WESTMINSTER HOUSING COMMISSION
WRITTEN EVIDENCE FOR MEETING 2

THE REGIONAL PERSPECTIVE

Prepared by
The Mayor of London
10 November 2005

WESTMINSTER HOUSING COMMISSION

SUBMISSION BY THE MAYOR OF LONDON

1. INTRODUCTION

1.1 The Mayor welcomes the opportunity to present evidence to the Commission. This submission does not aim to cover in detail information available to the Commission elsewhere, for example in the London Plan and related Planning Policy Guidance and Sub-regional Development Frameworks, the London Housing Strategy, or the Mayor's Housing Requirements and Housing Capacity Studies. However, it does draw on these and other documents to highlight the key issues from the regional perspective, with a view to informing consideration of the role of Westminster City Council within the wider picture.

2. THE LONDON CONTEXT

2.1 The Mayor's London Plan, the London Housing Strategy and its Evidence Base set out the context for London, setting strategic housing objectives and targets and the policy framework through which they will be met. However, it may be helpful to emphasise some issues here.

2.2 The Prime Minister's Strategy Unit London Project examined the long-term issues facing London and its role as a capital and world city and its findings provide a useful summary of the broad strategic questions, although we have some reservations about some of its policy recommendations. London:

- has a highly successful, productive economy that makes a substantial contribution to the whole of the UK
- is attractive to skilled workers from the rest of the South East, the UK, and across the world
- has a young population that is diverse and transient
- has high numbers of jobless people and substantial deprivation
- has a housing market which is under strain and which will come under increasing pressure as population growth continues
- has a transport infrastructure that has not kept step with the city's developing needs in the last fifty years
- has public services that face substantial challenges as a result of the city's unique characteristics

2.3 Within the regional picture, the Central London Sub-region (Camden, Islington, Kensington and Chelsea, Lambeth, Southwark, Wandsworth and Westminster), which also covers part of the Central Activities Zone (extending into east London and including the City of London and parts of Tower Hamlets and Hackney), is the home of many of London's most important economic sectors. The Mayor's London Plan and Economic Development

Strategy aim to maintain the area's role as a key driver for London's economy; to support intensification of uses to meet targets for homes and jobs; to maintain a diverse business base, and to ensure that residents from deprived areas are able to access current and future job opportunities here. The sub-region also includes the West End, which plays an important role in London's retail and leisure sectors, as well as providing a vital part of the city's international offer, and which will require coordinated action to support its long term future as a premier shopping and entertainment quarter. There is scope for major new development on the fringes of the central area. Implementation of Crossrail will be important to help relieve transport capacity constraints and to support development of the sub-region's opportunity and intensification areas.

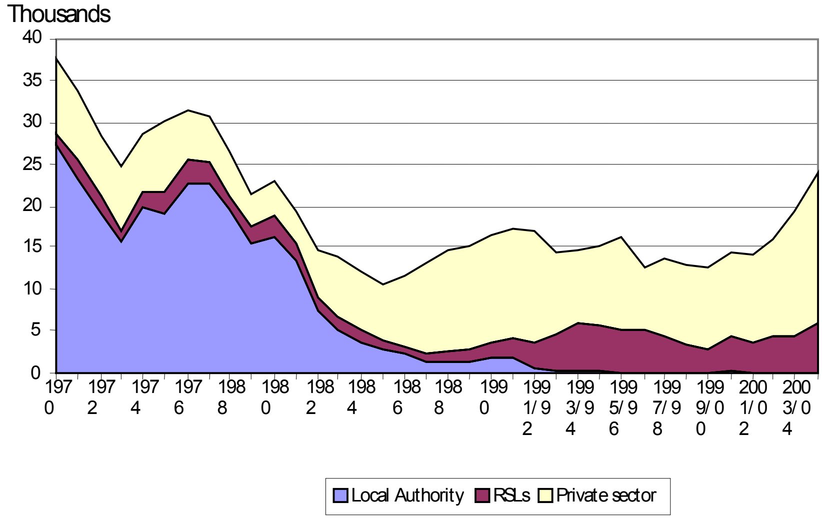
2.4 The economic context presents particular opportunities and challenges for Westminster. 91% of those who work in Westminster do not live there and there are 5.7 workers for each working resident. Transport links are among the best in London but increasing use will mean continuing capacity problems for the networks. Along with neighbouring Kensington and Chelsea, Westminster has the least affordable housing in London and more limited capacity for housing growth in terms of site availability or increased density.

3. HOUSING IN LONDON

3.1 There is a shortage of housing in London across all tenures. The London Plan estimated a backlog of 112,000 households in housing need and set the objective of meeting this backlog over 10 years. This produced a total housing requirement of 33,600 additional homes a year to meet the backlog and the projected growth in the household population.

3.2 New building has failed to keep up with demand. This can be attributed to population growth and falling average household size, allied to relatively low house building programmes.

Figure 1: New Build 1997-2003/04

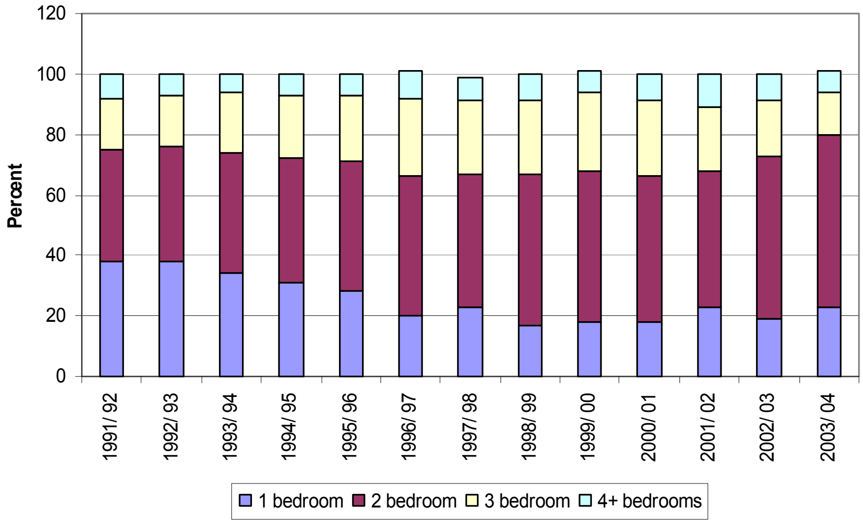


Source: ODPM

3.3 New build figures have started to rise again. The target in the London Housing Strategy 2005-2016, in line with the London Plan, is a minimum of 23,000 a year from all sources, aiming towards 30,000. Most recently, the GLA's 2004 Housing Requirements Study demonstrates a need for around 35,400 new homes a year for ten years, to meet growth plus the backlog of housing need. The GLA's Housing Capacity Study (published August 2005) demonstrates a 15-year housing capacity of around 31,500 homes a year. Current output from all sources (new build, conversion, etc.) is running at around 24,000 homes a year.

3.4 The size mix of homes is also important. Demand for larger homes is increasing and there is an urgent need for family-sized affordable housing to tackle overcrowding and to replace the larger council homes lost through Right to Buy. Housing completion figures by size of homes suggest that the proportion of 1- and 2-bedroom homes completed has risen over the last decade, whereas the proportion of 3-bed and larger market homes have fallen. This contrasts with the rest of the UK, where the numbers of larger homes are increasing. The London Housing Strategy and associated funding programmes are directing resources towards a higher proportion of larger social rented homes in the future

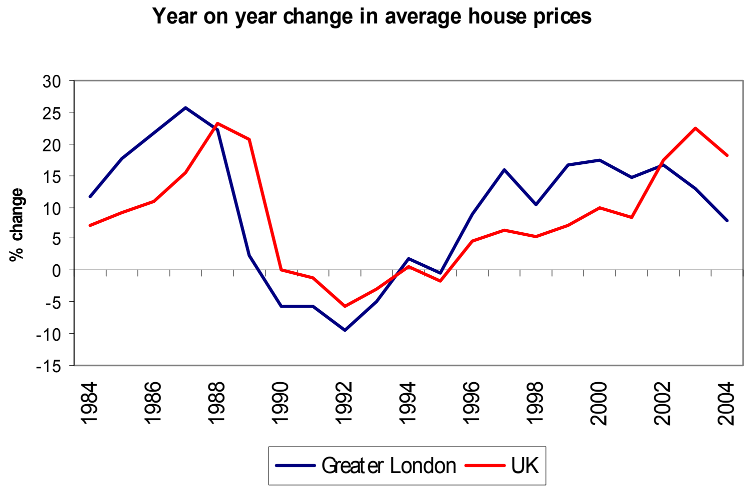
Figure 2: Completions by dwelling size, 1991/2 – 2003/04



Source: ODPM

3.5 The supply shortage has impacted on the affordability of housing in London. House prices in the UK and London grew extremely quickly between 1996 and 2004. For much of that period house prices in London grew at a much higher rate than the UK. In the last couple of years London prices have not risen as fast as the UK but are still the highest average prices. The average house price, according to the ODPM Index, for London in May 2005 was £264,505 compared to £182,651 for the UK.

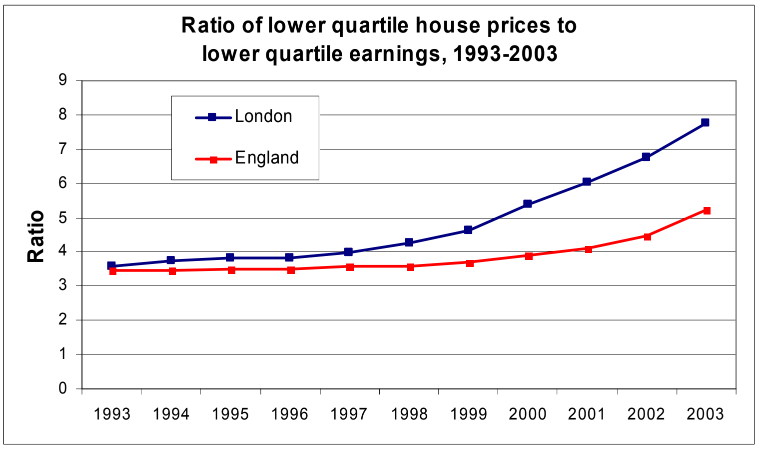
Figure 3: Average House Prices 1984-2004



Source: Halifax house price index

3.6 High house prices mean serious affordability problems, especially for first time buyers. In London the ratio of lower quartile house prices to lower quartile earnings has more than doubled between 1993 and 2003. This has serious economic and social implications for London, including reducing the ability of employers to recruit and retain skilled workers.

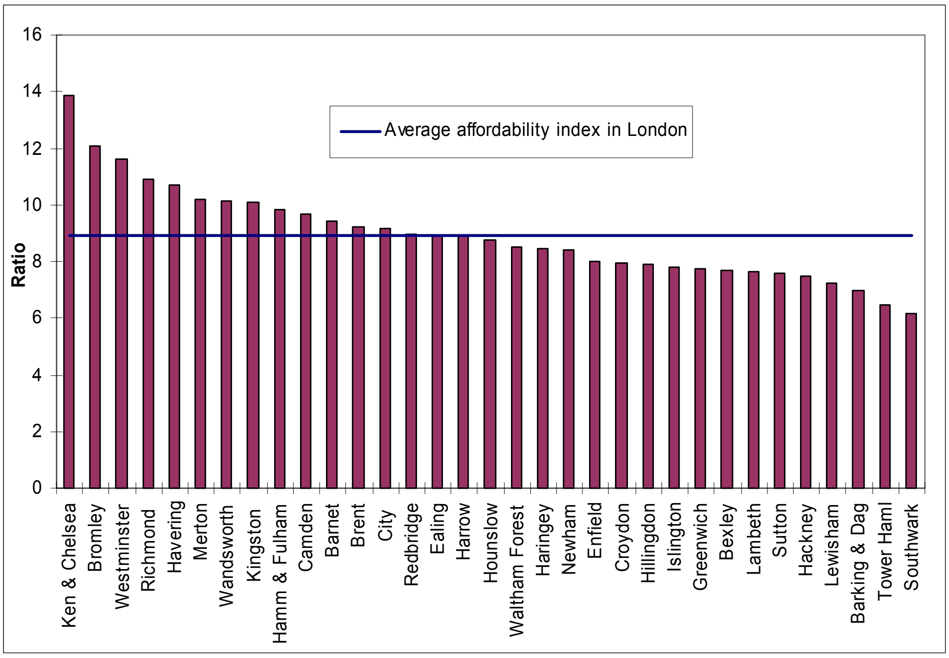
Figure 4: House Prices to Earnings Ratio 1993-2003



Source: ODPM

3.7 The housing affordability index in figure 5 is measured as a ratio of house price to earnings for London boroughs - the higher the ratio the less affordable. Kensington & Chelsea and Westminster are the boroughs with the least affordable houses on average as they have higher than London average house prices. However, boroughs such as Bromley and Havering have lower house prices compared to the high-priced London boroughs but still have high affordability ratios mainly because of low household earnings.

Figure 5: Lower quartile house price : lower quartile earnings 2003



Source: ODPM

3.8 The house price to income ratio can be a misleading indicator of affordability if interest rates are not taken into account. The ratio of average mortgage interest payments to incomes in London actually fell to 30 per cent in 2003 compared to around 40 per cent in 2000.[1] While the pain of buying higher priced houses has been eased slightly by low interest rates, mortgages have become larger.

3.9 One consequence of London's severe affordability problems, also influenced by other factors, is the very high incidence of homelessness. Although there have been notable successes, such as the effective cessation of the use of bed and breakfast accommodation, at the end of July 2005 there were almost 63,030 households in temporary accommodation, as well as large numbers categorised as homeless at home and others living within other households, including around 16,000 asylum seekers who so not qualify for housing support. Rough sleeping has been reduced but remains a problem and there are around 15,000 single homeless people in hostels.

3.10 London's housing stock is significantly older than other regions of England. The average age of properties in London is 66 years compared to 54 years for the rest of England. In London the provision of decent homes and reducing overcrowding are the most important quality of life issues related to housing. Nearly one million homes in the capital failed to meet the decent homes standard in 2001. Around 35 per cent of private homes do not meet the decent homes standard in London compared to fewer than 32 per cent nationally. London also has around 200,000 unfit homes of which 82 per cent are in the private sector. However, in recent times (2001-2004), there have been 7, 13

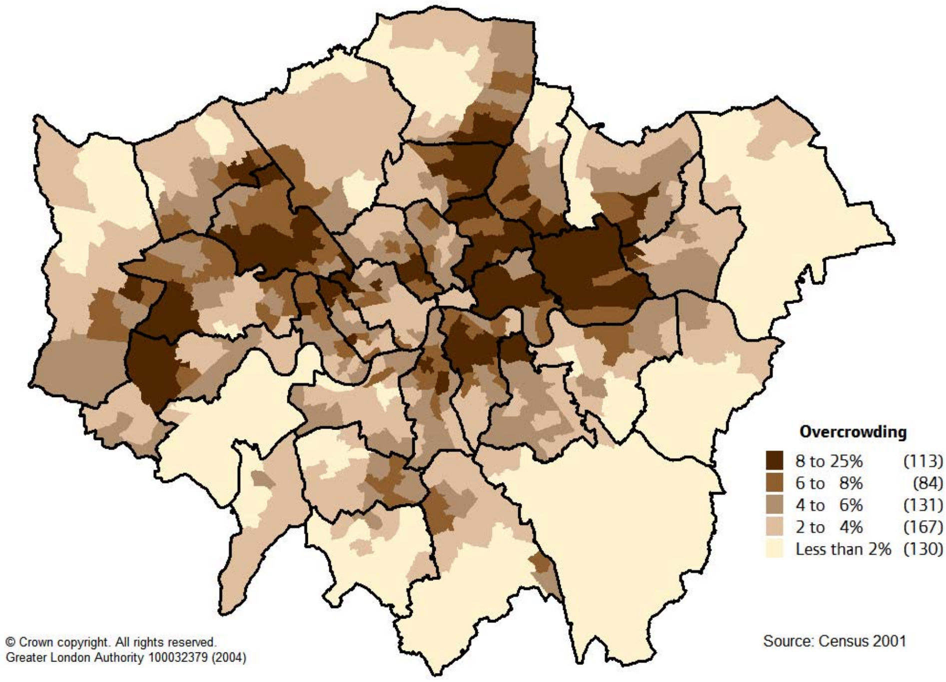
[1] Housing futures 2023, CEBR, 2003

and 5 per cent falls in unfit private sector, council and RSL housing respectively. The target for London is that by 2010 all social housing should be decent and 70 per cent of vulnerable private sector households are in decent housing.

3.11 The private rented sector remains vital in meeting the needs of a wide range of households. It can also contribute significantly to meeting the needs of homeless households, on both a temporary and permanent basis. However, the sector still contains high levels of poor quality housing and too many examples of bad management. The wider private sector also contains large numbers of empty homes.

3.12 Overcrowding is also a key challenge. According to the 2001 census, over 150,000 (5 per cent of total) households are now overcrowded[2] and around 61,000 (2 per cent) are severely overcrowded[3]. There has been a 20 per cent increase in overcrowding since the 1991 census, reversing a long-term decline. For the first time, overcrowding is more common in social rather than private sector housing and has a disproportionate impact on Black, Asian and Minority Ethnic (BAME) households.

Figure 6 Overcrowding: % of households over one person per room



[2] Households with over one person per room.
[3] Households with over 1.5 persons per room.

3.13 A more concerted effort is required to reform the house building industry. It is widely recognised that the industry is risk-averse and so reluctant to make long-term commitments and to invest in brownfield. The industry needs to improve its poor record of customer satisfaction, skills, innovation and local acceptance. There are very few players in London and this lack of competition can be seen as a key determinant in controlling supply and driving up prices. The industry should work to improve local acceptance of new developments by raising design standards and working together with the Commission for Architecture and the Built Environment (CABE).

4. THE MAYOR'S ROLE AND PRIORITIES

4.1 During 2006, as part of the wider review of Mayoral powers, the Mayor will assume the lead in developing the London Housing Strategy. Although the final details of the proposal have yet to be agreed the Mayor will, at a minimum, be responsible for production of the strategy and making recommendations to ministers on the allocation of the Single Housing Pot. The Mayor is seeking to extend the proposal to, among other things, allow him to make decisions on allocations, rather than recommendations. These changes will ensure better integration between the London Housing Strategy, the London Plan and other mayoral strategies and will enable clearer strategic direction at the regional level.

4.2 The overriding priority must be to maximise housing output to achieve London Plan targets. The Housing Capacity Study demonstrates that there are sufficient opportunities available but delivery presents major challenges. Current levels of investment in affordable housing will not, on their own, be enough. The argument for resources must be made, but it cannot be assumed that it will lead to significant increases. Among other avenues, there is a need to explore:

- **Land Supply and Land Value:**
  How can more land be brought forward in the public and private sectors and how might land values contribute to infrastructure costs? How can the Mayor, the Housing Corporation and boroughs work more effectively with developers? How can the work of EP and the LDA contribute to speeding up delivery? What opportunities are there to use local authority land and estate regeneration to produce more housing or stretch subsidy? How will proposed planning reforms assist? What is the potential contribution of mixed-use development/re-development, especially in central London?

- **The Spatial Distribution of Investment**
  Investment needs to reflect the significant opportunities available in the Thames gateway and other growth areas: 46% of identified housing capacity is in the east sub-region, which also contains the principal Olympic sites. The need for continued investment in higher value areas and areas with more limited capacity is recognised, but there must be a realignment of investment if opportunities are to be exploited fully. The tenure mix needs to be deliverable in terms of the costs of development and the requirements of particular sites and deliver sustainable

communities. Among other things, this implies moving away from single tenure concentrations within neighbourhoods and a shift towards an emphasis on the numbers housed, rather than units built, to meet the need for larger homes.

- **Housing Mix**

  The London Plan sets out the desired balance between market, intermediate and social provision and the government has set clear goals for the extension of home ownership, including through intermediate options. Within these overall objectives, the size mix of new housing, in all sectors, is crucial. There is a pressing need for larger homes to meet demand in the private as well as in the social sector, where overcrowding is a particular problem. Planning policy will need to become more directive over the size of private sector homes. In addition, it will be essential to balance the supply of larger homes both within and between sub-regions, taking advantage of the potential for suburban areas to deliver more family homes.

4.3 The clear implication of any adjustment in the spatial distribution of investment to exploit the opportunities available in the growth areas is a change to the way housing is let. A pan-London choice and mobility system will be required to ensure that new development meets need across the capital.

4.4 The need for intermediate housing is recognised in the London Plan and the London Housing Strategy. However, it is important that there is clarity about the purpose of intermediate supply, its target groups and its relationship to other affordable housing. At present, the Key Worker Living Programme has a close focus on a narrow group of centrally defined key workers, as well as on households who will either free up existing social housing or reduce waiting lists. The Mayor's view is that intermediate housing should be targeted on the basis of income rather than employment and that provision should be focused on increasing supply, through new-build schemes, rather than subsidising demand through open market products. It is also essential that schemes should be affordable across the full range of incomes defined in the London Plan.

4.5 The Mayor's lead role in the London Housing Strategy will ensure that there are effective links with London's other key strategies. Most importantly, with the London Plan but also with the Mayor's other statutory and non-statutory strategies.

4.6 Action to tackle homelessness will need to continue at the regional, sub-regional and borough levels. Delivery of services in this and other areas will remain primarily a borough responsibility, but the Mayor's new housing investment powers and lead role on the London Housing Strategy will increase his influence over homelessness and Supporting People in London, which will need to develop in line with the wider strategy.

5. The City of Westminster's Role

5.1 As the draft Central SRDF notes, the challenge for housing in Central London is not simply to increase provision within a good environment and usually at high density, but to do so in ways which meet the needs of a wide range of household types, especially those with children. Studio flats and one and two bed dwellings dominate current development output. The dwelling size balance must be adjusted to meet the needs of larger households, which include those who might otherwise migrate beyond London to find appropriate accommodation, to the detriment of London's economy and public services. This is not just a design challenge. It also requires changes in financing of housing provision including affordable housing. There are also implications for planning of social infrastructure to meet the needs of more diverse communities. Density needs to be considered in terms of people housed, not just in terms of dwellings per hectare. However, this does not necessarily mean that all local need can or should be met at the local level.

4.2 The Mayor's Housing Capacity Study indicates a potential total of 62,095 homes in the Central Sub-region, or 20% of the London total. Of these, 7,051 are in the City of Westminster; an annual capacity of 705. This is 255 (30%) less than the current annual target, reflecting the limited number of large sites in particular. In this context, and as the City's Housing Strategy notes, it is unlikely that borough level demand and need will be met within the City boundaries. While there is a need to maximise opportunities locally, there is an equal need to promote regional and sub-regional solutions.

4.3 Several boroughs, including Westminster, are now seeking the inclusion of a 50% increment to development capacity for housing in major office schemes and the allocation of 50% of that as affordable housing, if necessary through off-site provision. The Mayor supports this approach, which is now included in the draft Housing SPG61 and may be particularly effective in ensuring off-site provision of larger homes where on-site provision may present problems of affordability or management.

4.4 Mixed uses are likely to become more prevalent in the sub-region. This can bring several benefits, for example larger retail developments can accommodate residential on upper floors, and the re-introduction of housing into town center schemes can help to re-vitalise centres and add to safety at night. Different uses will not always be compatible and the residential environment in particular needs protection from unacceptable levels of intrusion of noise, traffic and other nuisances. However, mixed -uses will often provide a financially viable approach that will also contribute to the objective of sustainable communities. The provision of affordable housing and infrastructure services will have to be supported by higher value uses, including private housing, retail, leisure and, in some locations, offices. This is an explicit strategic policy requirement in the CAZ and its Opportunity Areas and has potential application beyond in the sub region's town centres and their surrounds.

4.5 Westminster has a larger than average private rented sector and a history of successful intervention, for example through the use of compulsory purchase to bring empty homes back into use. However, as in other parts of London, the sector is fragmented and dominated by landlords with limited property portfolios and investment capacity, has high levels of disrepair and unfitness and poor standards of management in many cases. The Mayor notes with interest that the borough is considering potential levers that could bring increased investment into the private rented sector, for example through the development of an "estate agency" role in return for lettings at sub-market rents.