



APPG for London Meeting on Turbocharging Housebuilding in London

Meeting date: Wednesday 5 February 2025

Location: Palace of Westminster

Chairs: Florence Eshalomi MP, Munira Wilson MP

Speakers:

- Cllr Grace Williams, Deputy Chair and Executive Member for Housing and Regeneration – London Councils
- Jules Pipe, Deputy Mayor of London for Planning and Regeneration – Greater London Authority
- Vicky Savage, Group Director of Developments and Sales – L&Q (representing the G15)
- Stevan Tennant, Managing Director Developments – Ballymore

Also in attendance:

- Dan Tomlinson MP
- Helen Hayes MP
- Dawn Butler MP
- Natasha Irons MP
- The Lord Bailey of Paddington

Summary of the meeting

Florence Eshalomi MP opened the meeting by outlining that London has long suffered from a chronic shortage of affordable housing. She said this is leading to record levels of homelessness in the capital and making it unaffordable for many Londoners. She argued there is broad, cross-party support on the need to deliver new, affordable housing at scale to tackle homelessness and drive economic growth.

Eshalomi stated that despite the desire to build more homes, construction in London is falling short of London Plan targets, and fell significantly in 2024. She said London has around 300,000 potential new homes that have received planning permission but have not yet been built out due to issues such as the cost of borrowing, construction inflation and skills shortages, and that London has recently overtaken Geneva as the world's most expensive city for construction.

Eshalomi stated that the purpose of the meeting is look at what can be done to turbocharge housebuilding in London, examining the reasons why building has slowed and exploring the solutions.

Munira Wilson MP stated that given the government's current focus on planning as a route to solving the housing crisis, it is positive that we are having a discussion on the other issues holding back housebuilding, which are more significant in London, around viability. She introduced panellists and invited them to give opening remarks.

Stevan Tennant, Managing Director Developments at Ballymore stated that Ballymore have been building thousands of homes in London for 30 years and are brownfield land specialists. Despite this, he said that they currently have no projects on site in London, and for at least the next three years, Ballymore won't be able to contribute to housing delivery in the capital.

Tennant outlined three reasons why building has slowed:

1. **Changing building regulations.** Whilst changes such as the need for second staircases are important and vital, the way the Building Safety Act is being implemented is causing chaos. He argued lots of the measures in the Act add additional time, cost and uncertainty to developers. In particular he highlighted the Gateway 2 process which is taking too long. Tennant called for MHCLG and the Building Safety Regulator to work with the sector to improve performance.
2. **The cost of building homes has increased.** Tennant said that these increases are making it harder and harder to make projects viable. He said that the cost to build a two bedroom home in the capital has increased by 30% since 2020. Tennant said half of this increase has come from construction cost inflation, and the other half from additional requirements from the GLA and boroughs. Tennant argued that for this reason, many homes that have received planning permission are no longer viable, and that new projects coming forward for approval are having less affordable homes on offer.
3. **The challenges residential providers are facing means they are not buying affordable homes built into Section 106 agreements, and where they are, are buying them for less than they used to.** This means developers are now selling affordable homes to residential providers for a loss of between £75,000-£250,000 per home. Viability challenges means they don't make this money up elsewhere.

Cllr Grace Williams, Deputy Chair of London Councils and Executive Member for Housing and Regeneration said London is grappling with the most severe housing and homelessness crisis in the country.

She argued that it has profound consequences for our economy and the financial stability of London boroughs – but most profoundly it deeply impacts London's residents. She said one in 50 Londoners, including one in 21 children, are homeless and living in temporary accommodation and that London's social housing waiting lists have reached a record high, with over 330,000 households stuck on waiting lists. She said London boroughs are forecast to overspend on housing and temporary accommodation budgets by £270 million this year alone, double the figure from a year earlier.

Williams said that a recent study commissioned by London Councils together with the GLA, the G15 and the Trust for London found that even a 1% improvement in housing affordability in London could grow the UK economy by £7.3 billion over a decade. Williams argued the only way out of this crisis is to build the homes Londoners need.

Williams said that councils are aware of viability issues housebuilders in London are currently facing, with the challenges of high interest rates, spiralling construction costs and a tight labour market, because councils are impacted by these same factors.

Williams argued the work the government is doing around planning reform is important, and London Councils supports much of the improvements that are being brought about to the planning system, but that planning reform in itself is not a silver bullet for London.

She said London has a healthy pipeline of nearly 300,000 homes that have been approved by council planning departments, enough to meet future housing targets more than three-times over. However, schemes coming forward for development are now reducing, and the build-out rate of planning approvals into completions has reduced to 10%. She also said London Councils' own data collection showed that over 111,000 homes are stalled in the capital – 41,000 of these affordable.

She argued we spend more as a country on subsidising private landlords than on building affordable homes. In London alone, she said London Councils estimates that we are spending £4 million a day on temporary accommodation. Williams said that if we could redirect some of that spending into building social and affordable homes, over time we could bring down the benefits bill as we increase supply, shifting spending from benefits into bricks.

Williams said the Housing Revenue Accounts that boroughs use to fund council housing are stretched to breaking point because of the rising costs of maintenance and repairs, new building safety regulations, commitments to deliver warm green homes which are energy efficient, and ambitions to build new homes. The boroughs, she said, are already planning significant cuts to tenant's services to address this financial crisis – including, for example, in repairs and management.

She said resources are being squeezed by lower-than-expected rents, due to the caps on social rent that were imposed by the previous Government, while demands on resources have increased.

She outlined a number of solutions:

1. **Investment from central government.** Injecting additional Affordable Homes Programme (AHP) grant funding into London.
2. **Putting boroughs' Housing Revenue Accounts on a stable footing to be able to invest in building new homes.** A ten-year rent settlement is essential, allowing rents to increase sustainably at CPI+1%, giving councils the certainty needed to plan long-term housing investments. The government should also reintroduce rent convergence as an absolute priority, enabling councils to gradually bring social housing rents in line with formula rent levels.
3. **Councils also need flexibility.** The government should complete the job end all restrictions preventing boroughs from reinvesting Right to Buy sales receipts in building replacement homes.
4. **Unlock stalled sites.** At the Spending Review this spring we need to prioritise the investment in infrastructure and affordable housing delivery that can unlock sites. That means increasing the affordable housing grant and also thinking innovatively about how we raise funds, such as land value capture.

Vicky Savage, Group Director of Developments and Sales at L&Q (representing the G15), said she wanted to focus her contribution on solutions, and that there are four potential solutions to enable housing associations in London to develop at pace and scale.

1. **We need a rent settlement to give stability to the G15 and private funding market.** In particular, a 10 year rent settlement is needed. Rent convergence is also vital, £3 extra per week on top of CPI+1% would bring in about £3.5 billion to the G15 to allow them to build new homes.

2. **Grant funding per-home needs to be higher to tackle viability challenges.** Starts in London from the G15 were nearly 75% down in 2024. If residential providers can pay s106 in advance then that helps with certainty.
3. **Access to the Building Safety Fund and the Building Safety Regulator.** G15 is facing the same issues with delays from the BSR as the private sector. G15 has committed to spend £3.6bn over next few years on building safety, but the Building Safety Fund is only available to leaseholders, not social housing homes. Rectifying this would allow the G15 to get on with the job.
4. **Regeneration.** G15 has a lot of ageing stock. They spend £1.5bn every year on major repairs. In some areas regeneration may be a better option. Regeneration takes time - we need to work with communities early on to understand what they want to see in terms of regeneration. Govt seed funding could really help to further this objective.

Jules Pipe, Deputy Mayor of London for Planning and Regeneration said that since Covid-19 the cost of building in London has risen hugely, particularly with higher interest rates, and that this is impacting the number of homes built.

He also said increased regulation is also becoming a barrier, even though most of us wouldn't disagree with this regulation at it relates to issues such as issues such as affordable housing and energy efficiency. He said the regulation is increasing viability issues, using an example of a 30x30 plot, where a developer must now build two staircases, maximize the amount of dual aspect, adhere to new regulations around the depth of walls for insulation, it is hard for a developer to build enough rooms and flats on a site to make the costs add up.

The Deputy Mayor outlined the work Mayor Sadiq Khan has been doing. One is a Housing Task Force led by the Deputy Mayor for Housing, recommendations which came out of that taskforce were picked up by the government at the Autumn Budget, such as flexibility on affordable housing funding, commitment to consult on the new social rent settlement and retention of Right to Buy receipts. He said the Mayor published a planned guidance note which allowed some flexibilities for developers to negotiate easier through the planning system.

The Deputy Mayor also noted that the London Plan is always brought up as a big issue. He argued that during the draft phase of the plan which was adopted in 2021, we saw record levels of housebuilding in London, with around 45,000 units per year, including nearly 8,000 affordable homes per year. The Deputy Mayor argued that it is not because of planning policy that building has decreased, but because it is hard to deliver numbers that were previously delivered in the current economic climate of today.

Questions

Helen Hayes MP asked if developers are struggling to get to grips with the problems that they themselves have created, such as poor plumbing in new buildings, which is impacting constituents and costing residents money. She wanted to know if developers should take more responsibility for sorting these issues out. She also asked about whether the Mayor could put some grant funding into small stalled sites which are ready to go if they get that little bit of funding.

Stevan Tennant said in response that they are working with residents to address issues and are doing it at their cost, £80m to fix the issues.

The Deputy Mayor said in response to the question on intervention on small sites, it comes back to value for money and confidence that the numbers can be made up elsewhere.

Dan Tomlinson MP asked if CPI+1% is fair on tenants and if we're building dense enough in Central London.

The Deputy Mayor said in response to the question on density that density needs to increase in Zone 1, Zone 2 and around town centres with good transport links. On the question around CPI+1, he said that simply there is not enough money in the system, and without rent increase, social housing providers simply won't be able to build, unless there is some private subsidy.

Vicky Savage in response to the question on CPI+1% said that the rents the G15 charge in London are 70% less than what a tenant would expect to receive from a private landlord. She argued CPI+1% is a fair figure, which would equate to £3 a week more. She said that we need to get money into their businesses so that they can do the essential repair and maintenance work, and also do the building that is needed in London.

Munira Wilson MP how the refreshed London Plan would take into account targets set by national government through the NPPF, and whether the Mayor could also free up some TfL land for housing.

The Deputy Mayor said TfL has done a lot of reviews about land they could potentially free up and will continue to do so. On the London Plan, he said that 88,000 a year is a huge figure to be building and we haven't seen that level of building since the 1930s, and financial circumstances have changed significantly since then. He argued that there is not sufficient brownfield sites in London to be able to build 88,000 homes per year.

Cllr Grace Williams said we need to think about how we raise private funds for infrastructure investment which will unlock sites for housing, she pointed to how we delivered the Northern Line extension in London through land value capture. She pointed that if we used the same technique to extend the DLR to Thamesmead, that would unlock significant brownfield land to build around 30,000 homes. She argued we need a new model to use private funds to unlock housing development.