

Boosting the Boroughs

A devolution revolution to build the homes London needs

THE HOUSING & FINANCE INSTITUTE

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As London elects a new Mayor in 2016, housing is set to be a centrepiece of the next London Mayoral term. Or is it?

This paper explores the diversity of London's housing Boroughs and recommends:

- **Full Housing Devolution to the Boroughs:** Full direct devolution of housing to the London Boroughs should allow Boroughs to reflect housing diversity across the capital and unlock better housing outcomes.
- **Housing Delivery Enablers:** A strengthening of the role of the Borough as the Housing Delivery Enabler would drive housing activity to meet local housing needs. Boroughs should be freed up to work with other Boroughs and Councils outside London in order to best address the needs and aspirations of their communities, including investing in other areas.
- **Eliminating the Deficit, in homes:** There should be no Borough with more families and people to house than it has homes to house them. Funding, resources and active support should be provided to every such Borough at a national rather than Mayoral level. It is a realistic ambition to eliminate the Dwellings Deficit. Within 5 years, every Borough should have enough homes for the people who live there.

1. The London Housing Challenge

- 1.1 In the Elphicke-House Report for Government last year, Housing & Finance Institute founding directors, Natalie Elphicke and Keith House, drew attention to the specific challenges of delivery faced by London stating:

"The situation in London which has arisen over successive years of housing under activity in the capital may be impacting on its business and growth opportunities and on the wellbeing of some of its residents."

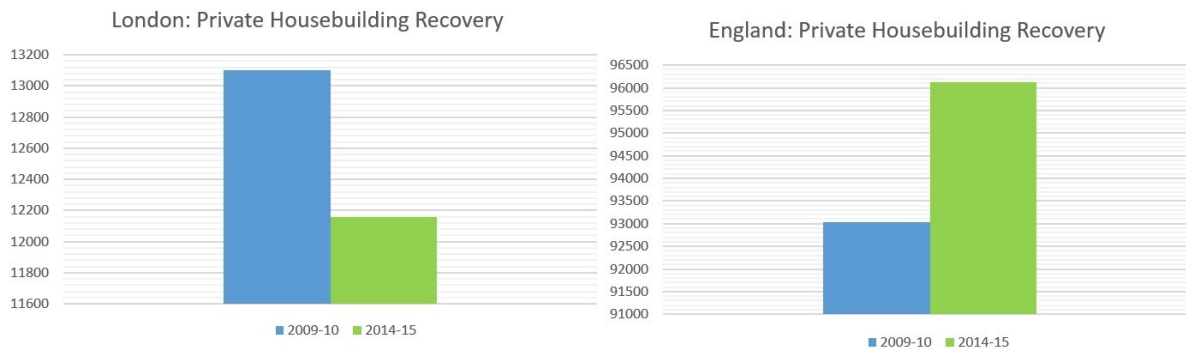
- 1.2 The gap between ambition in delivery and actual delivery presented by London was described in the following way:

"... even if London doubled its housing delivery as it believes it could, there would need to be a new development equivalent to the size of Ebbsfleet (new garden city development) every five years to deal with London's housing gap."

- 1.3 Yet in spite of London's immense financial and business advantages, London has not powered ahead during the housing recovery. London's housing recovery has been muted and less strong than in other parts of the country. It has not been demonstrated that the extension of Mayoral powers for housing in London has improved the likelihood of strong housing delivery. Indeed it may be holding it back.

- 1.4 Given housing need, housing demand, expressed appetite and profitability of the London market it is perhaps unexpected that private sector housebuilding in London has not recovered as strongly as the country as a whole. The credit crunch had a catastrophic impact on private housebuilders. The year 2007 had been a terrific year for builders. But as fear spread and the money markets struggled, the number of new private homes near halved. Builders were quick to put sites on hold. Building confidence collapsed like a soufflé.
- 1.5 While there is still further to go against the 2007 high point, in England private sector housebuilding has powered back above its 2009/10 housebuilding completion performance and in line with long term trends. London's recovery in that period remains comparatively muted.

Chart 1.5: London and England Private Housebuilding Recovery 6 year snapshot



- 1.6 Given the market opportunities and profitability presented by London, there is more to be done to attract and support private housebuilding activity in London to support and drive housebuilding needs alongside the public grant supported housing activity in London. London has not experienced the same degree of recovery in the private sector that has been experienced across the country. Opening up competition to access to land, including through development licences, could be a strongly positive outcome from the work by the One Public Estate and the London Land Commission. Constraints on access to land in the context of over-reliance on development panels was strongly expressed in evidence quoted in the Elphicke-House Report:

“The degree to which [public procurement] is actively closed (via development panels) has shocked us... Clearly tests about experience and track record are appropriate but everyone should be able to bid to build so that the councils do not end up always dealing with the same select providers with consequent constraints of supply.”

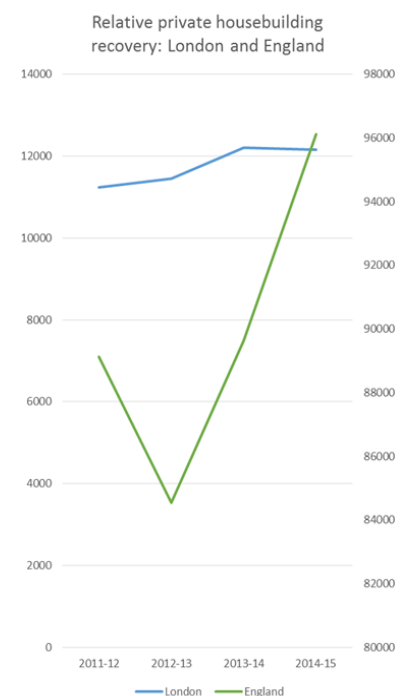


Chart 1.6: Last 4 years, national housebuilding recovery England and London

2. The Housing Delivery Enabler

- 2.1 The Elphicke-House Report recommended that councils take on the role of Housing Delivery Enablers. The core recommendation of the Report was accepted by the Government in the Autumn Statement 2014. It is:

“Councils have primary responsibility to assess and meet the housing needs of their local population as Housing Delivery Enablers. Councils should assess and drive housing activity and housing delivery in their areas and for their local population.”

- 2.2 The Housing Delivery Enabler role puts councils in the driving seat. Whether looking at the success of Bevan’s big build or Macmillan’s million homes it is councils who have been instrumental to the delivery of additional homes. Councils are best placed to meet the needs of their communities, working in partnership with private and other public bodies.
- 2.3 In London, the Elphicke-House Report took account of a number of Boroughs with resources and opportunities available to them to harness in the role of the Housing Delivery Enabler. It provides a strong basis on which to boost the Boroughs and give them greater freedom to meet their responsibilities and ambitions for housing across all tenures.

“Many of the London Boroughs have now developed ambitious proposals for increasing housing activity since the self-financing changes. There are substantial resources available to such London Boroughs, around £1 billion HRA borrowing capacity, high value land, business partners, investors and opportunity to be harnessed as Housing Delivery Enablers”

- 2.4 The core role of the Housing Delivery Enabler is as important in London as in the rest of the country. Whoever is the next Mayor of London, London may be best served by the Mayor taking a step back, taking a supportive and strategic role to help the London Boroughs who have the responsibility for shaping and delivering housing to meet the needs of their communities.
- 2.5 A review of the key metrics in housebuilding completions, in housing grant allocation and absolute shortages of homes to meet the local population needs suggests that London’s housing market is more diverse and contains more opportunity than may be unlocked under the current approach. Freeing up the London Boroughs through direct devolution of housing is likely to provide more opportunity and drive the delivery of more homes.

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3. Not enough homes for its people: the Dwellings Deficit Boroughs

- 3.1 Dwellings Deficit occurs where there are fewer homes than the reported household population in an area. In short, there are not enough homes for its people. Dwellings Deficit is serious and the impact of under-housing has been widely reported in the media: unacceptable housing wellbeing outcomes for some residents include multiple households live together in overcrowded situations, the exploitation of vulnerable renters by some unscrupulous landlords, beds in sheds, beds on boats, beds in warehouses, sleeping on a sofa or in a chair, living among the boxes in a storeroom at the back of a local shop.

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- 3.2 There is not a Dwellings Deficit across the country. DCLG analysis for the Elphicke-House Report demonstrated a core Dwellings Deficit of less than 6% of English Councils. Dwellings Deficits councils are concentrated in London. Across England as a whole, 19 out of 326 councils displayed a Dwellings Deficit. The Dwellings Deficit occurred in 16 London Boroughs. The London boroughs are: Southwark, Redbridge, Enfield, Merton, Kingston Upon Thames, Hounslow, Barking & Dagenham, Camden, Sutton, Lewisham, Lambeth, Newham, Waltham Forest, Tower Hamlets, Hackney and Havering.

Table 3.2 Dwellings Deficit by Councils (Elphicke-House Report)

Dwellings Deficit By Councils-All England		
Southwark	Redbridge	Enfield
Merton	Kingston upon Thames	Hounslow
Barking and Dagenham	Camden	Slough
Crawley	Sutton	Lewisham
Lambeth	Newham	Waltham Forest
Tower Hamlets	Hackney	East Cambridgeshire
-	Havering	-

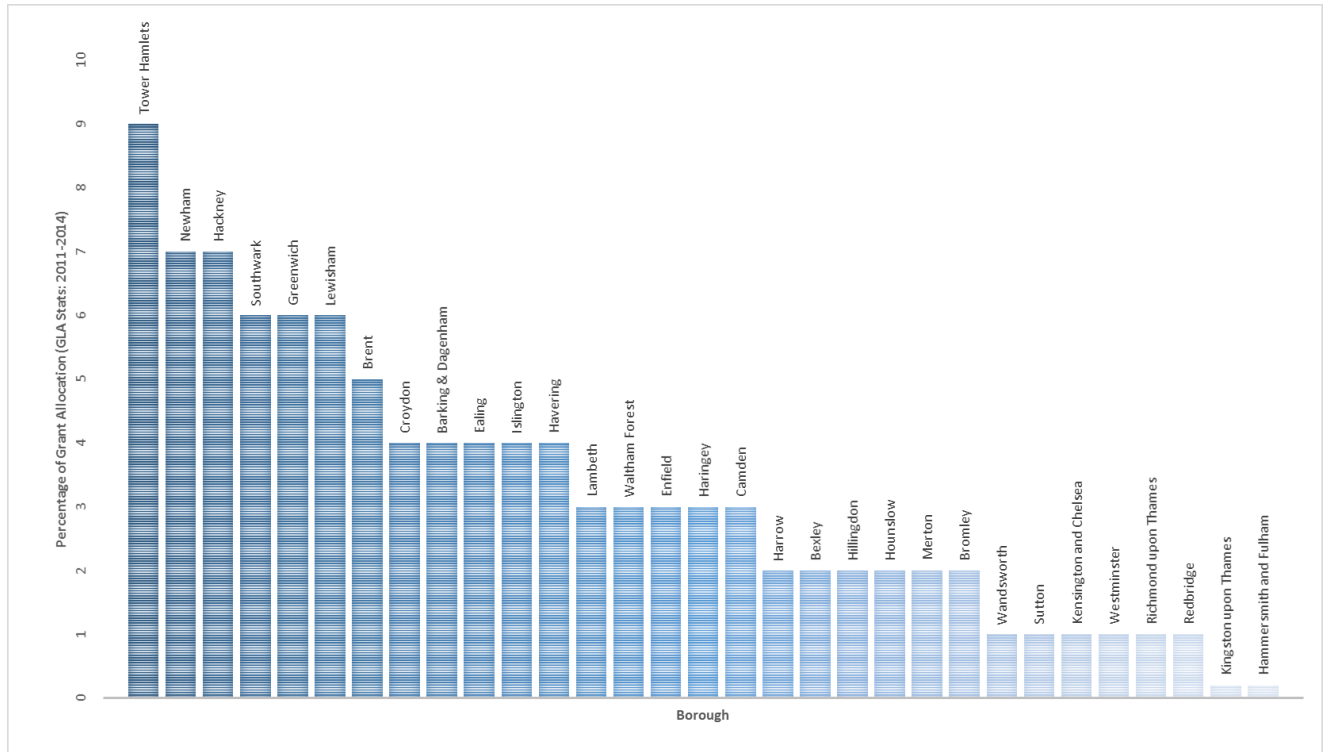
- 3.3 More than £3.3 Billion of housing grant has been allocated to London between 2011 and 2014. There are substantial resources, including unused borrowing capacity, in the Boroughs themselves. The aggregate scale of the Dwellings Deficit is of such a scale that it is realistic and achievable to wipe it out. However, like all deficits, every year it is not resolved there are pressures adding to it. The relative flatlining of the London private market housebuilding recovery when the rest of the country has powered ahead is of concern.

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4. Mapping London's Housing Grant allocations to Dwellings Deficit by Borough

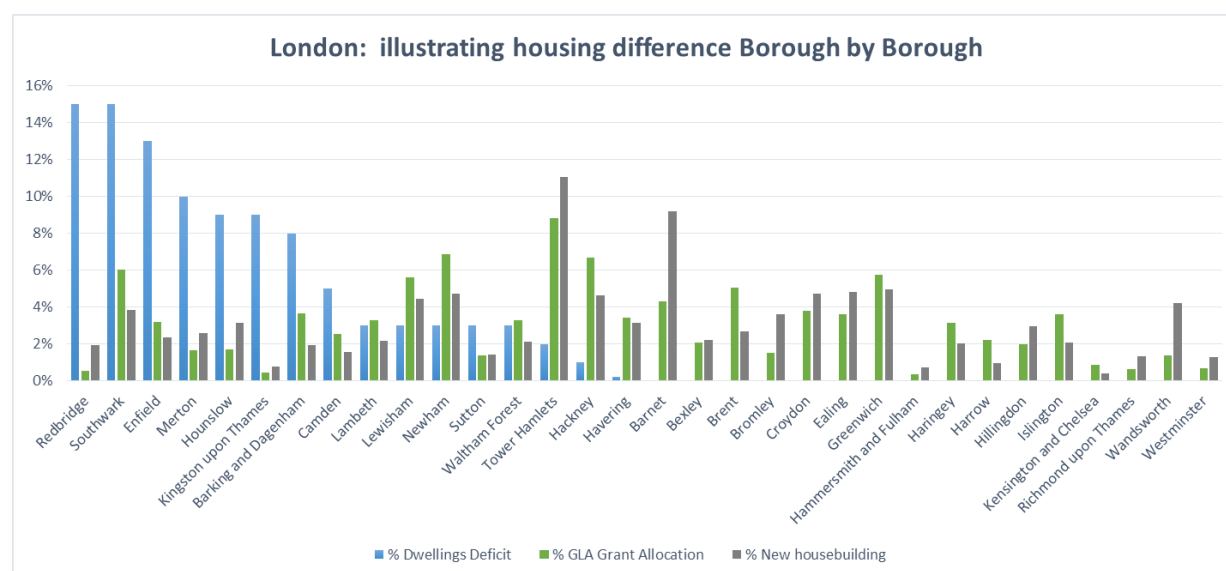
- 4.1 Using the GLA's published data, over £3.3 Billion of housing grant was allocated within boroughs between 2011 and 2014. Of this, Tower Hamlets received 9% while Kingston Upon Thames and Hammersmith & Fulham received less than 1%.

Chart 4.1: Percentage of Allocated Housing Grant by Borough (GLA published statistics)



- 4.2 Some disparity in the percentage of housing grant allocations among the London Boroughs might be anticipated. However, the extent of the disparity of allocations may be more significant in the context of the Dwellings Deficit by Borough. Mapping the Dwellings Deficit to Housing Grant by Borough it is not the case, as perhaps might be expected, that Boroughs with an absolute shortage of housing were allocated most financial support. Councils which have no Dwellings Deficit received almost 50% of the housing grant budget but four councils that account for 50% of the dwelling deficit, Redbridge, Southwark, Enfield and Merton, in aggregate received 11%.
- 4.3 It is not the case that housebuilding activity demonstrates significant correlation to housing grant allocations or housing need by Borough. Housebuilding varies significantly by Borough. Analysis of Borough performance challenges some commonly expressed views on Borough by Borough performance. For example, Bromley is contributing the same percentage of housebuilding as Wandsworth, Lewisham and Southwark and more than Hounslow and Hillingdon.

Chart 4.3: Illustrating the London housing differences between Boroughs



4.4 There is a huge diversity of housing in London between the Boroughs. Whether looking at housing building, housing need or, as in the case of this table extracted from Appendix 2 of the Elphicke-House Report, Dwellings Deficit, housing need and borrowing capacity, the Boroughs are all very different. That diversity in the Boroughs provides opportunity to work differently.

Table 4.4: Extract, Appendix 2 of Elphicke-House Report

Local Authority	Dwelling deficit (2013)	Households on local authority waiting lists: Top 20 (2013)	Homeless acceptances per thousand households: Top 20 (2013)	Households in temporary accommodation per thousand households: Top 20 (2013)	Available capacity to borrow under Housing Revenue Account (2012)
Southwark	-2,170	N	N	N	£125,937,000
Redbridge	-2,125	N	N	Y	£33,931,000
Enfield	-1,870	N	N	Y	£38,441,000
Merton*	-1,421	N	N	N	N/A- stock transferred
Kingston upon Thames	-1,320	N	N	N	£19,410,000
Hounslow	-1,298	N	Y	Y	£29,619,000
Barking and Dagenham	-1,094	N	Y	Y	£6,695,000
Camden	-678	Y	N	N	£86,677,000
Slough	-565	N	N	N	£18,433,000
Crawley	-478	N	Y	N	£3,577,000
Sutton	-449	N	N	N	£14,829,000
Lewisham	-414	N	Y	Y	£43,730,000
Lambeth	-409	N	N	Y	£147,933,000
Newham	-401	Y	Y	Y	£81,868,000
Waltham Forest	-379	Y	Y	Y	£29,964,000
Tower Hamlets	-306	Y	Y	Y	£114,706,000
Hackney	-149	N	Y	Y	£101,415,000
East Cambridgeshire*	-63	N	N	N	N/A –stock transferred
Havering	-40	N	N	N	£28,591,000

5. Devolution to strengthen the Housing Delivery Enabler role

- 5.1 The strength of the Housing Delivery Enabler approach is that it recognises that areas have different characteristics, needs, ambitions, resources and priorities. The Housing Delivery Enabler model allows each Borough to find the right approach for them to meet their residents' needs and aspirations, working with other councils and partners inside and outside London.

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- 5.2 A more individual Borough approach could unlock additional internal capacity to meet need and accelerate delivery. It may be that greater freedom for the Boroughs, including over proceeds and grant allocations, would provide better visibility, accountability and, importantly, housing delivery.
- 5.3 An incoming Mayor may find that an approach which is strategic where the Mayor intervenes only as a backstop measure and last resort, as did the Secretary of State in Tower Hamlets under the Coalition Government, provides an effective model of governance.
- 5.4 The Elphicke-House Report noted a number of councils who were working in imaginative and collaborative ways in order to improve housing opportunity for their areas, including in London. Partnership is key to additional delivery. The Elphicke-House Report considers the important role of responsibility and co-ordination.

"This can be a shared responsibility: there are frequently grounds for co-ordination of housing policy across council areas where this is the most appropriate spatial scale for considering housing market outcomes. But at core, councils have responsibility for delivery in their area."

- 5.5 It may well be that the individual Borough's experience, leadership, resources, needs and aspirations may lead to different partnerships between and across Boroughs, inside and outside London; different solutions and approaches. So many aspects of London life, benefits from drawing strength from diversity and celebrating difference.

A new Mayor gives a chance for change: to let loose the Boroughs
and deliver the homes that London needs.

SOURCES

The Elphicke-House Report 2015, UK Government 2015
Available capacity to borrow: DCLG modelling for self-financing settlement
Dwellings deficit: Dwelling stock estimates in England, 2013 (table 100); Household interim projections in England, 2011 to 2021 (table 406)
Homeless acceptances & households in temporary accommodation: Statutory homelessness in England: July to September 2013 (table 784a)
Housebuilding: DCLG permanent dwellings started and completed, by tenure and district (table 253)
Housing Grant Allocations: GLA Affordable Housing Dataset by borough 2011-2014
Waiting lists: Local Authority Housing Statistics in England 2012-13 (table 600).



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About the Housing & Finance Institute

The Housing & Finance Institute (the HFi) works with industry and public sector partners to:

- increase housing supply;
- encourage councils and businesses to work together to build more homes;
- promote new ways of financing and delivering the new homes that the UK needs.

The Housing & Finance Institute would like to thank its foundation partners for their support.



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