

Policy Discussion Paper (January 2019)

Demands for London Boroughs

Introduction

This paper sets out proposals for council policies to maximize genuinely 'affordable' housing in the current regulatory environment in London, principally through planning policies, in addition to their own building programmes.

Local planning policies; London-wide loopholes and prompts

Some policies can only be Local Plans; some in Supplementary Planning Guidance. As Local Plans are only revised every few years, use SPGs if possible.

- **'Affordable targets'**: raise above 30/35% (Needs Local Plan Viability Evidence). Camden has 50%.
- **Tenure split**: require 70% 'low rent'/30% intermediate, based on need. (Government required 65% of 'affordable' homes delivered by London's initial £3.15bn grant must be intermediate. As a result London-wide guidance on boroughs' affordable tenure split is: 30% 'low' rent; 30% intermediate; 40% up to councils. Westminster plans to reverse its tenure split to 60%IM/40% rent. But large numbers of new 'low rent' supply can be provided by the 'nil-grant' element of S106 schemes where developers' fail to meet the 35% affordable threshold to qualify for fast-track planning. The minority of developer-led schemes that do meet 35% without public subsidy can get grant for all affordable units if adding grant enables 40% affordable)
- **'Low cost' rent**: require costs at social rent formula – the closest to genuinely affordable. (Most is now at London Affordable Rent (LAR) benchmarks or higher but London-wide guidance allows boroughs to set rents 'at or below LAR.')
- **Intermediate**: require most at London Living Rent, with a limited proportion for shared ownership – if costs meet local eligibility criteria. (Shared ownership is dominating because it's more profitable for associations and less affordable than LLR. Housing associations are also ignoring income eligibility caps (£90k/household) for nil-grant shared ownership supply; some flats have full market values of £800k+. London guidance allows HAs flexibility to decide IM tenures up to the point of sale or letting but it also allows borough policies to ask for specific proportions with local eligibility criteria that can apply for 3 months before defaulting to London/national household incomes caps. (£90k for SO. £60k for LLR). Bad example: Redbridge requires some IM as Starter Homes)

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- **‘Small sites’:** require financial contributions from sites of 10 units or less. Only 9 councils do or plan to due to misinterpreted Ministerial Guidance (Camden, Enfield, Haringey, Islington, Kingston, Lambeth, Merton. Tower Hamlets & Southwark are attempting to introduce this). Is your council? Copy Islington.
- **Estate redevelopments:** require additional social rent housing, not just ‘no net loss’, at social rents, not LAR. The tenure of *net additional* affordable housing should follow Local Plan tenure split, ie, 70% low rent/30% intermediate. (Lambeth has adopted this but may not implement it). Currently most schemes ignore demolished social rent stock. Eg, 200 demolished social rent units are replaced by 200 at social rent (or (LAR), plus 100 shared ownership and 300 market sale. Planning applications claim the affordable tenure split is 67% social rent, with 33% intermediate, when in terms of net additional stock it’s actually 0% social rent/100% IM.
- **Permitted Development Rights:** national policy means office-to-residential conversions make no affordable housing contribution. But councils can use Article 4 Directives to exempt specific areas. Cover as many areas as possible.
- **Vacant Building Credit:** means buildings brought back into use don’t provide affordable housing on all floor space, only net additional. London policy argues that VBC isn’t necessary. Boroughs should disallow VBC in all but exceptional, evidenced circumstances.
- **Publish Financial Viability Assessments (FVAs) un-redacted:** some councils still have no disclosure policy.
- **Refuse non-compliant schemes and fight planning appeals.** Most boroughs don’t and developers know it – reducing standard ‘offers.’ This is a key reason why affordable proportions vary from 47% in Waltham Forest to 0% in Bromley.
- **Introduce density/height SPGs/Design Codes:** because the draft London Plan abandons density guidelines. Otherwise developers will over-pay for sites, then reduce affordable ‘offers’ when asked to cut total unit numbers.
- **Discouraging sell-offs of social rent voids:** conversions to ‘affordable’ rents have been stopped but de-regulated associations are free to keep selling off social rent units – likely in high value areas, despite acute housing needs. Borough policies can’t ban this but they should discourage it by citing the London Housing Strategy’s Policy 4.3: Protecting Affordable Housing, B. *‘The Mayor will respect councils’ and housing associations’ independence in deciding how best to manage and allocate their*

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affordable homes, other than where there is a compelling justification for pan-London consistency. This will include: expecting councils and housing associations to consider the impact that their asset management policies will have on the ability of Londoners of different incomes to continue to live locally.'

When HA's insist on selling-off social rent voids, councils could argue to buy them back - at below market values – to help meet need and reduce out-of-borough temporary accommodation. Councils could also encourage HAs to spend the proceeds and recycled (historic) capital grant in the same areas. (This needs knowledge of regulations governing Disposals Proceeds Funds and Recycled Capital Grant Funds). If local policies can't even encourage such collaborations, boroughs should try to include them in local Covenants. (See below). At the very least, councillors should ask London's Mayor, London Councils, or academics to publish a borough-by-borough Equalities Impact Assessment of: social rent disposals, and HAs use of Disposals Proceeds Funds and Recycled Capital Grant.

- **Gypsy and Traveller sites:** are being badly under-provided with the exception of Hounslow.

Local Covenants with 'preferred partner' housing associations

There are limits to what formal local policies can do without failing to conform to national or London-wide guidance or 'interfering' with HA's autonomy, but boroughs could potentially positively influence some associations through local covenants that grant 'preferred partner' status to a limited number who get council backing for GLA grant bids and official support for buying S106 homes from developers. Another possible carrot could be preferential access to council land, though boroughs should be retaining ownership of land for council house building. Voluntary standards that Covenants could ask willing HAs to agree include:

- **Intermediate security:** discourage the eviction of LLR tenants who can't afford to buy a flat after initial tenancy periods, and shared owners with rent arrears. (Shared owners can lose all their equity if re-possessed. HAs should avoid this by converting rent arrears to lower equity shares, then agreeing to buy shared owners out with notice, or converting to affordable rent tenancies – to avoid homelessness).
- **Voluntary publishing of FVAs:** even for schemes that meet the London's 35% affordable threshold. (To counteract the threat of HAs only delivering 35% 'affordable' in inner London. Under the draft London Plan, HAs and developers only have to

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deliver 35% affordable without public subsidy – grant, loans, or discounted council land – to get fast-track planning without publishing Financial Viability Assessments (FVAs) or being subject to late stage review mechanisms. On public land or ex-industrial sites, the ‘affordable’ benchmark is 50%. Most HAs committed to deliver 50% or 60% ‘affordable’ across their whole programmes but some could cash in on high value inner London schemes by only delivering 35%, (and/or most as shared ownership) - to increase surpluses and their chances of winning bids for sites.

Council policies can’t require FVAs to be published for schemes that reach 35% affordable because it would contradict London policy, but local Covenants could try to encourage voluntary disclosure as a condition of being granted Preferred Partner status. Although FVAs couldn’t be used to negotiate higher affordable proportions, public scrutiny could help.

Boroughs’ Housing Revenue Accounts and Local Housing Companies

HRA borrowing caps were scrapped in late 2018. 28 out of 32 boroughs still own housing. (Except Bexley, Bromley, Merton, & Richmond). Previously, in June London councils were allowed £0.5bn more borrowing, allocated by London’s Mayor. Unlike before this can be mixed with GLA grant OR Right-to-Buy receipts, (not both), and financial contributions from S106 agreements from other sites. And there was no requirement to sell off vacant stock. The £0.5bn was mostly for rents ‘at or below London Affordable Rent benchmarks’ so rents at social rent formula are allowed – below LAR’s maximum ‘target’ social rent.

Some of London’s grant (especially the £1.67bn second tranche) was dedicated to councils with grant rates up to £100k/unit, (as opposed to £60k for London Affordable Rent for housing associations, making the provision of social rent levels easier, though boroughs are also allowed to fund ‘intermediate tenures.’ Homes can be built through HRAs and/or Local Housing Companies, so even boroughs without HRAs could bid.

- **HRA programmes:** should maximise the delivery of rents at social rent – formula or existing levels (if this qualifies for grant). Most boroughs bid for LAR – in agreements unlikely to be changed - but borrowing can be mixed with other funding sources so lower rents may be possible.
- **LHCs:** the majority of new homes should be for social rent. 18 boroughs have LHCs; some planned 35% ‘affordable’ housing, (on council land, against London policy), to generate revenues from private rents to make up for cuts to General Fund services.



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Council land

Council land should not be sold off to highest bidders or developed in joint ventures with private developers. Boroughs should use their HRA, LHC, or give to Co-ops that meet policies. If Community Land Trusts deliver social rents, a scheme may be supportable. So far CLT's prioritise intermediate 'low cost ownership,' so don't fully meet housing need.