

MDA No.: 1391

Title: Housing Committee – Alternative Methods of Expanding Social Housing Letters

1. Executive Summary

1.1 At the London Assembly Plenary meeting on 3 March 2022, the Assembly resolved that:

Authority be delegated to the Chair of the Housing Committee, in consultation with party Group Lead Members, to agree the outputs from the Housing Committee's informal meetings held on 18 January 2022 and 23 February 2022.

1.2 Following consultation with party Group Lead Members, the Chair is asked to agree the Committee's letters to the Mayor of London and the Secretary of State for Justice on alternative methods of expanding social housing, as attached at **Appendices 1 and 2**.

2. Decision

2.1 **That the Chair, in consultation with party Group Lead Members, agrees the letters to the Mayor of London and the Secretary of State for Justice on alternative methods of expanding social housing, attached at Appendices 1 and 2.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Printed Name:

Siân Berry AM, Chair of the Housing Committee

Date:


25 March 2022

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

- 3.1 On 23 February 2022, the Housing Committee held an informal meeting with invited guests to discuss alternative methods of expanding social housing.
- 3.2 On 3 March 2022, the Assembly delegated authority to the Chair, in consultation with party Group Lead Members to approve the output from the Housing Committee's informal meeting held on 23 February 2022.
- 3.3 The exercise of delegated authority approving the letters to the Mayor of London and the Secretary of State for Justice will be formally submitted to the Housing Committee's next appropriate meeting for noting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): 

Printed Name: Diane Richards, Committee Officer

Date: 25 March 2022

Telephone Number: 07925 353478

Financial Implications: NOT REQUIRED


Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Date: Not Required

Legal Implications:

The Chair of the Housing Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Emma Strain, Monitoring Officer

Date: 23 March 2022

Telephone Number: 07971 101375

Supporting Detail / List of Consultees:

- Andrew Boff AM and Sem Moema AM

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? **NO**

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? **NO**

Lead Officer / Author

Signature:



Printed Name: Sarah-Jane Gay

Job Title: Senior Policy Adviser

Date: 25 March 2022

Telephone Number: 020 7983 4383

Countersigned by Executive Director:

Signature:



Printed Name: Helen Ewen

Date: 25 March 2022

Telephone Number: 07729 108986

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Sian Berry AM Chair of the Housing Committee

Sadiq Khan

Mayor of London
(Sent by email)

25 March 2022

Dear Sadiq,

I am writing to you on behalf of the London Assembly Housing Committee, following our recent investigation into non-construction methods for expanding the stock of social housing in London.

We wanted to explore a range of alternative ways to increase the number of homes for social rent, including ways to bring existing homes and buildings into the social rented sector, outside of the construction of new homes. We recognise that delivering newly built social housing is one of your key priorities already, but there remain significant challenges to meeting existing and future demand. We wanted to understand the potential – alongside the construction of new dwellings - for existing homes to play a part in contributing to supply. I want to use this opportunity to share with you our key findings and recommendations.

To support our investigation, we held a meeting on 23 February 2022 with a range of experts to discuss potential mechanisms for increasing social housing stock in London. Guests who attended our meeting included:

- John Hughes, Group Development Director for Notting Hill Genesis,
- Chris Bailey, Campaigns Manager for Action on Empty Homes,
- Councillor Diarmaid Ward, Deputy Leader and Executive Member for Housing and Development, Islington Council,
- Ben Denton, Chief Executive of Legal and General Affordable Homes,

- Peter Matthew, Executive Director of Housing, Planning and Communities, London Borough of Hounslow, and
- Josie Parsons, Chief Executive Officer of Local Space.

There was an engaging and interesting discussion, where the Committee heard details of a range of methods that guests are using to bring existing homes into the social rented sector. Guests were passionate about making the best use of London's existing buildings, from empty homes to former prison officer accommodation, and about the opportunities for purchasing homes from the market as well as former Right to Buy homes.

Ben Denton, Chief Executive of Legal and General (L&G) Affordable Homes, told the Committee that if each local authority was able to purchase just 200 or 250 homes a year for social housing it would make a significant difference to London's stock. For comparison, this theoretical level of acquisition would lead to around 6,000-8,000 additional social rented homes across London, while the Committee's 2021 Affordable Housing Monitor showed that in 2020-21 there were 6,162 new homes started at social or London Affordable Rent and 2,208 new home completions at these tenures.¹

Buying new social rented homes from other tenures

A number of ongoing initiatives in London are aimed at purchasing existing stock for the purpose of transforming it into social housing, including:

Purchase (or leasing) of open market homes – this is the acquisition of 'second hand' properties that may require repairs to bring them up to a good standard to let, or the leasing of existing properties to use as affordable housing, where providers enter into a contract with a building owner for a defined period. John Hughes from Notting Hill Genesis (NHG) told us that NHG has acquired over 500 homes using this method in recent years. With this approach, NHG is able to provide family homes with gardens that are difficult to deliver through new developments. Peter Matthew from the London Borough of Hounslow told us about bulk-buying new but unsold Shared Ownership homes from housing association developers, where they may have a 'glut' of this tenure, to convert to council homes.

Buying back former council homes – the new Right to Buy-back fund you made available from July 2021 also supports and encourages councils to acquire existing homes. The scheme allows ex-council homes and other properties to be purchased for social housing or temporary accommodation. Hounslow and Islington Councils told us about their experiences of the scheme, with Islington noting that, combined with their other buying programmes, they are currently purchasing around four homes a week. Hounslow noted that it does not wholly target the fund towards ex-council homes, preferring to use other sources of funding for this, including Right to Buy receipts. Given the name of the fund, the Committee is concerned that other councils may not realise its flexibility and may so far be missing out on significant opportunities to provide new social housing. This scheme is making a positive contribution to London's supply of social housing; further promotion of the scheme, for example by sharing best practice case studies

¹ [2021 Affordable Housing Monitor](#). London Assembly Housing Committee, Oct 2021

such as Hounslow with other local authorities, could show the innovative ways it is being used. We look forward to more deals being done with boroughs in the coming months.

Private investment – investing in affordable housing can offer long-term returns on investment, and is particularly appealing for investors who are looking for social impact in addition to financial returns. Ben Denton from L&G told the Committee about his work with councils, which involves entering into long-term financing structures to assist them with buying existing homes. L&G Affordable Housing also buys and builds its own affordable housing, which is leased to housing associations.

Bringing empty homes back into use

Empty homes in London have generated much media attention, with suggestions that bringing them back into use could potentially help expand the supply of social housing and offer accommodation solutions for those in need.

The Committee recognises that there are a number of challenges in relation to this approach, which we set out below. However, we want you to be aware that our guests spoke enthusiastically about their desire for greater powers to bring empty homes back into use.

Changes of use and conversions

The Committee wanted to consider whether recent changes to planning law, allowing Permitted Development Rights to convert buildings from other uses, such as offices and shops, to residential uses, might contribute to social housing supply.

While these rights are not currently being used for this purpose to any guest's knowledge, there was a discussion around how, if used extremely carefully, this mechanism might create more social rented homes. It is important to note that opinion on this was very mixed, and guests emphasised that quality and space standards should not be compromised.

Barriers to implementing non-construction methods

Despite their current activities and ambitions, guests at our meeting voiced their concerns over a number of barriers preventing them from more effectively utilising non-construction methods to create new social housing supply. These are outlined below.

Legislation - currently, the main tool available to councils to discourage homes being left empty is the council tax premium, which is limited to 200 per cent. It was suggested at our meeting that this tool was largely ineffective and that inadequate legislation leaves councils with too few powers to take more effective action on this issue. Additionally, homes currently have to be empty for two years before an Empty Dwelling Management Order can be applied for and while the Government's Levelling Up White Paper proposed reducing this to one year, it was previously six months before being changed by the then Government in 2012.

Ben Denton noted that as a for-profit organisation, L&G faces additional costs in terms of acquiring homes, such as Stamp Duty Land Tax and Residential Property Development Tax. He

raised concerns that this makes the returns on investment from purchasing existing homes lower, and therefore a less attractive prospect for investors.

New Government guidance says that, from April 2022, a new cap will be placed on the acquisition of existing properties using Right to Buy receipts, in order to ensure that retained receipts are being used to increase housing supply. At our meeting, we heard concerns from guests that these changes may be challenging for councils that are currently purchasing former council properties, as these often represent some of the lowest cost homes on the market.

This change in policy could also be a new barrier for housing associations who work in partnership with local authorities, if their funding models are reliant on the use of retained receipts. Josie Parsons from Local Space told the Committee these changes could directly impact the availability of grant support for her organisation to acquire and refurbish existing homes.

Funding - while there are some grants available, the Committee heard that there is a need for greater subsidy for purchasing and converting existing housing to social rented homes.

Ben Denton told us: “For housing to be converted from one tenure to another, there needs to be subsidy and that subsidy is lacking. We have some forward-thinking local authorities that are going out and borrowing their own money and Islington is a great example and I know other local authorities are doing it, Hounslow as well. But ultimately the borrowing that they bring forward has to be funded from somewhere.”

Grant conditions - we heard from some guests that they had faced trouble obtaining grants from the GLA due to conditions on space standards within the terms and conditions of the Affordable Housing Capital Funding Guide,² which were not often met by older properties.

Josie Parsons from Local Space, said: “The barrier in obtaining grant for us is that the space standard that the Mayor requires as part of the GLA terms and conditions is often not met by some of those older properties [...] The GLA, when they are awarding grant, they have some flexibility around that, but it is not infinite by any means. That is definitely a potential barrier, certainly for us in the way that we do business.”

Financial - guests told the Committee about complexities in assessing the value for money of these alternative methods. John Hughes from NHG explained that, after repairs and legal costs, the cost of acquisition and conversion is around 120 per cent of the value of the home, making the investments run “slightly at a loss.” However, it allows housing providers to deliver properties at a speed that is otherwise not possible and, along with the addition of larger homes with gardens, for example, does have significant social value which is factored into NHG’s decisions.

Other financial challenges include the varying costs of housing across London. Josie Parsons said that some areas are totally inaccessible to Local Space’s model of acquisition because property

² [Affordable Housing Capital Funding Guide](#), GLA

costs are so high. She also mentioned that Local Space is now selling properties in high value boroughs, such as Hackney, to enable more or larger homes to be bought elsewhere.

Recommendations

We make the following recommendations from our initial investigation into this issue, and would also like to hear whether you are considering any other ideas for supporting the creation of new social housing in London, outside of your programmes to support new construction.

We also want to stress that the Housing Committee strongly believes and advocates for the construction and development of new social housing units, and that the models outlined here would always be intended to complement this work and provide alternative routes to take place alongside new construction.

1) Your officers should make an official assessment of these models to determine the potential contribution each could make to expanding the supply of social housing in London.

2) Work on your next housing funding bid to Government should include an investigation into the potential costs and value for money of non-construction methods of creating social housing as a complement to subsidy for new construction. Within these assessments, the social benefits should be quantified as extensively as possible.

3) You should also review the application of the current conditions for acquisitions in your capital funding guidance to examine whether there could be more flexibility applied to standards, particularly when good quality former council homes are being brought back into the social housing stock.

We know that social housing is a priority for you as Mayor and we can see that more new council homes have been both started and completed in recent years.³ However, there is still more that can be done to deliver the increase in supply of social housing that Londoners need. The models outlined in this letter cannot solve the housing crisis alone, but they could offer additional options to pursue that could alleviate housing pressures in London. We look forward to receiving your response and any further ideas from you.

I would be grateful for a response to this letter by 6 May 2022.

Yours,



Sian Berry AM
Chair of the Housing Committee

³ [2021 Affordable Housing Monitor](#). Housing Committee, Oct 2021



Sian Berry AM Chair of the Housing Committee

The Rt Hon Dominic Raab MP

Secretary of State for Justice

(Sent by email)

25 March 2022

Dear Secretary of State,

Wellington Mews - Empty Flats behind Pentonville Prison

I am writing to you in my capacity as Chair of the London Assembly Housing Committee. The Housing Committee examines and reports on matters relating to housing in London and leads on the scrutiny of the Mayor's Housing Strategy.

On 23 February 2022, the Housing Committee held an investigation into alternative, so called 'non-construction', methods of expanding the provision of social housing in London. During the course of this investigation, we were reminded by the Deputy Leader and Executive Member for Housing & Development for the London Borough of Islington of the former prison officer accommodation at Wellington Mews behind HMP Pentonville, which consists of 28 three- and four-bedroom flats. We were told that most of these flats have been empty for over a decade.

Islington is a borough with a high level of housing need with over 14,000 people on the waiting list.¹ Far too many families are living in overcrowded or unsuitable accommodation. It is also a borough with very high housing costs with the average house price in excess of £850,000² according to RightMove and average rents reaching £600 per week,³ which places a financial pressure on many families and exposes them to a greater risk of homelessness.

In the current housing crisis, the Housing Committee believes that longstanding empty properties should wherever possible be put to use as accommodation for homeless families. The local community has been unified behind the need for urgent action to bring these empty flats back into use for some time, and there have been efforts from Islington Council to engage with officials at the Ministry of Justice (MoJ).

Previous attempts at progress have stalled, with Islington Council and the MoJ unable to agree the terms to lease these properties in a way that would allow the council to use them as temporary accommodation.

While we understand that the MoJ must take into consideration various factors when determining how this property should be used, including potential income generation, we firmly believe that these properties should not be left empty any longer.

We are therefore asking if you could intervene and ensure that the MoJ works together with Islington Council to find a resolution. Members of the Housing Committee would be happy to meet with you to discuss this issue further.

Yours,

A handwritten signature in black ink, appearing to read 'Sian Berry', with a stylized flourish at the end.

Sian Berry AM
Chair of the Housing Committee

¹ <https://www.islington.gov.uk/housing/finding-a-home/council-housing>

² <https://www.rightmove.co.uk/house-prices/islington-87515.html>

³ <https://www.foxtons.co.uk/living-in/islington/rentals>