

## Response to the Mayor of London's draft Housing Strategy

6 December 2017

### Introduction

1. London Chamber of Commerce and Industry (LCCI) is the largest capital-focused business advocacy organisation representing the interests of over 3,000 companies from small and medium-sized enterprises through to large, multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and media, as well as international audiences. Through member surveys and commissioned research, LCCI seeks to inform and shape debate on key business issues.
3. The property and construction industry is strongly represented amongst LCCI membership, most notably through our Property and Construction Committee<sup>1</sup> advising LCCI's policy work.
4. LCCI welcomes the opportunity to respond to the Mayor's draft Housing Strategy, given the magnitude of the capital's housing crisis and its impact upon London's businesses. In our response, we will focus on the Mayor's proposals to build more homes, and more affordable homes, as well as touch upon the skills environment that will underpin this effort.

### The impact on business

5. The Mayor has identified the capital's housing crisis as the "single biggest barrier to prosperity, growth and fairness facing Londoners today"<sup>2</sup> Addressing this crisis is certainly a priority for London businesses, given the impact it is having on the capital's business environment.
6. In July 2017, LCCI and London Councils published joint polling of 1000 London businesses which showed that that nearly half of firms identified better availability and affordability of housing as one of the top two ways to improve staff retention – closely followed by addressing transport costs (45%). Additionally, 44% of firms polled said better availability and affordability of housing would assist them in recruitment<sup>3</sup>.
7. During the past twenty years statistics have shown London's population has risen by 25% (1.7 million), with job growth at 40% (1.6 million) whilst housing supply has significantly lagged, growing at only 15% (470,000)<sup>4</sup>.
8. With London's population forecast to reach 'megacity' status by 2027<sup>5</sup>, with a population of 10 million, the Mayor has said 66,000 new homes are needed per year to meet growth in demand<sup>6</sup>. However, London housing completions in 2016 reached 24,390<sup>7</sup> - not even half the homes required.
9. In 2014, LCCI published *Getting our house in order: The impact of housing undersupply on London business*<sup>8</sup> which identified the main housing undersupply impacts on businesses as pressure to increase wages, making it harder to recruit and retain staff, and negative impacts on punctuality

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<sup>1</sup> <https://www.londonchamber.co.uk/membership/our-core-sectors/property-and-construction/>

<sup>2</sup> Sadiq Khan for London: A Manifesto for all Londoners pp. 19

<sup>3</sup> LCCI/London Councils London Business 1000 July 2017

<sup>4</sup> James Murray, Deputy Mayor Housing and Residential Development Housing Summit City Hall October 2017

<sup>5</sup> ONS (2016) Subnational population projections for England: 2014-based projections.

<sup>6</sup> <https://www.london.gov.uk/press-releases/mayoral/sadiq-calls-for-drastic-government-action>

<sup>7</sup> Housing in London: 2017 The evidence base for the Mayor's Housing Strategy pp. 12

<sup>8</sup> LCCI *Getting our house in order: The impact of housing undersupply on London business* May 2014

and productivity. The chart below, from the report shows the impact of increased housing costs, shortage of housing locally, and poor-quality housing on London businesses<sup>9</sup>.



The housing crisis may also impact city resilience. We welcome the draft new London Plan<sup>10</sup> acknowledging the impact of a lack of affordable homes within the capital on the ability of the emergency services to recruit and retain staff – a point identified by LCCI in our *Living on the Edge* report published in June 2016<sup>11</sup>.

## Building homes for Londoners

*“The public sector is somewhat obsessed with strategic sites and is not doing enough to bring forward small plots of land that small players can build on more rapidly. This needs to be part of a concerted approach to build more homes”*

*Richard McCarthy CBE, Executive Director, Capita*

10. Our 2014 report identified several key themes that businesses cited as barriers to delivering more housing. The graphic on the next page illustrates this in detail<sup>12</sup>.

Figure 7: Planning barriers to housing delivery – more than one option could be selected.



11. London’s large developers cannot be expected to dramatically increase the rate of housing delivery to meet target levels due to factors including capacity constraints and the economic viability of small sites. Therefore, LCCI has consistently called for small builders to play a greater role to play in helping deliver the Mayor’s target of 66,000 homes per year on smaller sites.

12. There has been a well-documented and dramatic decline in the role small housebuilders play in the housing market. In the early 1990s small housebuilders were responsible for 39% of all homes constructed in the UK, that figure now stands at 12.5%<sup>13</sup>.

<sup>9</sup> Ibid

<sup>10</sup> The London Plan December 2017 pp. 22

<sup>11</sup> <https://www.londonchamber.co.uk/LCCI/media/media/Reports%20and%20Surveys/Living-on-the-Edge-Housing-London-s-Blue-Light-Emergency-Services-Report.pdf?ext=.pdf>

<sup>12</sup> LCCI Getting our house in order: The impact of housing undersupply on London business May 2014

<sup>13</sup> Home Builders Federation Reversing the decline of small housebuilders: Reversing the decline of small housebuilders – Reinvigorating entrepreneurialism and building more homes report pp. 14

13. Issues affecting small builders include cashflow concerns, often compounded by a lack of access to finance, as well as the sluggishness and complexity of the planning system, due in some part to a deterioration of planning resources available to local authorities. In addition, smaller firms can lack the resources to recruit and retain (on a permanent basis) planning experts, instead recruiting consultants on an ad-hoc basis. This is expensive.
14. LCCI welcomes the Mayor's emphasis on reversing the decline of small builders, including through his *Small Sites, Small Builders* initiative which aims to bring forward publicly-owned sites for development through a more simplified competitive disposal process, as well as by giving a clear presumption in favour of appropriate residential development on small sites.
15. LCCI has called for developers of sites under 50 units to be able to defer payment of the Mayoral Community Infrastructure Levy (MCIL) until the homes have made it to market. We therefore welcome the recognition within the draft strategy of cashflow as a major concern for smaller developers, and would urge the Mayor to pursue his proposal of amending the MCIL so that small and medium sized developers pay less upfront. In addition, we would urge the Mayor to encourage local councils to do the same where local CIL instalment policies exist.
16. The London Land Commission (LLC) found that almost a quarter of land in the capital is owned by the public sector – this includes; the police, NHS and transport agencies amongst others. This figure rises to 40% in some boroughs.
17. Given the Mayor's 66,000 homes target per year, utilising land identified by the LLC will be crucial, and could create space for up to 130,000 homes<sup>14</sup>.
18. For example, The Mayor could look to enhance and improve the London Land Commission by synchronising its activity with his Homes for Londoners agency with the aim of brokering deals with selected developers that see a proportion of housing units built on the released public-sector land set aside as homes to rent only for emergency services workers – with the Office of Mayor of London as long-term landlord.
19. To aid this process, and to maximise the potential of the LLC, LCCI advocates that the Mayor should seek duty of cooperation powers over public bodies looking to sell land, as well as first right of refusal together with capital buying power.

### **Delivering “genuinely affordable homes”**

*“Affordability in the housing market is a very real concern to many Londoners who see becoming a homeowner a diminishing reality.”*

*Mark A. E. Collins, CBRE Executive Director – Chairman of Residential London & Chairman of LCCI Property and Construction Committee*

20. LCCI supports the aspiration of, and efforts towards, delivering more affordable homes both to rent, and to buy. When polled last year, 53% of London businesses said the most important consideration when releasing housing sites should be whether they contribute to the affordable housing stock in the Capital<sup>15</sup>. With 80% of all homes built in London affordable to only 8% of Londoners<sup>16</sup>, more needs to be done.
21. In terms of types of tenure, the capital's businesses want to see an effective mix where home ownership remains a realistic aspiration alongside an affordable, rental sector.
22. For example, the Mayor has secured a record £3.15bn of funding for affordable homes. In a further poll of London businesses asking how the Mayor could best make use of this fund, 41% said that priority should be given to homes for first time buyers, followed by council housing (on 35%)<sup>17</sup>.
23. Given the growing gap between average incomes and the average cost of a home in London, it's not surprising that there has been a significant increase in Londoners using the Private Rented Sector (PRS). LCCI believes that the PRS has a substantial role to play in enabling London to exist

<sup>14</sup> <https://www.ft.com/content/c2635fc4-c1fd-11e5-993a-d18bf6826744>

<sup>15</sup> LCCI/ComRes Survey – Capital 500 November 2016

<sup>16</sup> GLA analysis of Land Registry and English Housing Survey data, 2017 quoted in the Mayor's draft Housing Strategy pp. 43

<sup>17</sup> LCCI/ComRes Survey – Capital 500 February-March 2017

as a desirable place to live and work, home ownership must remain a realistic ambition. A thriving, affordable rental market is crucial to London given the make-up of its workforce, especially those seeking short-term or flexible tenures.

### **Greenbelt versus densification**

24. Whilst London's many green spaces make an indisputable contribution to public life and to the capital's attractiveness as a place to live, work and visit, some of the land classified as green belt is of poor quality or of little environmental value. LCCI urges policy-makers to consider the role that this land can play in meeting the capital's housing needs.
25. We have previously called on London's boroughs to audit and map brownfield and poor-quality land within their boundaries that could be reclassified to better serve the capital's needs through mixed residential development or by increasing housing density around transport hubs.
26. Three in five London businesses support reclassification of either 'poor quality green belt land', 'green belt land near to transport hubs', and/ or 'all green belt' around London to enable new housing development<sup>18</sup>. We will be elaborating upon this point with further proposals in our response to the draft London Plan, early in 2018.
27. Increased density, if done in areas where there is the maximum potential for utilising existing infrastructure, is a positive means for boosting housing delivery. For example, increasing housing density around train stations and other commuter hubs would help reduce reliance on private forms of transport and make it easier for more people to commute to where they need to go.
28. However, the scale of the housing crisis in London is such that densification should not be pursued at the exclusion of other methods of increasing housing supply. While it is becoming easier to identify brownfield sites where development is allowed, a fundamental issue remains: it is doubtful whether the city's needs - not least given that these have been significantly revised upwards - can be met by solely building on brownfield land.
29. A recent report by Shelter and QUOD found that two thirds of London's brownfield land is already used for housing, and much of the rest of it is used for vital infrastructure such as hospitals, schools, and transport links, or is already earmarked for development<sup>19</sup>.
30. In addition, a recent report by the Adam Smith Institute found that there is only enough brownfield land to accommodate a third of the homes needed in London and the surrounding counties<sup>20</sup>.

### **Skills in the construction sector**

31. We welcome the Mayor's proposals that councils look at taking a more flexible approach to local labour requirements contained in planning agreements, to allow apprentices and workers to access opportunities across borough boundaries<sup>21</sup>. This has been a long-standing call of LCCI's *Towards a Greater London business* agenda for the capital.
32. Flexibility is essential because the current system limits the effectiveness of the apprenticeship system, and its potential benefits to helping upskill young Londoners. In the medium term, it is essential that these domestic training systems work as effectively as they can give the uncertainty about future migration arrangements, and the fact that currently around 30% of construction sector workers in London are EU Nationals<sup>22</sup>.
33. The Mayor's willingness to work alongside councils, developers, construction employers, and training providers to develop a system which enables Londoners to access training and employment opportunities across the capital is strongly supported by LCCI.

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<sup>18</sup> [https://www.londonchamber.co.uk/LCCI/media/media/Reports%20and%20Surveys/Reviewing-Londons-Green-Belt\\_ammends-\(002\)\\_1.pdf](https://www.londonchamber.co.uk/LCCI/media/media/Reports%20and%20Surveys/Reviewing-Londons-Green-Belt_ammends-(002)_1.pdf)

<sup>19</sup> Shelter and QUOD (2016) *When Brownfield Isn't Enough: Strategic options for London's growth*

<sup>20</sup> Adam Smith Institute (2016) *A garden of one's own: suggestions for development in the metropolitan Green Belt*

<sup>21</sup> Mayor's draft Housing Strategy pp. 86

<sup>22</sup> Cebr: Working Capital – The role of migrant workers in driving London's economy (November 2016)

34. We welcome the Mayor's willingness to "work with councils to ensure that this new approach is reflected in section 106 agreements with developers".

### **Impact of the housing crisis on London resilience**

35. LCCI welcomes the draft Housing Strategy references to LCCI's *Living on the Edge* report, recognising that the capital's housing crisis is also having impact on London's 'blue light' emergency workers, with over 50% of them now living outside the capital.

36. With the costs of rent increasing at a pace that far exceeds that of average wages increases, many emergency services have found it increasingly difficult to find homes close to their place of work. In addition, travel times are placing added strain to emergency workers which could impact on their response time, thus undermining London's resilience to deal with a major incident – particularly one of prolonged duration.

37. The draft London Plan also references this issue, reflecting the findings of our *Living on the Edge* report; notably that "the shortage of affordable housing in the capital is hindering the recruitment and retention of public service workers, including those crucial to the operation of the emergency services". These findings and several of our recommendations were backed by the subsequent Harris Review into what could be done to improve London's resources and readiness to respond to a major terrorist incident<sup>23</sup>.

38. As referenced previously, **LCCI has called upon the Mayor of London to assume an Owner-Landlord position for affordable housing stock dedicated for London's 'blue-light' emergency services workers<sup>24</sup>**, and for them to be a fuller assessment of the impact of the housing crisis on the resilience of the city in the face of emergency.

39. We welcome that the London Plan recognises the issue of housing for London's 'blue-light' emergency workers. Steps must now be taken to address this through the Mayor's housing policies, and LCCI will provide further evidence in this area as part of our submission to the draft London Plan consultation in due course.

### **Conclusion**

40. LCCI regards housing as critical infrastructure. If London is to maintain its position as a global powerhouse then addressing the chronic undersupply of housing is vital.

41. LCCI recognises that no one single policy will alleviate the capital's housing crisis. Ultimately though, it is about building more homes, more quickly. To enable this to happen we must:

- liberate more land to develop
- empower more builders to deliver

### **Further Information**

LCCI would be happy to clarify or provide further comment on any matter raised within this response.

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<sup>23</sup> Lord Toby Harris: An Independent Review of London's Preparedness to respond to a major terrorist incident (October 2016)

<sup>24</sup> LCCI: Living on the Edge: Housing London's Blue Light Emergency Services (June 2016)