

Appendix 1

Housing Policy and Affordability Commission

Summary of recommendations

Mayor John Biggs established a Cabinet Commission to investigate the delivery of genuinely affordable housing in Tower Hamlets. The Commission was chaired by Cllr Rachel Blake, Cabinet Member for Strategic Mayor John Biggs established a Cabinet Commission to investigate the delivery of actual affordable housing in December 2015. The Mayor appointed an expert external panel who met three times: December 2015, January 2016 and February 2016.

The Affordability Commission met during an uncertain phase for the future of social housing development. During the course of its deliberations, the impact of the Housing and Planning Bill, the Chancellor of the Exchequer's announcement of an annual 1% rent reduction for social landlords and increased industry costs were all flagged up as potential barriers to the future development of affordable housing.

Background

- Despite the highest affordable housing delivery in the country over the past 5 years, thousands of households in the Borough are still in acute housing need.
- Around 20,000 households are on the Common Housing Register, 10,000 of whom are in priority need. 2000 of these households have been accepted as homeless and are in temporary accommodation of whom 950 are housed outside the borough.
- The 2014 Strategic Market Housing Assessment demonstrated a demand for over 60% of new homes to be built at affordable rents or below.
- The shortage of affordable homes has led to an extremely heated housing market. The private rented sector has doubled in size over the past 10 years but rents are beyond the reach of households on average incomes and are well above Local Housing Allowances as demonstrated by the table below:
- Private market sales start at a minimum of £300,000 for an ex Local Authority Right to Buy Flat and so even the lowest level of home ownership is beyond the mean of average income households.
- One of the key findings of the Commission was that the 'Affordable Rent' model introduced by the Coalition Government and reflected in Borough Framework rents have become increasingly unaffordable to

local residents. Working households on low incomes have become heavily dependent on housing benefit subsidy and those households who are fully benefit dependent will be unable to afford these homes once the Benefit Cap is reduced to £23k later in 2016.

- The only homes that are truly affordable to most residents in the borough are those provided by the Council at social rents and Housing Associations at Target Rents.

Government Policy

- Government policy as set out in the Housing and Planning Bill will not assist in alleviating the local housing crisis as it is primarily aimed at increasing homeownership.
- The proposal to classify Starter Homes as affordable housing and require 20% of all homes of 10 units and above as Starter Homes will severely impact on delivery of truly affordable homes.
- The 20% discount offered on Starter Homes will be subsidised through the Section 106 planning gain requirement and effectively reduce the development subsidy available for either sub market rent or other low cost home ownership homes.
- As Starter Homes can be valued up to £450k in London, they will not be affordable to those in need in the Borough with the 20% discount having little impact.
- The extension of the Right to Buy to Registered Provider tenants, funded by an HRA levy (based on estimated sale receipts of high value Council voids) will further reduce the supply of affordable housing.
- Although a 2 for 1 replacement of homes sold under the RP Right to Buy programme is proposed, there is no guarantee that these homes (if delivered) will be either local or affordable.
- At present there is no affordable grant settlement aimed at rented housing proposed after 2018.

How can the Council respond

- Despite the issues and constraints set out above the Council does have some opportunities to respond to the housing need and affordability crisis.
- There are substantial development opportunities as reflected in the highest London Plan target for new homes (3991 for the next 9 years). Much of this land is in areas identified and being taken forward within

regeneration schemes: Whitechapel, the Isle of Dogs Opportunity Area and the Poplar Riverside Housing Zones.

- The Council will work with its partners towards toward achieving the highest level of truly affordable housing in these sites
- Crucially the Council has its own low density sites and substantial Right to Buy receipts over which it has most control and provides some options for discussion. At present receipts are targeted in 3 areas:
 - Development on HRA land
 - Grants to Registered Providers
 - Ex RTB leaseholder Buy back schemes.

Recommendations

A. Development of new Housing

1. Council owned sites

To deliver 100% rented housing combining social target rents and homes at 'living rent' (set at a proportion of median incomes at or below Local Housing Allowance levels) that is affordable without recourse to benefits for households with median incomes. These would cross-subsidise the social target rented homes.

To investigate letting the higher rent homes through a separate waiting list and potentially developed by a Council owned Housing Company.

Recognise that this model would not be sustainable in the long term as the high levels of Housing Revenue Account (HRA) resources required to offset the negative impact on the HRA will not be available in the current fiscal climate. Explore other models which could include cross subsidy through market sale of homes on sites it owns, borrowing against General Fund reserves, and use of commuted sums.

2. Section 106 Sites

Explore the option to reduce Borough Framework rents to more affordable levels including social target rents taking into account impact on viability and possible reduction in overall affordable housing units.

Plan for emerging Government policy, in particular the proposed requirement to deliver 20% Starter Homes on schemes over 10 units as part of the affordable housing offer.

3. Commuted sums

Given the changes in the housing market and land values, the Council should review its policy regarding commuted sums for affordable housing with reference to:

- Creating mixed and sustainable communities
- Considering the overall output of affordable housing.

B. Other Recommendations to be taken forward

4. Low cost home ownership

Develop clear policy for market sale, for discounted market sale including Starter Homes and shared equity schemes with reference to evidence available regarding take up of subsidised home ownership schemes.

5. Institutional investment and other delivery models in affordable housing

Explore long term financial investment from institutions an intermediate rent product for households with average/median incomes.

6. Making best use of Council owned land/assets

Complete a full capacity study of Council owned land site (within the Housing Revenue Account and the General Fund) to identify opportunities and funding options.

7. Private sector licensing

- Review selective/additional licensing schemes for private rented sector and explore options for extensions to schemes.
- Support sign up to GLA's London Rental Scheme and London Landlord Accreditation Scheme to improve regulation in the Private Rented Sector.

8. Cross borough solutions

Recognising the scale of housing need which crosses borough boundaries explore the options for working with other outer London Boroughs and brokering agreements to provide a long term solution to affordable housing need.

9. Develop a Housing in Multiple Occupation model for younger people

Consider using private sector renewal empty property grants to assist development of higher quality HMO provision for younger people under 35 who can only claim shared room rates if requiring Housing Benefit subsidy.

10. Self Build housing/Co-operative housing

Analyse the register of self builders in line with statutory requirement and in order to inform the Local Plan and respond to self and custom build. Monitor the development of the Community Land Trust model.