

Non-Executive Report of the: Housing and Regeneration Scrutiny Sub Committee 21 January 2020	
Report of: Karen Swift, Divisional Director, Housing and Regeneration	Classification: [Unrestricted]
Housing Supply and Demand	

Originating Officer(s)	Rupert Brandon, Head of Housing Supply
Wards affected	All wards

1 Executive Summary

- 1.1 This report notes the progress that the Council is making towards the Mayoral target of delivering 2,000 new Council homes. It also covers wider housing supply topics and how they help meet housing need in the borough as well as the challenges that are encountered in ensuring an on-going supply of affordable housing through not only the council but its housing partners as well.
- 1.2 In addition to housing supply the report touches on housing demand and some of the measures that can be considered by the Council to help improve use of its own stock and actions it can take to ensure that demand is better identified and managed.

2 Recommendations:

The Housing and Regeneration Scrutiny Sub Committee is recommended to:

- 2.1 To note the contents of the report.

3. Reasons for the Decisions

- 3.1 This report is for noting only.

4. Alternative Options

- 4.1 Not applicable

5. Details of the Report

- 5.1 In 2015, the Mayor pledged to deliver 1,000 new council homes by 2022. In 2017, the pledge was extended to include the identification of a pipeline of an additional 1,000 for future delivery, establishing the overall 2,000 new council homes target. While these were announced as two separate targets officers have been working to meet both through the combination of the developing Council owned sites, either conversion of existing buildings, infill development or regeneration, as the main source of opportunity, but also through a programme of property acquisitions.
- 5.2 By using its own sites the Council has:
- 77 homes due to complete by June
 - 368 planning approved or with planning
 - 27 new planning submissions by February 2020
 - 98 other planning applications in preparation

The pipeline includes the potential regeneration of three blocks in Stepney (Clichy) which could deliver in the region of 450 new homes and the redevelopment of Ashington House which could deliver in the region of 75 new homes.

- 5.3 In addition to the development of Council sites, 157 homes have either already been acquired or will be acquired as off-site s.106 acquisitions. These are newly built homes acquired from Canary Wharf Group
- 5.4 To date, 395 additional council homes have been brought into the stock through the buying back of leaseholder properties, block purchase of former housing association stock and out of borough acquisitions have been added to the Council's stock. This programme, primarily increasing the council's own temporary accommodation provision, is continuing.
- 5.5 Buildings owned or leased by the Council are also being developed for short-term (up to 5 or 7 years years) use as temporary accommodation. Seven homes have been delivered with another 45 in the pipeline. These are developed from existing buildings e.g. disused community buildings and a former older persons' block.
- 5.6 Lifting of the HRA borrowing cap – the government lifted the HRA borrowing cap in November 2018 which can allow the Council to borrow more money for the supply of new housing. While this is yet to be drawn upon this can be utilised should additional funding be needed for the current programme. Since the lifting of the debt cap the Council has adopted a policy of paying a minimum revenue provision (MRP) i.e. a repayment towards debt. This will reduce the amount of available funding but will reduce unsustainable levels of debt in the future.

- 5.7 The Council has set up housing delivery vehicles to aid the provision of additional housing including affordable housing and a private rented model provided by Mulberry Housing Society and Seahorse Homes respectively. These vehicles are yet to acquire properties but are an aid to supply that is actively being considered. They will be well placed to provide intermediate housing for those not able to access social housing.
- 5.8 The Council is supporting a London Councils sponsored project called PLACE which seeks to provide modular housing for TA use on meanwhile sites. Three schemes are in the design development phase and are expected to provide in the region of 60 units.
- 5.9 Four sites for self-build homes have been identified by the Council for release. Another four will be released if these are successfully developed.
- 5.10 The main supply of housing in the borough comes from housing association (RP) partners. Between 2018/19 and 2022/23 they are due to deliver 4,842 homes of which 2,878 will be at London Affordable Rent (LAR) affordable rents. The remainder will be either intermediate rent or shared ownership. RPs provide the Council with 75% of its lettings to people on the Housing Register. Much of this supply comes from larger regeneration schemes (Blackwall Reach, Ocean Estate, Chrisp Street, Aberfeldy) where the Council supports land assembly through undertaking CPOs.

Challenges

- 5.11 Identifying sufficient sites: There is a limit on how many sites for development are available at any one time. The Council reviews its land and asset holding and particularly within the HRA portfolio sites are sought for development. While there are many smaller plots of land it is the larger schemes such as estate regeneration that have the biggest impact on increasing housing numbers. Estate regeneration by its very nature means that schemes have a long lead-in time and may take many years to build out. Depending on the scale of the development, a residents' ballot may be needed in order to comply with the requirements of the Mayor of London. These schemes will also mean that for periods during their development pressure for decanting into other stock is required.
- 5.12 Balancing of financial resources: Funding for Council development comes from a number of sources including the HRA, RTB receipts one for one expenditure, rolled over RTB receipts should the original money not be spent within three years, S.106 financial contributions, GLA grant and, potentially New Homes Bonus. All have different rules about how they can be used and have different time constraints which means officers need to be mindful of how best to maximise the impact of funding and not to lose it. This is made more difficult if there is either a scarcity of sites or lack of officer resource in any of the departments involved in delivery (client team, capital delivery and planning).

- 5.13 As housing development is expensive, and increasingly so, it becomes more difficult to make schemes financially viable. RPs have recently handed grant back to the GLA on shared ownership schemes because they say the grant level is not high enough. The fixed rate of grant given by the GLA also has meant some schemes have become difficult to deliver. Using cross subsidy to fund building can work but can mean more homes building built for sale to ensure that affordable housing can be provided. The downside being that less than required affordable housing is provided.
- 5.14 The Government's response to MHCLG consultation on 'Use of the receipts from the Right to Buy' (August 2018) is still outstanding.
- 5.15 Social Housing Regulation: In August 2018 the Green Paper for Social Housing considered linking access to the Mayor of London's Affordable Homes fund to performance against KPI's.
- 5.16 Making PRS stock affordable: the proposed repeal of Section 21 of Housing Act (1988) and reform of Section 8 may reduce the availability of PRS accommodation and deter landlords from renting to low income households.
- 5.17 Impacts of Brexit: reluctance of developers to 'get on board', cost of materials, the availability of labour, interest rate charges to borrowers and developers.
- 5.18 Fire Safety: Cost to both the social and private housing sectors of remedial works following Grenfell Tower tragedy. The additional duties introduced following the building safety consultation and reluctance by developers and insurance companies to support delivery of buildings in scope. For the Council, the impact of these costs within the HRA may impinge on the ability to fund as many new build/acquisition schemes having a knock effect for housing needs.
- 5.19 Developing homes within the HRA means that the properties will be eligible for RTB. Although the cost, even with discount, of a new build or newly home will be high at some point it can be expected that RTB applications will be forthcoming. The amount of RTB sales has dropped over the past three years as follows: 2017/18 = 138; 2018/19 = 85 and 2019/20 to date = 20. Development through one of the Council's supported companies removes the right to buy.

Managing Council Resources and Processes

- 5.20 As well as looking at the building and acquisition of property there are other ways that the Council can look to increase the availability of homes. Through reviewing how we manage tenancies and the condition of our own stock and how we manage housing demand can generate access to an increase in lettings and therefore a reduction in meeting housing need.
- 5.21 Converting office space into residential: many office blocks have been converted through permissible development although some areas of the

borough have been excluded from this through Article 4 (a Secretary of State approved exemption where conversion is deemed inappropriate). Protecting commercial space is also a priority for the Council in supporting the growth of skilled industries and SMEs

- 5.22 Review of existing Reciprocal and Nomination Agreements with registered providers operating in the Borough: this would seek to ensure that the Council receives its full allocation of available lets from its RP partners. The Council is entitled to receive 100% nominations from larger RP partners. These are usually allocated through the pooled process of the Common Housing Register Allocations Scheme. Some smaller RPs have older nominations agreements. A review of all allocations will ensure that all agreements are delivering as they should.
- 5.23 Creating an Intermediate Housing Policy/Register for any London Living Rent/ shared ownership or intermediate rents developed within the Borough: this could be aimed at those earning between £20k and £90K, people who might otherwise not having their needs met by social housing and will often be in existing band 3 if they are on the Housing Register.
- 5.24 Introduce Tenant Incentive Scheme: those with the financial means to move on from Council accommodation who purchase their first home are given a cash incentive towards the purchase price of their home. The Council used to run the scheme but take up was low. This is partly because of RTB affordability and the stringent conditions of the scheme. It was not available for moves to privately rented accommodation only for purchases. For the last three years of operation 16/17 to 18/19 an average of 25 incentives a year were made.
- 5.25 Downsizing Incentive Scheme: a cash incentive scheme for Council tenants who are under-occupying their property is in operation. This currently operates as a lump sum payment up to £2000. A review could consider different ways of structuring the scheme as well as the level of payment offered. Some authorities offer significantly more than Tower Hamlets as a comparatively cheap way of increasing supply when compared to other methods. This scheme has seen numbers drop from 95 to 67 from 2016/17 to 2018/19.
- 5.26 Identifying empty properties and working with owners to bring empty properties back into occupation.
- 5.27 An increase in the amount of tenancy fraud checks for illegal sub-letting in council properties and in an increase in tenancy checks of TA occupants to establish both occupation and sub-letting.
- 5.28 Continue to encourage mutual exchange: this enables tenants to swap homes direct without having to go through the CBL system. It means tenants being more active themselves in seeking a new home and they can be more specific in their requirements e.g. to be nearer relatives, work or school or to have a larger or smaller home. The Council has published a Mutual Exchange Charter, viewable on the website. RP partners promote mutual exchange and

the Council has held a Lettings Open Day to encourage mutual exchange. To further promote the scheme will be to hold a 'Swap Day' for Council tenants hosted by THH.

6 Next steps

- 6.1 The delivery of 2,000 homes within the target date is a significant challenge for the Council. In order to continue to deliver the target sufficient funding needs to be made available through both the HRA and GF. Delivery of the target benefits residents of the borough through the provision of either permanent affordable homes or high standard in boroughTA that they might not otherwise have. The Council also receives a financial benefit through a reduced expenditure of externally-provided TA provision.
- 6.2 As well as on-going financial support for the building and acquisition of homes it is important that resources are in place to support the teams delivering the targets.
- 6.3 Officers will continue to explore innovative ways of delivering new housing supply particularly where this results in new Council owned homes.
- 6.4 The Divisional Director will ensure that measures the Council has control over within its housing management and housing needs services are reviewed to ensure that maximum supply is achieved from these.
- 6.5 It is noted with increased activity around estate regeneration schemes the Council needs to support, within planning guidelines, the intensification of development to maximise the amount of new housing that sites can provide. This can at times meet residents' objections but as a means to meeting housing needs in large numbers is an efficiency way to do so.

7. EQUALITIES IMPLICATIONS

- 7.1 Most of work described in this report will have been subject to equalities impact assessments (EIA) at the time of approval or implementation. Much of the work describes work that contributes to increased numbers of affordable homes that are allocated through the current Allocations Scheme (2016) and as such will be covered by that specific EIA. The outcome of suggested reviews or closer focus on operational activities described in other areas will if particular approval is required be subject to a new EIA at the time of seeking recommendation.

8. OTHER STATUTORY IMPLICATIONS

- 8.1 The Council has statutory responsibilities relating to the provision of housing and its legal obligations towards homeless households. Increasing housing supply and management of its operations contribute to meeting these duties.

- 8.2 New build schemes are always consulted upon through informal housing consultations and statutory ones undertaken by Planning.
- 8.3 The development process through design feasibility and planning approval considers a range of improvements in e.g. crime reduction or protection for the environment and officers will investigate other opportunities to meet corporate targets or legal or standards.

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 The Council has made a manifesto commitment to deliver 2,000 additional houses across both the General Fund and Housing Revenue Account. At present the full costs, inclusive of any land appropriations are being worked up and funding options are being considered to deliver these homes as part of the Council's wider capital programme.

10. COMMENTS OF LEGAL SERVICES

- 10.1 This report is to update the committee on progress made towards meeting the Mayoral target of building 2000 new homes. There are no immediate legal implications arising from the report.

Linked Reports, Appendices and Background Documents

Linked Report

None

Appendices

Slide Presentation

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

None

Officer contact details for documents:

N/A