



Department for Levelling Up,
Housing & Communities

Rt Hon Michael Gove MP

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Dear Sadiq,

HOUSEBUILDING IN LONDON

Thank you for your letter of 5 November enclosing the recommendations of the London Housing Delivery Taskforce, which you reconvened shortly after I outlined the Government's long-term plan for housing.

We agree that housing delivery in London is far below the levels needed. Not only is delivery considerably short of your own London Plan target by approximately 15,000 homes per year, it was approximately 63,500 homes lower than actual need last year, as calculated by the standard method. This is not a national issue. London was the worst performing region in the Housing Delivery Test 2022. Fewer than half of the London Boroughs and Development Corporations delivered more than 95% of their appropriate housing requirement for the test over the three-year monitoring period. Areas like the West Midlands are overdelivering, while London continues to fall short.

This has a significant effect on the availability of homes for those wanting to live and work in the capital, as well as for the standard of housing available. London's average house prices remain the most expensive in the UK – an average of £537,000 in September 2023. The average price was over 12.5 times average earnings last year. London has the lowest level of home ownership in England. Our capital also has, as you know, the highest proportion of renters. There are 60,040 homeless households in temporary accommodation, including over 80,000 children.

Under your leadership the GLA is failing to provide affordable homes for those that need them most.

While I welcome the commitments you made in your letter, as well as the ideas you have provided for Government to consider, they are not enough to change this woeful picture. In July, I asked my officials to review housing delivery in London to gain a greater understanding of the reasons for this significant under-delivery. We met stakeholders, including planning authorities, developers, and boroughs to identify the challenges they encounter in delivering housing. In the course of those discussions, a number of issues were raised which stakeholders believe are adversely affecting housing delivery in London.

Due to the significant shortfall in housing supply and under delivery of housing in our capital, I have concluded that it may be necessary to take further action now, as a matter of urgency, to make sure London is delivering the homes our capital needs.

With this in mind, I have asked Christopher Katkowski KC to lead a panel of expert advisers comprising Cllr James Jamieson, Paul Monaghan, and Dr Wei Yang, to consider the aspects of your London Plan which could be preventing thousands of homes being brought forward, with a particular focus on brownfield sites in the heart of our capital. I have asked them to produce their report by January and will make sure that it is shared with you.

If you cannot do what is needed to deliver the homes that London needs, I will.

I understand that there is also a critical role for the Government in the short-term. The Government's housing plans are ambitious and our £11.5 billion Affordable Homes Programme for 2021-26 will provide tens of thousands of homes. London will receive £4 billion to deliver new affordable homes to help with the acute housing challenge in London. This is in addition to the significant funding that we have already made available to support other schemes in the capital, such as the £257 million for new trains and sidings on the DLR to unlock around 12,000 new homes in the Royal Docks and Isle of Dogs, the £195 million in infrastructure grant funding to unlock over 6,700 homes at Meridian Water, and the £150 million loan to support the Earl's Court Village project for up to 6,775 homes.

The first two rounds of the Local Authority Housing Fund will obtain around 1,200 homes in London by March 2024 for immediate resettlement and homelessness needs and will create a lasting legacy for local communities by building a sustainable stock of affordable housing. We are now also launching a £450 million third round of the fund and look forward to working with local authorities in London on its delivery in the capital.

However, grant funding will only go so far. In a city with such high land values, it is not right or fair to taxpayers and other parts of England for you to rely on more public subsidy to catalyse development in London when it is regulatory complexity that so often makes new building too difficult.

I want to go further and will set out further work on my long-term plan for housing in due course. In this spirit, I have enclosed responses to the recommendations made by your London Housing Delivery Taskforce.

I look forward to receiving Christopher's report and sharing it with you in January – and I hope that you will work with me to deliver the homes our capital so desperately needs.

With every best wish,

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive, slightly slanted style.

Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing & Communities
Minister for Intergovernmental Relations

Annex A – Response to London Housing Delivery Taskforce

Overcoming viability challenges

LHDT proposed interventions	Government Response
<p>Immediately inject additional Affordable Homes Programme (AHP) grant into London. Investment should include £2.2bn in the short-term to bring AHP 2021-26 targets back up to 35,000 affordable homes. Over the long-term, research undertaken by Savills in 2022 shows that £4.9bn in capital grant is needed each year to enable local authorities and housing associations to achieve the strategic target for affordable housing set out in the London Plan. The social and economic case for meeting affordable housing needs is overwhelming – it would enable counter-cyclical investment so that delivery is less susceptible to market trends; substantially boost educational attainment and economic growth; and generate significant savings in housing benefit, temporary accommodation and NHS costs in the medium to long-term.</p>	<p>Our £11.5 billion Affordable Homes Programme for 2021-26 will provide tens of thousands homes across the country. These include homes for rent, for low-cost home ownership, and specialist and supported housing.</p> <p>London will receive £4 billion to deliver new affordable homes to help with the acute housing challenge in London.</p> <p>This year the Government has worked with the GLA (and with Homes England) to confirm the 2021 - 26 Programme’s capacity to deliver as part of a review of programme commitments in light of economic challenges for social housing developers.</p> <p>Since 2010, we have delivered over 684,800 new affordable homes, including over 475,500 affordable homes for rent, of which over 171,100 homes for social rent.</p> <p>Over one fifth of overall delivery between April 2010 and March 2022 was in London (nearly 131,800), with over 89,700 for rent.</p>
<p>Building on success of early-2023 negotiations, government should work with the GLA to introduce additional flexibilities in to the AHP 21-26 settlement. Key additional flexibilities should include:</p> <ul style="list-style-type: none"> • Pushing back completion milestones, which are particularly rigid and constrictive for larger developments and estate regeneration schemes. • Allow for more flexibility with intermediate tenures, particularly by allowing delivery of London Living Rent homes in perpetuity. • Ensure that grant and associated funding conditions on additionality work effectively to maximise affordable housing delivery, without creating unnecessary barriers to delivery. 	<p>We welcome continuing dialogue with the Greater London Authority on ways to deliver the greatest value possible through the Affordable Homes Programme. We have been able to agree a number of flexibilities with the GLA in recent months to support their delivery and we are willing to work with the GLA to consider new proposals that support the market to deliver more new homes as early as possible.</p>
<p>Clarify its intent to provide affordable housing grant post-2026. The lack of clarity on long-term funding means that affordable housing providers are unable to effectively forward plan, especially in</p>	<p>We agree it is important to provide the sector with long-term certainty, which is why the Affordable Homes Programme offers a five-year window for providers to start new homes</p>

<p>respect of complex schemes (including estate regeneration).</p>	<p>and up to three more years after 2026 for providers to complete those homes.</p> <p>Ministers will take advice on how a new affordable homes programme could continue to deliver social housing before the next spending review.</p>
<p>Introduce additional, permanent flexibilities to the local authority Right to Buy (RtB) receipt spending framework. As a priority, the government should allow councils to combine RtB receipts with AHP grant in order to bridge viability gaps and make better use of other recently introduced flexibilities. Temporary reforms to the RtB receipt spending framework introduced in early-2023 – including the ability for boroughs to keep the full receipt sum – should be made permanent.</p>	<p>Councils have a key role to play in increasing social housing supply and we want to support them to do so.</p> <p>Greater flexibilities over the use of Right to Buy receipts were extended to Local Authorities at Budget in March 2023, allowing all councils to retain 100% of their RtB receipts for the years 2022/23 and 2023/24.</p> <p>This amounts to £366 million in retained funds to support the delivery of council housing. In the same package in March of this year, we also froze the cap on acquisitions, to recognise the current pressures and challenges councils are under. At Autumn Statement last month, we announced an extension of the preferential borrowing rate for council housebuilding through to June 2025. We continue to monitor the uptake and impact of these measures before considering if, how and when we may be able to go further.</p> <p>We also want to see the overall quantum of social housing increase which is why RtB receipts cannot be combined with other forms of grant funding. Councils agreed to this under the 2012 self-financing settlement.</p>
<p>Launch a new grant funding programme to properly fund refurbishment of existing stock, to align with announcement of a new Decent Homes Standard. Government has made such funding programmes available in the past, and there is a clear need for such funding against a backdrop of increasing requirements placed on providers to improve safety, quality and sustainability of existing homes, including higher standards expected as part of an updated Decent Homes Standard. Providers are unclear about the scale of refurbishments that will be needed through the expected forthcoming standards, contributing to an environment of policy uncertainty that is challenging for long-term business planning.</p>	<p>The Government has been clear that landlords should be able to meet the current Decent Homes Standard based on the rent settlement, and must prioritise repairs when making funding decisions, as no social housing resident should be living in uninhabitable homes.</p> <p>We are currently reviewing the Decent Homes Standard and will consult on the detail of a new DHS. As part of our consultation, we will seek the views of landlords on the affordability of proposals.</p> <p>There is also already funding for improving the energy efficiency and decarbonising social homes through the DESNZ-led social housing</p>

	<p>decarbonisation fund. Wave 2.2 launched in October. Over £1 billion has already been allocated and the 2019 manifesto committed a total of £3.8 billion to 2030.</p>
<p>Re-open the Housing Revenue Account (HRA) debt settlement to give local authorities more freedom to borrow cheaply for housing delivery. The HRA debt settlement was agreed in 2012. Since then, the obligations placed on borough HRAs have significantly increased with government policy on rents having constrained income. It is therefore timely for government to revisit these assumptions with a view to expand HRA borrowing capacity.</p>	<p>The self-financing settlement for local authorities was designed to function over 30 years from 2012—the length of the typical Housing Revenue Account business plan. There are no plans for review of the settlement currently as we are only 10 years into the settlement.</p>
<p>Reform Public Works Loan Board borrowing rules to allow local authorities to borrow at – an ideally reduced – fixed-rate. This approach would bring the PWLB in line with private sector lending practices and give boroughs much needed certainty for longer-term planning. Outside of the Public Works Loan Board lending facility, the government should also make similar low interest and long maturity borrowing available to housing associations.</p>	<p>The PWLB will offer a 40-basis point (0.4 percentage points) reduction for all borrowing for the purposes of council housing expenditure through the Housing Revenue Account for one year from June 2023. This will be subject to review at the end of that period.</p>
<p>Provide adequate funding for specialist and supported housing delivery. Inadequate funding, in particular revenue funding, impacts on London's ability to deliver specialist and supported housing for different groups of Londoners. The GLA is undertaking work to develop a set of detailed asks in this area in due course which, when published, will complement this joint position statement.</p>	<p>Our £11.5 billion Affordable Homes Programme for 2021-26 includes delivery of supported housing. We are willing to work with the GLA to consider new proposals that support the market to deliver more supported housing.</p> <p>Funding for housing related local support services is through the Local Government Settlement. Most of the funding provided through the settlement is un-ringfenced in recognition of local authorities being best placed to make decisions on what services they provide and commission, based on local priorities and circumstances.</p>
<p>Enable housing associations to better access to building safety remediation funds. It is currently challenging for social housing landlord to access building safety remediation funds, meaning that funding that could otherwise be used to build new homes is being diverted to fund stock remediation.</p>	<p>Social Sector Providers are already able to access remediation funds.</p> <p>Social Sector providers are able to access full funding for the removal of unsafe ACM cladding.</p> <p>For other non-ACM cladding remedial work the following applies;</p> <p>(1) Social Sector providers are able to access full funding for remedial work (via the Building Safety Fund and the Cladding Safety Scheme) where the applicant can demonstrate that the</p>

	<p>costs of remediation in respect of their own stock are unaffordable or a threat to financial stability. For local authorities, this will require a declaration from a section 151 officer. Registered Providers (Housing Associations) will be required to provide a business case to the Department setting out their financial position and options. The Regulator of Social Housing will be notified by DLUHC the intention to apply via this route.</p> <p>(2) Social Sector providers can apply for the equivalent to the proportion of the Full Works and Costs (FWC) figure relating to any planned works that in the absence of the protections afforded by the Building Safety Act would otherwise be capable of allocation to residential leaseholders.</p> <p>There are no plans to change the eligibility threshold and criteria in relation to social sector eligibility for remedial funding.</p> <p>Social Sector Providers may also access government funding for the installation of alarms to replace costly Waking Watch measures under the Government's Waking Watch Replacement Fund (re-opened May 23) for the duration that the fund remains open.</p>
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Providing greater policy certainty and flexibility

LHDT proposed interventions	Government Response
<p>Having now confirmed timing for transition, must announce, as a matter of urgency, the technical specification for second staircase requirements. Developers – including local authorities and housing associations – need full detail of the requirements in order to assess the impacts on viability and design for existing and future schemes.</p>	<p>We recognise that developers, local authorities and housing associations will need the detail of second staircase requirements to understand fully the implications on viability and design. The BSR will be engaging with stakeholders to test proposals within the next few weeks and will seek to publish final details as soon as is practicable thereafter.</p>
<p>Should provide certainty on the long-term social rent settlement. The government has not yet published a promised consultation on the rent settlement. This lack of clarity on the future rent settlement, coupled with recent changes to the rent cap in 2022, is undermining business planning assumptions and putting long-term investment strategies at risk. Importantly, rent certainty impacts on third party investment appetite to</p>	<p>We recognise the importance of providing tenants, social landlords and the sector with certainty around future rent policy. And we support the principle that social housing rents should be index-linked over the long-term.</p> <p>We will consult on future social housing rent policy in due course and call for evidence on whether social landlords should be permitted,</p>

partner with the sector. In the long-term, government should reimburse social landlords for the losses they have incurred through changes to rent policy in recent years, recognising the sector needs sustainable financing to deliver all of the important things that government wants the sector to lead on in respect of housing supply and quality.	gradually over time, to bring rents back up to the level they would have been had the 7% cap not been applied.
Should scrap the Infrastructure Levy and focus on improving the current system instead. The proposed Infrastructure Levy will create a highly complex system and secure less affordable housing and infrastructure than at present. It will cause additional uncertainty, disruption, and put development at risk. Retaining and improving the current system would result in significantly better outcomes for councils, developers and communities.	We have committed to further consultation on the key principles of the Levy design in the first half of 2024. We will set out more detail on this in due course and there will be an opportunity for further engagement.
Provide greater long-term funding certainty in future AHP settlements. Government should allow the next programme to run for 10 years and potentially align to London Plan timelines. A longer-term AHP would be particularly helpful to aid the delivery of larger developments and more complex estate regeneration schemes in London.	Our £11.5 billion Affordable Homes Programme for 2021-26 will provide tens of thousands homes across the country. These include homes for rent, for low-cost home ownership, and specialist and supported housing. We are willing to work with the GLA to consider new proposals that support the market to deliver more new homes as early as possible.
In the spirit of existing devolution arrangements, adopt a more flexible approach when administering funding to both the GLA and local authorities to enable bodies to deploy funding more strategically. For the GLA, this applies to rules around AHP and other major capital funding settlements. For local authorities, this applies particularly to rigidity of rules governing retention and expenditure of RtB receipts.	Regarding Right to Buy (RtB), we have announced greater flexibilities on the retention of RtB receipts for the years 2022/23 and 23/24 and continue to keep the balance of retention and expenditure of RtB receipts under review. We have allowed flexibility within the AHP to enable regeneration to schemes to be funded.

Addressing delays in the planning system

LHDT proposed interventions	Government Response
Make funding available for additional resourcing for a pool of specialist planners for Local Planning Authorities in London. This could be through or based on the existing Public Practice model, which could include targeting resourcing for boroughs dealing with significant strategic sites and where there are particular resourcing constraints. This specialist resource could support local planning authorities when invited to do so and offer specialist advice to all boroughs on particularly technical	We have put in place the Planning Skills Delivery Fund, which is a national scheme to provide additional resources to planning departments. Applications are currently being assessed. Planning fees were increased on 7 December 2023 to provide additional resourcing to local planning authorities.

areas of planning policy where the required capacity does not amount to retention of in-house expertise.	
Underwrite local authority planning budgets by providing core funding through the annual local government finance settlement so local authority planning teams are less vulnerable to market downturns. This would support a continued planning pipeline and enable to authorities to pro-actively bring forward local plans and allocate sites to support delivery and investment.	As with previous years, we will bring forward proposals for the Local Government Finance Settlement 2024-25 in the usual way towards the end of the calendar year. This will set out our proposals for the 2024-25 financial year and invite views via formal consultation. We published a policy statement in December 2022 to give councils forward notice of measures in the 2024-25 finance settlement. This is supporting councils' budget setting processes by giving them additional, multi-year certainty over their funding.
Resolve issues in the Community Infrastructure Levy (CIL) regulations to enable 'Payment in Kind' provisions to be implemented by councils at their discretion. This would encourage authorities to allow the value of onsite infrastructure to be credited against local CIL charges, supporting the delivery of onsite infrastructure and brownfield regeneration. Resolving these issues would avoid duplication of contributions and support affordable housing delivery.	We are willing to discuss these issues further with London, to assess whether changes are required.

Unlocking land supply

LHDT proposed interventions	Government Response
Make funding available to City Hall for a successor Land Fund or other long-term recoverable investment programme, following the GLA's success in deploying the initial programme. With a wider and more flexible funding envelope, the GLA would be well positioned to intervene more strategically in the land market including to help partner organisations undertake strategic land acquisitions.	The £486 million London Land Fund which began in 2018 is set up on a recycling basis. The final payment was made in March 2023 but the programme continues to deliver outputs towards an 8,000 homes target through to 2029-30. The Government has also brought forward new compulsory purchase powers to allow land for affordable housing to be acquired without hope value.
Properly fund infrastructure and utilities in London, which are critical to unlocking new homes. Most notably, delays to transmission network upgrades in West London are causing major delays to grid connections for housing developments, which is holding up new development in the area and which needs to be addressed. Government should review the London Infrastructure Framework, which lists 67 key infrastructure projects that would benefit from investment in the capital.	DLUHC is providing over £200 million of Brownfield, Infrastructure and Land (BIL) Funding to support infrastructure delivery and land remediation across London. This will unlock thousands of new homes across the city. DLUHC has already supported the Old Oak and Park Royal Development Corporation in West London with £53 million for land acquisition and infrastructure this year.

<p>Confirm a long-term funding settlement for TfL, allowing it to properly plan day to day management of the infrastructure as well as new infrastructure investments. A long-term funding settlement is critical to enable the unlocking new homes (for example, on the Old Kent Road and at Beckton Riverside and Thamesmead Waterfront).</p>	<p>It is for the Mayor to ensure TfL can deliver transport services in the capital. To support this, Government has provided well over £6bn since 2020, on top of TfL also receiving around a billion pounds every year in retained business rates which was agreed at the last spending review and covers the full three-year spending review period.</p>
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