the additional habitable rooms within the proposal as affordable housing above the re-provided affordable housing floorspace, the GLA will consider not requiring mid-term or late stage viability reviews.
- 4.12 For schemes that provide all or the majority of affordable housing as social rent, the GLA will consider taking into account whether equivalency with the local plan tenure split is achieved on the same basis as set out above when assessing whether 50 per cent of the additional habitable rooms within the scheme have been provided as affordable housing.

**5. Supporting intermediate rent delivery**

- 5.1 Intermediate rent housing is affordable housing provided at a discount to market rent for middle-income households including key workers. The Mayor wishes to promote intermediate rent housing as an additional tenure to intermediate sale products such as shared ownership to provide a range of options for households with different incomes and circumstances. The Mayor is also consulting on proposals for Key Worker Living Rent Homes as part of his manifesto commitment to provide 6,000 rent controlled homes based on key worker incomes. This is an intermediate rent product falling within the London Plan and NPPF definitions of affordable housing.
- 5.2 The Mayor's preferred intermediate rent tenure is Discount Market Rent (DMR) set at London Living Rent (LLR) benchmarks published annually by the GLA. In line with London Plan paragraph 4.6.9, other intermediate DMR homes should also be affordable for households with a range of incomes below the maximum income level published in the London Plan Annual Monitoring Report.



### Income threshold and maximum housing costs

5.3 In 2024 the GLA increased the maximum household income threshold for intermediate rent housing from £60,000 to £67,000. This increases the proportion of households that are eligible for intermediate rent. The change also increased the maximum monthly household housing costs chargeable, including rents and service charges, from £1,400 to £1,567 which will support the viability and delivery of intermediate rent in for-sale and Build for Rent residential development.<sup>13</sup> The GLA will update this further with a view to increasing the threshold as part of the London Plan Annual Monitoring process in 2025.

### Changes in maximum housing costs

5.4 LLR benchmarks are updated by the GLA annually based on changes in incomes and house prices. Housing costs for DMR homes that are higher than LLR benchmarks, but are based on lower incomes than the maximum income threshold, can be indexed where total housing costs do not exceed the maximum level (as updated).<sup>14</sup>

5.5 In addition to this, the Mayor may also allow total housing costs for DMR homes to exceed the relevant maximum level, if over time the indexed costs rise above this, where he is satisfied that the homes will be affordable, with initial costs set at benchmarks published by the GLA. This approach may be applied to DMR where the initial maximum monthly housing costs are set at or lower than the following levels<sup>15</sup>:

Table 1: Initial monthly housing cost benchmarks including rents and service charges for approach to indexation above

1 bed	2 bed	3 bed	4 bed
£1,167	£1,283	£1,400	£1,493

5.6 For example, where the housing costs for a two bed DMR property are £1,283 or lower the costs can increase annually based on the higher of the average annual change in the Consumer Price Index (CPI) over the previous

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<sup>13</sup> This is calculated on the basis that total housing costs do not exceed 40 per cent of net income based on the maximum income threshold published by the GLA, with net income being 70 per cent of gross income.

<sup>14</sup> This can be increased annually by the percentage change in the median gross household income for London (three year rolling average). This is available in the note on [London Living Rent benchmarks](#) published annually by the GLA.

<sup>15</sup> Or as updated in published guidance on Key Worker Living Rent homes or as otherwise set out by the Mayor.

12 months and two per cent.<sup>16</sup> Where this and other criteria below are met, this can over time exceed the maximum housing costs based on the maximum London Plan income threshold (currently £67,000/ £1,563 per month). This approach will help to ensure that the homes are more affordable in the initial years while also providing greater certainty when undertaking valuations and achieving higher values, supporting development viability. The Mayor will keep this approach under review to ensure that homes remain affordable and may amend or withdraw this for subsequent schemes.

- 5.7 Where this approach is taken, the benchmark housing costs will apply to the initial and subsequent tenancies, indexed linked according to the higher of the average annual change in CPI over the previous 12 months or two per cent.<sup>17</sup> To help ensure that the homes remain affordable, indexed housing costs must not exceed 80 per cent of market rent and maximum costs based on the intermediate sale maximum income threshold (as updated).<sup>18</sup> Other relevant affordable housing and viability requirements, including the approach to review mechanisms must be in line with the London Plan and relevant guidance and agreed by the borough, and the GLA for referable applications.<sup>19</sup>
- 5.8 As set out below, using flexibilities agreed by MHCLG in July 2024 the GLA plans to fund intermediate rent, targeting middle-income households, in particular those that include key workers. The Mayor is introducing new grant rates under the AHP 2021-26 for intermediate rent homes and will support the conversion of shared ownership to intermediate rent. The GLA is also working to explore approaches that would enable institutional investment to be leveraged to support affordable housing delivery, including intermediate rent.

## **6. Supported housing and accommodation for homeless households**

- 6.1 London Plan policy H12 states that the delivery, retention and refurbishment of supported and specialised housing which meets an identified need should be supported. This includes a range of accommodation types such as housing for people with support needs, care leavers, victims of domestic abuse and violence against women and girls, people leaving hostels and

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<sup>16</sup> This will provide certainty to the market that rents will increase annually. A ceiling of 7 per cent will also be applied to avoid significant increases in housing costs during periods of high inflation.

<sup>17</sup> See footnote 14 and 15. LLR benchmarks will continue to be updated annually and will be subject to maximum housing costs based on the AMR maximum income threshold (as updated).

<sup>18</sup> See footnote 14.

<sup>19</sup> For guidance see the Affordable Housing and Viability SPG, as amended and relevant practice notes.

rough sleepers. In addition, there is a significant need for accommodation for homeless households.<sup>20</sup>

- 6.2 Given the extent of need for supported housing and accommodation for homeless households, including temporary accommodation, and the significant costs incurred by councils in funding this, where supported by the borough and agreed with the applicant, the GLA will also consider accepting this as a like-for-like alternative to intermediate housing when assessing applications against the relevant threshold level of affordable housing. Where this is appropriate, the homes should be secured as supported housing or accommodation for homeless households with nomination rights for councils, reverting to intermediate housing (or social rent) if its use as supported housing or accommodation for homeless households ceases.<sup>21</sup>
- 6.3 This approach recognises that rents for some forms of this accommodation can be closer to intermediate rent based on Local Housing Allowance rates and it would not affect the delivery of social rent housing which is vital for reducing the long-term need for temporary accommodation.
- 6.4 This approach may be applied for current and new applications, as well as consented schemes, where the current tenure mix does not optimally meet housing need, and could be used to replace shared ownership housing (in whole or part) where there is limited demand for this (or in combination with an element of intermediate rent).<sup>22</sup>
- 6.5 There are various funding programmes which deliver supported and specialist housing in London.<sup>23</sup> As highlighted in section 8 below, the GLA's Council Home Acquisition Programme (CHAP) also provides grant funding to councils to purchase private homes – in existing stock or new-build projects – and convert them to accommodation for homeless households.

### Meanwhile housing

- 6.6 A significant proportion of the pipeline of residential development sites in London are large sites with permission for 500 or more units, which can take many years to build out.<sup>24</sup> To make efficient use of land that would otherwise be left vacant, London Plan policy H3 encourages the identification of sites

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<sup>20</sup> London Councils estimate that more than 183,000 Londoners are living in temporary accommodation arranged by their local borough, including 90,000 children. London Boroughs are collectively spending £114m each month on average, or £4m daily on temporary accommodation in the 2023-24 financial year – an increase of 68 per cent from the previous year.

<sup>21</sup> Total housing costs should not exceed the lower of Local Housing Allowance (LHA) rates and 80 per cent of market rent.

<sup>22</sup> Where such amendments are proposed to schemes with an existing planning consent this should form part of a request to the LPA under S106A of the Town and Country Planning Act 1990 (as amended) and form part of a deed of variation to the S106 agreement.

<sup>23</sup> Further details are available on the [Funding for supported and specialist housing webpage](#).

<sup>24</sup> [Residential Pipeline Planning London Datahub](#).

that are suitable for residential occupation to be used for meanwhile housing including land in both public and private ownership.<sup>25</sup> Opportunities for the meanwhile use of land for housing on appropriate smaller and large-scale phased developments should be identified during the planning process.

- 6.7 London Plan paragraph 4.3.3 sets out that meanwhile housing can be provided in the form of precision-manufactured modular homes, which can reduce construction time and enable the units to be reused at a later date on another site. There are a number of examples of this approach being developed for the provision of well-designed temporary accommodation in London and elsewhere. Further details on the approach to meanwhile housing are set out in London Plan policy H3.
- 6.8 The GLA wishes to strongly encourage the provision of meanwhile housing for homeless households on suitable sites where these provide nomination rights to councils or RPs, access to amenities and appropriate support for residents. To help encourage this the GLA will consider accepting the costs and values associated with bringing forward this accommodation as a part of review mechanisms in current, new and consented applications.
- 6.9 Alternatively, where this equates to at least 10 per cent of residential accommodation within the scheme (or for phased schemes, the relevant phase) and is provided for a minimum of five years before being relocated prior to redevelopment, where agreed by the council and applicant, the GLA will consider enabling the applicant to retain a higher proportion of surplus profit in late stage reviews, or for phased schemes, excluding this phase from mid-term and late stage reviews.<sup>26</sup>

## **7. Encouraging early delivery and build out through review mechanisms**

- 7.1 London Plan Good Growth Objective 4: Delivering the Homes that Londoners' need, states that to create a housing market that works better for all Londoners, those involved in planning and development must: *'establish ambitious and achievable build-out rates at the planning stage, incentivising build-out milestones to help ensure that homes are built quickly and to reduce the likelihood of permissions being sought to sell land on at a higher value.'*
- 7.2 The Mayor encourages early delivery through early stage review mechanisms which are required under London Plan policy H5 and triggered if a scheme does not reach a specific level of progress within an agreed timeframe. This is defined as substantial implementation which comprises of enabling works and construction to ground or first floor level.

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<sup>25</sup> Meanwhile uses are a range of temporary uses on land and property awaiting longer-term development.

<sup>26</sup> To benefit from this approach the same minimum levels of affordable housing should be provided across the site as set out at paragraph 7.5 below.

- 7.3 The Mayor's guidance on affordable housing and viability also states that for larger schemes that follow the VTR, consideration should be given to further reviews / an updated early stage review if a scheme stalls.<sup>27</sup> These reviews are in addition to mid-term reviews (where relevant) and should also determine whether additional affordable housing can be provided.

#### Late stage reviews

- 7.4 The Mayor also wishes to encourage the timely delivery of residential units within the short term through late stage reviews required under London Plan policy H5. A contribution towards additional affordable housing is provided where the surplus profit arising from the development exceeds the developer's return specified in the S106 agreement which is the basis of determining whether the scheme is viable. In addition to achieving the relevant developer's return, the applicant can also retain 40 per cent of any surplus profit.
- 7.5 In order to incentivise the timely delivery of small and medium size sites, for applications granted following the date that this practice note was published, where a development completes within three years of this date, the GLA will consider allowing applicants to retain 70 per cent of any surplus profit in late stage reviews. To qualify for this, the application must provide at least 25 per cent onsite affordable housing by habitable room for schemes with a 35 per cent threshold, and 35 per cent onsite for schemes with a 50 per cent threshold, at the relevant local plan tenure split, and be certified as reaching practical completion within three years of the date of this document.<sup>28</sup>
- 7.6 For larger phased schemes that provide at least 25 per cent affordable housing across the scheme as a whole that are granted planning permission after the date of this practice note, if the initial or a subsequent phase is certified as reaching practical completion within three years of the date of this document, the GLA will consider allowing the applicant to retain 70 per cent of any surplus profit identified in that phase when the late review is undertaken. The relevant phase must include at least 100 residential units.
- 7.7 The GLA will also work with boroughs to identify sites that have been allocated for development or that have been granted consent but that have not come forward for development for many years, or where limited progress has been made, and will assess the nature of interventions required to facilitate this.

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<sup>27</sup> See Affordable Housing and Viability SPG and Draft Affordable Housing and Development Viability LPG.

<sup>28</sup> For Build to Rent schemes a minimum of 30 per cent of affordable housing should be at London Living Rent benchmarks.

### Allowing for a broader scope of review mechanisms

- 7.8 The Mayor's preferred approach to review mechanisms is for these to be formula based and focused on changes in Gross Development Value (GDV) and build costs which helps to ensure that the assessment process is quicker and less resource intensive. However, in some cases it may be more appropriate to allow for a full viability review to be undertaken which reconsiders all development values and a greater scope of development costs, including professional fees and finance costs. Benchmark land value (BLV) and developer's return should, however, continue to be determined at application stage and included within the S106 agreement to provide greater certainty, clarity and help avoid dispute when undertaking the review.<sup>29</sup>
- 7.9 The Mayor may allow for full reviews to be undertaken on this basis where there is significant uncertainty about some elements of value or costs, which may particularly be the case on larger phased schemes, outline applications where less detail is available at application stage, and residential investment schemes.<sup>30</sup>
- 7.10 In addition, the Mayor may allow this approach for early stage reviews in schemes that follow the FTR where agreed by the applicant and borough.

## **8. Supporting Affordable Housing Delivery through Grant Funding and other measures**

- 8.1 Affordable homes secured in S106 agreements are typically purchased from developers by private Registered Providers (RPs) and councils, based on the value derived from future rental and capital receipts. Recently, this market has been affected by the wider financial constraints on social landlords, in part arising from commitments to improve the quality and safety of their existing stock. In addition, RPs have identified a lack of engagement from developers and concerns with the design, tenure mix and management arrangements of S106 affordable homes, and issues relating to pricing expectations.
- 8.2 This is an important issue because, as well as meeting housing need, as noted above, providing a mix of tenures including affordable housing reduces exposure to market absorption rates and speeds up housing delivery. The forward sale of affordable housing to RPs and councils also provides income at an early stage of the development process, reducing finance costs and improving cashflow.

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<sup>29</sup> On longer term schemes it may be appropriate for the developer return to be determined at review stage if agreed by the LPA, and the GLA for referable schemes.

<sup>30</sup> For residential investment schemes the agreement should include provisions for adjusting the developer return to reflect the delivery model used for the review stage assessment. Where the delivery model is known, the review should be carried out on the same basis as the application stage assessment.

- 8.3 The Mayor has welcomed new flexibilities agreed by government in the use of councils' Right to Buy receipts, which will make more funding available to councils for acquiring S106 homes. The recent budget announcements of an additional £100m affordable homes funding for London through the [AHP 2021-26](#) and intention to consult on a new social rent settlement to provide more rent certainty are also welcomed.
- 8.4 The Mayor has also already taken various steps to support affordable housing delivery and the purchase of S106 affordable homes under his housing powers including by introducing the [Accelerated Funding Route](#) (AFR) which provides more certainty about the availability of grant funding, including on developer-led schemes.

*Affordable Homes Programme 2021-26: Accelerated Funding Route*

- 8.5 In February 2024, the GLA published details of the AFR in response to some of the challenges that the housing sector are currently facing. This provides a more simple and certain methodology to help the GLA's investment partners and developers calculate how much grant could be applied to projects that meet specific parameters, while reducing the need for negotiation.
- 8.6 London Plan policy H5 requires that partners should seek to provide 35 per cent affordable housing (by habitable room) without grant. The GLA's AFR funding guidance and draft Affordable Housing London Plan Guidance (LPG) also acknowledge that, if a project delivers 40 per cent or more affordable housing (by habitable room), grant can be allocated to all homes above the first 20 per cent of homes (which should be delivered as affordable without grant).<sup>31</sup> This reflects national requirements for the use of grant to support the delivery of additional affordable homes. Where the AFR parameters are met, the scheme may be considered the FTR.
- 8.7 Under the AFR, the GLA allows partners to apply grant to all affordable homes above the first 20 per cent (by unit) without the need for an Additionality Viability Assessment to be submitted as part of grant applications for projects that will deliver at least 40 per cent affordable housing (by habitable room) overall, subject to Value for Money and subsidy control checks.
- 8.8 The GLA also introduced more certainty regarding grant for projects that meet the AFR parameters. Existing partners with indicative allocations are able to apply their tenure-specific Average Grant Rates for their land-led projects via the AFR.<sup>32</sup> For all developer-led projects, as well as land-led

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<sup>31</sup> These two conditions are referred to as the AFR parameters.

<sup>32</sup> Land-led projects are generally where the Investment Partner enters directly into a build contract with the main build contractor.

projects being delivered by partners without an indicative allocation, the GLA offers the following benchmark grant rates under the AFR<sup>33</sup>:

- £170,000 per home for Social Rent (SR);
- £80,000 per home for London Living Rent (LLR);
- £55,000 per home for Shared Ownership (SO).

8.9 New grant rates for intermediate rent homes are also set out below. The AFR funding guidance also sets out that if key strategic projects cannot meet the AFR parameters, the GLA may consider further flexibilities subject to detailed scrutiny of scheme viability.<sup>34</sup>

8.10 As outlined in the GLA's [Affordable Housing Capital Funding Guide](#), under the AHP 2021-26, the GLA may fund 100 per cent of affordable homes in estate regeneration projects (including replacement homes) where there is an overall uplift in affordable housing. Grant is available for estate regeneration projects at negotiated rates and is subject to Value for Money and subsidy control checks.

*Supporting affordable housing delivery and the purchase of affordable housing units*

8.11 The GLA has undertaken a range of engagement with councils, RPs, developers and funders to explore issues in the S106 market. As a result the GLA will implement the following measures to help address these issues.

8.12 Building on the AFR, to help reduce market sales risk and increase build out rates, the GLA will also provide counter-cyclical investment within the current AHP 2021-26 to convert planned market housing to affordable homes, enabling RPs and councils to benefit from greater economies of scale. The [Council Homes Acquisition Programme](#) (CHAP), for example, provides grant funding to councils to purchase private units and convert them to social rent or accommodation for homeless households.

8.13 The GLA is also introducing a new grant offer in response to sector concerns with the extent of shared ownership housing in consented schemes. This intervention is aimed at switching some or all shared ownership units in consented schemes to social rent or intermediate rent, where the provision of shared ownership is not attractive to RPs or councils. The GLA also intends to provide funding to convert homes to more affordable tenures, for example, from shared ownership to LLR (or intermediate rent) and/ or from Affordable Rent to social rent.<sup>35</sup> To benefit from this flexibility, schemes must have secured planning consent as at the date this document was published and

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<sup>33</sup> Developer-led projects are generally where the Investment Partner works with a developer, and the developer enters into a build contract with the main build contractor.

<sup>34</sup> Further details of the GLA's approach to Additionality Viability Assessments are detailed in [Section 2](#) of the GLA's Affordable Housing Capital Funding Guide.

<sup>35</sup> Affordable rent is a low-cost rent produced charged at up to 80 per cent market rent.



demonstrate that there is insufficient appetite from RPs to acquire the affordable homes in their existing consented tenure.

8.14 To calculate an appropriate amount of grant to fund the conversion of affordable homes to a more affordable tenure, the GLA will compare the average investment value per unit for each of the tenures. Grant will be available to cover the difference, subject to checks to ensure compliance with subsidy control, and grant rates per conversion should not exceed AFR benchmark rates in most cases.<sup>36</sup>

Example – using grant to convert consented shared ownership homes to social rent:

- a project has a section 106 agreement which includes a requirement to deliver 100 shared ownership homes;
- evidence can be provided to the GLA, perhaps via the local authority, that there is little or no appetite among RPs to acquire shared ownership homes in the area;
- an RP that is a GLA Investment Partner expresses an interest in purchasing the homes if they can be converted to social rent with grant;
- an appropriate grant rate per home is calculated as follows:
  - Average investment value of shared ownership home: £291,000
  - Average investment value of social rent home: £147,000
  - Grant rate per conversion at difference in value: £144,000

#### Grant funding for intermediate rent

8.15 The GLA now has flexibility to provide grant funding via AHP 2021-26 to partners to deliver intermediate rented housing. Intermediate rent is targeted at households whose housing needs are not adequately met by the market but who are unlikely to secure social housing, prioritising key workers in that position. Intermediate rent housing must be affordable to those with a household income of no more than the maximum set out in the London Plan Annual Monitoring Report (currently £67,000 per annum) but the GLA encourages the provision of intermediate rent products at London Living Rent benchmarks. Homes that are above LLR benchmarks should be affordable for households with a range of incomes below the maximum.<sup>37</sup>

8.16 There are a range of possible intermediate rent tenures. These include DMR (which must be less than 80 per cent market rent with housing costs not exceeding 40 per cent of net income based on relevant income threshold) and homes for rent in perpetuity with rents set at (or below) London Living Rent benchmarks published annually by the GLA, but without the option to

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<sup>36</sup> This will include taking into account any grant that has already been allocated.

<sup>37</sup> London Plan paragraph 4.6.9. Annual housing costs, including rents and service charges should be no greater than 40 per cent of net household income.

purchase homes on a shared ownership basis. Additionally, the Mayor is currently consulting on proposals relating to Key Worker Living Rent Homes.

- 8.17 While the overwhelming need in London is for social rented housing, the GLA believes that supporting intermediate rent homes helps those on middle incomes, which in turn benefits London's economy and services, and can also help wider viability issues on projects.
- 8.18 The GLA does not wish to be overly restrictive about the type of intermediate rent homes it will consider funding through the AHP 2021-26 and encourages Investment Partners to bring forward proposals that help to unlock delivery. To simplify negotiations with investment partners, the GLA will introduce AFR benchmark grant rates for two types of intermediate rent:
- £110,000 per home – homes for rent in perpetuity where rents and service charges **do not exceed LLR benchmark** rents;
  - £90,000 per home – homes for rent in perpetuity where initial rents and service charges **exceed LLR benchmark** rents but that meet the criteria for intermediate rent housing as set out above.
- 8.19 Further guidance related to intermediate rent products will be set out in the GLA's Affordable Housing Capital Funding Guide, including eligibility criteria, tenancy requirements and details on rent setting. The GLA will also provide further details of Key Worker Living Rent homes after the Mayor has completed his consultation on these homes.

#### *Supporting the acquisition of affordable housing in small sites*

- 8.20 In addition to the measures referred to above, the GLA has also commissioned work as part of its Small Site Small Builders programme to explore the potential role of an online platform that makes it more efficient for developers, RPs and Boroughs to exchange information on S106 units that are available on small sites. Partners will be invited to inform the requirements for an information exchange mechanism to ensure it is appropriately targeted and to participate in a pilot project with the objective of supporting increased acquisitions.
- 8.21 The GLA will continue to scope and implement other measures to support purchase of S106 affordable homes including as part of the government's New Homes Accelerator initiative.

### **9. Housing Design Guidance**

- 9.1 In 2023 the GLA published the Housing Design Standards London Plan Guidance (HDS LPG) relating to London Plan [Policy D6 \(Housing quality and standards\)](#) and other relevant policies in order to support designers and borough officers. Its aim is to help optimise design quality and help balance different aspects of this throughout the design process, within the context of the need to optimise the delivery of new homes.
- 9.2 LPGs are a material consideration in planning decision making. They are guidance and the extent to which proposed developments follow this should

be taken into account. However, the HDS LPG should not be applied mechanistically in a way that inhibits delivery. It should also be applied in the context of the need to optimise site capacity in line with London Plan policy D3 and to maximise affordable housing provision in accordance with policy H4.

9.3 We would emphasise a couple of issues in particular:

- while Standard C2.12 sets out that fully furnished internal floorplans should be submitted for every dwelling type proposed, as guidance to the London Plan, this is not mandatory and national guidance does not require this;
- standard C4.1 sets out the intention that new homes should aim to be dual aspect while recognising that the appropriate and efficient design solution may involve some single aspect units. While the amount of single aspect units should be kept to a minimum, this will vary according to the specifics of each site, the design rationale for their use and the impact on key objectives.

9.4 The application of the HDS LPG will be kept under review.

## **Appendix 1 – Calculating Social Rent Affordable Housing Equivalency**

- 1.1 For the purposes of Section 4, equivalency will be calculated by comparing the Gross Development Value (GDV) of the residential (C3 Use) element of the proposed scheme (market and affordable housing), with the GDV of the proposed scheme reflecting a level of affordable housing which meets the relevant affordable housing threshold and local plan tenure split, with the low-cost rent element provided as social rent.<sup>38</sup> An adjustment can also be made to reflect the higher level of Community Infrastructure Levy that may be payable under the proposed scheme as well as any additional marketing and sales fees arising from the delivery of additional market homes. A formula for calculating this approach is provided below.

$$X = Y$$

**Where:**

**X = GDV for scheme with threshold level of affordable housing at local plan tenure split**

$$X = (A + B + C)$$

Where:

X = Policy compliant scheme GDV for C3 Use element meeting relevant affordable housing threshold at relevant local plan affordable housing tenure split

A = Market housing units Total Sales Value (based on policy compliant scheme)

B = Social rent units Total Sales Value (based on policy compliant scheme)

C = Intermediate housing units Total Sales Value (based on policy compliant scheme)

**Y = GDV for proposed scheme with all or mainly social rent**

$$Y = (D - E - F) + (G + H)$$

Where:

Y = Proposed Scheme GDV for C3 Use element which is equal to X (policy compliant scheme GDV for C3 Use element meeting relevant affordable housing threshold at relevant local plan affordable housing tenure split).

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<sup>38</sup> This approach to equivalency ensures that the calculation does not account for a higher profit level arising from the increase in market housing in the proposed scheme and lack of equivalency with the relevant threshold level and local plan tenure split.

D = Proposed Scheme market housing units Total Sales Value

E = Net increase in CIL chargeable amount arising from the provision of additional market units

F = Additional sales/marketing fees relating directly to the disposal of the additional market housing Units

G = Proposed scheme social rent units Total Sales Value

H = Proposed scheme intermediate housing units Total Sales Value

**Where X = Y equivalence is achieved and the proposed scheme with all (or mainly) social rent may proceed without a full viability assessment or mid or late stage reviews.**