

**Written submissions received for the London Assembly's  
Housing Committee investigation into Council Housing**

<b>Ref</b>	<b>Organisation</b>	<b>Position/Title</b>
Sub-001	Member of the public	Laurence Keeley
Sub-002	Holly Lodge Residents Association	Grace Livingstone
Sub-003	London borough of Haringey	Cllr John Bevan - <i>Cabinet Member Housing</i>
Sub-004	Defend Council Housing	Eileen Short - <i>Chair</i>
Sub-005	Member of the public	Georgina Schueller
Sub-006	London Borough of Camden	Deborah Halling - <i>Head of Strategy Unit</i>
Sub-007	London Borough of Newham	Shona Elliott - <i>Parliamentary and Public Affairs Manager</i>
Sub-008	West Hendon Residents Association	Derrick Chung - <i>Chair</i>
Sub-009	London Tenants Federation	Sharon Hayward - <i>Co-ordinator</i>
Sub-010	Sutton Federation of Tennants and Residents Associations	Frank Berry - <i>Chair</i>
Sub-011	London Borough of Waltham Forest	Joan Murphy - <i>Interim Housing Strategy Manager</i>
Sub-012	Tony Hirsch	London borough of Brent - <i>Head of Policy and Performance</i>
Sub-013	Roy Evans	London borough of Wandsworth - <i>Director of Housing</i>
Sub-014	Lewisham Council	Jeff Endean - <i>Programme Manager - Strategic Housing</i>
Sub-015	London borough of Hackney	Chris Smith - <i>Senior Strategy Office</i>
Sub-016	London Borough of Richmond-Upon-Thames	Paul Bradbury - <i>Housing Development Manager</i>
Sub-017	Westminster City Council	Jenny Cockburn - <i>Strategy Officer, Housing Commissioning Unit</i>
Sub-018	London Borough of Croydon	Dave Morris - <i>Housing Strategy Manager</i>
Sub-019	London Borough of Hammersmith & Fulham	Aaron Cahill - <i>Project Officer (Policy)</i>
Sub-020	London Borough of Harrow	Alison Pegg - <i>Housing Partnerships and Strategy Manager</i>
Sub-021	London borough of Lambeth	Tunde Hinton - <i>Housing Strategy and Policy Officer</i>
Sub-022	London Federation of Housing co-operatives	Greg Robbins - <i>Secretary</i>
Sub-023	MEMO	Wilfried Rimensberger - <i>Chair</i>
Sub-024	Victoria Community Association	
Sub-025	Royal Borough of Kensington	Laura Johnson - <i>Director of Housing</i>
Sub-026	LB Tower Hamlets	Rabina Khan - <i>Lead Member for Housing</i>
Sub-027	Chartered Institute of Housing	Sara Davies - <i>Senior Policy and Practice Officer</i>

Affordable Housing      proposal for housing policy.

I would like to bring your attention to the new localism Act which received royal assent on the 15th November 2011 and the community right to build order. Which talks of creating land community trust, may i refer you to my website [www.campaign-for-change.co.uk](http://www.campaign-for-change.co.uk) which explains my vision for affordable housing. With the new housing proposals I presume we would not be building on grade 1 or 2 land. If we took an area of grade 3 land and did an agricultural sum a tenant farmer could be paying between £40-£60 acre rent. The land owner receiving this amount, in the event he was able to grow wheat he may produce 3 tons per acre, as of the 8th of December 2012 the price of wheat was ex farm was £185 per ton that would bring in £555 per acre. It would be extremely unlikely that they would have £200 profit, so why if someone nods for planning permission the land would reap half a million pounds, why should one get more for growing houses?

My suggestion is every village and town should look at their housing need, select some sites to build houses, there is no need for development boundaries, offer the land owner an annual rental of £1000 per acre. Or possibly a £50,000 50 year lease paid up front.

Create a land community trust that would build the houses with the opportunity for the people to purchase them at cost estimated to be between

£80-£90,000 this would also include £100 per year ground rent, the restriction would be that the purchaser could only sell them back to the trust, they intern would pay the building cost at the time. In the event the land owner would not accept this rental sum a compulsory order would be put on to the land.

The developer could add 15% to the cost.

Therefore there is no need to build any more houses for open market, anyone needing an opening market house can buy one anywhere in the area as there are loads for sale.

The new right to build policy and The Localism Act should apply where the local people will decide on where and what should be built, the developers would then be invited to tender for the job.

How long will it take before people to realize that a house can only be worth what it cost to put together, if food cost had risen like house prices there would have been riots in the streets, if we paid more for your food and less on rents or mortgaged we would all be beneficiaries.

Once the house is paid for one could begin to save for a family pension fund.

We should consider nearly 3 million unemployed as an achievement Technology as reduced the need for labour, we should not have people doing nothing while others work and keep them unemployed, job sharing would be the answer especially for the older age group,, but one can't job share with an economy that sets the higher rate as the going rate, especially regarding rents and mortgages.

These designs would save energy; child care would be easier, and more affordable, child poverty could be reduced, older peoples care would be improved and general well-being could be established.

Laurence Keeley.

I am writing on behalf of the Holly Lodge Residents Association with some comments for your consultation on council housing.

We think that council housing could play a vital role in solving London's housing crisis. Council housing, with secure tenancies, creates stable communities, allows families to put down roots and children to settle in schools. Affordable rents make it possible for tenants to work and avoid the housing benefit poverty trap.

The reduction in the availability of council housing in recent years has pushed thousands into the private rented sector, where contracts are often short-term and tenants have very little security. High private rents have also caused the housing benefit bill to soar.

Council housing should be available to all: not only the poorest and most desperate people. We don't want to create ghettos of unemployed, but mixed communities. Many key workers (teachers, nurses, firefighters etc) cannot afford to live in London where they work. Council housing should be available to all who need it.

The Mayor/GLA should build more council houses and take over empty properties and those owned by bad landlords. Decent, affordable, housing, with secure tenancies, will resolve London's housing crisis and make the city a safer, happier place to live.

Grace Livingstone  
Holly Lodge Residents Association

The national federation of ALMOs has just published LETS GET BUILDING it addresses any of your issues / concerns.

<http://www.almos.org.uk/document?id=5300>

Regards

Cllr John Bevan

Cabinet Member Housing

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Len Duvall AM  
City Hall  
The Queen's Walk  
LONDON SE1 2AA

28<sup>th</sup> February 2013

Dear Mr Duvall

**Re. Review of London's Council Housing and the Role of Local Authorities in Social rented Provision.**

Thank you for your letter of 13<sup>th</sup> February. DCH welcomes the opportunity to contribute to the review and our answers to your specific questions are as follows:

**If Registered Social Landlords do not or cannot plug the current gap between London's demand for and supply of social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?**

As the Council of Mortgage Lenders has noted, London's housing market is 'broken at every level' (CML Housing Finance issue 03, 2012) a conclusion reflected in a recent 'Evening Standard' finding that half of Londoners fear they could be 'driven from their neighbourhoods' by rising housing costs (Evening Standard 12<sup>th</sup> Feb 2013) and a steep increase in homelessness and use of Bed and Breakfast as temporary accommodation (House of Commons Library 2013, ref. SN/SP/2110). Further evidence of this crisis is provided by the Pro-Housing Alliance (2011).

Against this background, DCH argues we need a fundamental reorientation of London's housing policy. In particular, RSLs (now also called Private Registered Providers PRPs) should no longer be given a monopoly position as providers of non-market rented housing. By their own admission, RSLs are 'struggling to plan beyond 2015' (NHF London 'Home Truths' 2012) and in 2011/2012 built less than half the new homes the capital needs (GLA Housing Needs Assessment 2008). RSLs have not only had virtually exclusive access to grant funding, but have also been enriched by the disposal of thousands of acres of public land. This must stop. The Mayor of London has direct control over 1,400 acres of public land (Inside Housing 15<sup>th</sup> June 2012), in addition to sites owned by local authorities and other public bodies. This land and the necessary development finance should be used to build new council housing that will both reduce housing need, but also contribute to a long-term, sustainable housing policy for London.

Local authorities need to rediscover their purpose with respect to council housing and take a far more direct role in its design, construction, maintenance and management. The practice of councils acting as 'enablers' has failed to safeguard the interests of Londoners, leaving

them exposed to an unaffordable housing market, rising private sector (including RSL) rents and a consequent increase in Housing Benefit payments.

In the 1960s tenant campaigns led to Councils building thousands of new council homes and buying up thousands more empty and other homes in the private rented sector. Changes in financial regulation require that we find the means for another wave of council house building to provide first class, decent, genuinely secure, affordable and accountable public housing to meet London's needs.

This could be done by using Quantitative Easing or other fiscal measures to relieve local authorities of the burden of historic housing debt (which tenants have paid several times over already – see House of Commons Council Housing Group: Council. Housing Time to Invest chapter 3) on condition they build new council housing with secure tenancies and council rents.

### **What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

Soaring private rents, the impact on Housing Benefit costs, and costs of providing temporary accommodation illustrate that attempts to restrict council housing investment are a false economy. As John Perry points out (Public Finance, 22<sup>nd</sup> March 2012), in November 2011, the government said:

‘Ministers have stated during the passage of the Localism Bill that we will not subsequently reduce the aggregate borrowing cap, or the borrowing caps for individual councils, which are set out in the original self-financing determinations. Councils will therefore be able to plan ahead on the basis of those caps.’

It is dishonest to introduce self-financing and promote ‘localism’, while also restricting investment in what should be the corner-stone of London public policy for the next decade i.e. building a new generation of council housing capable of meeting local housing needs.

As Government has delegated the responsibility, risk and historic debt associated with council housing to local authorities, it is not justifiable to also impose a borrowing cap (or rent convergence targets). Presumably borrowing caps reflect concerns that political reality would force central Government to take responsibility for debt if a Council's Housing Revenue Account was insolvent.

### **How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

DCH has warned about the dangers of removing housing revenue from a national system capable of recognising different levels of housing need and allocating resources accordingly. Recent research (Local Government Chronicle 14<sup>th</sup> Feb. 2013) shows that welfare benefit cuts are seriously undermining councils' housing investment strategies. Inevitably, such impacts are felt most heavily by the poorest areas, with the greatest needs and will worsen the current housing crisis.

The underfunding of Major Repairs and Management and Maintenance has been built into local authority HRAs' self-financing funding settlement (see HOCCHG report Ch 2 for

detail of the real level of need). Promised funding to meet the huge capital spending backlog has been withheld (and channelled through the inadequate Regional Housing investment budget so Councils have to compete with RSL/PRPs and others).

Combined with the inflated and unjustified debt burden delegated to local HRAs, this means that although numbers of London Councils are keen to build new council housing, most are postponing or severely limiting new build and pushing up rents.

**How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

Where new council homes are being built, important land and other public resources are being traded for private housing development and for 'Affordable' (up to 80% market rent) homes. This erodes the net or potential stock of genuine council homes for rent.

In Camden for example, council housing and HRA land is being used to subsidise new school building and other community needs, without addressing the escalating crisis of need for genuinely-affordable council housing.

In Tower Hamlets potential housing sites on and around the Ocean estate in Stepney have been traded for unaffordable housing development, and structurally sound council blocks demolished, to finance estate improvement and 'regeneration'.

Other important sites in Southwark, Haringey and elsewhere are being lost in similar schemes or through privatisation of homes and/or land.

Isolated examples demonstrate that local authorities have the ability to rediscover the role they previously played as the primary providers of housing that is affordable, secure, well-maintained and democratically controlled. The ARCH/APSE report ('Under One Roof' 2010) demonstrates the holistic benefit of council housing. Examples from around the UK show that local authorities are best placed to co-ordinate a range of services that strengthen local communities by using stable housing as their corner-stone. Conversely, current policy is encouraging transience leading to what Shelter has referred to as 'a lifetime of insecure housing with associated 'exported' costs to education and health budgets' (Shelter Consultation Response, Jan 2011).

**What are the advantages and disadvantages of different models of ownership and management of social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

DCH say local authorities are best placed to build, manage and own housing that is genuinely sustainable. Alternative models (ALMO, PFI and PPP) have been actively promoted and have received substantial public funding for the last decade, but have led to a net loss of genuinely-affordable housing and increasing reliance on the failing private market model and to London's current and growing housing crisis. Direct investment in council housing can prevent leakage of public money into areas that do not contribute to reducing housing need e.g. consultancy fees, higher borrowing and other costs, excessive executive salaries and legal costs. There is an economic and social cost to channelling public resources into increasingly



corporate and unaccountable RSL/PRP landlords with strategies dominated by balance sheets and market housing demands and rents.

Tenants support public ownership and management of council housing. Research by ARCH and others shows direct council management is as good and often better than alternatives. Where Councils fail to involve tenants, or improve housing services, this needs to be sorted out by tenants and councillors.

Even when stock transfer and other privatisation proposals are promoted by politicians and RSLs with overwhelmingly unequal resources, and tenants are told this is the only way to finance improvements, if there is an effective and united campaign tenants have repeated voted against privatisation.

DCH view ALMO as a two-stage privatisation threat. This has been validated by ALMOs pushing through full stock transfer in Oldham, Bolton, Gloucester and by other Councils proposing or considering this (Durham, Lewisham among others).

ALMOs are wasteful and sometimes unresponsive to and unrepresentative of tenants' or local political control. We demand ALMOs are brought back in house to shut the door against the threat of privatisation (still pursued by the National Federation of ALMOs).

The consultation process for stock transfer, ALMO and TMOs has led to serious abuses, including bullying and victimisation of tenants and trade union members opposing council plans, opposition campaigns denied resources, access to meeting rooms, speaking rights, posters torn down at council instructions, estates voting No and being ignored (eg Barkantine in Tower Hamlets against stock transfer, Ethelred in Lambeth against TMO).

Mutuals and co-operatives have a long history (some of them pre-dating council housing), but have never occupied more than a peripheral place in housing provision. The scale of the current crisis demands the long-term, co-ordinated strategy backed by a democratic mandate that council housing can provide.

DCH is not opposed to tenant management in principle, but it is not a mainstream solution, nor the best or only way to improve how council estates and homes are run, and can become a block to improvement works. In some cases TMOs have led to significant problems. We believe that council housing that is genuinely accountable to local tenants can generate the benefits of tenant management, without the costs.

PFI is financially disastrous for the public sector in housing as elsewhere. In housing it has a very limited and poor track record. Tenants at Myatts Field (Southwark) are now battling over rehousing, representation and net loss of homes as a result of PFI.

New homes developed through RSL/PRPs have higher rents, less secure tenancies, and no democratic accountability. Development by these landlords of Shared Ownership, Intermediate rent and other higher cost homes has been disproportionate to any evidence of need. And the combined impact of financial constraint and new freedoms to use fixed term tenancies and directly market-linked rents, are adding to the marketisation of a rising proportion of all new housing in London as well as the loss of a proportion of existing RSL/PRP and council homes.

For more detail of our criticisms of stock transfer, PFI, ALMO etc see [www.defendcouncilhousing.org.uk/information](http://www.defendcouncilhousing.org.uk/information)

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focussed on affordable rent?**

DCH believes that current government definitions of 'affordable rent' are a misnomer, deliberately misleading and conceal a disastrous policy that will deepen London's housing crisis by forcing up rents to 80% of the market level, leading to increased Housing Benefit costs and the displacement of low and medium income households

Council rents should reflect costs; they should not be market-linked. Government (or regional) action to write off the inflated historic debt unjustifiably forced onto local authority HRAs, would create the headroom for councils to invest in existing and new homes without pushing up rent levels.

**What use is being made of the New Homes Bonus?**

In very few cases are boroughs ring-fencing the New Homes Bonus, to reinvest in new council (or any other) housing.

DCH is a national organisation; we believe the New Homes Bonus will exacerbate the increasing housing dislocation within London and the housing situation in London and the rest of the UK by sucking resources into areas where house prices are already beyond the majority, thereby using public money to widen, not narrow, the gap between housing supply and demand.

**What should the Mayor be doing to optimise the use of council housing in meeting the current housing targets for London?**

We believe the Mayor's current policies act against the development of is genuinely affordable and secure council housing. The Mayor's intervention to force up council rent levels is outrageous. The Regional Housing Budget should be directed into investment that meets housing need in London, instead of allowing 'the market' and private property developers to dictate what homes get built. This is graphically illustrated by the scrapping of affordable housing targets.

The Mayor, London Assembly and London Councils should also act as political representatives in campaigning with tenants for a new generation of Council housing built to high standards (see some recent Croydon council housing, for example). This should be combined with outright opposition to the use of Flexible Tenancies, Affordable Rents and to the Welfare Benefit cuts which risk driving thousands of Londoners from our homes and breaking our communities.

Political representatives need to stand with those that elected them, against the ravages of London's housing crisis and benefit cuts. As landlords, they should commit not to evict anyone in arrears due to Housing Benefit cuts, and in their Strategic housing role, the Mayor and Councils should call on other landlords to do the same.

With the new funding and public assets at the Mayor's disposal and given the scale of the housing crisis, DCH calls for a co-ordinated strategy of investment based on proven local housing need.

Yours sincerely

Eileen Short  
Chair Defend Council Housing

House of Commons Council Housing Group: Council Housing – Time to Invest  
[http://www.support4councilhousing.org.uk/report/resources/HOCCHG\\_TimeToInvest.pdf](http://www.support4councilhousing.org.uk/report/resources/HOCCHG_TimeToInvest.pdf)

In Feb 2013, I wrote the following letter to the cabinet of Lambeth Council ahead of its meeting to approve its rent setting agenda, and feel that many issues I raised are relevant not only to Lambeth but to the rest of the country and therefore also to the Housing and Regeneration Committee review.

“As a Lambeth council tenant for 21 years, I am extremely worried about the general housing policy. As a council rent payer, I have been able to live within my means, (although this is becoming increasingly difficult as the rent increases) and have therefore not contributed to the current economic debt crisis, yet it appears that those less well off are being picked on disproportionately.

I believe the formula for working out what rent levels should be is fundamentally flawed. The average wage of council tenants needs to be assessed in order to establish whether the proposed rent increases are sustainable. If this is not done, then, alongside the Welfare Reforms put forward by the current government, **one can come to no other conclusion than that the poorer strata, are to be ‘cleansed’ from the inner city.** Whether this is by default or intent, the result will be the same.

I understand the enormous new pressures put onto the council since the ‘self financing’ regime for the HRA has been implemented, and realise that there is a desire from central government for rent convergence to occur. However, it appears that attempting to balance the books, by moving numbers around on spreadsheets, is done with little regard to how it affects actual peoples’ lives. Rent convergence, realistically, can only come if there is also pay convergence.

The demon that needs exorcising is the property market. Private sector rents are far too high and ‘social’ rents should not be forced upwards in emulation. Telephone number house prices are forcing ever more ingenious ways from banks, with their profit motive, to allow excessive borrowing. I believe the council should be fighting tooth and nail against the current proposals (welfare reform + increased rents), and should be lobbying the government to **reintroduce rent caps, a fair rents policy**, and, ultimately, to **build more council housing**, with secure tenure (although this is a meaningless state if the rent becomes unaffordable).

The government says that as a country we should not be borrowing more to increase debt, whilst simultaneously expecting so called ‘aspiring’ people to borrow as much as 10 times their salary in order to secure a mortgage – a life with a mountain of debt. The higher the proportion of ones wages spent on housing, obviously the less money can be spent in the wider economy.

I implore the council to look for another model of sustainable, truly affordable housing, which does not kowtow to government dictat of whatever persuasion. It’s time to hold a serious conference on housing issues, inviting a full breadth of people, to thrash out new ideas, and ones not reliant upon building contractors needing to make a profit for their shareholders. Housing needs to be built more cheaply, and rents need to be reduced to support a better quality of life, and to give people a real choice regarding property ownership or otherwise.

It’s time to ask yourself a serious question. Do you really want it on your conscience, on your watch, that you did nothing to stop the ‘cleansing’ of poorer people from Lambeth?

The bare minimum requirement of a 'civilised society' should be that you are able to have a roof over your head without being enslaved by it, and without being ghettoised by your income."

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As an aside, I listened with interest to a programme discussing the housing crisis on Radio 4 on Tuesday 25<sup>th</sup> Feb, You and Yours – "Is it getting easier to buy a house?"

One comment stood out about how the property market was one of the few areas of uncompromising capitalism. No doubt you don't need to be told that this is the problem exacerbating the housing shortage today, designed to line the pockets of those wanting quick and maximised profits on the backs of peoples' desperation to have somewhere to live. The buy to let market is also generally not helpful.

People who cannot afford to pay the over inflated prices of accommodation are not a priority for property speculators and developers, and quotas made to ensure a percentage of 'affordable housing' are included in some private developments, whilst appreciated, are tokenistic at best. 'Affordability' is another concept or word which has a nonsensical meaning. "Affordability" = the amount of debt mortgage lenders are prepared to allow you to get into. Never mind the fact that you may only have 50% or less, of your income to sustain some kind of notion of being a human being. Such a capitalist approach to housing has got to be challenged as it does no good for society. I believe very strongly that this is the time for more **council housing** to be built. Other so called social landlords like Housing Associations have been more prepared to implement fixed term tenancies for example, and seem more prepared to increase rents to 80% market rents; they are also not as accountable to their residents as councils are to its tenants.

NOT everyone wants a house as an investment; it should be the right of everyone to have a roof over their head, and to be able to nurture themselves and their families without racking up the debt. Other countries, for example Germany, have a reasonably priced and thriving rented sector. Its residents are not allowed to borrow beyond their means simply to buy property. Why is this idea not possible in this country?

Here we have a government only too happy to sell off the council stock, whilst giving huge discounts which ultimately means there is less money for the necessary replacement of such properties. At the same time there seems to be a reluctance to even build more council homes. There seems to be a tabloid press over simplification regarding the kind of people who live in such properties - eg the unemployed 'shirkers', benefit scroungers, single parents etc. It feels as though there is a belief that people should not be allowed to have subsidised housing because it's not fair on the 'aspirational' people, who are doing 'the right thing' – ie: working hard, buying property, getting into debt. Both notions seem to muddy the water deliberately.

THERE IS SIMPLY A NEED FOR MORE HOUSES TO BE BUILT.

**Please consider a new model for doing so, with rent caps, and fair low rents.**

**The wider economy would benefit from people having more disposable income if housing costs and rents were pegged down; there would be no need for working people to have to apply for housing benefit, for example, to subsidise low pay if their rent was truly 'affordable.'**  
**Money spent on such benefits would be better used to keep rents lower.**

Perhaps councils, using cash reserves, should employ the architects, the builders, the tradesmen etc, directly. Perhaps private housing could be built and sold more cheaply but still at a profit to subsidise the building and sustenance of rented accommodation – utopian maybe - but another way has to be found because relying on the free market is not working.

Kind regards,

Georgina Schueller

- **If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?**

Yes, local authorities can and should contribute to filling the gap. However, local authorities' capacity to do so will vary and is limited by the following factors:

- the amount of land they have available that can be developed for housing purposes (i.e., where planning permission can be secured), its location (i.e., the limitations in terms of conservation areas and infrastructure capacity), and other planning considerations such as density, height etc.
- their borrowing capacity - Local authorities' ability to fund development themselves (and therefore to act as developer, which maximises their control over the housing produced and hence the scope to match priority housing needs) is limited by the cap on Housing Revenue Account (HRA) borrowing. There is a cost to local authority development partnerships that utilise third party funding or, indeed, develop homes for sale in order to fund new social rented homes, in that some of the land or property value provides housing that, whilst increasing supply, does not meeting priority need. However, additional market housing can help limit the increase in the value of housing that arises from a shortage of supply.
- the planning and lead in times for the level of development needed – These mean it would be many years before any contribution from local authorities had a significant effect on the shortfall.

Moreover, the full extent of the gap between demand and supply is too large to be dealt with through new development, by any combination of developers and providers. Given this, other initiatives will be needed to reduce the pressure on social housing. Examples might include the following:

- freeing up existing social rented homes by promoting shared ownership for higher income tenants,
- freeing up larger social rented homes by helping under-occupying tenants to move, and
- pressing the Government to consider distinctive arrangements for welfare benefits in London, where changes to Local Housing Allowance and the cap on total household benefits exert the greatest pressure on families in private rented sector accommodation, further fuelling demand for social housing.

In terms of the social purpose of local authorities with respect to council housing, of course statute and regulation set out various obligations on local authorities in their capacities as landlords, allocators of social housing, strategic housing authorities and planning authorities. It makes little sense to rehearse these in full here, although the particular example of a planning authority's obligations cited below illustrates the breadth and complexity of imperatives linked to housing's supply, condition, suitability for local needs (including those of particular groups of the population), and environmental impact of housing, as well as to the sustainability of communities.

So, the National Planning Policy Framework indicates that planning has a social role in supporting strong, vibrant and healthy communities by providing the supply of

housing required to meet the needs of present and future generations. To this end, it states that councils should:

- boost significantly the supply of housing;
- plan to meet the full objectively assessed needs for market and affordable housing;
- identify and annually update a supply of deliverable land capable of delivering their housing requirements plus 5% for the next five years, and identify developable sites for at least the subsequent five years, and ideally 10 years;
- plan for a mix of housing based on demographic and market trends and the needs of different groups in the community – e.g., families with children, older people, people with disabilities;
- identify the size, type, tenure and range of housing required in different locations to reflect local demand; and
- set policies to meet any identified need for affordable housing, with sufficient flexibility to take account of changes to market conditions.

Beyond meeting these imperatives, local authorities often assign a particular importance to their housing stock in their overall strategic priorities and this is likely to vary with the local, regional and national context and the political complexion of the authority. Camden has developed the Camden Plan (see <http://www.camden.gov.uk/ccm/navigation/council-and-democracy/camden-plan/>) as a statement of its five year vision. One key theme in the plan is preserving the borough's social mix. This is a commitment to which the borough's social housing, about two third of which is managed by the Council, is critical, particularly in the context where welfare reform is rendering the private rented sector increasingly inaccessible to low income households.

- **What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

The main argument in favour of the cap is that it helps maintain a further constraint on overall government borrowing, although many countries do exclude such borrowing from their public sector borrowing calculations.

Arguments against retention of the borrowing cap include the following:

- The cap acts as a restriction to some councils' ability to build social housing and is an unnecessary further constraint, given the existing requirements of the Prudential Code
- The cap is the assumed level of borrowing that each HRA can afford and is based on the 'value' assigned to each HRA as part of the self-financing settlement. The value of each HRA is based on a theoretical 30 years projection, with annual rent increases above inflation.
- The cap does not take into account actual ability to fund any borrowing. In Inner London, with target social rents being round 25% of market value, there is almost no risk that future rental streams will be unavailable to fund debt charges.
- Some development would only require short term borrowing to fund the initial investment in new development. Receipts generated from disposals of a



proportion of the units could then be used to repay the borrowing and/or finance further development. The borrowing cap limits this capacity.

Overall, our view is that a better measure would be the Prudential Code. This is used to determine the General Fund's borrowing ability on affordability grounds, rather than by applying an arbitrary limit.

- **How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

Self-financing only came into effect on 1 April 2012, so it is too early to tell what its impact is. The freedoms it brings should, in the long term, mean that standards are maintained. Depending on local authorities' ability to access funding (For Camden, this derives primarily from capital receipts, including the sale of newly developed homes for owner occupation.), self-financing should allow regeneration and new development. Any backlog in work to bring homes up to the Decent Homes standard and on-going capital maintenance requirements will mean some authorities will struggle for a number of years, before any additional dwellings can be provided.

- **How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

Camden's 15 year Community Investment Programme (see <http://www.camden.gov.uk/ccm/content/environment/planning-and-built-environment/two/placeshaping/twocolumn/the-community-investment-programme.en>) involves the sale or redevelopment of properties that are out of date, expensive to maintain, or under-used and difficult to access to help generate funds that can be re-invested into improving other services and facilities, including housing. Under the programme, we expect 2,750 homes to be built between 2013 and 2021. Of these, approximately 1,100 will be new Council homes, either for rent or shared ownership. The remaining 1,650 homes will be built for private sale, which will fund the Council properties.

The ambitious remit of this programme reflects our assessment that there is considerable capacity to deliver new Council housing using this approach within the next 15 years. However, our ability to do so is predicated on a buoyant market for the sale of private housing and, as highlighted in our answer to the first question, constrained by our ability to borrow. Moreover, there is of course a limit on the volume of outmoded Council land and buildings that can be sold or re-developed in the much longer term, beyond the 15 year period of the programme. All of this means that it is vital that both the Mayor and the Government develop other viable approaches to developing new affordable housing.

- **What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

Our assessment of the general advantages and disadvantages of different models of ownership and management for social rented homes are set out in the table below. The models of which we have more experience are TMOs and PFI, so we have commented further on our experience of these below the table.

<b>model</b>	<b>Advantages</b>	<b>Disadvantages</b>
TMOs	<p>TMOs can provide opportunities for volunteering and resident involvement in their communities.</p> <p>TMOs can be flexible, with residents taking on take varying levels of responsibility for management and day to day maintenance (defined in the Management Agreement).</p> <p>Decisions can be made more quickly, with a reduction in red tape allowing for greater efficiency.</p> <p>TMOs are well-placed to understand residents' needs and have a vested interest in providing high quality, value for money services.</p> <p>They may perform highly in some areas that matter for tenants (for example, in responsive repairs).</p>	<p>TMO Boards may not be representative of all the community.</p> <p>They are managed by volunteers. It can be challenging to recruit, given that considerable and long-term commitment is required. Moreover, although assessed for competency at the outset and provided with on-going support and training, Boards can, over time, come to lack the skills needed for their role.</p> <p>TMOs may perform poorly in some areas of responsibility.</p> <p>Duplication of management costs and diseconomies of scale can make TMOs inefficient to run.</p>
PFI (within HRA)	<p>This model is generally suitable for major refurbishment/ improvement and on-going maintenance. The costs are spread over many years, often 30.</p> <p>The Council retains ownership of stock.</p>	<p>Contracts can be complex and expensive. They incur a funding commitment for 30 years. New PFI schemes will be a charge against the debt cap.</p>
ALMO	<p>Councils can determine which functions will be delegated.</p> <p>Councils retain ownership of stock.</p> <p>Tenants are on ALMO Boards and make decisions about their homes, rather than just being consulted.</p> <p>Stock can be brought back under</p>	<p>There can be duplication of functions with the local authority.</p> <p>Wider tenant population fear loss of accountability of Councillors for housing</p>

	direct Council control.	
LA retained	<p>Tenants often prefer this option.</p> <p>Tenants are concerned more about having a safe, affordable, warm and modern home than who manages it.</p> <p>Better integration with Council's other priorities and wider objectives.</p>	<p>Limited Government support for Decent Homes and regeneration works.</p> <p>Tenant involvement is sometimes poor.</p>

There is no evidence of rent or tenancy policies changing as a result of alternative models of management. This may be in large part due to a fairly prescriptive legislative framework for social landlords and the fact that different models tend to face common issues, such as worklessness and anti-social behaviour.

We currently have seven TMOs, five of which have been in operation since 1992 and two of which started in 1995. Between them, they look after 1,415 properties. We also have a TMO in development which we hope will go live later this year and manage 322 properties. In addition, we are currently negotiating Local Management Agreements with two groups. One wants to take responsibility for their Cleaning and Caretaking service and the other for their Grounds Maintenance service.

One local example of TMOs working with local residents to help deliver good outcomes involves a large regeneration programme, which includes demolishing two of the blocks the TMO manages. The management committee and the Council's regeneration team meet on a regular basis to discuss the proposed works, their residents' needs and expectations, so both parties can make informed. One outcome of these meetings was the Council agreeing to put a local lettings policy in place to help the TMO sustain their community.

However, we have also had two TMOs close so this is not a solution for everybody.

Camden has only used PFI once, in 2006, as a vehicle to secure the significant funding required to bring the internal and external fabric of one of our major estates up to Decent Homes standard. This proved successful in bringing an estate that was previously not a very desirable place to live, with high levels of anti-social behaviour, to a level where the tenants take great pride in dealing with estate issues locally. This is demonstrated by the high level of engagement by the Tenants' and Residents' Associations on the estate working closely with the Council to maintain their environment at the high standard enabled by the PFI scheme.

As the PFI scheme did not include any on-going management of the estate, other than for repairs and maintenance, rent and tenancy policies have not changed as a result of using this particular model for financing the investment required.

- **Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered**

### **when the Mayor's emphasis and capital funding is focused on affordable rent?**

London either needs Affordable Rent products to be available at very much less than 80% of local market rents, or needs an alternative social rent product that is available more cheaply than these.

In Camden, where market rents are among the highest in the country, rents charged at 80% of that level will not meet any significant need that could not be met by market housing, either in cheaper parts on the borough or in other nearby boroughs. For family housing (with three or more bedrooms), it is unlikely that rents charged at 80% of local market rents would be affordable to the families in greatest housing need in any part of London. This is all the more so in the context of the cap on total household benefits due to take effect later this year. Indeed, with the introduction of this cap, even some larger social rented properties let at target rents will become unaffordable to households claiming benefit.

The Mayor has referred to average rents at 65% of local market rents as an "investment target" for new social rented housing, but this is still too high to provide affordable housing for families in Camden.

Ultimately, there is a risk that social rented housing will only be affordable to households who are working and therefore exempt from the cap on total benefits, unless local authorities use their Discretionary Housing Fund budget to cover shortfalls between social rented tenants' benefit entitlement and the rental costs of households who are not working. Although Affordable Rent may reduce public sector capital spending, it risks inflating public sector revenue spending.

In terms of the National Planning Policy Framework (NPPF), the sole limitation on the pricing of the Affordable Rent product is that it should cost **no more than** 80% of the local market rent (including service charges, where applicable). Thus, NPPF contains nothing to preclude local policy or guidance securing Affordable Rent products that cost significantly less than 80% market rent, with rents potentially close to those of target social rents.

However, the Mayor is seeking to alter the London Plan to prevent boroughs from introducing any local controls or guidance to keep rents below 80% market level, and to exclude the boroughs from negotiations around Affordable Rent levels for specific schemes. If the Mayor sustains this position of inflexibility, boroughs will feel that they have no choice but to pursue an alternative product, most likely to be homes at target social rents.

If the Mayor maintains his current course, London boroughs with resources of land and capital will work to develop products at or close to target social rents themselves. The focus of the Mayor's own capital funding will not greatly influence boroughs that have their own resources, as the Mayor's funding rate per unit is too low to be critical to the financial viability of a Council-led development. Where the Mayor's strategic powers would enable him to block boroughs' social rent developments, they are likely simply to delay development until after the Mayoral elections.

The way in which this question is worded seems to imply that the funding regime cannot be changed. While this is probably true in the short to medium term (certainly to 2015), we are seeing that the current level of funding will only work where there is provision of free land. This means the Affordable Rent regime is unlikely to be sustainable in the long term, as it does not provide homes that are genuinely affordable to those in the greatest need. As a result, in high value areas, arrears and/or voids are likely to increase, making those areas less attractive for private investment. The funding regime needs to change in the long term, so that either it once again provides social rent or a locally-defined affordable rent. A new model needs to recognise that much higher capital subsidy has to be provided in those high value areas, because the incomes of those in need do not differ greatly between high and low value areas.

- **What use is being made of the New Homes Bonus?**

For 2012/13, the New Homes Bonus was allocated to the council's capital reserve and will be used to support Council priorities, which include housing.

- **What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

The removal of the HRA borrowing cap would provide scope for Local authorities to build and the Mayor should continue to support proposals for its removal.

Ideally, the funding and powers the Mayor acquired should be used to fund social homes providers (Council and RSL) to provide homes at social rent levels. While this may be difficult in the current climate, a desirable approach would be for the Mayor to recognise that there is a place for guidance to secure affordable rents significantly below 80% market rent. This could be local guidance, or it could be guidance for London issued by the Mayor, following consultation with the boroughs. Such a pragmatic position could bring the Mayor's capital funding and/or GLA land together with the resources of the boroughs, and ease individual proposals through the political process, maximising the output of new housing that is genuinely affordable to the households in greatest need.

# **London Assembly**

## **Housing and Regeneration Committee**

**Newham welcomes the opportunity to respond to this consultation. We have provided a technical response to a number of the questions posed by the committee. However, we also wish to register a number of strategic points.**

**London faces a significant affordable housing crisis that cannot completely be solved through the provision of increased supply of traditional social or new models of 'affordable' housing supply. More effective management of the significant and growing private rented sector in London must be a key part of London's housing strategy. As the Committee is aware Newham is the first local authority in the country to introduce mandatory licensing for all private landlords. We have also identified a number of additional areas where the response to the sector could be improved notably through the introduction of regulation for lettings agents.**

**Notwithstanding this we believe that local authorities have a potentially significant role to play in increasing supply across a range of tenures, and indeed that putting in place measures and incentives to make it viable for local authorities to utilise their land assets in this way is an essential step to achieving this potential.**

**In essence we believe that where it would be economically viable for councils to prudentially borrow to invest in affordable housing they should be able to do so. Parity with the flexibility given to registered providers over borrowing and tenure offer would enable significant and affordable investment in a range of affordable housing options. It would also enable local authorities to deliver more effectively on their wider objectives to create sustainable and mixed communities by facilitating an offer across social, affordable rent, shared equity and private rented tenures.**

**The borough is taking steps to increase the level, quality and range of supply within the existing framework, for example through the creation of shared equity scheme. However, until these larger structural issues are addressed there is huge missed potential to address the housing challenge in London.**

### **Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

- **If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?**
  - **LAs should step in and use their land. They are the housing authority and have the statutory duties. There is a current, profound and enduring market failure to deliver affordable housing, which councils**

could help address were they given greater flexibilities to bring them in line with Registered Providers.

- What are the arguments for and against the retention of the borrowing cap on local housing authority debt?
  - The cap only applies to those authorities with HRAs and only applies to that account. It artificially constrains Council's ability to build additional housing, assuming it is to be held within the HRA.
  - The cap has no regard to the ability of the Council to finance the debt, and puts Councils at a disadvantage in respect of other Registered Providers.
  - This artificially constrains supply at a time when the market is failing to deliver the number of homes required.
- How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?
  - Theoretically an LA should have more freedom now that it is able to keep all of the rent it receives from its stock and can decide its priorities for the use of this income. It also encourages Councils to better manage their cost base and drive in efficiencies. Likewise, it should focus attention on the collection of rent, day to day service charges and recoverable capital service charges.
  - Unfortunately, the borrowing cap limits the scope for investment.
- How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?
  - LAs with land can build out additional accommodation using their borrowing headroom, commuted sums, cash and GLA social housing grant
  - RPs increasingly rely upon cross subsidy from new build outright sale receipts to achieve scheme viability to deliver affordable housing. Councils will need to examine their preparedness for risk, if they are to increase affordable supply themselves
- What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?
  - LBN has both TMOs and Housing PFIs but in all cases it remains the landlord and sets policy on rents etc.
  - However, there are schemes using pension funds or other long term financing which will build out Council land without recourse to grant. Risk lies with the Council as it guarantees the annual payment to the fund and takes the risk on rent collection, voids, mgt & maintenance. The payment is fixed save for an annual RPI inflator. At the end of the loan term, ownership reverts to the Council with little or no additional

payment. Currently rents inflate with RPI+0.5%, potentially giving the Council some comfort over its ability to manage its financial commitment. The risk for the LA is that this rent increase regime does not endure over the 50-60 years of the loan term. For example, rent increases may become linked to CPI with no additional percentage uplift. The market for rental housing may alter over the period or the desirability of its particular locality may adversely change exposing the Council to greater risk or loss. Notwithstanding this, these schemes are expensive. For a repayment of £3.5m pa on a £70m loan (ie at 5% pa), the Council repays £210m over 60 years [without the RPI inflator being taken into account]

- Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?
  - There was a provision within the 11/15 bidding guidance enabling funding for social rent housing to be secured. This Council achieved this in its own programme with 39% earmarked as social rent.
  - As grant levels reduce, lower rents will only be achieved through cross subsidy from the profit from outright sales and accepting that fewer social rent homes will be delivered than if the higher affordable rent levels were applied.
- What use is being made of the New Homes Bonus?
  - In Newham, it is being used as part of the authority's General Fund budget strategy. The general fund finances a range of Council priorities including housing.
- What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?
  - Lobbying HM Treasury to remove the HRA borrowing cap or at least allow Councils to borrow against unused caps, as long as it can be shown that the resulting debt finance can be serviced without detriment to the HRA.
  - Lobbying to put LAs on the same footing as RPs.
  - Increasing the flexibility regarding the gov't's 1 for 1 RTB replacement programme. The increased discount on RTBs will lead to more homes exiting the social rent sector, and greater flexibility over how the replacement programme can be funded would encourage councils to do more.



Please find below a response from Derrick Chung, chair of West Hendon Residents Association in response to the letter from Len Duvall re the London Assembly review of London council housing, role of local authorities in social rented provision.

Derrick Chung has had problems in emailing you (with his emails being returned) so I'm forwarding onto you here;

The London Tenants Federation response will be with you by 9am on Monday morning.

Best wishes

Sharon Hayward  
Coordinator  
London Tenants Federation

Dear Sir / Madam

Re: Review of London Council Housing , Role of Local Authorities in Social Rented Provisions

Having read the review each item is important as it exposes what those in office or appointed to have repeatedly overreacted with the "guts to say but no balls" to do. Council Homes has always been a source of dependence for those on low incomes to turn to, as is the homeless.

My particular interests is. Barnet has four regeneration areas schemes in progress.

The Perryfields Estate in West Hendon is the smallest with approximately 10.5 acres including York Park, and adjacent to the Welsh Harp a "SSSI" area habitat for several species of wild life. These comprised 680 units, freehold, leasehold, secure, and non secure tenants. For over 12-14 years homes have been neglected, repairs and maintenance have been deliberately withheld so as to introduce Regeneration.

The partnership is Barnet, Barratt's, and Metropolitan Housing Trust (BMLLP) which is a combination of Commercial Sensitive answers to questions, Broken Pledges, Secret meetings (differ from the other 3) where elected Tenants representation is not allowed, Total lack of transparency, A scheme deemed not Viable and put in the RED zone for lack of funds Planning, Infrastructure, etc etc. The PDA has been extended for the umpteenth time

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Public funds and land have handed to BMLLP to kick start a scheme to increase from 680 to 2400 units of High Rise Tower Blocks up to 29 storeys high which is for private sale as the location overlooks the water. There is a reduction in the number of council homes to accommodate this. No guarantees for secure, non secure tenants, leaseholders, or freeholders of a home here as the term "Affordable" here applies to landlords not tenants.

Barnet Homes is the ALMO in Barnet yet several homes are to be owned and managed by MHT, homes that have been built with public funds given/ handed over by LBB and the HCA, funds that should have been used to build "Affordable Council Homes for Rent" within a Sustainable infrastructure supported by the local community with no damage to the surrounding environment. The Major has criticised Barratt's for having the Hobbit habit,

commented on a Bosnia type cleansing, the dangers and disadvantages of High Rise tower blocks, support for developing community spirit, overdevelopment, greens apaces, all very well, if only and only.

The residents of West Hendon are against the principles of this regeneration and Tenants prefer to have their internal, external and communal repairs paid for carried out instead of handing over public land and funds to Barratts to pass on to their shareholders nor to MHT a RSL with no hesitation in making anyone homeless in order to make a profit, charities do the reverse. Tenants should be involved in all decisions regarding housing issues that will benefit or place them in a disadvantaged position, not to be told of decisions already made that they are forced to accept in order to remain in a home. If "We are all in this together" Why are we being left out. Profit the winner People the loser.

Yours sincerely

Derrick Chung (chair for and on behalf of the West Hendon RA)

# London Tenants Federation

Len Duval AM  
Chair of the London Assembly Housing and Regeneration Committee  
City Hall  
The Queen's Walk  
London SE1 2AA

01.03.13

## **LTF written submission to the London Assembly regarding its review of London's council housing and the role of local authorities in social rented provision**

1. **Introduction:** London Tenants Federation (LTF) is an umbrella body bringing together borough and London-wide tenant federations and organisations. While the majority of LTF's member organisations have council tenant based structures, some also comprise, or involve, housing association tenants.

LTF aims to facilitate a consensus voice for social housing tenants relating to strategic regional housing, planning and community related issues. It has membership of the Mayor's Housing Forum and its members have, by invitation, attended examinations in public of the London Plan.

LTF has good links with other community and voluntary sector organisations in London that also have an interest in housing, planning and community related issues.

LTF respects the diversity of its membership and in relation to some of the particular questions set out in Len Duval AM's letter there may be some differences in views amongst LTF member organisations. We have attempted to restrict our response to issues where we feel there is a general consensus, but in some instances will attempt to identify where there may be a diversity of views.

Some of our member organisations may have contributed individual responses although available time to do this has been quite short.

- 1.1 According to DCLG figures there are 18,000 less social-rented homes in London in 2011 (most recent figures) than 10 years prior to this. There are 112,000 fewer council homes and 94,000 more housing association homes than there were in 2001. 180 new council homes and 46,040 housing association homes were delivered in London over this period of time.

LTF's key concerns are

- the on-going failures to meet evidenced need or even to London Plan targets for new and additional social-rented homes in London
- increasing unaffordability of housing in London, in part created by the number of new homes in central London that are bought by overseas investors, mainly from the Far East (60%) a high proportion of which remain empty, according to

anecdotal reports<sup>1</sup>; as well as the introduction of so called 'affordable' rented homes and the impact of welfare reform in London;

- London's increasing inequality and polarisation;

- 1.2 It is frequently suggested that council rents are 'subsidised' simply by virtue of the fact that they are below market rents.

However the cost of management, maintenance and repairs of council homes has always been met through council tenants' rents. In fact at times the government has also made a profit from tenants' rents (having paid out less nationally to councils in Management & Maintenance and Major Repairs Allowances via the national redistributive HRA system – to the sum of £3.3 billion from 1997-2008).

In addition tenants have compellingly argued that since council housing has been treated as a capital asset by government, with the majority of Right to Buy capital receipts being paid directly into the treasury (in excess of £40b by 2004<sup>2</sup>), that they should not have to pay off housing capital debt (either through the national HRA system in the past or as the HRA operates now) and that instead this should be paid via by the tax payer.

- 1.3 For many years there have been attempts to fudge the difference between council and housing association housing. The previous Labour Government's introduction of rent restructuring in 2001 is an example of this. Rent restructuring aimed to bring council tenants rents up to higher housing association levels within a ten year period through the use of a government formula for setting 'target' rents. However council rents are still on average 9% lower than housing association rents in London; rents for both are still rising and more tenants are dependent on housing benefit to meet the cost of rent.

As the London Assembly's scoping report suggests, there would now also seem to be an attempt to fudge the difference between social and affordable rented homes. Some government papers refer to the latter as social housing.

- 1.4 Affordable rented housing in London simply is not affordable and there is a complete lack of evidence to substantiate delivering 'affordable rent' homes in London.
- 1.5 Hometrack<sup>3</sup> found that the average household income required to meet the cost of 80% market rents is £44,500, while the national figure is £23,100. Even 65% market rents would require an average household income of £36,156. Most recent analysis of household income levels in London produced by the Greater London Authority shows that the 'equivalised' (taking into account the requirements of different household sizes) median income level is £31,379 for inner London and £30,507 for outer London.<sup>4</sup>

Necessarily 'affordable rent' levels will vary across London. In 2011, Dave Hill in his Guardian blog reported that in Westminster an 80% market rent would require

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<sup>1</sup> <http://www.smith-institute.org.uk/file/London%20for%20Sale.pdf> London for Sale – Smith Institute

<sup>2</sup> [http://www.assemblywales.org/ah9\\_-\\_professor\\_steve\\_wilcox.pdf](http://www.assemblywales.org/ah9_-_professor_steve_wilcox.pdf)

<sup>3</sup> Hometrack analysis has determined average national and regional household incomes needed to meet the cost of the Government's 'affordable rent tenancies' (at 80% market rents) – reported in inside housing 18.02.11  
<http://www.insidehousing.co.uk/news/housing-management/tenants-need-%C2%A323k-salary/6513707.article>

<sup>4</sup> GLA Intelligence Update DMAG Social Exclusion Team December 2010 -  
<http://www.london.gov.uk/sites/default/files/dmag/Update%2030-2010%20PayCheck%202010.pdf>

a tenant to have an annual gross household income of £77,257 for a two-bedroom, £104,000 for a three-bedroom and £230,286 for a four-bedroom home<sup>5</sup>

- 1.6 The cost of affordable-rent homes makes this form of housing closer in cost terms to intermediate housing.

The 2004 London Housing Needs Assessment found that only 7% of those who were unable to meet the cost of market homes would be able to meet the cost of intermediate homes. The 2008 Greater London Strategic Housing Market Assessment found a surplus of intermediate homes in London.

Research carried out by Shelter when producing its publication on intermediate housing – ‘The Forgotten Households’ – found that the average household income of those accessing part-rent part-buy homes in London is over £33,000 and for those accessing shared equity products (where part of the cost of a home is funded by a shared equity loan repayable on the sale of the property) is over £40,000. This compares pretty much with the average income that a household would need to meet London market rents of between 60% and 80% (needing £33,375 - £44,500).

- 1.7 The 2008 Greater London Housing Market Assessment found that to meet the backlog of need for social-rented homes in London over a 10-year period; (if it **was not** assumed that families housed by their boroughs in private rented accommodation would be able to remain there covered by housing benefit), that 24,500 new and additional social-rented homes needed to be built each year. Delivery of new and additional social-rented homes in London from 2007-11 (detail from the annual monitoring reports of the London Plan) was in total only 18,564 achieving only 43% of the London Plan target for that period of time.
- 1.8 The Government’s Public Accounts committee 12.10.12 which has considered the financial viability of the social housing sector concluded that - <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/388/38804.htm> ***‘The Department has not done enough to understand the full impact of higher rent levels on tenants..... Where higher rents are paid through increased housing benefit, tenants may find themselves caught in an even stronger benefit trap where it has become even harder to find sufficiently well paid employment to make working worthwhile, countering the Government's objective of ensuring that the benefit system makes work pay..... [and] .....The Department should consult tenants and providers to understand the impact of the higher rent levels on tenants, and commission research into the financial and other characteristics of those tenants living in 'affordable rent' homes.***
2. **If RSLs do not or cannot plug the gap between London’s demand and supply for social housing, can and should local authorities step into the breach? What is the purpose of local authorities with respect to council housing?**
- 2.1 LTF member would love to see London local authorities build large numbers of new and additional social-rented homes, but evidence on the ground shows that none or minimal numbers of new council homes are actually being produced, (40 or so in Islington 120 or so in Croydon etc.) which is insufficient to plug the enormous gap / need for social-rented homes and that the delivery methods are unsustainable.

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<sup>5</sup> <http://www.guardian.co.uk/society/davehillblog/2011/oct/14/shelter-report-private-renting-costs-in-london>

Financial support from the affordable housing grant is only being allocated for delivery of social-rented homes in exceptional circumstances.

- 2.2 While some LTF member organisations want to support their boroughs in attempts to keep affordable rents down to less than 80% market rents, which some of borough planning officers articulated at the EiP of the Revised Early Minor Alterations to the London Plan, others are concerned that whether affordable rents are able to be set 50%, 65% or 80% market rents, they are simply not appropriate in London; they would still not meet evidenced need and may support attempts to fudge the difference between social and 'affordable' rented homes.
- 2.3 Maximising delivery of homes for which there is no evidence of need is horrendously detrimental to the tens of thousands of households that are in need of a decent home in which to raise their families, contribute to their communities and eventually grow old in.

Kathleen Kelly, policy and research manager for Joseph Rowntree Foundation recently said on the Foundation's blog<sup>6</sup> *'Ironically, in the recent mad rush to address the very long-running problem of not enough housing being built, we've completely lost sight of what we're supposed to be doing.'*

### **3. What are the arguments for and against the retentions of the borrowing cap on local authority debt?**

- 3.1 Some have argued that the government should drop the borrowing cap; particularly the National Federation of ALMOS, the Association of Retained Council Housing, Chartered Institute for Housing and Councils with ALMOs in their *Let's Get Building*<sup>7</sup>. Others have made the case for re-mortgaging council housing<sup>8</sup> (Centre for Labour and Social Studies) and / or using council pension funds to build new homes<sup>9</sup> (RIBA in its 'The future homes commission, building the homes and communities Britain needs').
- 3.2 LTF feels that its members are likely to have different views on this; some perhaps supporting the views expressed in 'Let's Get Building' while others are concerned that additional debt (through the building of new homes) will then be subsidised through existing tenants' rents (two thirds via housing benefit) rather than the tax payer nationally.
- 3.3 Many of our members' feel that once the current housing debt is paid off in their boroughs that their local authorities should be looking at reducing rents and thus reducing in-work poverty and benefit claims.

### **4. How have the reforms to the HRA impacted numbers and standards of council homes?**

We feel it is too soon to adequately assess this.

### **5. How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term.**

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<sup>6</sup> <http://www.jrf.org.uk/blog/2012/10/affordable-housing-what-are-we-trying-achieve>

<sup>7</sup> <http://www.almos.org.uk/document?id=5300>

<sup>8</sup> <http://classonline.org.uk/blog/item/its-time-to-re-mortgage-put-rents-to-use-on-a-new-wave-of-council-house-build>

<sup>9</sup> <http://www.ribablogs.com/files/FHCHiRes.pdf>

**6. What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutual and co-operative, PFI or PPP arrangements)**

61. ALMOs: Some LTF members were extremely supportive of the establishment of ALMOs in their boroughs (particularly those where a key focus was on establishing improved ways of engaging and involving tenants in decision-making), others supported their ALMOs being established to 'get the decent homes money' and avoid stock transfer and feel that with that job done, they should now go; others have never supported the establishment of ALMOs, feeling that they were / continue to be a step to privatisation / stock transfer.

6.2 TMOs, Co-operatives, self-build and Community Land Trusts: LTF members generally feel that other community-led ways of managing and even delivering new homes (including TMOs, Co-operatives, self-build and Community Land Trusts) should be wholly supported and explored further, while recognising that this (together with homes being delivered by local authorities) will not deliver the numbers of social-rented homes required in London.

LTF is obviously concerned that any homes developed should be social-rented homes.

In a response to consultation on the Revised London Housing Strategy, LTF co-ordinated a response with 15 other voluntary and community sector groups in which it suggested that the Mayor set aside a significant proportion of the land from the proposed London Public Land Pool to hand over for community based housing (including support to develop models such as community land trusts and housing co-operatives)<sup>10</sup>. We aim to widen support for this suggestion.

6.3 PFIs While there are few housing PFIs (the costs and arrangements being at the least highly prohibitive); most of our members feels that this is not a desirable option in terms of delivering new or refurbishing council homes. Some members have horror stories relating to costs and extremely poor quality of work carried out through PFI refurbishment schemes.

6.4 Decent homes: Many of our member organisations were cynical about the introduction of the decent homes standard – feeling that it was designed to encourage stock transfer and that the standard was imposed from above rather than developed from the grass roots.

Some 'independent' advisers to tenants groups on 'stock options' suggested that some councils were over-estimating how much it would cost to bring their homes up to a decent homes work, particularly where they were looking to promote stock transfer.

LTF was of the view that the standard should have been determined locally, dependent on local tenants' priorities for their homes / estates. For example for some the issue of estate security or provision of good community, play and green spaces may have been more important to tenants than 'new kitchens and bathrooms'. While some suggest that the quality of work carried out with ever increasing costs was good, many suggest it was incredibly poor. In many instances this has been highlighted by leaseholders, who are more aware of the costs; receiving bills for capital works, while for tenants the actual cost of any item is buried in on-going rent

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<sup>10</sup> <http://www.londontenants.org/publications/responses/CV&CSresponseRLondon%20Housing%20Strategy.pdf>

payments. Many complain that the new bathrooms / kitchens were of much poorer quality than original kitchens/ bathrooms – with some suggesting that some refurbishment may have been a better option. The costs relating to cartels of private contractors are also an issue of concern.

Having said that, LTF members are concerned that homes are brought up to a decent standard and that funding available to do this is adequate. Some, such as Haringey Homes found it had £50m less for decent homes in 2011/13 than originally anticipated meaning fewer resources for works than originally allocated in 2008.

LTF feels that there were missed opportunities to empower tenants locally (down to the estate level) through being more directly involved in determining what kinds of work might be carried out to their homes and how those works may be delivered. Clearly opportunities for developing social enterprises and facilitating through this the creation of local jobs in delivering refurbishment works has been missed; although this is something that could be considered in more detail in other community based housing initiatives.

**7. Does London need a social rent level below that available for the new affordable rent products. If so can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent.**

London evidence-based need is for social-rented homes; with target or below target rents, not 'affordable rent' homes.

**8. What use is being made of the New Homes Bonus?**

We understand that this is only available for delivering 'affordable rent' homes not social rented. There is no evidence of need for affordable rent homes in London.

**9. What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

LTF proposes:

- The Mayor should involve tenants in an elected and accountable fashion, (this can easily be done via the LTF) as 'experts' relating to delivery of decent homes / neighbourhoods; particularly given his new powers in this area. At present tenants are involved in strategic housing discussion, through the Housing Forum for London, but there is now a need to extend this in relation to the Mayor's new powers. He should carry out independent analyses relating to some of the issues LTF raises in this response to the London Assembly, in relation to the quality of and value for money of decent homes work and alternatives to existing models of engagement and for delivery of works.
- The Mayor should ensure that in instances where inadequate funding has been allocated to deliver decent homes in London that he lobbies Government to ensure adequate provision of resources to refurbish and retain existing social-rented homes as a matter of priority.
- The Mayor should actively discourage the disposal of existing social-rented homes; of all sizes of property. He should insist on full and detailed analysis of any proposed demolition; including analysis of social and environmental costs (particularly including embodied carbon) versus the costs of refurbishment. The analysis should also include the cost of homes being left empty (where this



occurs) through lack of rental income to the local authority and the higher costs to the tax payer of housing families in much more expensive private-rented accommodation, covered by housing benefit.

We are concerned that in some instances demolitions are being carried out as part of 'regeneration' / gentrification schemes where there is little or no evidence that refurbishment could not be carried out.

The Heygate Estate is one such example. In a 1998 stock condition survey of Southwark's housing stock which provided estimated costs for maintenance and repairs during the following 30 years, the Heygate estate came in way down the priority list; below average at just £21,742 per dwelling over 30 years.

In the 2012 Building Trust International HOME competition to design homes that could be delivered at a cost of £20,000; Gensler Architects proposed this could be achieved through the refurbishment of the 1,260 council homes on the Heygate Estate at a cost of only £13,955 per dwelling; in total £35m.<sup>11</sup> The scheme would also have saved 40,000 tonnes of CO2.

The new scheme for the Heygate will provide only 79 social-rented homes, resulting in a loss of 1181 social-rented homes. The cost of emptying the estate of existing tenants and leaseholders has been £38m. A further £15m will be spent on its demolition.

Anne Power, LSE, in her paper: *Does demolition or refurbishment of old and inefficient homes increase our environmental, social and economic viability*, 2008, says 'The evidence we have uncovered counters the suggestion that large-scale and accelerated demolition would either help us meet our energy and climate change targets or respond to our social needs.'<sup>12</sup>

A more recent report, which Anne Power was also involved in High Rise Hope – provides one detailed study on the benefits of refurbishment (relating to the Edward Wood Estate in Hammersmith and Fulham).<sup>13</sup>

On the Carpenters Estate in Newham, there are currently 350 empty homes on three tower blocks that are in the process of a (so far) 6-year decant of residents. The upper floors of one block were used by the BBC and Al Jazeera to film the Olympic Games. There appears to be little evidence that there is a need to demolish rather than refurbish the homes, although the council suggests the cost of refurbishment is prohibitive. However, a very rough estimate of the additional cost to the taxpayer of leaving these homes empty and of forking out additional HB to house 350 homeless families in more expensive private-rented homes in Newham (rather than in these social-rented homes) is around £3million per annum.

- The Mayor should encourage the development of local social enterprises; encouraging local training and employment to carry out refurbishment works to social-rented dwellings.

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<sup>11</sup> <http://heygateestate.files.wordpress.com/2012/12/genslerheygate.pdf>

<sup>12</sup> <http://www.bis.gov.uk/assets/foresight/docs/energy/energy%20final/power%20paper-section%205.pdf>

<sup>13</sup> <http://www.rockwool.co.uk/files/RW-UK/site%20images/facade/High%20Rise%20Hope-Full%20Report.pdf>

- The Mayor should hand over at least 1/3 of the proposed London Public Land Pool for development of community based housing (including support to develop models such as community land trusts, self-build and housing co-operatives)

## 10. Proposals for London Assembly Members

LTF proposes:

- The London Assembly pressure the Mayor to carry out a revised Strategic Housing Market Assessment by the end of 2013 and produce a new SHMA by the end of 2015/16 to ensure that there is an adequate evidence base for the kinds of homes delivered in London. This would add weight to any lobbying for a London focused application of national policies on delivery of housing on the basis of the differences here compared to the rest of the country.
- Given the views of the Government's Public Accounts committee 12.10.12, it would be useful if the London Assembly members could, as part of its investigation into council housing, carry out some of the comprehensive consultation of tenants to understand 'the impact of the higher rent levels on tenants, and commission research into the financial and other characteristics of those tenants living in 'affordable rent' homes'.
- Support our proposals set out in (9) above.

Yours sincerely

Michael Hewlett and Victor Adegbuyi  
LTF Mayor's Housing Forum delegates  
on behalf of London Tenants Federation

**Address:** 50 Memorial Avenue, West Ham, London E15 3BS **Telephone:** 07931 214 913

**Web address:** [www.londontenants.org](http://www.londontenants.org) **Email:** [info@londontenants.org](mailto:info@londontenants.org)

*London Tenants is a company limited by guarantee, registered in England / Wales No 8155382*

**REVIEW OF LONDON'S COUNCIL HOUSING**  
**and the**  
**ROLE OF LOCAL AUTHORITIES IN SOCIAL RENTED PROVISION.**

*Prepared by F.J.Berry Chair of Sutton Federation of Residents and Tenants Associations...*

*For the attention of Les Davall AM.*

*Sirs.*

*This response is of necessity a personal view brought about by the extremely short notice given by your department. (See previous mails).*

*It is my view that in the London Borough of Sutton we are making as much use of the powers given to Local Authorities as is possible, however the facilities offered by Government ignore the realities of the situation. Despite the apparent disregard in which the present government holds council housing it is the only effective means of providing adequate social housing throughout the country.*

*It is my opinion that more thought and action is required by central government, and perhaps the Mayor of London's office, in how to extend this provision because of it's self perpetuation and ultimate low cost to the public purse.*

**Land assets.**

*It is quite apparent that Developers are the net gainers in this area.as they often obtain the land for free against; it would appear the offer of a number of properties for council applicants when in fact these persons would obtain the same benefits by other means.*

**Mayors funding.**

*I confess that I am ignorant of this provision as from the beginning it has been shrouded in government papers and has never been fully explained or clarified to my personal satisfaction.*

*Registered Social landlords play an important part in the provision of social housing however they would appear to work in a countywide format rather than a local one, this brings into question many of the services which they offer or fail to offer.*

**Local Authority Capital Debt.**

*If Local Authority housing provision is maintained on a self-perpetuating principle it clearly becomes the winner in this area of service. This is a matter which requires in-depth discussion and planning and should be the core subject under discussion within this review.*

**Rental/ownership models.**

*In my personal opinion there is scope for a widening of the models offered by Local Authorities.*

*I am aware that this argument will be contested by private developers who work in this market area however I believe that there is wide scope for Local Authorities to utilise their skills and facilities and that such profits made should be utilised within the Authority budgets as well as in the perpetuation of social housing.*

**Rental levels.**

*It is my opinion that rental levels ought to be set by the Authorities as they understand the needs and problems of their own area and as long as the self funding (self-perpetuating) model is not being adversely affected.*

**Conclusion.**

*We as S.F.T.R.A. would like very much to participate in discussions on the above subject as we are directly involved with our Local Authority and with the residents (Users) of the services under discussion.*

*Frank Berry.*

*Chair.*

*Sutton Federation of Residents and Tenants associations.*



# LONDON BOROUGH OF WALTHAM FOREST RESPONSE TO PROPOSED REVIEW

Review of London's Council Housing and the Role of Local  
Authorities in Social Rented Provision

Contact:           Joan Murphy

## Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision

***If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of the local authorities with respect to Council Housing?***

Over the past few years, Waltham Forest has actively promoted and encouraged house building in the borough to deal with its chronic housing need. It is estimated that 28% of households are unsuitably housed. 11% of all dwellings are overcrowded, with this figure being 17.6% in the private sector, and there are around 20,000 households on the Council's waiting and transfer list.

Because of the restrictions on raising finance to develop new homes, the Council has traditionally relied on RSLs to build new homes for residents on lower incomes who are in housing need. While this has been helpful, it has not been enough and has also had its pitfalls. Tenants currently in social housing that the Council may want to encourage to move, such as elderly people who are underoccupying or those needing to move because of regeneration proposals, have sometimes been reluctant to accept an assured tenancy because of the perceived higher rent levels and lesser rights, such as the lack of a Right to Buy. This has been made worse with the introduction of affordable tenancies where rents are considerably higher and security of tenure with flexible tenancies will be considerably lower than the tenants currently have in Council housing in Waltham Forest.

Many of the Housing Associations also have developments across several boroughs and so will not have the same commitment to the local community nor the same interest in spending resources to improve an area. There is also the worry for Waltham Forest that the increased income from affordable rents will be used to fund homes in other boroughs.

Because of these factors, the Council is actively looking to take advantage of the flexibility arising from the Localism Act 2011 and HRA self-financing to develop houses directly or in partnership through a Special Purpose Vehicle.

The advantages for us are that we can take a whole area approach to improving housing within a regenerated area and have a wider offer of tenures, including secure tenancies, that better meet our needs than the more restrictive offer of shorthold assured affordable tenancies currently on offer with most of the housing associations.

For us, the social purpose of local authorities in relation to Council Housing is to continue to deliver and enable a secure and affordable offer to residents of the borough who have the lowest incomes and have the greatest housing need. We believe that security of tenure is important to build a sense of community and belonging, and for residents to feel that they have a stake in the borough. Increasingly, Council housing is becoming the only tenure that can guarantee this.

***What are the arguments for and against the retention of the borrowing cap on local housing authority debt?***

The Council welcomed the new flexibilities brought about by HRA self-financing but feels that the HRA cap is causing unnecessary restrictions on the Council's ability to take a more flexible approach to delivering new homes (see also response to following question).

The argument put forward for the cap was that to do otherwise could have an adverse effect on the PSBR. Implicit in the introduction of the cap is the notion that Council's cannot somehow be trusted to manage their own finances and would embark on an imprudent round of borrowing, which we feel is a wholly erroneous assumption.

The argument against the cap is that it limits the ability of local authorities to raise funds for new homes which are badly needed in our borough and are also an aspiration for the Government. If the cap cannot be withdrawn completely, we would argue for a compromise where proposals for borrowing above the cap could be allowed if it was reviewed and agreed by the GLA as the housing and regeneration body for London.

***How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?***

Under HRA reform, Waltham Forest has a borrowing cap of £193,552,000, compared with actual borrowing at 1 April 2012 £163,888,000, giving headroom of roughly £30m.

In recognition of the importance of investing in our existing stock, Waltham Forest prioritised the use of this headroom to support a capital programme of improvements to estates which enabled us to achieve a 'Waltham Forest Standard' which goes beyond the Decent Homes Standard by covering lifts, external decorations and cyclical maintenance of equipment.

However, if the Council were free to borrow up to whatever is sustainable for the HRA business plan and no cap was present, this would give Waltham Forest the ability to borrow an additional £60m. This is a significant amount of funding which could support the creation of 300 new homes (based on a total scheme cost of £200k per unit) or to assist in kick-starting priority estate regeneration projects in the borough, in addition to implementing the 'Waltham Forest Standard'.

We are reviewing our decision to focus on improving existing stock and may divert funds to developing new homes, but we could be far more effective if the cap were removed.

***How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?***

To date, the Council has traditionally used assets such as land to help RSLs deliver assured and affordable housing. As well as giving land directly to the RSLs, We have also developed

22 new homes in 2010 on two sites which were funded by the Homes and Communities Agency under the Local Authority New Build programme.

However, this has not been nearly enough to meet housing need in the borough and Waltham Forest now intends to increase the supply of affordable housing through a number of initiatives:

**Empty Property Scheme** – LBWF is working with 2 consortia who have received a grant of around £3m to identify empty properties in the private sector and work with the owners to bring them back into occupation. The consortia offer two products; lease and repair or purchase and repair.

**Garage Strategy** – this measure identifies redundant garage sites across the borough to convert to new affordable homes. In some instances, vacant garage sites have been assessed and sites are disposed of to raise income for new housing either on site or elsewhere. Up to £5.8m will be generated from the disposal of these sites. 20 sites overall have been identified as suitable for development for 80 new units. The Council operates an Investment Partner Framework and will use 2 of these 5 partner Housing Associations to develop the sites.

**Site Disposals Programme** – 8 sites have been identified which will deliver 200 new homes, 90 of which are social care and the remainder a mixture of affordable rent and shared ownership as well as community infrastructure and commercial. These are being delivered through the Investment Partner Framework and involve the Council taking a reduced land receipt.

**Deferred Contribution** – LBWF are accepting deferred S106 contributions from developers where sites are stalled or are unable to progress for financial reasons. This measure allows developers to provide affordable housing at a later stage of the development process or, where this is not possible, provide off-site contributions following a viability assessment.

**Cross Subsidy** – 85% of the land identified for development in the Borough is suitable for schemes of 10 units or less which means that no affordable housing is required to be provided on-site. In these cases, a financial contribution is being sought that is being used to cross subsidise affordable housing elsewhere in the Borough.

**Regeneration of existing Estates** – Like many other London boroughs, Waltham Forest has a pressing need to regenerate some of its estates in greatest need, whilst ensuring that other existing stock remains at decent standard. We have looked at all of the Council's stock across the borough which has identified two high priority estates for intervention. However, due to the nature of these projects and land values in Waltham Forest, an element of kick start funding is required to enable works to commence. Waltham Forest has some of lowest property prices in London, the average (mean) house price being £240,254 in 2011 (source Land Registry/NHF Home Truths 2012), and this means that the ability to cross subsidise development of affordable housing from private sale is more challenging than in areas where values are higher.



Reshaping - We are also commencing an HRA land capacity study of existing estates to identify opportunities to build new homes through infills, block extensions or stand-alone properties/blocks.

As can be demonstrated, Waltham Forest is considering a wide range of ways to try to increase the housing supply in the Borough. However, building new homes directly on a larger scale is unlikely to be sustainable without removing the borrowing cap and/or bringing in investment from elsewhere such as grants or investment from partners. Although we are actively reviewing the possibility of diverting funds and assets to facilitate the development of more Council housing in the future, we feel that this is likely to be limited without some assistance.

***What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutual and co-operatives PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of use of these new models?***

The Council carried out a review in 2011 on various options for the future management of its stock and concluded that an ALMO was the best way forward in Waltham Forest.

For the Council, the ALMO has the advantage that it offers the greatest potential to deliver the Council's investment standard within the cap imposed by the new self-financing arrangements applicable from April 2012 and is also able to deliver quality and flexible services to residents, achieve efficiencies, while still retaining the Council's influence over strategy and delivery.

The Council also has two TMOs which it supports and encourages as it gives residents a greater control over their homes including how money is spent and how the estate is managed.

We are also currently looking at a special purpose vehicle (SPV) to develop new homes on regenerated estates which could mean that the properties are owned by the SPV.

***Does London need a social rent level below that available for the new affordable rent product? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?***

The Council commissioned an assessment of the impact of affordable rent in terms of affordability for households and found that, even in a relatively low rent area such as Waltham Forest, the 80% of market rent affordable housing model was not affordable for anything larger than a one bedroom property. Our definition of affordability is based on the assumption that rent payable should be no more than 33% of gross household income.

Based on this research, we have set the following guidelines for levels of affordable rent in the borough:

Size	1 bed	2 bed	3 bed	4 bed+
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% of market rent	Up to 80%	Up to 70%	Up to 60%	Up to 50%
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We are aware that neighbouring boroughs have set similar guidelines around affordable rent for larger homes so it is clear that the affordable rent model does not work for much of London, particularly when combined with the benefits cap and the impact this will have on larger families. A social rent level below that of the affordable rent model is essential for London and would severely restrict choice and affordability for low income tenants.

The Mayor needs to recognise this and also recognise that some Councils are committed to increasing their social housing stock. These Councils should have as much assistance from the Mayor to help them to address housing need in their boroughs as do other Councils who are more keen to develop affordable housing, regardless of the impact that this has on their lower income residents.

***What use is being made of the New Homes Bonus?***

Waltham Forest viewed the New Homes Bonus as an incentive for Councils to build new homes and to support the additional infrastructure that is required to support these new homes. Based on this, the Council has used this money to support the General Fund.

***What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?***

There are several ways that the Mayor could help to optimise the use of Council Housing in meeting current housing targets:

- Lobby to remove the borrowing cap on the HRA or at least make it more flexible to allow exceptions for schemes that are assessed by the GLA as feasible and desirable
- Encourage institutional investors to partner with Councils to deliver social housing, which is potentially a very secure investment
- Encourage and facilitate cross borough working on proposed schemes that are located in areas bordering more than one Council and which could be enhanced by enlarging the scope of a regeneration scheme
- Promote and share best practice in ideas for delivering more social housing as opposed to concentrating on other tenures such as affordable.
- Provide kick-start funding for estate regeneration schemes where additional affordable housing will be provided as part of the redevelopment programmes

Submission- Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision

- Not cut the affordable homes programme as planned or provide a viable alternative after 2015.

In summary, Waltham Forest is doing all it can to address housing need in the borough but cannot do any more without assistance from the GLA.



## **Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

### **Comments from Brent Council**

**1<sup>st</sup> March 2013**

#### **Introduction**

The council welcomes the Committee's review and looks forward to the final report, which should make a timely contribution to consideration of a new development programme from 2015, alongside which it will be essential that there is a clear understanding of the future role of local authority provision in London. The council would also welcome any further opportunities to participate in the exercise.

Brent has a relatively small council-owned stock, at around 9,000 dwellings, much smaller than the local Registered Provider stock, largely due to transfers associated with estate-based regeneration schemes over the past fifteen years, as well as loss through Right to Buy. The stock is managed by an ALMO, Brent Housing Partnership; the council has recently decided to continue this arrangement and is in the process of developing an Asset Management Strategy for the stock, a revised Management Agreement and a revised 30 year business plan.

Brent has a housing waiting list totalling around 18,000 households, of whom around 11,000 have some identifiable housing need. There are also around 3,200 households in temporary accommodation to whom the council owes a homelessness duty.

The 2011 Census showed that Brent's private rented sector had grown to 28.8% of the total stock from 17% at the previous Census. This growth is accounted for mainly by a corresponding reduction in owner occupation, with homes that would once have been sold moving into the rented market. Strong population growth, including significant growth in the number of larger households, is a key factor in increasing demand. This is a pattern common to many other London boroughs.

This response attempts to offer a view on each question, although it should be stressed that providing thorough answers to what are very broad questions raising multiple issues would take far more space than is appropriate in an exercise like this.

**If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?**

At current rates of investment, RPs will not provide enough new homes to meet demand. The Affordable Rent programme is, at least in part, driven by austerity and a desire to limit public spending and reduce the deficit, while maintaining the gross numbers of new homes delivered (although it is doubtful whether this target will be achieved). Even if the numbers planned for in the previous programme are achieved and sustained through the current programme and beyond, they will have a limited impact given the scale of overall need.

Local authorities now have the ability to assist through their own programmes, but borrowing headroom within the HRA will not be sufficient to make a significant impact, especially if RP completions fall; in that case, the most that might be expected is that the overall reduction in delivery might be smaller than otherwise. Programmes announced so far, while welcome, have been relatively small-scale, both in London and elsewhere. Local authorities will need to plan programmes that deliver new homes while supporting the maintenance and improvement of the existing stock where, despite Decent Homes investment, there are significant expenditure demands. While there are strong arguments for local authorities to contribute and Brent is keen to explore the options for new development, current arrangements will not enable them to fill the gap. At best, Brent's assessment so far indicates that headroom could support building of a maximum of 428 new homes over ten years, although this is at the limit of capacity and would require a trade-off in terms of standards of maintenance and improvement in the existing stock that is likely to be unacceptable, meaning that a smaller programme is a more realistic expectation.

The flexibility provided by HRA reform is also eroded by the impact of the size criteria, and particularly by direct payments. From the information from the pilots, some of the benefits arising from HRA self financing could be severely impacted by increased rent loss.

While the cap will restrict HRA borrowing, it would be possible to support development through General Fund borrowing, at least in theory. In practice, the scope for prudential borrowing is limited, not least by the wider pressures on local authority finances.

Despite HRA Reform, the limitation of the debt cap means that RPs still have greater financial freedom to borrow to fund new affordable housing development. They are also able to bring development expertise that is not available currently in the council or BHP. Lack of required skills and capacity is likely to be an issue for most local authorities given the lack of development experience in recent years. Removal of the cap would, in most respects, place local authorities on a par with RPs. However, it is not clear what the attitude of lenders might be and the central question is whether local authorities would be able to deliver more effectively and at lower rents than RPs if the playing field were level.

It may be that the **most effective contribution local authorities could make** is not centred on the number of new homes that could be built but on **their type and quality, addressing particular local needs**. For example, the **chronic shortage of larger homes** and the mismatch between the existing stock and demand in boroughs like Brent, where there are disproportionate numbers of smaller homes, suggest that a programme focussed on three and four bed development, alongside some rebalancing of the existing stock, should be the priority.

The second part of the question is far more complex but just as important. Housing reform, particularly with regard to tenure, and the impact of welfare reform have raised fundamental questions about the purposes of social housing. At one extreme, it can be seen as part of the welfare safety net that can address the needs of the poorest and most vulnerable households. While this has to be part of its function, it was not necessarily its original purpose and represents a very narrow view of what social housing could be. Social housing also has a crucial role to play as part of a continuum of provision that includes private renting and home ownership, providing different solutions for households at different life stages. It is also a vital part of the London economy, providing jobs directly through development, management and maintenance and, more widely, providing homes for the workers who support London's economy. There are many other aspects of the social purpose of social housing that could be mentioned, but the key question is probably who the housing is being provided for.

The range of answers to this question is reflected in the growing disparity of approach among London boroughs as they develop their policies around tenure and allocations. Although there are significant variations, **most boroughs are looking beyond traditional measures of absolute housing need and seeking to develop approaches that see social housing as an asset that can provide leverage in supporting wider economic regeneration aims, for example by giving additional priority and emphasis to employment**. While meeting housing need remains the core purpose, there is increasing emphasis on the role of social housing in meeting other economic and social goals, particularly in relation to local employment and community sustainability.

It is essential that any discussion of the role of social housing places it in context. Policy for social housing cannot develop in a vacuum and needs to sit alongside approaches to other sectors. In particular, the private rented sector in London has grown significantly and is the main source of accommodation for those who cannot afford to buy and cannot get access to social housing. This will remain the case for the immediate future and a consistent approach to regulation and enforcement across London would assist, alongside new approaches to investment and management that are beginning to emerge.

### **What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

The arguments for and against the cap are partly economic and partly political and depend largely on the stance taken by government on public sector borrowing and investment, as well as the local appetite for borrowing and new housing delivery. Brent would support the removal of the cap on the basis that local authorities are well able to invest prudently and that the benefits of increased investment would be

felt across the economy as well as in terms of improving delivery of new affordable housing. However, as noted above, there are questions about the willingness of councils to support borrowing and ability to attract resources when lenders are becoming increasingly cautious.

### **How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

As yet, there is no appreciable impact but it should be expected that reform will eventually lead to improvement in both numbers and standards. As noted above, it would be **mistaken to assume either that this improvement will be achieved quickly or that it will be large enough to make a significant impact on demand other than in the long term**. Local authorities will need to consider the balance between development and commitments to the existing stock.

### **How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

As noted above, Brent has not yet made any final decision on how borrowing headroom will be used, although it is **expected that at least some resources will be committed to the delivery of new social housing**.

Brent has already explored some new models, including PFI. However, many of the models are predicated on a degree of certainty on the underlying rules that will determine financial viability. For instance with the PFI, with the changes made to the HB system it is likely that units will need to remain at high rents for longer than had been anticipated. If there are further retrograde steps it may mean that some of the units need to be sold. Ideally there **needs to be better way of protecting 20-30 year schemes from short-term changes that are not easily insured against**. Brent is therefore sceptical about the value of some models, including PFI, and their ability to **deliver a better alternative to mainstream subsidy**.

### **What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

There is not space here to compare different models of ownership and management, although **Brent has already decided to retain its ALMO**, with some changes to the detail of the arrangement and some comments on PFI are provided above. Other models may be appropriate in different circumstances but relevant factors might include the size and tenure mix of the stock, its investment needs, fit with local priorities and local authority objectives and tenant and resident priorities and aspirations, among a range of other matters, most importantly cost and its relationship to rents.

In general, rent and tenancy policies are driven by funding models rather than questions of ownership, although the latter can be relevant in some ways. Affordable Rent is currently the only option for RPs if they wish to develop and, realistically, local authorities are not in a strong position to block its introduction even



if they oppose it, assuming that new development is needed, since local Tenancy Strategies can only encourage rather than enforce a particular approach. Brent has supported the use of Affordable Rent by RPs on the basis that there is no viable alternative that could deliver the required numbers, although the council remains sceptical about the regime in the long term and, in particular, is concerned about its ability to deliver larger homes that will be accessible to households in a borough with lower than average incomes.

There has been a varying approach across London to tenure reform but, on the whole, both RPs and local authorities are adopting the use of fixed terms, with a few exceptions. Again, this is less a question of ownership and management than of seeking to adopt approaches that maximise use of a scarce resource and encourage churn within the sector. As noted above, looking at new supply within the social sector alone is not an adequate response to London's housing needs and any consideration of how new supply can be encouraged needs to take account of the wider context.

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

In the long term, Brent questions the sustainability of the Affordable Rent model, especially in London. In that context, the council would argue that it is essential that social housing rents are based on realistic measures of affordability. In addition, in the longer term there is a need to return to a position in which there is no significant difference between council and RP rents and in which both are affordable (although this is not to exclude other options such as sub-market renting within a broad affordability framework).

The dangers of "residualisation" have been recognised for some time and there is a risk that the increasing differential between council and RP rents could add to this problem. Mapping the deprivation index in Brent shows a strong correlation between deprivation and concentrations of social housing and our regeneration activity is centred on changing the profile of social housing by improving both the physical quality and environment of estates and the opportunities available to tenants, with a particular focus on employment. A rental framework that forces the poorest into council housing can only undermine this work.

In the short term, the options to deliver genuinely affordable social rent products are limited and most will require additional forms of subsidy, such as free or discounted land. While this could offer an alternative in principle, capacity to deliver significant amounts of land will differ across boroughs, as will appetite for foregoing receipts at a time when local authority budgets are under pressure. Brent has little in the way of land that is not already tied up with existing large-scale regeneration schemes.

**What use is being made of the New Homes Bonus?**

The council's medium-term financial strategy uses the New Homes Bonus to support mainstream budget commitments. In the longer term, the council will explore how funding can be used to support development either by RPs or by the council.



## **What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

Brent supports the Mayor's call for the direction of stamp duty to provision of new homes in London, which represents the largest available potential source of investment, although the proposal is dependent on government support, which seems unlikely in the short term. Whether such funding could or should support new development by local authorities depends in part on decisions about the future of the Affordable Rent programme and the ability of local authorities to deliver new homes at rents that are genuinely affordable.

More widely, the Mayor should explore all options for alternatives to the main programme with local authorities, although it should be recognised that these are largely untested and will only present a workable option if they can deliver more cost-effectively than RP provision, or offer other benefits that can offset any lack of cost saving.

There has been much recent debate on the potential for a "mansion tax" and the Mayor could, alongside his stamp duty proposals, consider a London tax with resources ring-fenced to support affordable housing. Similarly, the government has repeatedly promised to explore release of government and other public sector land but the results have been disappointing. Although it is recognised that much of this land lies outside London, the Mayor should pursue all options for the release of such land. Going a step further, it should be recognised that some development that could benefit London could take place outside the capital through the expansion of existing new towns or the creation of new ones, another model that has been talked about by the current and previous governments but where progress has been slow. Finally, the Mayor should work with local authorities to explore the options offered by relaxations in planning rules, for example over the use of empty office space.



## Wandsworth Council

Housing Department  
17/27 Garratt Lane  
London SW18 4AE

Please ask for/reply to:  
Telephone: 020 8871 6000  
Direct Line: 020 8871 6780  
Fax: 020 8871 6778

Email: [housingdirector@wandsworth.gov.uk](mailto:housingdirector@wandsworth.gov.uk)  
Web: [www.wandsworth.gov.uk](http://www.wandsworth.gov.uk)

Our ref: H/CJ/RE

Date 1st March 2013

Len Duvall  
Chair of the London Assembly Housing and  
Regeneration Committee  
City Hall  
The Queens Walk  
London SE1 2AA

Dear Mr Duvall

### **Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

Thank you for the opportunity to provide views relating to the Committee's review of London council housing and the role of local authorities in social rent provision. I attach Wandsworth Council's submission which I hope you will find useful.

Should there be any points requiring clarification or should you need further information please contact the Head of Housing Strategy and Development, Chris Jones ([chrisjones@wandsworth.gov.uk](mailto:chrisjones@wandsworth.gov.uk)) who will be happy to assist you.

Yours sincerely,



**Roy Evans**

Director of Housing

## Wandsworth Borough Council's Submission to the London Assembly

### Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision

#### INTRODUCTION

1. Wandsworth Council is the 12th largest local authority stock holding council in London. It reached the decent homes standard in all its rented properties by 2007, three years before the target date. It did this without Government support using its own resources. In 2012 satisfaction amongst tenants and leaseholders reached 74 per cent (82 per cent for tenants and 63 per cent for leaseholders). Firm financial control and an active asset management strategy, which has included promotion of the Right to Buy, has enabled Wandsworth Council to pay its way and in turn provide high quality services and housing to its 30,000 plus tenants and leaseholders.
2. A key Government achievement, which all stock holding councils have welcomed, has been the end to the HRA subsidy system which saw £25 million plus of Wandsworth tenant rents (a quarter of all rental income) being pooled to support other council stock holding authorities activities. However, this has come at a cost with Wandsworth having the highest buy out of any council in the country at £434 million. Whilst a prudent approach has been taken to paying down the debt, incurred with the Public Works Loan Board, over the shortest possible term of 13 years a £100 million loan/debt provision has been made that will potentially support major regeneration on three estates in the Borough over the next 5-10 years.
3. The Council has also actively developed over the last 10 years delivering over 230 hidden homes largely for social rent on redundant council owned land. The biggest scheme thus far, of 38 family social rent homes, was delivered on Rollo Estate in Battersea as lateral extensions to existing residential blocks. On opening the scheme in November of last year Eric Pickles said "We want more councils to adopt innovative solutions like those being pioneered in Wandsworth. These Hidden Homes are making a fantastic contribution to the affordable housing landscape and giving families and first time buyers the chance to have their own home."
4. A further 26 homes are now planned under the GLA affordable housing programme with the potential for at least 100 additional hidden homes. The homes planned under the current programme will be delivered as lateral extensions, conversion of old office space at the bottom of blocks and as new apartments on the top of one existing low rise block. Wandsworth Council estimates that there is potential to deliver between 10,000 to 15,000 new (hidden) homes if councils develop active hidden homes programmes as Wandsworth has done.
5. Wandsworth Council continues to have an active asset management strategy and as required when disposing of redundant sites it looks to achieve best consideration. However, where these sites are held in the Housing Revenue Account available receipts can be used to support decent homes works, estate improvements and the delivery of new affordable housing. These are resources that are in turn available to support the Council's Hidden Homes Programme.
6. The Council has also recently looked to package sites for disposal and divest of some sites to maximise the delivery of affordable housing. Examples of this have been two sites sold to London & Quadrant which will deliver larger family affordable rent housing, shared ownership and market housing. "Packaging" sites has the potential to both maximise consideration and to deliver a profile of affordable housing that may be

difficult to deliver on one site alone (e.g. larger family affordable rent units on a relatively constrained site).

7. Another five sites are under consideration for sale to registered providers to provide Extra Care Housing for frail elderly, supported accommodation for those with learning disabilities and three sites for largely affordable rent housing.
8. The Council has also elected to retain and utilise RTB one for one replacement receipts. Thus far the sale of 12 properties, where the Council can retain 100 per cent of the receipt, has achieved usable receipts of £600,000. This means that the Council could effectively offer 20 x £30,000 grant payments to assist with development.
9. It is perhaps interesting to note that the previous Mayor criticised the Hidden Homes Programme for effectively failing to deliver "mixed and balanced communities" by providing additional social rent housing on its Council estates. There are three issues of contention here. Firstly, it is inflexible lettings requirements that tend towards "residualising" social rent stock not the stock itself. This is something that is now changing as a result of the Localism Act 2010 that gives more local discretion in developing Allocation Plans. Secondly, he ignored the key fact that nearly 50% of our housing estate stock has been sold on long leases creating a model for sustainable communities unparalleled in London. Thirdly, given the supply side pressures in London perhaps the focus should be on increasing supply and maximising resources to do so rather than on more aspirational and potentially nebulous objectives.
10. In the context of Wandsworth Council's current activity and this evidence gathering exercise there are three conclusions to be drawn. Firstly, active stock and asset management should mean that Council housing stock remains decent without Government intervention and subsidy. Secondly, there is no reason to transfer stock or establish ALMOs, often at significant expense to tenants, if councils run their housing management and maintenance services as businesses. This approach has served Wandsworth well over the last 30 years. Thirdly, a sound and balanced business plan allows for innovation and response to local housing demands. The Hidden Homes programme is a good example of this.

## OVERALL COMMENT

11. It is notable that the context and questions put do not identify the wider council role of being a Strategic Housing Authority. There are four particular matters that Wandsworth Council wishes to raise in this respect:
12. Firstly, in the authority planning context the main focus should be on encouraging and enabling development. Overly restrictive planning policies and requirements merely stymie development. The Wandsworth approach (flexible but negotiating from a firm policy position that seeks to achieve the maximum reasonable level of affordable housing) has seen affordable housing targets set by the Mayor exceeded.
13. The approach to Affordable Rent has in turn also been a pragmatic one with locally set guideline rents generally aligning with the GLA 65 per cent blended rate. The focus has been to restrain affordable rent levels so they do not put a household at risk of being affected by total welfare benefit caps when they are introduced. The approach also provides the best opportunity to maintain affordable rent development in the Borough at the present time.
14. There is the opportunity to consider how planning contributions and agreements could work better for London. Offsite payments and contributions, from higher value developments, could significantly add to the "affordable housing pot". Focusing use of

such resources on maximising delivery (e.g. in lower value areas where it is easier for a housing association to purchase) could benefit London and fuel development if inter borough development and nomination agreements and arrangements could be developed. There is a role for the GLA here in considering how they might facilitate such arrangements through its housing and investment arm.

15. Secondly, funding for empty homes can provide quick wins at very low cost. However, grant requirements have become overly onerous and delayed action. Whilst devolvement of housing development grant budgets may not now be feasible devolvement of empty homes budgets to councils should be (see the successful targeted funding initiatives). The Council's regulatory role provides the ideal combination of stick with the grant being the carrot. A budget that allows for administrative and project costs to be charged would achieve the delivery of affordable units in a quicker time frame and at a lower cost.
16. Thirdly, as a Strategic Housing Authority needs and demands must be balanced and the inter play of supply and demand understood. For instance, a focus on expanding and developing intermediate and indeed longer term private rent offers directly meets the needs of Wandsworth's predominant borough demographic which is young single and largely professional households. A view could be taken that if this need could be met by a quantum leap in the development of new intermediate and private rent housing (potentially at a lower cost than developing affordable rent housing) that pressure may be taken off the lower quartile private rented sector which is currently accommodating many of these households, overheating the sector and excluding lower income households.
17. Fourthly, whilst the focus is on supply there is a notable and growing lack of mobility around and out of the social rent sector. Whilst the Social Sector Size Criteria will facilitate moves it will not deal with the significant mismatch currently seen in the social rent sector of under occupation and overcrowding. Lack of mobility in the sector is also an issue that has been identified by our major housing association partners. Again significant benefit could be achieved, at low cost, by small increases in turnover and further development and support of incentives that encourage moves. We would suggest that this needs to be given particular focus in the Mayor's Housing Strategy.

## **KEY QUESTIONS ASKED BY THE ASSEMBLY**

**If RSLs do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach?  
What is the social purpose of local authorities with respect to council housing?**

18. Discussions with London council's as to their potential for assisting in meeting London's housing demands have not as yet been fully developed. As our submission above identifies there is potential for councils to develop directly and to support development. There is also a role for the London Mayor to play in developing partnerships which maximise use of (council) resources to deliver the housing the capital needs. A challenge but potentially an opportunity is that councils find themselves in different circumstances with some having the potential to invest and others not having this capacity.
19. Overall a key challenge for the London Mayor will be how he can provide a level of stability and set a course for longer term housing investment for London at a time of significant and in some respects necessary change. For Wandsworth Council this is a particularly pertinent matter in terms of longer term investment commitments and options for areas of significant regeneration such as Nine Elms and Vauxhall where 16,000 homes and 25,000 jobs will be created.

20. Wandsworth Council is proud of its track record in delivering high quality services and maintaining its stock and estates to a good standard. There is no business reason to transfer stock or to seek, at the present time, alternative forms of management. Flexibilities given in the Localism Act 2010 to set local letting requirements has the potential to support the Government's Welfare to Work agenda and to address the particular issues identified by the Mayor of Newham sometime ago of a "race to the bottom" that can occur when seeking to access social rent housing.
21. However, there can be an undue focus on the social rent sector in meeting demand. The reality is that housing demand is met in various ways by all councils with the private rented sector being a significant supply source. In this respect councils will need to find ways of continuing to access this sector to meet a range of priority and other needs and demands.

**What are the arguments for and against the retention of the borrowing cap on local housing debt?**

22. There is clearly a lobby in London in respect to lifting the cap in order to release capacity to build. Whilst there may be cost benefits to doing this such an approach needs to be balanced with controlling public spending at a time of necessary economic constraint. There is also perhaps a wider discussion to be had nationally as to whether housing investment by councils should continue to be counted toward the Public Sector Borrowing Requirement. Whilst there are undoubtedly significant barriers to treating this in the same way as housing association borrowing the benefit could be potentially substantial in releasing assets to support the financing of new build housing.
23. Wandsworth Council would advocate that the starting point for consideration of Council involvement in delivering new affordable housing should be whether councils are maximising use of land as required realising their existing assets to meet particular strategic goals and objectives. It does not necessarily seem appropriate or potentially sustainable that councils seek to borrow more and on what terms?
24. There are perhaps options that could be explored that might fit the HRA balanced business model in terms of flexibility on headroom being given relative to future positive balances. This could be an option, for instance, where significant headroom might be available in a relatively short period of time that would allow for such debt to be paid down when this occurred. Additionally, such a flexibility may be justified in terms of potential cost benefits in reducing welfare costs related to moves around and indeed out of social rent stock to address particular welfare benefit changes (e.g. the development of smaller social rent units may assist in dealing with the impact of the Social Sector Size Criteria which could lead some councils to utilise the private rented sector if there are insufficient smaller social rent units to meet demand).

**How have reforms to the HRA impacted numbers and standards of council homes?**

25. As identified above the HRA Settlement is one of the most welcome changes to the council social housing sector in the last decade. The settlement has made provision for major works and provided some councils with legacy to support property and estate improvement. Wandsworth Council's view is that it is now down to councils to develop self sustaining and successful social housing businesses.

**How are boroughs using their own resources to deliver council housing? How sustainable are these models?**

26. This question has been responded to in the introduction and overview. As set out there is potential for the London Mayor to consider how he can work closely with councils to provide more sustainable delivery models into the future.

**What are the advantages and disadvantages of different models of ownership and management for social homes? Are rent policies changing as a result of the use of new models?**

27. Wandsworth Council are not convinced that the expense of ALMO type models has particularly improved the sector or delivered value for money and it is not surprising in the post HRA settlement climate that many ALMO authorities in the capital and beyond are taking their housing management function back in house. The Wandsworth housing model, which has included rigorous market testing and in the past utilisation of different delivery models, has worked and, we believe, is an exemplar of how to deliver services and good quality housing stock to a budget.

28. Whilst the Wandsworth business model may not be wholly achievable by other councils a more rigorous approach to councils having to deliver balanced 30 year business plans, without support, would arguably have led to a more robust and sustainable sector. It is generally our view that this should be the future approach albeit this may lead to some councils needing to make tough decisions working with their residents.

29. Wandsworth Council is introducing fixed term tenancies from the 1st March 2013 and will on newly developed properties charge Affordable Rents. Our approach to use of fixed term tenancies is to allow for effective use of stock whilst providing stability and an opportunity to look at various housing options on review. For instance, moves can be facilitated and indeed required where someone is under occupying and low cost homeownership options can be explored along with incentives to encourage same if financial circumstances change.

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

30. We have set out our position on Affordable Rent which is proportionate and recognises that many households accessing either social or affordable rent will claim benefits to cover in part or whole their social or affordable rent. Whether this model is sustainable in the future may be in question, particularly in terms of its potential impact on the Welfare Benefit bill. Generally and post March 2015 Wandsworth Council's view would be that continued rent flexibility, for the whole registered provider sector, will be a key factor in assisting with delivery and indeed dealing with risk so cannot be totally discounted.

31. The parameters for housing investment in this investment round have been set. Therefore, if boroughs wish to maximise delivery and use of resources the investment opportunities must be taken and maximised. In respect to Affordable Rent it may follow that a greater level of profiling of prospective tenants may be required for what continues to be a relatively marginal low cost rent housing option (e.g. particular profiling which considers personnel economic circumstances).

32. A particular matter that Wandsworth Council is focused on is that a reasonable level of mobility across the social housing sector is maintained in order to facilitate and enable moves related for instance to providing alternative housing for those under occupiers



affected by the Social Sector Size Criteria. Whole sale conversion of elements of social landlords housing stock to Affordable Rent (e.g. all one and two bedroom units) without a level of sensitivity to making provision for transfers and mutual exchanges is not helpful.

33. The provision of social rent rather than Affordable Rent should to some extent be dictated by how a council wishes to or needs to meet particular housing requirements. For instance, decant for existing social rent housing to new housing may require councils to forgo best consideration in relation to the benefit of providing housing on the same terms on sites it is disposing of. Equally, as Islington has done, a council may elect to subsidise the overall programme in a Borough to meet particular policy aims. It is really a business and policy decision that particular councils should be free to make but within the context of mayoral housing and planning strategies and policies.

**What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets?**

34. This question has been answered else where in this response. There are two particular points that Wandsworth Council would wish to highlight. Firstly, the benefits that could be achieved by the London Mayor developing a partnership approach to delivery of affordable housing with councils, recognising the potential assets and funding that councils could contribute to supporting a development programme for London. Secondly, a greater focus in policy and funding terms in achieving other housing objectives that have the potential to be deliver cost effective and more immediate results and outcomes including; supporting local authority led empty homes and mobility initiatives.
35. I hope that this submission is a helpful contribution to what Wandsworth Council views to be a necessary debate as to the future role of council's as Strategic Housing Authorities.
36. Our view is that stock holding councils should run self sustaining businesses and not expect subsidy to balance their business plans or to meet particular objectives. There is the risk of return to a subsidy system if undue flexibility to borrow is allowed without considering the longer term consequences. We do appreciate however how challenging this approach might be for some councils. Limited flexibility of HRA headroom could assist housing development however the key focus would need to be on this being proportionate we would suggest to future headroom and the ability to pay off any debt incurred over a reasonable period.
37. We have provided examples of what councils can do now to help increase the social housing stock. However, we fully accept that there needs to be further consideration as to how resources can be better used to meet London's housing needs. We have made some suggestions in this respect with the main focus being on the Mayor developing substantive partnership arrangements with boroughs in terms of developing future investment arrangements (e.g. in regeneration areas, utilising Council resources strategically).





Lorraine Ford  
London Assembly,  
City Hall,  
The Queen's  
Walk,  
London SE1 2AA

Genevieve Macklin  
Head of Strategic Housing and  
Regulatory Services  
Lewisham Council

1 March 2013

Dear Lorraine

**Re: Proposed review of London's council housing and the role of local authorities in social rented provision**

Thank you for the opportunity to contribute to the London Assembly's proposed review of London's council housing and the role of local authorities in social rented provision.

Lewisham Council is actively intervening in the local housing market, including using Council resources to build new homes, in order to increase the supply of housing across all tenures. We have a track record of successfully delivering housing-led regeneration programmes, and further large-scale programmes are due to commence in the near future. We set out below a summary of our current and recent programmes, our plans for the future, and the challenges and issues which, in our view, limit the extent to which we are able to further drive up the supply of affordable housing.

We would be very willing to contribute further to this process in due course. If you require any further information please do not hesitate to contact us.

Yours sincerely

**Sir Steve Bullock**  
Mayor of Lewisham

**Genevieve Macklin**  
Head of Strategic Housing  
and Regulatory Services

1 March 2013

## **London's council housing and the role of local authorities in social rented provision: Lewisham Council response**

Lewisham welcomes the chance to contribute to this vital debate. The social rented housing sector is crucial to the Lewisham economy and provides homes to approximately one third of our resident households. Demand for housing exceeds supply across all tenures in Lewisham – as everywhere else in London – but this is particularly true in the social rented sector. More than 7,500 Lewisham residents are on the waiting list for social housing, and more than 450 of those waiting are families considered to currently have at least two few bedrooms for their needs.

Given this situation, Lewisham Council has committed to taking all available steps to drive up the supply of affordable housing (and indeed housing across all tenure-types), including the family housing we so desperately need. We set out below our experience of doing so, both by working with our partners and by taking active steps ourselves. We conclude by setting out the barriers that we currently face to driving up supply and the ways in which we are currently considering addressing those. We would strongly urge you to include these issues in the review.

### **Support for delivery across the local housing economy**

Lewisham had the third highest number of affordable housing completions in England in 2011/12. This is a direct result of our effective support for our RSL and developer partners, and our work in regenerating strategic locations across the borough, driving up land values and therefore improving development viability, for instance in Lewisham and Deptford town centres. In particular our support to enable new development on publicly-owned sites, including those in the ownership of other public sector organisations, was instrumental in achieving this.

Working closely alongside developers, the GLA and the HCA we have played a key role in securing development on the Catford Greyhound site, despite the downturn and the effect that had on the scheme viability.

Elsewhere, we are delivering housing-led regeneration as a means of improving homes and developing whole areas. On the Heathside and Lethbridge estate we are working with the HCA and Family Mosaic to deliver 1,190 homes of which a minimum of 542 will be affordable homes, a net increase of 126 affordable units over the previous provision in the area.

In Catford town centre, the Council has taken a proactive role in leading regeneration by purchasing the Catford shopping centre. The 150 Council homes on the site have been decanted in advance of large scale redevelopment, and we have developed an innovative partnership scheme to ensure that those homes remain available for low-cost rental, aimed in particular at local working residents, while options for the whole site are finalised.

### **Direct provision of new social housing**

The Council recognises that, while these traditional approaches to delivering additional housing are valuable, it needs to do everything within its power to increase housing supply. To that end, the Council decided within two months of the introduction of the new self financing regime, that it would use the headroom afforded to it under that regime to build new homes. A target of 250 new homes within five years has been set.

In January the Council reviewed the first four possible development sites, and agreed to begin consultation with residents nearby. The four sites offer the potential for 76 new homes including 40 four bed family homes. Subject to resident feedback, these will be

## **London's council housing and the role of local authorities in social rented provision: Lewisham Council response**

delivered over the coming 18 months – we aim to start on site in this calendar year – and will require the Council to use a quarter of its HRA borrowing capacity.

Additionally, Lewisham has made two bids to the GLA Care and Support Specialised Housing fund which will enable to the delivery of a further 110 new units of specialised housing for older people. We have worked in partnership with the Phoenix Community Gateway to achieve half of this number, in particular by offering a guarantee to Phoenix that the Council will invest in the scheme to make it financially viable if Phoenix can secure bid funding. This approach allows both partners to unlock the potential in an otherwise difficult in-fill site, and achieve our joint aims of increasing housing supply and addressing under occupation amongst a relatively older population in the part of the borough that Phoenix serves. On a second site, the Council is taking the more traditional route of working in partnership with a registered provider to use the land value in a Council-owned site to enable development, whilst limiting the Council's capital contribution and therefore reserving capital for future house building.

### **Barriers to further provision**

Whilst the introduction of the HRA self financing regime is welcome, the greatest barrier Lewisham faces in further developing the approach set out above is the HRA debt ceiling introduced as part of the same reform.

Of course, there are competing pressures for the application of the available investment capacity, including improvements to quality of existing homes and areas around those homes, and so first and foremost not all of the limited sum available to the Council is available for home building. In fact, in Lewisham, we estimate that we need approximately £85 million more than the £44 million available to us to meet all of the housing challenges we face and build the 600 homes (at least) that we think we can contribute to increasing housing supply in the borough.

There are other, critical, implications of the HRA cap.

First, Lewisham's HRA plan is in a healthy position over 30 years, and within that planning timeframe a substantially larger number of new homes might be delivered. The HRA cap introduces an artificial ceiling, and means that Lewisham is unable to access now the development capacity its own business plan contains over the longer term.

Second, the amount of investment available limits our ability to undertake some of the very large-scale estate redevelopment schemes which might significantly increase density in an inner London location, introduce a healthy tenure mix into currently mono-tenure estates, and address other local issues such as ASB and a poor local environment at the same time. The financial implication of a large scale regeneration scheme would be that a very large proportion of the available investment capacity would be allocated to a single scheme, greatly affecting and potentially stopping the delivery of competing housing priorities.

The corollary of this is that the cap therefore constrains our ambitions to smaller sites, delivering smaller numbers of units. On these smaller sites it is more difficult to make development viable using traditional assessments, especially when developing the larger family housing in great demand in the borough. These sites are generally more difficult to build on, involve higher build costs, require greater area-wide improvements relative to the number of homes delivered in order to ensure that current residents also benefit, and are more difficult to deliver a balanced tenure mix on.

## **London's council housing and the role of local authorities in social rented provision: Lewisham Council response**

In short the cap affects the volume of new homes we can deliver, our ability to build financially viable housing, and our ability to address large scale housing-led regeneration plans.

### **Addressing this problem**

Partly in recognition of this situation, and in particular in recognition of the fact that our assessment is that we need an additional £85 million beyond our available investment capacity to meet our housing priorities, we have begun a conversation with residents about how we might address our challenge.

This conversation has been running for six months, and already residents have told us that they think we are right to address this challenge and seek additional funding. They have told us that they want to be more involved in decision making, and 9 in 10 agree that new housing supply is a crucial priority for the Council to address.

We have recently launched the next stage of this process, in which we will work with residents and with Lewisham Homes – our ALMO – to better understand how a different delivery model might address the problem. Together we are looking at a model in which the ALMO evolves, with residents becoming empowered in the decision making processes, such that a new resident-led organisation is created.

We estimate that this organisation, because it would not be subject to the HRA borrowing cap, would be able to bridge the £85 million gap, and build the 600 homes we believe we need in Lewisham. In fact we think it would have the financial capacity to build up to 1,000 homes, and enabling it to address large scale housing-led regeneration, whilst empowering residents in the decision making process.

### **Summary**

Lewisham has a track record of delivering affordable housing, and is now embarked on a programme of delivering new housing itself. We are limited in doing this in particular by the HRA borrowing cap, and are looking at options for how this limitation might be addressed, in particular empowering residents and creating significantly increased investment capacity in the borough.

We would be very happy to make further representations to the review to further explain our experience and the approach we are taking today.

## **London Borough of Hackney response to the London Assembly**

### **Proposed review of London's council housing and the role of local authorities in social rented provision**

Thank you for the opportunity to respond to the Assembly's review of London's council housing and the role of local authorities in social rented provision.

We are pleased that the Assembly recognises the important role that council housing continues to play in the provision of desperately needed affordable housing in London. In Hackney, although there is a rapidly growing private rented sector, 44 per cent of the borough's households live in social rented homes, divided roughly equally between Council homes and Registered Provider (RP) homes.

We also support the Assembly's focus on the important role that London's local authorities can play in boosting the future supply of social rented homes in the capital. Hackney Council has an excellent record of housing delivery over the past five years. In partnership with RPs, we have delivered the second largest programme of affordable homes in London, with assistance of funding from the HCA / GLA. This has had the impact of making substantial reductions in severe overcrowding on our Housing Register and, until the current welfare reforms, also the number of homeless families in temporary accommodation.

However, as you know, changes to the capital funding regime for the Affordable Homes Programme 2011-15 (and the introduction of Affordable Rent) have meant that the provision of new social rented homes in future has become much more difficult to achieve. Together with the introduction of welfare benefit caps, Affordable Rent could have serious implications for the affordability of rent levels to those in housing need in Hackney, particularly for families who will be worst affected by caps. Hackney's position regarding the future provision of Affordable Rent and Social Rent is summarised on page 3 of this response.

We will continue to work closely with RPs to maximise the delivery of homes that are genuinely affordable to those in housing need in Hackney, as well as renewing efforts to make the best possible use of the existing social housing stock. However, increasing demand for affordable housing and a sharp drop in supply from 2013/14 means that, as acknowledged by the Assembly, a substantial gap will emerge.

Hackney Council is doing what it can to prepare to meet the challenge in the face of the Government's social housing and welfare reforms. However there are a number of barriers that limit the size and effectiveness of the contribution that local authorities could make; both in improving existing council stock and in boosting the supply of new social rented homes. The barriers are highlighted in this response.

In response to the two headline topics raised by Mr Len Duvall in his letter of 13 February:

**1. How councils are using their own powers and available funding sources to build houses to help meet London's housing need.*****Investing in new homes and refurbishing existing ones***

- 1.1 Hackney's pioneering 2,300-home regeneration programme is already underway and delivering homes of mixed tenure, with no Affordable Rent homes. It is pioneering because we already have an agreed financial model in place which takes advantage of the recent local authority self-financing reforms. The model enables us to provide cross-subsidy for 18 sites across the borough, with planning solutions looking beyond single sites to a programme-wide delivery solution.
- 1.2 Residents have already moved into more than 100 newly-built homes for social renting in the programme's initial phases. Hackney will also be among the first local authorities to build and manage its own shared ownership homes.
- 1.3 A good example of this innovative programme is a multi-million-pound cross-subsidy land deal with Lovell overlooking Finsbury Park, thought to be among the first of its kind. Here the Council gained planning permission for a mixed-tenure scheme and provided funding (in addition to grant from the Homes and Communities Agency) for 87 homes for social rent.
- 1.4 Part of the land receipt from the private sale element was used by the Council to fund the construction of a further 20 homes on a nearby site at no additional cost. These homes are being used as equity swap properties for existing leaseholders, enabling regeneration to progress on other Council sites.
- 1.5 The vast majority of the Council's programme will be funded through three main streams of rental income, shared ownership sales, and land receipts, while Government grant of just over £20million has been secured through the Local Authority New Build programme and the Affordable Homes Programme 2011-15.

***HRA borrowing cap***

- 1.6 The borrowing cap is an artificial restriction that limits the amount of immediate resource available to fund both the investment in existing stock to improve housing standards, and regeneration of estates to provide additional housing.
- 1.7 Limiting borrowing for regeneration restricts the Council's opportunities to provide additional housing on existing estates through the effective use of housing land. Therefore where investment in existing stock is not a

viable option or is limited by borrowing, the options to regenerate are also limited to transferring the housing assets or use of external investment, both of which reduces the council's value in housing assets.

- 1.8 By removing regeneration from the borrowing cap, this would provide an attractive, financially viable alternative to stock investments which would, in turn, provide additional housing for a range of tenures.

***New Homes Bonus***

- 1.9 Our initial allocation of the New Homes Bonus is resourcing capital programme expenditure on the provision of highways infrastructure and schools for the areas that have seen new house building.
- 1.10 Going forward the New Homes Bonus will help resource some of the Council's financial revenue pressures including the homeless budget which has seen an increase in homeless applications.

**2. How the Mayor's funding and policies affect councils' ability to contribute to the Mayor's targets for improving and increasing the supply of affordable housing in London.**

***Funds allocated to Social Rent under the AHP***

- 2.1 As you know, under the AHP 2011-15, the GLA will only allocate grant for Social Rent in exceptional circumstances. The default position is that new affordable rented homes should be let at Affordable Rent. We have serious concerns, based on detailed evidence, about the affordability of Affordable Rent homes for those in Hackney in housing need, particularly families.
- 2.2 We believe that individual boroughs are in the best position to assess affordability for those in housing need in their local areas, based on evidence about local housing costs and incomes. We would therefore support the renewed provision of GLA grant to providers that are delivering Social Rent homes (whether Councils or RPs) and the restoration of Social Rent as the main form of new affordable rented housing. We have taken the position that council housing in Hackney will continue to be let at Social Rent.
- 2.3 However, if there is a continuation of the Affordable Rent regime, boroughs should be given a formal role in setting rent level thresholds based on robust evidence of local affordability. We have also worked closely with RPs to develop and publish a Position Statement on affordable housing in Hackney<sup>1</sup>. This sets out the Council's position that there should continue to be a significant programme of Social Rent homes in future and provides guidance on affordability thresholds for Affordable Rent homes in the borough.

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<sup>1</sup> Available from the Hackney website: <http://www.hackney.gov.uk/Interim-Position-Statement-Affordable-Homes-Programme.htm>

- 2.4 In his consultation draft Revised London Housing Strategy, the Mayor gives a commitment to support boroughs to bring forward estate regeneration initiatives. It would be useful to review what concrete support the Mayor could give to kickstart redevelopment of major estate regeneration sites that have stalled or are in danger of doing so. Woodberry Down has been supported significantly by the HCA/GLA but viability remains a challenge. Through our estate renewal programme we are delivering (with some grant) comprehensive regeneration on a number of key schemes. However, schemes of the size of Woodberry Down would require some form of subsidy and it is important to acknowledge that on most estate regeneration projects, there is a need to re-provide Social Rent homes for tenants who have been decanted, so that they can return to a home at a similar rent level. Major estate regeneration schemes provide important benefits for wider communities, such as new schools and road improvements, but these are expensive and make schemes more challenging to deliver.

***Allocation of Decent Homes Funding***

- 2.4 The GLA has allocated Decent Homes Backlog Funding to 2014/15. In the case of Hackney, there will still be around £30m worth of Decent Homes work still to complete after this date.
- 2.5 HRA self-funding is based on the assumption that there is no backlog of Decent Homes work. This is somewhat at odds with the backlog funding regime specifically **not** funding the last 10 per cent of non-decent properties. The impact of the cap on borrowing is therefore a “double whammy” because it allows neither a fully funded asset management plan based on future need or any resources to clear the backlog.
- 2.6 The Decent Homes regime was a response to a hugely escalating backlog of work needed to the country’s council stock in the 1990s. Unless adequately funded, a growing backlog of housing repair could again become a major national and London issue.

**Contact:**

Chris Smith  
Senior Strategy Officer  
Housing Directorate



## **For the attention of Len Duvall AM**

Chair of the London Assembly Housing and Regeneration Committee

Dear Mr Duvall

I refer to your letter dated 13<sup>th</sup> February 2013. Thank you for inviting the London Borough of Richmond-Upon-Thames to respond to the London Assembly Housing and Regeneration Committee's review of London's council housing and how council housing can help to boost the supply of decent affordable homes.

As you may be aware, Richmond is an LSVT authority, having transferred its council housing stock to Richmond Housing Partnership, however we welcome the opportunity to provide our input on some of the questions on which you have invited a response.

Accordingly our comments are as follows:

### **Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

Recent research carried out for the Council found that the borough is an expensive area in which to rent privately with high quality housing, popular with wealthy households. Lettings agents are primarily focused on high end lets to households headed by people working in the City, young professionals and corporate lets. Large areas of the borough including Barnes, Kew and Richmond have exceptionally high rents, averaging rents of above £2200 per month for a two bedroom property. Affordable Rents at 80% of market rents are clearly not affordable in these areas taking them outside of all Local Housing Allowance rates by a significant margin. These would then be unavailable to housing applicants claiming welfare benefits including the low waged, which comprises the majority of households on the Richmond Housing Register. The incomes required to fund these rent levels would be outside of the Borough's recent Allocation Policy (2012) levels.

In some areas of the borough rents are lower, such as Hampton North, Heathfield and Whitton. In these areas there may be more flexibility to charge higher rent levels up to 80% of market rents. Research carried out by the Council found that affordability was particularly an issue for larger properties (3 bedroom and higher) with issues around affordability for three bedroom Affordable Rent properties in 13 out of 18 wards in Richmond upon Thames.

Therefore based on the evidence of rental levels in this Borough, there is a clear need for family sized affordable housing at social rent levels to meet the typical needs of welfare dependant households in this Borough.

Although not directly related, the rate of conversion of our LSVT stock by the Registered Provider (Richmond Housing Partnership) is high (currently one third of all re-lets). Although, with the agreement of RHP, conversion of re-lets to affordable rent is only applied to 1 and 2 bed units, this is on the basis that any new build units (including family sized units) achieved by RHP will be let at affordable rents.

Given this, and the impact of high land and property values on viability of providing affordable housing in much of the Borough, the opportunities to meet the clear need for social rented units in Richmond are limited.

The Council's approach to delivery of social rent products is set out below.

## **How are the Boroughs using their own resources to deliver council housing? How sustainable are these models long term?**

Richmond seeks to support RPs in delivering housing that is affordable to housing applicants claiming welfare benefits including the low waged, which comprises the majority of households on the Richmond Housing Register.

The Council's approach to the setting of Affordable Rent levels is set out in its Tenancy Strategy that was adopted in January 2013.

<http://cabnet.richmond.gov.uk/documents/s37898/Main%20Cabinet%20report%20template%20-%20updated%2011%20October%202012.pdf>

The Council expects RPs to take a 'site by site' approach to setting Affordable Rent levels paying particular attention to scheme rent levels in high market value areas. The guiding principle for Registered Providers to consider when setting rent levels for Affordable Rent properties is to ensure they are affordable to households on the Richmond Housing Register (both low income working households and those reliant on welfare benefits). The Strategy therefore provides guideline rents that Registered Providers must consider when setting rents in the most expensive areas of the borough. These are based on the welfare cap levels to be introduced under Universal Credit. Registered Providers in setting Affordable Rents inclusive of service charges should consider a) LHA rates, b) % of welfare benefits being applied to meet housing costs by property size, c) 80% of prevailing market rents. The Council supports the lower of these figures.

The Strategy recommends Registered Providers also considers setting rents at a level to ensure that annual rent increases of RPI+0.5% do not erode the residual income either through work or benefits that a household has to live on so as to render the property unaffordable in the future.

Guideline rents have been set in the more expensive private rented market areas, which includes most of the east of the borough. Four and five bedroom homes are expected to be let at Target Rents; this is to ensure that larger families have sufficient residual income available for essential expenditure. Once a guideline rent figure has been reached the Council would not wish to see any further rent increases for the remainder of the tenancy period unless the welfare cap figures are also increased.

The Council provides funding from its Housing Capital Programme to support the delivery of affordable housing for two main purposes:

- (i) to assist with delivery of family sized new build units at Target Rents and/or to moderate Affordable Rent levels in order to address the affordability issues identified in the Tenancy Strategy. The purpose of funding is not to assist with funding of affordable housing that can be achieved via the planning process through the normal test of financial viability. The purpose is to achieve 'additionality' and to fund delivery of units that would not receive GLA funding in the 2011-2015 Affordable Housing Programme.
- (ii) to assist with delivery of supported housing in order to address the high cost of placements outside the Borough and to meet the Council's aim of providing more opportunities for independent living within the Borough. This initiative also hopes to minimise safeguarding concerns by keeping people closer to family and their local networks.

The Borough uses its Housing Capital Programme to make rents more affordable and the Affordable Housing Fund (derived from S106 contributions to provision of affordable

housing) to enable the delivery of schemes that may otherwise not be viable, or to deliver additional affordable homes. The Council expects Registered Providers to demonstrate flexibility across their development programme, using Recycled Capital Grant Funding or Disposal Proceeds Funds working with the Council to maintain the supply of family sized homes and to moderate the impacts of excessively high rents that are very likely in parts of the borough. In some cases the Council provides funding to supplement GLA grant funding in the Affordable Housing Programme. It has in previous years also provided land at nil cost to deliver schemes with the assistance of grant funding from the NAHP.

Recent schemes have required Council funding of around £100,000 per property to support provision of 3 and 4 bedroom family housing at Target Rents.

The Council provided funding of £860,000 to deliver 8 family units which were completed in 2012/13. The Council has committed funding of £1,795,000 to deliver 29 units including 19 family sized new build units at moderated Affordable Rent or Target Rents which are expected to complete in 2013/14.

The Council provides funding in support of delivery of affordable housing through Purchase and Repair of properties on the open market. Currently the Council is in discussion with a partner RP to deliver 12 Purchase and Repair properties. Of these, 5 require total grant support of around £300,000 to deliver moderated/Target Rents i.e. an average of £60,000 per property.

The Council has committed funding of up to £500,000 to support the delivery of four supported self-contained flats providing accommodation for young people using the learning disability services and £500,000 to support the delivery of seven self-contained flats providing supported accommodation for people using mental health services.

The Council also funds the extension of existing social housing to address issues of overcrowding or specific households needs. This indirectly assists with delivery of affordable housing by removing the need to provide additional housing for existing households. It also reduces disruption to families who are able to maintain existing support networks including school provision.

The Council has allocated £750,000 to fund a programme of extended housing. This will deliver 21 extended homes at the agreed rate of a maximum of £35,000 for a property extended by one bedroom or £50,000 for a two bedroom extension. Registered Providers have been willing to contribute additional funding to support their programmes.

In all cases, the need for funding is carefully assessed taking account of development viability and the resources to be provided by the RP such as RCGF and conversion funds.

In addition the Council applies funding from the Housing Capital Programme to support Sponsored Moves to provide an incentive to existing social tenants to downsize. The operation of this scheme will be revised to take account of the introduction of the 'bedroom tax'. The Council currently offers £2,500 per bedroom (up to three bedrooms) as an incentive to move from a family sized unit to a one bedroom property. This is therefore a relatively cost effective means of releasing a family sized affordable unit and currently achieves around 30 moves per annum.

A total of £1.1m has been allocated in the HCP to fund Sponsored Moves in 2012-2018.

**How sustainable are these models long term?**

In one sense, the Council's funding initiative is sustainable inasmuch as funding needs are determined by development activity in the Borough. Since the conclusion of the NAHP 2008-11 there has been a sharp decline in the delivery of affordable housing, and housing development in general.

The total budget allocated to the Housing Capital Programme for 2012-2018 is £13.047m. Funding of £1,795,000 has been committed to deliver 29 units at moderated Affordable Rents or Target Rent in 2013/14. The balance of the HCP accounting for other existing commitments is £6.3m. This is sufficient for example to deliver 63 family units at Target Rent or around 105 Purchase and Repair units.

The Core Strategy target is to deliver 108 affordable units per annum (40% of all completions) until March 2017.

Current delivery is as follows:

2011/12	244 affordable units (of which 114 units provided without HCP support or free/subsidised land)
2012/13	34 affordable units completed and anticipated (of which 17 units likely to be provided without HCP support or free/subsidised land)
2013/14	40 affordable units forecast on site and anticipated (10 of which will be provided without HCP support or free/subsidised land)

The Council has recently adopted a Draft Affordable Housing SPD that requires contributions to an Affordable Housing Fund from housing schemes of 1-9 units. At this relatively early stage it cannot be determine the extent to which this source of funding will assist the Councils' ability to support delivery of affordable housing.

Delivery of affordable housing in Richmond is therefore currently heavily reliant on support from the Council either in the form of free or subsidised land (with reducing opportunities for delivery with competing demands for use/disposal of Council assets) or from the Housing Capital Programme (including S106 contributions) and this model of delivery is clearly not sustainable in the long term.

### **What should the Mayor be doing to optimise the use of council housing in meeting the current housing targets for London?**

The Council's funding of its Purchase and Repair Programme as proved a successful way of providing affordable housing. A number of cases involved re-purchase of former Council owned properties which by definition were built to good space standards. Some of the recent acquisitions on the open market have involved private sector properties. These do not always fully comply with the current standards in the London Housing Design Guide. The GLA is unwilling to fund acquisition of such properties within the 2011-15 AHP. The Mayor should encourage flexibility in the application of the LHDG particularly in the case of family sized units.

Richmond benefitted from funding provided to the SW London Sub-Region for extended homes and de-conversions in 2009/10 and achieved 6 extended properties, and with further limited funds made available in 2011/12, Richmond funded the extension of a further 3 properties. This funding programme has not been continued, yet there is an appetite from RPs with stock in this Borough for an extended homes programme, Richmond is therefore funding its own programme, which is more cost effective and offers other benefits to the community and families concerned. The Mayor should provide further funding for extended homes as a relatively inexpensive means of providing additional bed spaces within a relatively short time frame.

The Government intends to relax household permitted development rights for a 3 year period. Although this Council has expressed its opposition to this, should it be introduced, there is an opportunity for Registered Providers and Councils to take advantage of the simplified consent procedure that will result.

In London permitted development rights should include a requirement for affordable homes as part of conversion of office schemes so that this does not just become a way for private developers to gain from commercial sites by providing high value private homes that may not benefit Londoners.

I will be interested to receive and share the results of your research in due course.

Yours sincerely

**Paul Bradbury**

**Housing Development Manager**

*Corporate Policy & Partnership Team*

*Adult and Community Services*

*London Borough of Richmond-Upon-Thames*

## **London Assembly Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

### **Response from Westminster City Council – March 2013**

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#### **If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?**

The mismatch between supply and demand for affordable housing is acute in Westminster, with nearly 4,000 households with priority waiting for social housing and a pipeline supply for 2013/14 of only 37 social rented units. Also there is a mismatch between our stock profile and the demand profile, as nearly 50% of the stock is studios and one bedroom units, whereas the majority of demand is for family sized homes.

Supply issues are exacerbated in Westminster by increasing viability issues on section 106 schemes, which since 2011 have attracted no grant funding. Section 106 is the main way in which new social rented supply is delivered in Westminster. Because supply through this route is so limited, we are increasingly looking to the council's own resources (i.e land and HRA finance) to deliver new supply.

Local authorities have a key role in delivering more social rented homes, in achieving a stock profile to meet demand and in delivering homes which meet modern space and sustainability standards and the aspirations of residents. This will largely be achieved through reconfiguration of existing assets (small scale developments and larger scale renewal), and through acquisition programmes, both of which are now more feasible due to HRA reform but still limited by the restrictions that are imposed.

Westminster's housing renewal strategy 2010 sets out the City Council's aims to increase the supply of social rented homes and improve existing ones. Four regeneration programmes are currently underway and are at varying stages of implementation. The first phase of regeneration aims to deliver 250 additional affordable homes, with more units in later phases.

Prior to HRA self-financing, the City council established Westminster Community Homes (WCH) as a subsidiary to address housing supply issues. It has an infill and acquisitions programme and a portfolio of 300 properties and a current pipeline of 56 affordable units.

#### **What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

The City Council understands the Government's concern about increased public sector borrowing; however we have long argued that borrowing to invest in housing should be considered as investment and therefore regarded differently from other public sector expenditure. The borrowing cap places an artificial restriction on what local authorities can do with regard to increasing the supply of much needed housing and contributing to economic

growth. Prudential borrowing in the General Fund is not capped in the way HRA borrowing is. Local government has a strong track record of prudent financial management and, as has been pointed out by the Chartered Institute of Public Finance and Accountancy (CIPFA), since the introduction of the Prudential Code in 2004, the Treasury has not seen fit to use its reserve powers to intervene.

Local authorities are sitting on billions of pounds worth of HRA housing assets which could be leveraged responsibly through the prudential borrowing regime to support the Government's growth objectives and deliver housing for Londoners.

While the arguments for removing the cap are strong, an alternative might be to operate a "headroom trading" system between local authorities within the overall cap. In London, the GLA could have a role in regulating such a system.

### **How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

Self financing has been positive as it has enabled the City Council to have greater certainly over income to plan expenditure and to fund the regeneration programme (outlined above) which will result in increased affordable housing units and improved stock. Without reform, long term management of the housing asset was much more difficult and decisions were largely made for the short term.

### **How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

The City Council's regeneration programme is being front-funded by the HRA, with the expectation that these enabling costs will be recovered through development and sale of new homes. A framework of development partners has been procured to bring external finance, with the City Council contributing land in return for completed social rented homes which will be taken back into the HRA.

The model does, however, rely on having headroom within the HRA to cashflow projects, prior to receiving development income. With the caps in place, there is a limit to number and scale of projects that can be undertaken at any one time.

The establishment of the development partner panel generated significant interest which indicates the sustainability of this model in central London where development partners are attracted to the programme due to the strength of property prices.

While not strictly "council" housing held within the HRA, Westminster Council has transferred land to its subsidiary, Westminster Community Homes, do develop new homes for social and intermediate rented tenures, which boosts available supply for City Council nominations. Westminster Community Homes also receives loan finance from the Council, and grant from the Affordable Housing Fund.

**What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

We are unable to comment fully on the advantages and disadvantages of different models however our ALMO (City West Homes) was set up in 2002 and we have recently renewed the Management Agreement between them and the City Council for a further 10 years.

Having considered other options there was no evidence that another approach could significantly deliver better outcomes for Westminster. Our experience of the ALMO model is positive.

We fully support the development of TMOs, however they can be expensive for residents and councils where they involve only a small number of units and smaller TMOs can sometimes not be viable or sustainable. Smaller TMOs have a reduced pool of residents from which to recruit committee members (our smallest TMOs only has 76 properties), making sustainability a problem when existing members want to move on. It is harder to recruit new members, where the population is transient, which is the case on some of our estates due to high numbers of ex Right to Buy properties being let privately.

The advantage of some other models, e.g. ALMO ownership might be the ability to let properties on different terms to those of Local Authorities (which are restricted to secure tenancies). This allow such bodies to develop a mixed economy of products which can cross-subsidise each other, and provide more balanced portfolios.

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

The City Council supports affordable rent model, both as a funding model, and to bring more diversity into social rented provision, however there is also a strong need for social rents in order to:

- Provide social housing at rents many of our customers with priority can afford or reasonably aspire to without HB. Westminster CACI data for 2012, available at postcode level, shows that the median gross income of households in postcodes which contain high levels of social housing (in an 18% sample) was £20,996. Using the Mayor's affordability guideline that housing costs should not exceed 40% of net income, this equates to a rent of £113 which is compatible with some current social rents in the City
- Enable mobility in the social sector – our experience is that most existing tenants are unwilling to transfer to affordable rent properties
- Enable regeneration – our tenants are unlikely to support plans without guarantees that the rents at the new units would be at social levels.

We want to have the ability to determine affordable rent levels locally so they reflect local incomes and needs and are affordable and sustainable to households in receipt of benefits



when universal credit is introduced. We would urge the Mayor to support boroughs in setting their own affordable rent levels.

**What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

The Mayor can optimise the use of existing council housing by encouraging boroughs to best use existing stock (for example through addressing under occupation) through their tenancy policies and approach to flexible tenure where there are acute supply issues.

The City Council supports flexible tenure to address under occupation as set out in the Tenancy Strategy. Similarly the Mayor can encourage participation in the forthcoming Pay to Stay scheme where by the increased revenue from charged higher rents can be reinvested back into local social housing provision.

The Mayor could further encourage social landlords to take an active approach to addressing all types of social housing fraud for example making full use of social housing fraud grant.

The Mayor could also lobby for boroughs to have greater flexibilities to change the use of their stock in order to help fund new supply. For example by renting out social rented units that are in less demand (for example studios in Westminster) at intermediate or market rents, and reinvesting the income back into new supply of family units. This would retain local authority assets which could revert to accommodating households with priority for social housing if the demand profile changed.

To: [councilhousingproject@london.gov.uk](mailto:councilhousingproject@london.gov.uk)

## **Croydon's response to the London Assembly Housing and Regeneration Committee review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

I would like to apologise in advance for the brevity of the responses provided to the interesting set of questions posed in your letter of the 13<sup>th</sup> of February 2013 on the role of local authorities in the provision of social housing. Unfortunately it arrived at an extremely busy time, however, I hope you find the information provided useful.

- If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?

Croydon has had a very successful new build programme for a number of years now and has developed over 120 new social rented homes. Phase 4 of the programme will provide more than 30 new homes over the next 12-18 months. The purpose of the programme is to provide housing that obviously meets housing need, but at the same time allows existing housing to be "unlocked" through this provision. For example, one phase of the new build programme provided high specification bungalows for older people which were targeted towards underoccupiers. Another phase provided family sized homes for overcrowded households on the council's waiting list which has been a priority for the council some time. The role for local authorities, therefore, is to supplement the supply provided by RSLs in an intelligent way that makes the most of the opportunities available and provides for specific local housing needs.

- What are the arguments for and against the retention of the borrowing cap on local housing authority debt?
- How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?
- How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?

Taking these three questions together Croydon will be using additional borrowing up to the cap to maintain the new build programme and to "catch up" on a historic backlog of repairs over the short to medium term. By 2014/15 we will have reached our debt ceiling based on our current investment plans. However, we will not require any additional borrowing capacity as our current 30 year business plan allows us to meet our requirements to maintain our stock to the decent homes standard, maintain the new build programme and catch up on the repairs backlog within our cap. Opportunities to invest any surplus do not present themselves until

at least 12 years into the business plan. Raising the borrowing cap does not provide any significant advantage to the council and the business plan does anticipate a proportion of other resources (i.e. new homes bonus) being used to supplement HRA resources in the short-term, however, not to a significant extent. Our business plan is sustainable over the long-term i.e. over the next 30 years

- What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?

Croydon is a member of ARCH and prefers, with the support of its residents, to own and manage its social housing stock. Prudent investment in maintaining council homes to the decent homes standard has meant we have not had to consider alternative “stock options” such as an ALMO, or enter into PFI or PPP arrangements. Different models of ownership may be appropriate to other authorities with different local circumstances; however, we do not consider there is a different ownership model that offers significant advantages to our current “stock retained” model.

- Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor’s emphasis and capital funding is focused on affordable rent?

Croydon is one of four London boroughs to trial the benefit cap from April 2013. There are a significant number of households in Croydon impacted by this and other welfare reforms who are faced with some very tough choices about their current living circumstances (i.e. whether they can access employment, how to manage their household income and expenditure, etc) and where they can afford to live. Some of these households, especially those with large families, will struggle to even afford social housing at “target” rents. This is an immediate and on-going issue for London boroughs and one which will not be resolved by focusing on providing cheaper social rent products as the scale any provision that could be squeezed out of the current affordable homes programme is very unlikely to be sufficient to meet demand. Partnership working to provide the right support, information and advice to help households impacted by welfare reform access employment, manage their income and expenditure, and where necessary and feasible relocate to affordable areas of the country is the most appropriate and effective local authority response to these current issues at the present time.

London boroughs are working with the Mayor and RSLs to optimise the supply of social housing delivered through the Affordable Homes Programme 2011-15. In Croydon we have taken a flexible approach to affordable rent and our current housing strategy sets out very clearly how we will work flexibly and creatively with RSLs seeking to build new affordable housing in Croydon, and with regard to rent setting, we will determine rent levels on a scheme by scheme basis by considering both scheme viability and affordability.

- What use is being made of the New Homes Bonus?

We have used a proportion of our NHB allocation to fund our new build programme.

- What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?

The Mayor should continue to work closely with London boroughs in developing housing investment plans, and we would welcome additional investment from the Mayor which we could invest in building more social housing directly. The release of surplus GLA land at zero cost would also assist in optimising social housing supply. Croydon has a proven track record for building council homes and we can increase our activity with the provision of additional funds.

Should you wish to discuss any of the above response further please do not hesitate to contact me.

**Dave Morris**

Housing Strategy Manager

Department of adult services, health and housing  
Housing strategy, commissioning and standards division  
Taberner House, 11th Floor North East quadrant  
Park Lane, Croydon CR9 3JS

**London Borough of Hammersmith & Fulham**  
Housing and Regeneration  
Councillor Andrew Johnson  
Cabinet Member for Housing  
Hammersmith Town Hall, King Street, London W6 9JU



1 March 2013

Len Duvall AM  
Chair of the London Assembly Housing and Regeneration Committee  
City Hall  
The Queen's Walk  
More London  
London SE1 2AA

Dear Mr Duvall

**Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision - Response from Hammersmith & Fulham Council**

Thank you for seeking the views of interested parties on the above review. Given the importance of the subject matter and the range of questions that you have posed, we do consider it regrettable that relatively little time has been made available for interested parties to respond in full to the issues that you identify. What we have sought to achieve in our submission is to consider a number of the issues that you raise in your letter and prepare some specific comments on areas of shared interest.

**Introduction**

Our *Building a Housing Ladder of Opportunity* approach is set out in our Housing Strategy, adopted in October 2012. As well as promoting affordable home ownership in the borough our broader approach is to see all affordable housing for rent as a platform for progression to other housing options, rather than a destination point. Affordable housing, especially low cost homeownership, needs to be seen as a valued, integrated and more accessible segment of the housing market, playing a greater part in regenerating local communities and local economies. In seeking to achieve our over-arching agenda, the Council will:

- **Deliver Major Economic and Housing Growth** – To be achieved using housing investment acting as a catalyst for wider socio economic change. Hammersmith & Fulham is uniquely positioned to continue that through delivery of its five regeneration opportunity areas, three of which are identified by the Mayor of London as strategic priorities.
- **Tackle Economic and Social Polarisation** – To be achieved using more imaginative and flexible approaches to estate regeneration; allocations policies prioritising working households; local lettings plans; flexible tenancies; through a strategic housing and health approach which effectively meets the

local needs of vulnerable, disabled and elderly residents; and low cost home ownership initiatives.

- **Manage a better, streamlined council housing service** – To be achieved through more effective and efficient housing and leasehold management services with clear, realistic performance targets using other housing management service providers as required.

Core to the success of these three objectives will be increasing the numbers of working households and others who are making a community contribution, such as ex armed services personnel, who can access affordable accommodation.

Much of the change that is being sought will be delivered through other new or revised documents such as the Tenancy Strategy; Housing Allocation Scheme; local lettings plans; or through day to day service and regeneration delivery. In view of the opportunities now at our disposal, our Housing Strategy sets out what the Council is seeking to achieve in a clear and transparent way.

### **Using Local Authority Land and Property to Build New Homes**

As with the large majority of local authorities, the Council is a major public sector land and property owner, including council housing. In recent years, the Council's housing stock has benefited from circa £200m of decent homes resources. Despite this considerable expenditure, it nonetheless requires significant ongoing investment. The Council estimates that this could entail an annual average of c £30m expenditure over the next five years alone. The programme of work that the Council has in place seeks to build on the achievement of the decent homes programme, maintaining the standard whilst addressing the backlog of works that were not covered by that programme.

The Council intends to adopt a forward looking, funded and deliverable asset management strategy and has already begun the process with a review of its sheltered housing stock. In the absence of any significant public capital funding, the Council intends to be innovative and radical in its approach to regenerating its estates. When considering individual sites – whether vacant/poorly used sites, individual blocks or whole estates, the Council will take into account the following factors:

- Asset Management Appraisal
- Redevelopment opportunities with adjacent land owners and/or development agencies, helping to ensure that new investment benefits local residents
- Unpopularity of housing with residents (e.g., high levels of transfer requests)
- Opportunities to deliver a wider mix of tenures to increase community sustainability in line with Core Strategy and London Plan policies.

The over-arching objective of the Council's asset management approach will be to reduce social and economic polarisation by diversifying tenures on Council estates; raising the quality of housing either through comprehensive refurbishment or redevelopment; maximising urban densities particularly where there is developed transport infrastructure; and creating local employment opportunities. Whether

through a development partner or the Council's Local Housing Company, creating more low cost home ownership choice through its asset management approach will be a key driver for change.

To take this approach forward, Cabinet approved in April 2011 the establishment of a local housing development company structure to allow the Council to generate and retain development profits through the development of new housing on Council land. This has created a major opportunity for the Council to deliver housing and regeneration outcomes using its own land, under its own leadership. There are three main strands of work which are currently being considered through this structure:

- (A) Hidden homes programme for small sites – generally less than 5 units per site
- (B) Innovative housing built using modern methods of construction for intermediate sites – generally between 5 – 20 units per site
- (C) Joint Venture Vehicle (JVV) to deliver on selected larger Council owned development sites – between 50 – 200 units per site

The Council has already delivered homes under the first and second strands of this programme of work and we are in the final stages of appointing a JVV partner to help deliver the final, more substantial strand.

### **Housing Revenue Account Reform**

The Council welcomes the reform of the Housing Revenue Account (HRA) system, but is concerned that the opportunity to maximise the use of councils' assets is being un-necessarily limited, particularly where there is the paradox of high value assets and significant socio-economic deprivation.

Specifically, the Council wishes to use its housing property assets to deliver new jobs, additional housing, economic growth and to deliver the local regeneration necessary to arrest and reverse local deprivation without increasing debt levels, the Council needs the freedom to:

- Mix tenures and therefore rents within the HRA (not just affordable rent but also market rent and low cost home ownership) to deliver mixed and balanced communities.
- Retain all receipts from disposals and Right to Buy provided they are reinvested in council housing, regeneration, reduction of HRA debt and other priorities
- Use additional revenues from higher rent payers once 'Pay to Stay' regulations are implemented.
- Council housing debt should be accounted as trading debt rather than national debt whilst accepting fully all proposed constraints on council borrowing including the borrowing limit that will apply under HRA reform

The Council will continue to dispose of high value housing assets that are in a poor state of repair to reduce the council's housing debt as well as to fund major initiatives such as the local housing company 'hidden homes' schemes.

### **Role of Registered Social Landlords and Social Purpose of Local Authorities**

Out of the 82,000 homes in Hammersmith & Fulham, registered social landlords (RSLs) own and manage c 13,000 homes which is roughly equivalent to the number of homes that the Council owns and manages (excluding leaseholders). They are therefore important partners in delivering decent homes for our residents. The Council expects RSLs to develop new accommodation under the Affordable Rent regime which relies on limited public grant funding and greater self-funding through higher rents on re-let accommodation. The Council will work with RSLs who wish to help deliver the Council's *Building a Housing Ladder of Opportunity* agenda. The Council will facilitate the work of RSLs as far as it is reasonably able to. However, we will expect RSLs to deliver new housing without dependence on the Council for gifted or discounted value land (or other forms of direct or indirect financial support) and see them primarily as businesses with social and increasingly economic purposes. We are particularly keen to encourage their work in the job creation agenda where a number of our local housing association partners continue to deliver innovative initiatives. They also continue to provide a valuable stream of new low cost home ownership housing which the Council supports.

### **The Mayor's role in optimising the use of council housing in meeting his current housing targets for London**

The Council sees the Mayor's role in council housing, in direct terms, being relatively limited. How council housing is managed on a day to day basis and in asset management terms, is clearly a matter for the local authority (and their agent organisations) concerned. The Council understands that the Mayor continues to have a role in managing decent homes funding and has a wider interest in carbon emission reduction from existing housing, with council housing an obvious area for his attention.

Where the Council concerned has identified regeneration opportunities that enable additional housing to be developed (along with other socio-economic infrastructure) the Council should expect the Mayor to optimise the use of council housing in this way in order to meet current housing targets and support the local authority's regeneration agenda. This approach also enables homes that are no longer 'fit for purpose' or too expensive to repair and improve can be replaced with housing that meets modern day standards. This is particularly the case where existing transport infrastructure is under-used (see next section).

### **Maximising Capacity of Existing and New Transport Infrastructure**

One of the many assets that are hosted by Hammersmith & Fulham is its transport infrastructure. However, the Council intends to see improved north-south connectivity facilitated by its growth strategy, as well as capitalising on the potential of existing and new transport nodes. Four of the five regeneration areas (i.e.,



excluding Fulham Riverside) have the benefit of significant existing transport infrastructure that can be used and developed to achieve this objective.

The most obvious example of this is realising the Council's vision for Park Royal City International. With the Government's January 2012 statement supporting the development of High Speed 2 including a transport hub with Crossrail and other elements of the railway network, the Council estimates that up to 10,000 homes could be developed in the wider area. This will be subject to an Opportunity Area Planning Framework being developed by the Mayor of London in conjunction with the four boroughs who are impacted by the vision for Park Royal.

Finally, thank you once again for the opportunity to respond to your consultation process.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'AP Johnson'.

**Councillor Andrew Johnson  
Cabinet Member for Housing  
Hammersmith & Fulham Council**

## **Review of London's Council housing and the Role of Local authorities in Social Rented Provision**

### **Response from the London Borough of Harrow**

#### **If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach?**

The LB Harrow is committed to increasing the supply of housing, including affordable housing. We are reviewing our HRA and corporate land assets to establish what we can do to enable additional affordable housing in Harrow. We feel there will be opportunities and viable delivery models to enable the Council to undertake the development of these sites most likely through some type of joint venture. As most of them are infill sites on existing Council estates then it makes management sense for the Council to develop and own them.

#### **What is the social purpose of local authorities with respect to council housing?**

As a local authority we have a wider influence than other social landlords and are better placed to co-ordinate the full range of services to assist households that are most in need. Council housing is one aspect of a package of support that will become more critical to the most vulnerable households as welfare reforms continue to bite.

#### **What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

The LB Harrow is already at its borrowing cap having taken on the additional debt as a result of HRA reform. We feel this cap is artificial and does not take into account our ability to pay for additional debt above the cap. We have some land assets that we want to develop ourselves to enable us to have a rolling development programme and we can afford to borrow more based on our 30 year business plan. However we are currently unable to do this. The artificial borrowing cap may therefore prevent us from creating additional new affordable supply quickly.

#### **How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

In Harrow we have seen a significant increase in RTB applications since the RTB discount was increased and a loss of more social rented units at a time when we need more not less.

The high cost of housing in Harrow and the borrowing cap issue means that it will be very difficult to replace the sold homes even on a 1 for 1 basis (rather than a like for like basis).

HRA reform has been positive with regard to maintaining standards of our Council housing and the ability to plan for the longer term means that we are looking more broadly at longer term estate regeneration options alongside our general improvement and maintenance programmes.

**How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

Partly answered above. We are considering how best we use our land, surplus income, disposal receipts and other funding pots such as S016 monies to fund the development of new affordable housing. However this will only fund a small development programme in the short term due to the borrowing cap issue in Harrow.

**What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

We are introducing flexible 5 year tenancies for new council tenancies in April 2013. In modelling new development opportunities we accept that to be financially viable rents will need to be higher than current social rent levels. We have guidance set out in our Tenancy Strategy which suggests appropriate affordable rent levels but caps them for larger homes so they remain affordable for households particularly those hit by the welfare benefits cap.

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

See above. The rent levels for larger properties under the Affordable Rent regime are not affordable to households who are caught within the benefit cap. Overall benefit costs are lower if rents are lower.

**What use is being made of the New Homes Bonus?**

The New Homes Bonus is one source of funding that may be available to support the development of additional affordable housing. However in Harrow, this needs to be seen in the overall context of reducing local authority resources. There will always be competing priorities for any form of non ring fenced funding.

**What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

Supporting boroughs to explore the potential for the longer term redevelopment of existing estates. This may need to include financial support which does not result in delivery of additional affordable housing but does deliver an overall increase in housing

BY EMAIL – councilhousingproject@london.gov.uk.

Lorraine Ford  
London Assembly  
City Hall  
The Queen's Walk  
London SE1 2AA

Friday, 01 March 2013

Dear Ms Ford,

**Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision**

The London Borough of Lambeth welcomes the opportunity to comment on the London Assembly's discussion paper 'Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision'.

We would however like to raise our concerns about the reduced length of time given to Local Authorities to provide a response given that consultation responses received will help inform the Mayor's blueprint for future action.

The following pages contain the Borough's specific responses to the consultation questions.

Yours faithfully,

Cllr. Pete Robbins  
Cabinet Member for Housing and Regeneration

## **CONSULTATION QUESTIONS AND COMMENTS**

**If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach?**

Yes if RSLs aren't meeting demand, LAs should step in, though their ability to do so is constrained. Many RSLs have significant cash reserves which are not available to local authorities, especially in current conditions and this places local authorities under considerable disadvantage.

The options and constraints for an increased LA role are discussed in more detail below.

**What are the arguments for and against the retention of the borrowing cap on local housing authority debt?**

The focus for Lambeth has been very much around improving the standard of homes rather than providing new ones, and we will expect to use our borrowing capacity following self financing to the cap.

The cap has an impact on the flexibility of borrowing on the HRA. The borrowing will ultimately be limited by the ability to repay debt and interest and the PWLB rates prevalent at the point of borrowing.

Increasing or removing the cap would provide greater flexibility in terms of what we can borrow, but this would ultimately be limited by our ability to finance and repay the debt – repayments and interest charges could be substantial.

**How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?**

As referred to above, Lambeth's focus has been on improving the condition of our existing stock. The Lambeth Housing Standard will be delivered over 5 years with a £500m programme. This is funded by £100m of government decent homes funding as well as a further £400m from combining borrowing and other capital finance from the Council. We will be able to invest into a housing standard that goes well and beyond the Decent Homes Standard and a standard that was coproduced by our residents.

**How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?**

Lambeth has been increasing housing supply through a housing PFI and a number of stock transfer based estate regeneration schemes. The potential for future stock transfers, which have been extremely successful both in terms of bringing existing homes up to standard and new supply is now unviable due to the issue of overhanging debt.

One new scheme we are exploring is the possibility of using developer S106 contributions to construct offsite affordable housing, within the boundaries of an existing Lambeth Council estate, as local authority provision rather than RSL. However, it is not clear that this will provide additional affordable accommodation to that which would be constructed otherwise. We are currently investigating models that would help us to deliver cooperative housing, but these are currently at a very early stage in the sense of understanding and will require the appropriate legal vehicle to deliver this.

**What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?**

Lambeth is a cooperative council – we believe that when residents have more power, together with appropriate support, services will improve and communities will become stronger. As such, Lambeth is very much in support of the development of new housing coops / mutuals. Lambeth contains 11 TMOs – this model often produces very good results, and is an excellent way of empowering residents to take control of their communities. However, there remains a strong emphasis on providing support for these organisations, and ensuring that there are good financial and governance arrangements in place.

In respect of ALMOs one of the main advantages is having a dedicated housing management function focused solely on those services, and the ability to hold the ALMO's performance to account via independent monitoring to ensure it meets the needs of residents. The disadvantage is the lack of direct control/ sanctions for poor performance, whilst residents continue to see the council as still being responsible, as well as potentially higher costs.

We have found using a PFI to be very complex and time-consuming to develop and a model that may be difficult to fully understand and explain to residents. It is clearly also costly. The partnership approach has been welcomed, and will potentially deliver far more than we were able to achieve previously. However, we are still very early in our delivery phase and as such are not in a position yet to fully appraise the positives and negatives of such a model in the longer term.

**Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?**

Yes. While the affordable rent model may help in theory to maintain the overall level of affordable housing supply through mitigating the loss of grant, this would require rents for all properties in Lambeth to be set at 80% of market rents – which will pose significant affordability issues. The introduction of the benefits cap will cause serious difficulties for larger non-working households; family sized units in Lambeth need to be set at a lower level.

The proposed alterations to the London Plan give boroughs very little flexibility in how they deal with this new product. Boroughs will only be able to seek to manage rent levels through negotiations on individual schemes and through housing strategy documents.

The collection of commuted sums in lieu of affordable housing on some sites could be used to set up a programme of grant funding to assist in the delivery of social rented housing in the borough. An element of market housing could be introduced to subsidise social rented housing where viability is constrained.

The mayor needs to explore new funding streams and flexibilities to support the much-needed new provision of truly affordable rented family-sized housing in the capital, by supporting new avenues for investment and giving greater incentives to LAs to use any capital they have to support affordable housing provision.

**What use is being made of the New Homes Bonus?**

Lambeth has put funding from the New Homes Bonus into good use - not only have monies been used to support work in regenerating our estates through the use of existing land opportunities but the NHB has been used to assist the affordable housing programme being delivered by Registered Providers (RP). and bringing back private sector empty homes to residential use.

**What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?**

There are a number of approaches that could be considered which could optimise the use of council housing. The Mayor could consider providing incentives that will encourage quicker void turnaround so that local authorities and their managing agents are able to maximise the properties that are let. Consideration should also be given to providing funding which is outside self financed HRA which currently focuses on maintaining the existing housing stock.

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**LONDON FEDERATION OF  
HOUSING CO-OPERATIVES**  
8 Waldegrave Road, Teddington, TW11 8GT

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**Len Duvall AM**

Chair of the London Assembly Housing and Regeneration Committee  
City Hall  
The Queen's Walk  
SE1 2AA

1<sup>st</sup> March 2013

Dear Mr Duvall,

Thank you for the opportunity to contribute to this discussion and suggest new ways in which under-used housing can be returned to good use and in which housing can be provided to residents at a price which allows them to live fulfilled and successful lives. We believe that such housing must remain a community asset, rather than providing opportunities for private profit as that model has failed to maintain a housing supply that meets London's needs.

London Federation of Housing Co-ops is a membership funded organisation supporting approximately four hundred co-operatively owned or managed housing organisations in the capital. These organisations vary in size from less than a dozen units to thousands of properties. Properties may be freehold, leasehold, managed on behalf of a landlord, on a short-life basis or a combination of these. LFHC provides an umbrella for these groups to meet and develop common approaches to the needs of their members and tenants.

The consultation seeks ideas on non-traditional methods to invest in housing in London. Housing co-operatives have been a small part of housing supply in the UK. In comparison in other European countries housing cooperatives provide a substantial portion of the housing stock. What is missing is the missing piece of a jigsaw puzzle and housing co-ops are in a chicken and egg situation. For very small developments friends may raise finance privately, but in order to develop new build properties or take on a larger development it is necessary for organisations to pool resources as funding is not available from banks at this time, no matter the track record of individual co-ops. Without a project it is hard for a joint venture to be established without falling foul either of finance regulations or of failing due diligence considerations, but without a model of financing to be used co-ops are not in a position to take advantage of opportunities which present themselves. A number of housing co-operatives therefore have funds which could be invested in housing, but have no mechanism for doing so.

As part of the public disposal of land we understand that the GLA is in favour of some property being provided to housing co-operatives, self builders and community land trusts for the twin purposes of locking assets into the community and giving those residents control over their environment. This initiative is intended to last a number of years and we suggest that initially small parcels are made available to allow finance models to become firmly established and capacity built within the co-operative movement, so larger developments can follow in future years. These might then also have access to initiatives being developed across the country, such as the 'Warehousing' Concept proposed by the Confederation of Co-operative Housing in which a cooperative intermediary raises funds in the market which are then made available in lower denomination loans for development.



Policy should favour community-led shortlife groups which retain the control of assets in the community rather than pay to accommodate 'Guardians', which is a cost to the public purse. At present many housing estates are emptied pending regeneration projects, blighting the area with boarded up properties which become vandalised, when they could be providing housing, relieving pressure on council stock and keeping communities alive by housing local people through short-life housing co-operatives. While not providing permanent housing, this option ensures that properties remain maintained and in use while projects are developed. Because there is not a charge for the service, unlike with private sector 'Guardians' where authorities can only afford to 'protect' specific buildings, large numbers of properties can be secured at either no cost to the authority or with some net income.

We do believe that London Councils still have an important role in providing social housing and would like to see restrictions on their ability to build housing, including borrowing limits, relaxed. We also believe, however, that Housing Co-ops could achieve a greater role in increasing the supply of housing of a range of tenures and empowering local communities without a negative impact on the public purse.

The key questions of how councils are spending their resources and how this has been affected by changes to the HRA are outside our expertise, but regarding the advantages of various models of ownership and management, both housing co-operatives and council ownership provide very local levels of land ownership which will lock assets into the community. With the current practice of some London councils selling street properties, the co-op model has proven more effective at ensuring assets are locked. Additionally, where properties are provided as social housing, the right to buy has been specifically barred, so properties built using the sweat and resources of one generation are not available to be exploited on the open market at rents which are not affordable or as investment opportunities.

TMOs have the advantage of a steady income stream and established local contractors and so could bring disused properties back into use on a planned basis. This could be a very effective method where the local authority is not reluctant to engage with the tenants' group. Unfortunately despite the evidence showing that TMOs regularly outperform their local authority in most or all KPIs and are more likely to complete works within budget, many authority local officers deal with TMOs with some scepticism.

We believe fervently that it is vital that there are properties than Londoners can afford to live in for the future well-being of our capital.

LFHC therefore request that the Assembly consider the following:

- 1) That the Assembly should use its office to provide a small number of sites of modest size for which suitable models can be developed to allow London Housing Co-ops to pool resources to invest in social housing.
- 2) That GLA officers work with LFHC to produce case studies showing how resident groups have developed otherwise under-used properties.
- 3) Agree as a matter of policy that entrusting empty properties to community led shortlife groups is preferable to paying 'Guardian' groups to do the same.
- 4) Agree that council Empty Homes Officers should work with Short-Life groups to bring vacant properties back into use.

Yours sincerely,



Greg Robbins  
Secretary

# MILLBANK ESTATE

## Westminster



A Big Society TMO since 1997

Mr Len Duvall  
Chair of the London Assembly Housing  
and Regeneration Committee  
City Hall  
The Queen's Walk  
London SE1 2AA

Millbank, 3 March 2013

Dear Mr Duvall,

Thank you for the opportunity, however short notice, to contribute to changes in London's housing policy and suggest new ways in which under-used housing and land can be returned to good use. We believe that such housing must remain a community asset, rather than providing opportunities for private profit as that commercial model on its own has now consistently failed to maintain a housing supply that meets London's needs.

Millbank Estate is Westminster's leading TMO, a national Guide TMO and a board member of the NFTMO, which represents TMO's on a national level. London has clusters of over 50 TMO's in various Boroughs. They vary in size from a couple of dozens of housing units to thousands of properties. Traditionally, TMO's do not own the properties they manage but that is increasingly changing with WATMOS leading the field in stock-transfer, Friday Hill TMO now following and Leathermarket TMO spearheading the alternative Southwark model.

The consultation seeks ideas on non-traditional methods to secure housing in London. There are some very successful traditional models available on the Continent amongst them Housing co-operatives that so far have played only a small part in housing supply in the UK. In European countries housing cooperatives provide a substantial portion of the housing stock. It is particularly interesting that continental pension funds are heavily invested in safe housing property investments that are providing a steady revenue stream from rent-income generating reliable cash-flow pension funds need to cover on-going pension payments. TMO's are known as delivering better management services than Council's and ALMOS and also for their prudent financial management. Some more TMOs are now looking towards stock-transfer or develop land or other spaces in to homes. However, the required funding of this individual projects is often too small for investment companies or banks to justify their involvement. There has been a suggestion that a Mezzanine Fund or a Government Fund/Security could be established to pool funding and provide due diligence on individual housing projects. TMO's and Coops in London are currently looking to work together in order to overcome this problem and provide a needed mechanism along the line of the national "Funding Warehouse" concept developed by a working group under the MHG and supported by the HCA.

The involvement of proven TMO estate and community management knowhow might also enable Councils to bring currently void properties back for housing needs, perhaps on a "short-life" understanding rather than keeping it empty as Councils and ALMOs are caught in a trap between unaffordability to rebuild and inability to manage/maintain. Effective involvement of tenants to engage and manage can bridge that gap, stop vandalism and build engaged communities. Whilst possibly not providing permanent housing, this option may ensure that properties remain maintained and in use whilst new projects are developed.

We do believe that London Councils have an important role in providing social housing and would like to see restrictions on their ability to build housing, including borrowing limits, relaxed.

# MILLBANK ESTATE

## Westminster



A Big Society TMO since 1997

We also believe, however, that TMOs and Housing Co-ops should be more involved in London's planning and policy processes and that we could achieve a greater role in increasing the supply of housing, empowering local communities and citizenship engagement and at the same time providing a long-term relief on the public purse. Local community locked in to assets is a strong incentive to engage: they will have a reason to look after it and take a more long-term approach that strengthens local areas. TMOs have proven it all over the country, and Millbank estate is a London based example. After residents were given the right to manage all estate services since 1997, including handling large major works projects it is now one of London's most thought after Council owned estate. It is fact that TMOs regularly outperform their local authority in most or all KPIs, are more likely to complete works within budget and provide community sense and care that comes from real engagement only. We believe that London needs that "care and engagement" approach from real communities for a future that people love to be associated with and are increasingly missing in other cities that promote the same repetitive urban formula. London is one of the few Metropolises with great human values and needs to further that human USP. Looking after its people and furthering healthy communities by enabling functioning neighbourhoods and affordable housing is the key.

London TMO's therefore are united with London Housing Coops and propose that the Assembly consider the following:

- 1) That the Assembly should use its office to provide a small number of modest sized suitable sites for which models can be developed to allow a pool of TMO and Housing Coop resources to invest in social housing, engage in community building and assist in developing a related funding platform for small housing projects.
- 2) Work with TMOs and Housing Coops to produce case studies showing how resident and local community groups have developed otherwise under-used properties.
- 3) Agree a policy that enables entrusting empty properties to TMO trained short-life communities.
- 4) Agree that council Empty Homes Officers should work with local community groups to bring vacant properties back into use by training tenants how to manage those properties.

Yours sincerely,

Wilfried Rimensberger  
Chairman MEMO  
Millbank TMO Forum  
Erasmus Street  
Reynolds House Court Yard  
London SW1P 4HP

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**Victoria Community Association**  
c/o 29 Handley Road, London E9 7EQ

**Submission to London Assembly's proposed review of London's council housing and the role of local authorities in social rented provision**

We represent residents of the roughly 400 homes on New Kingshold Estate, Hackney. We are tenants of four landlords: Hackney Homes, London & Quadrant Housing Association, Shian Housing Association and Southern Housing Group.

We are very concerned at the severe and increasing shortage of social rented housing in Hackney and in London as a whole. As the London Assembly's document states, council housing in London represents 13% of London homes compared with 24% in 1991. Only 350 council homes were completed in London in 2011.

While the trend in Britain is for house prices to fall, in London, including in Hackney, they continue to rise. For most people in Hackney, the only type of housing they can afford to live in is social rented housing. Other so-called 'affordable' types, such as part rent / part buy and 'affordable' rent, are actually unaffordable for most people.

Yet if current housing policies continue, the amount of council and other social rented housing will actually fall still further.

There are 19,000 on Hackney Council's housing waiting list.

Hackney Council's document of November 2011 'Developing Hackney's response to the Government's social housing reforms', stated that they had asked providers (mainly housing associations) to convert no more than 22% of all social rented re-lets to 'affordable' rent. These recommendations mean a loss of social rented housing.

Hackney Council asked providers that 25% of newly-built homes should be for social renting with the remaining 75% for 'affordable' rent. This is a poor enough proportion. However, on Chobham Manor, on the Olympic Park, which is partly in Hackney, 72% of the 850 homes are to be for sale. Of the remaining 28%, 40% will be shared ownership, 30% 'affordable' rent (probably 60 – 65% of market rent), and only 30% social rent.

London & Quadrant Housing Association is building Chobham Manor with Taylor Wimpey. Housing associations and councils are building unaffordable homes because of the loss of government grant to build new homes. The grant to housing associations used to be 75%. Now it is 10% and soon it will be nothing.

There is a small piece of land on our estate where the council plans to put 30 homes, mostly flats. Tenure has not been fixed, we are told. We are sure, however, that the great majority of these homes will not be at social rents, and that many will simply be for sale. We have suggested to the council that, if the land is to be for housing and not for some community benefit, they should build a small number of family houses like the others in the street and rent them out at council

rents. Tenants do not want them to add further density to an already densely populated area, where we are scrabbling around for funding to continue twice weekly sports activities for young people, where there is already a severe shortage of parking, and where doctors' surgeries and other facilities are already stretched.

It is clear that the housing needs of London's people can only be met with public funding. All the alternative methods mentioned in the London Assembly document have failed to deliver.

The Mayor should be asked to release Greater London Authority land for the direct building of council homes. The London Assembly needs to put strong pressure on the government to change its policy on housing and restore government grants to councils to build council homes.

The London Assembly should also press forcefully for an extension of Decent Homes funding from the Mayor and the government, to refurbish existing council homes and bring them up to a good standard, and to prevent further loss of council housing through demolition.

Victoria Community Association

## Review of London's Council Housing and the Role of Local Authorities in Social Rented Provision

The Royal Borough of Kensington and Chelsea welcomes the opportunity to contribute to the London Assembly Housing and Regeneration Committee's review of London's council housing.

- If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?

The Royal Borough is interested in investigating the opportunities that exist for new social housing and we do have a small new build programme. Fully plugging the gap between the demand and supply of social housing locally is not realistic as new build opportunities here are limited. Historically, the Royal Borough has been an enabler to social landlords developing in the borough.

- What are the arguments for and against the retention of the borrowing cap on local housing authority debt?

HRA reforms have the potential to generate funding to increase housing supply by local authorities however we recognise the need for economic control. The debt cap restricts us and many other local authorities borrowing for new housing and just as importantly repair and maintenance of our existing stock. However we feel that there are enough freedoms and flexibilities within the current system to enable us to meet our objectives.

- How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?

We welcome the increased opportunities that Self Financing offers us in our ability to increase investment in our stock unlike the previous system where the link between rents and investments was hard to make. We will be able to invest greater sums than before (excluding decent homes funding) in our existing stock and fund new homes; we have undertaken a study to look at various models of asset management and delivery, however it is too early to say at this stage whether the HRA reforms have impacted on the standard and quantum of homes, but undoubtedly it will over the next 5 years.

- How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?

Local authority land ownership and availability is a key in delivering affordable social housing for rent or for sale. We have a hidden homes programme seeking to develop housing on under used council land / buildings. We are looking at long term delivery and financing models for the development of properties in and out of the borough. Our preference is to invest and make

best use of our in-borough stock but it is too early to say on the sustainability of financing models as these are in the early stages of development.

- What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?

Our stock is managed by the Kensington and Chelsea Tenant Management Organisation (KCTMO) (an ALMO) since 1996. This has been a very successful relationship, giving tenants a real voice in the management of their homes. We have looked at alternative models to manage our stock, but have come to the conclusion that this approach provides the best way forward in terms of tenant involvement and opportunities to lever in investment and trial new ways of working. We have recently worked with KCTMO to develop a Tenancy Policy which is reflective of the borough's unique circumstances and management arrangements we have in place.

- Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?

We welcome the Mayor's focus on affordable rent, however Affordable Rent products at 80 per cent of our local market rent would not be affordable to many people interested in that type of product in RBKC due to our central London location and very high private rental prices. As such, we have already taken a view on this through our interim Affordable Rent Policy which is used when securing new affordable housing in the borough through Section 106 agreements to ensure that affordable housing, including Affordable rent continues to be provided at genuinely affordable rents.

By its very nature, the Affordable Rent programme will reduce the number of social rented properties available as more housing association properties are converted to AR. A review of the impact that Affordable Rent has had in London on creating new supply might be useful.

- What use is being made of the New Homes Bonus?

The use of the New Homes Bonus is decided by Cabinet as part of the annual budget setting exercise.

- What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?

A register & strategic overview of land held in public / private ownership (including TFL) in London and a steer about the Mayor's priorities for this land would help to prioritise which land in what location is suitable for residential development.

Ellie.KuperThomas@towerhamlets.gov.uk

Len Duvall  
Chair, London Assembly  
Housing and Regeneration Committee  
City Hall  
The Queen's walk  
London  
SE1 2AA

Cllr Rabina Khan  
Lead Member for Housing  
c/o Cabinet Office  
Town Hall  
Mulberry Place  
5 Clove Crescent  
London E14 2BG

councilhousingproject@london.gov.uk

8<sup>th</sup> March 2013

Dear Mr Duvall

The London Borough of Tower Hamlets welcomes the opportunity to respond to the London Assembly's consultation on:

**Review of London Council's Housing and the Role of Local Authorities in Social Rented Provision.**

Tower Hamlets is one of the UK's most culturally vibrant and diverse areas. The Borough is densely populated, with over 250,000 people living in eight square miles at the heart of London's east end. The Borough has over 38,000 households living in socially rented accommodation and the Local Authority is the largest provider of social housing in the borough.

The 2011 census showed that Tower Hamlets has the fastest growing population of any Local Authority which has increased by 29% since 2001. The tenure profile of households in Tower Hamlets has also changed significantly in line with the London wide trend. The Borough has seen a decline in the proportion of owner occupied households as well as those in the social rented sector. At the same time, there has been a dramatic rise in the percentage of privately rented households – which has more than doubled since 2001 making Tower Hamlets the 5th highest provider of this tenure in London.

Following this trend is the escalation of housing need in Tower Hamlets, particularly for affordable housing. House prices remain out of reach of the majority of residents in the Borough. In order to meet demand and tackle overcrowding, the development of affordable social housing remains a key concern for local people and a high priority for the Council. We have made significant progress in this area, with our directly elected Mayor on track to deliver his pledge to provide 4,000 affordable homes over the course of his first term. We will continue to work proactively to enable further development, whilst



ensuring that this new development includes high levels of affordable provision at rents which are truly affordable to residents on our waiting list. . Despite this progress, we still have over 23,000 households on our waiting list.

The Council has worked effectively with its partners to tackle these issues through the development of new housing, building the highest number of new affordable homes in the country and refining service delivery to meet those in need. Key to the delivery of these new homes has been the ability of local Registered Providers, to access funding against the existing stock transfer properties, transferred from the Council.

Recent achievements include over 3,500 households prevented from being homeless through successful case work intervention between 2008/9 – 2011/12. A marked reduction in families needing to present as homeless, a continued reduction in the use of temporary accommodation and refocus of our Lettings Policy's to reduce overcrowding. Between 2010 and 2012 we have rehoused over 2,500 overcrowded residents. In addition we have started a ground breaking initiative called Project 120, which works with disabled residents and developers to create bespoke homes for residents with severe mobility needs. In addition just this week we appointed a partner to bring the historic Poplar Baths back into use, along with housing for affordable rent. However, much work remains to be done and we will continue to seek opportunities to meet ever increasing need through the provision of good quality social housing at rents affordable to local people.

In respect of the consultation, I strongly advocate, on behalf of all London Boroughs, the need to provide social rented housing in London. However in order to drive this forward, a more generous funding regime, in terms of grants and subsidy would be required from the Mayor's office. This will enable local authorities like Tower Hamlets that have a strong track record of delivery, to continue to provide social rented housing into the foreseeable future. Set out below are our comments in specific areas covered by the consultation in line with the format of the document.

Yours Sincerely,

Councillor Rabina Khan  
**Lead Member for Housing**

## **LBTH SUBMISSION**

- If Registered Social Landlords do not or cannot plug the current gap between London's demand and supply for social housing, can and should local authorities step into the breach? What is the social purpose of local authorities with respect to council housing?

During the 2008-11 National Affordable Housing Programme LBTH through its RSL partners delivered between 1000-2000 units of affordable housing at social rent per year. During the 2011-15 programme LBTH have forecast to deliver, through its partners, between 600-700 units of social housing at affordable rent per year. This marked reduction in the supply of affordable social housing, with an ever increasing demand, has meant that LBTH are looking at ways to maximise social housing supply going forward.

Historically, local authorities have had a pivotal role to play in the supply of social housing. Since the decline of council house building in the 1980's, and the subsequent rise in development by RSLs, the authority has taken a partnering and enabling role in this sector over the past thirty years. However the funding regime has changed and RPs Business Plans have taken a more commercial focus in order to survive. This has meant the Local Authority's role as a social housing developer as opposed to enabler has become more significant.

Given there has always been a historic relationship in the delivery and management of social housing by Tower Hamlets, we are now better placed to step back into the sector. Tower Hamlets has the ambition and drive as a responsible authority to deliver housing at social rent. The need to keep residents local, build and develop settled communities and ensure everyone has a decent home that meets their housing need is of key concern to the authority. To this end, the authority, as a provider of social housing, looks towards increasing the supply of affordable housing directly. The authority has the land capacity and ability. However key to achieving this is the availability of funding and the approach of the GLA in facilitating this aim.

In 1981, 87% of the authority's stock comprised of social housing, this has declined to 39% in 2011. Given the significant tenure shift in the borough, deprivation and poverty, Welfare Reform, and potential re-housing families out of London, the borough is keen to develop local affordable housing. The importance of retaining communities with local family, social and business ties becomes even more apparent and the council has an important role to play to ensure this happens.

- What are the arguments for and against the retention of the borrowing cap on local housing authority debt?

The Borrowing Cap for each Housing Authority was based on the government's assessment of how much housing debt each Authority could afford to support. The government issued each Authority with an HRA Self-Financing Determination containing cash flow forecasts for each Authority, with assumptions about each Authority's HRA income and expenditure over 30 years. The cash flows were discounted back to present day prices in order to give a valuation to each Authority's HRA 'Business'; this valuation was then used as the Authority's debt cap, which acts as an upper limit on the amount of housing debt that each Authority can hold.

The government's rationale for imposing debt caps on Authorities is so that extra income and flexibilities arising from self-financing are not used to support an increase in public borrowing, as in this country - in contrast to many countries in Europe – local authority housing debt counts against the government's public borrowing figures.

The borrowing cap is unnecessary from a local government point of view because the ring-fence arrangement for the HRA, the requirement for a 30 year plan and the pre-existing legislation on prudential borrowing provided a framework for controlling HRA borrowing without the need for a cap. However, providing a borrowing cap which is adequate to the needs of a sustainable HRA and provides sufficient 'headroom' to enable housing authorities to borrow when needed, does not in principle cause a problem. The issue is therefore the adequacy of the cap and the lack of flexibility in it – i.e. the same cap applies each year irrespective of where in the 30 year investment cycle the authority is.

LBTH would be supportive of lobbying to lift the borrowing cap as it would increase the flexibility that we have to manage the HRA. However, in assessing our borrowing requirements and capacity, the question of affordability is of paramount importance, as ultimately housing debt needs to be serviced from housing revenue resources.

- How have reforms to the Housing Revenue Account impacted numbers and standards of council homes?

Primarily, the main purpose of the HRA is to manage existing properties rather than necessarily to encourage new investment. Certainly the borrowing cap limits the extent to which authorities can borrow to fund new Council housing. Furthermore, since self-financing came in, changes have been made to the Right to Buy scheme by the Government, with the aim of reinvigorating Council house sales, and these changes mean that Council can rely far less on future rent income in order to demonstrate that the HRA is affordable. Even if the council can afford new housing within their borrowing cap, authorities need to be assured of an income stream to fund the debt and have to be careful not to be building/ renovating new properties simply for private sale at a discount.

The HRA Reforms have increased the council's flexibility and ability to undertake long-term planning, including investigating ways in which we can increase our housing stock. In the early years however, most of our resources are committed to support the delivery of the Decent Homes programme, rather than new housing supply. It is not clear how the acute housing demand will be met under the new housing regime without grant or additional borrowing headroom.

- How are boroughs using their own resources to deliver council housing? How sustainable are these models long-term?

The council has been looking at maximising the development new housing on existing council estates in order to increase the affordable housing supply in the borough. LBTH will look to build around 300-500 units on infill sites on existing estates. In order to fund this, 2/3 of those built are likely to be for private sale which will subsidise the affordable housing on site. This approach has been taken reluctantly, however there is limited financial capacity within existing resources for the council to develop affordable housing without this cross subsidy.

The Ocean Estate is a comprehensive regeneration project delivering 800 new homes, of which 396 are affordable, replacing 340 existing units and refurbishing 1200 others. This has been made possible by gap-funding from the GLA plus the availability of council land, residual NDC grant, and private developer contribution.

The renewal of Blackwall Reach/Robin Hood Gardens Estate is being made possible with the aid of £30m from the HCA/GLA and £14.5m capital from the Council leveraging in £255.5m from the developer. It is on course to be on site in May 2013 and will deliver 1575 new homes, 50% of which will be affordable.

Council depots occupy considerable land space and the review of services delivered from Council depots has resulted in the release of some sites which could accommodate new Council owned homes. The site will be disposed of at a peppercorn rent to a developer who will build the units and lease them back to the Council.

Plans to regenerate Poplar Baths has moved a step closer with the Council recommending the appointment of a partner to restore the Grade II listed building to its former glory offering state of the art sports facilities including a swimming pool. Originally opened in 1852, having cost just over £10,000, the baths continued to be used as a swimming facility until 1988, after which it was closed and turned into an industrial training centre. The £36million development will ensure the attractive historic features of the building are retained and 100 new homes built adjacent to the site and at the former Dame Colet site. This scheme has been brought forward by prudential borrowing on the scheme for thirty years against the rental income. Bringing this former site back into use is of significant local benefit and interest.

As you can see there are a number of complex development schemes detailed above. All require a partnering approach, a level of debt to be serviced and longevity to enable them to deliver. Given the funding regime, unfortunately the Authority has had to adopt a myriad of approaches to maximise the potential future of affordable housing supply in the borough.

- What are the advantages and disadvantages of different models of ownership and management for social homes (local authority, ALMO, TMO, mutuals and cooperatives, PFI or PPP arrangements)? Are rent and tenancy policies changing as a result of the use of these new models?

Tower Hamlets has 53 Registered Providers managing around 25,000 units of social housing in the Borough. Around 20 of the largest RP's manage over 80% of the stock. Since stock transfer the Council manages a reduced number of homes and has had to work with a variety of Providers. Currently 12,500 units are managed directly by the Authority as well as an estimated 9,000 leaseholders across the Borough. In order to promote greater cohesion, the Authority has worked quite closely with the Tower Hamlets Housing Partnership to develop a strategic approach to managing the housing stock. The ultimate aim being to continuously improve services for the benefit of the wider community. This has led to a number of successful joint initiatives and events in the Borough.

Whilst the Authority advocates choice, it can be challenging maintaining consistent standards amongst the array of different models of ownership and management services offered by the various Providers. There are often distinct differences, in

terms of rent levels, tenancy policy and treatment of residents, as Providers respond differently to the new funding challenges. This is often confusing for residents and creates a perception of unfairness, especially for residents who have been through stock transfer. At times, due to limited regulation, the Authority has to rely on developing good relationships with providers and in some cases advocating with residents' forums and the Lead Member for Housing to ensure that residents receive a good level of service. With the introduction of the democratic filter and the lighter touch approach to regulation, new models will have to be carefully considered and there is a danger that the local authority and residents will have difficulties maintaining standards.

The Council and a number of local RP's have agreed to retain lifetime tenancies whilst a larger number have, as expected, moved to fixed term tenancies. The Council is waiting until April 2013 to carry out some further research on the impact of how the different tenancy policies operating in the borough are affecting allocations. More RPs are moving towards fixed term tenancies at affordable rents and the worry is affordability and protection of vulnerable client's needs to be closely monitored. This will be especially true over the next few years, as we see how residents reaching the end of fixed term tenancies, which may not be renewed, are treated, in terms of help to find alternative housing,

The Council has been working quite closely with partners on the St Clements Community Land Trust scheme. This scheme is set to deliver circa 223 properties, of which 35% will be affordable (54 social rented units including family size units) and 21 intermediate units. The freehold of the entire site will be held in trust for the community, preserving the value of the land for the community for the future. This is made possible by the developer funding the development while the land and property assets are being provided by the HCA/GLA who are the owners.

- Does London need a social rent level below that available for the new affordable rent products? If so, how can social rent products be offered when the Mayor's emphasis and capital funding is focused on affordable rent?

The Council is a strong advocate of developing housing at social rent. Between 2001 and 2011 the census has shown a decline in the availability of social rented housing in Tower Hamlets. This is of concern, as many local residents on an average income of £29,500 (excluding Canary Wharf) will have needed to earn 12 times their salary to obtain a mortgage to buy a property in this Borough. This is at an average property cost of £364,000 to buy in August 2012. Therefore, sub-market rental properties are key to local residents. The vast majority of local residents that are on low incomes or benefit dependent cannot afford 80% of market rents which a lot of providers now charge. Consequently, the Authority has carried out some research with a company called POD to establish what rent levels would be affordable to local residents.

The definition of an Affordable Rent product is that it can be up to 80% of the local market rent. In Tower Hamlets, table 2 provides an indication of the average levels of Affordable Rent expected across the borough as a whole by bedroom size.

1-bed 65% of Market Rent  
2-bed 55% of Market Rent  
3-bed 50% of Market Rent

## 4-bed 50% of Market Rent

So far the Borough has been successful to getting RPs to ensure affordable rent levels stay within locally defined market rent levels and they do not exceed the above % thresholds. This is to ensure the properties remain truly affordable to local people.

It was the Borough's approach to use the development of its new planning guidelines – the Managing Development, Management Plan Document to enforce both the percentage of affordable homes, expected in a development, and the level of rent to be charged, based on the POD research. We were extremely disappointed to have this challenged by the Mayor of London during the planning inspectorate hearing, and for this challenge to be upheld. Our research demonstrates that the provision of affordable housing at 80% of market rents does not provide housing that is truly affordable for residents in Tower Hamlets. We will continue to work with developers to encourage lower rent levels alongside high levels of affordable provision, however the loss of this inclusion in our planning documents, will make the delivery of affordable housing far more difficult.

The Mayor needs to consider people in his city from a range of incomes and backgrounds. This will be especially true after the implementation of the Benefit Cap, which will make all housing except Council Housing at target rents inaccessible to anyone subject to the cap. This must include establishing a range of housing market products to cater for needs across the spectrum and an adequate new supply and provision of socially rented housing should be included in this range.

- What use is being made of the New Homes Bonus?

To date LBTH has received an allocation of £10.1m of New Homes Bonus and the 2013/14 allocation for next year has just been confirmed at £16.1m. The council has decided to use the first £11m to boost the Decent Homes grant which is insufficient to cover the backlog; the remainder will be used to support the on-going delivery of general fund services alongside enabling the future delivery of some housing projects.

- What should the Mayor be doing to optimise the use of council housing in meeting his current housing targets for London?

LBTH would recommend the following:

- Develop a pan-London social and affordable rent framework, which is based on the income levels of residents in London who require social housing.
- Redistribute more evenly and fairly the affordable homes resulting from the GLA Strategic Sites in London
- Support the case for lifting the borrowing cap on local Authority debt thereby reducing financing costs.
- Provide subsidy at previous grant levels directly to Local Authorities to build social housing at rents affordable to local residents, and not at 80% market rents.



## **Chartered Institute of Housing (CIH) London Board**

### **Response to London Assembly's proposed review of London's council housing and the role of local authorities in social rented provision.**

#### **Introduction**

The CIH London Board welcomes the London Assembly's proposed review. The provision of sufficient affordable housing is a critical issue for the success of London. This response centres around general comments, and suggestions for the proposed review. It does not attempt to answer on behalf of Boroughs. CIH London Board would be happy to explore these issues further with the Assembly.

#### **General comments in response to the scoping paper:**

- There is no 'silver bullet' to solving the housing shortage and it makes sense for all providers to contribute not just registered social landlords (RSLs).
- As the call for evidence points out, local authorities have built little from 1990 – 2009. However, during that time, the incentives (primarily funding) were targeted at RSLs. Moreover, it was disadvantageous for local authorities to build under the subsidy system as they lost the revenue (subsidy being taken on newly built properties). This was the primary reason for the low levels of building; since the introduction of Housing Revenue Account self funding, local authorities are again beginning to develop.
- CIH signed up to the National Federation of ALMOs' (NFA) *Let's get building* report. This sets out the case for loosening the debt cap which should be made, at the current time, on economic grounds as well as consistency of debt treatment arguments. CIH's budget submission made the case for raising Housing Revenue Account debt caps by £7bn to increase the potential for local authorities to invest in growth through financing housing development. Research has shown that this would allow authorities to build a further 75,000 new homes over 5 years, creating 23,500 jobs and creating £5.6bn of economic activity. This level of borrowing would be well below levels sustainable from projected rental income and below the local authority financial capacity. Local authorities have a long track record of borrowing prudently and sustainably, complying with CIPFA Prudential Code for Capital Finance.
- CIH have completed a piece of work for Association of Retained Council Housing (ARCH) looking at how local authorities have responded to self-financing and this agrees with the NFA report that local authorities could do more without the debt cap. This is due to be published in the next few weeks.

- Clarity on rent policy and specifically the rent settlement post 2015 is a key issue for all those developing (again advocated by CIH in budget submission). Similarly clarity of how a full range of rental options - social, affordable, intermediate - all sit within a London context would be helpful.
- The key to building in London is land and planning. Local authorities have land and hold the key to planning and are therefore key delivery partners in any discussion around new build.
- The paper refers to the draft allocations for Decent Homes funding 2013-15. The case must be made for a further DH round if after this round more remains to be done. We must not develop at the expense of the existing stock.

#### **Potential concerns:**

Parts of the paper imply that the Mayor may be looking to change the ownership and/or management of council housing in London:

*“All of this (referring to changes in the Localism Act giving authorities freedoms to change rent levels, tenancies, and allocations) suggests that the role of council housing in serving those in need of a sub-market rented home may need to change. But the boroughs still have an oversight role, speaking up for their social tenants, irrespective of ownership and management.”*

Boroughs clearly have more than an oversight role in the provision of social and affordable housing. Their range of statutory housing duties makes them responsible for preventing homelessness through advice, and identifying and meeting local housing need; many doing this through the provision of council housing directly (whether managed in-house or at arm's length). This sits alongside planning duties and roles – critical for new housing development.

*“Current Government policy points towards an increasing reliance on RSLs for the provision of social housing, including in London. However, uncertainty over the proportion of their units which will be offered at levels affordable to lower income groups is particularly acute in London with market levels so high.”*

The issue of high market rents is a critical one and provides a sound argument against the affordable rent product being the only affordable housing rented option in London across the different income levels, and therefore bolsters the case to retain/expand social rented homes.

CIH London would have concerns if public funding was to be directed only at the development of one rental product or for limited groups in housing need, given the demand in the capital.

#### **Suggested questions to answer in the investigation:**

CIH London therefore suggests that the investigation answers the following questions in order to paint a true picture of the level of need for social rent across London:

1. What are the accurate housing need figures for London (approximately 400,000+)



2. Number of boroughs retaining secure tenancies and social rents?
3. Average rate for social rent pan-London as compared to affordable rent?
4. Average earnings and economic inactivity rate used to project how many households cannot afford London's affordable rent level?
5. Number of council homes planned through HRA business plans / asset management strategies / housing strategies?
6. Percentage of Section 106 homes that are built as council homes?
7. How many of the projected 60,000 new homes possible if HRA borrowing cap removed would be council homes? (Figure from London Councils' letter to Parliament this week)

**Contact:**

Carla Keegans, Policy Lead or Lynda Hance, Chair  
CIH London Board