

MINUTES OF THE OVERVIEW AND SCRUTINY COMMITTEE

Monday, 10 February 2014 at 7.00 pm

PRESENT: Councillors Alan Hall (Chair), Olufunke Abidoye, Abdeslam Amrani, Pauline Beck, Paul Bell, John Bowen, Suzannah Clarke, Liam Curran, Patsy Foreman, Carl Handley, Michael Harris, Mark Ingleby, Stella Jeffrey, Marion Nisbet, Jacq Paschoud, John Paschoud and Alan Till

ALSO PRESENT: Jeff Endean, Genevieve Macklin, Kevin Sheehan, Salena Mulhere and Barrie Neal

Apologies for absence were received from Councillor Anne Affiku, Councillor Christine Allison, Councillor Duwayne Brooks, Councillor Julia Fletcher, Councillor Vicky Foxcroft, Councillor Ami Ibitson, Councillor Darren Johnson, Councillor Pauline Morrison and Councillor Susan Wise

1. Minutes of the meeting held on 14 October 2013

Subject to noting the apologies of Cllr Alan Till, the minutes were agreed as a true record.

2. Declarations of Interest

Councillor Hall declared a non-prejudicial interest in item 3 as a board member of Phoenix Housing.

Councillors Bell and Nisbet declared a non-prejudicial interest in item 3 as board members of Lewisham Homes.

3. Draft London Housing Strategy Consultation

3.1 The Chair introduced the item and invited Genevieve Macklin to provide a brief introduction to the Draft Housing Strategy and the Draft Lewisham Response. The key points to note were:

- There is no consultation on the Funding Prospectus, just on the Strategy. Officers have raised a number of questions regarding the prospectus with officers at the GLA.
- The strategy sets out renewed targets for the delivery of homes across London, and a new range of “products” to deliver those homes.
- The two rented models introduced are “capped” rent and “discounted” rent. Capped rent is set at not more than 50% of market rents, discounted is set at up to 80% of market rents.
- The strategy states of the 42,000 new homes per year, 36% will be affordable of all types. Within that, there will be a further split of rented to flexible ownership of 60:40, and within the rented element there is a further 50:50 split between “capped” and “discounted” rent.

The net effect of this is that 11% of the total should be at capped rent and a further 11% at discounted rent.

- Early discussions with Housing Association partners indicate that they agree with the view that the strategy is too prescriptive in terms of percentages of types of homes to be delivered, and that there should be more freedom for local authorities and partners to deliver homes that meet local need as appropriate.
- London Councils estimate that the target outlined in the strategy, of 42,000 new homes to be delivered each year, is too small and that in reality at least 80,000 to meet London's population growth and backlog need.
- Lewisham's current policy on tenancies retains security of tenure until the effects of welfare benefit changes and other housing changes are known; where no alternative was available flexible tenancies could be introduced, but the Lewisham policy states that this should be for a minimum of five years with lifetime tenancies retained for the over 65s and for people with serious permanent physical or mental vulnerabilities.
- The strategy says that fixed term tenancies should be "encouraged"; the prospectus says they are "expected". This is a concern as it removes local flexibility in managing tenancies, allocations and responding to local need
- The proposed lifting of the borrowing cap is welcomed; however under this proposal the Mayor of London would want to retain decision making powers over how the money is spent, and stipulates that it must be on new supply; this limits local ability to use resources as effectively as possible to meet local need.
- The strategy outlines plans for "institutional investment" in the private rented sector.

3.2 In response to questions, Genevieve Macklin, Kevin Sheehan, Jeff Endean and Louise Spires advised:

- 80% of market rent for any property above 2 bedrooms in Lewisham is unaffordable when taking into account universal credit and the welfare cap.
- On the "rent-to-save" product, the strategy advises that if the savings plan isn't fulfilled within the 5 years, or if the tenant changes their mind, the tenancy could be extended or terminated.
- The Council can build more than the stated 11% of capped rent homes, however it would need to use its own resources to do this.
- All local development schemes have to be managed within the planning regulations laid out in legislation including the assessment of financial viability; Lewisham continues to press for the maximum possible percentage of affordable homes in all developments. Unless the legislation is changed there is nothing further Councils can do to ensure developers bring forward much higher levels of affordable housing.
- Lewisham would like to see an increase in supply of all forms of housing, but the critical need for Lewisham is affordable homes.
- Our strategic ambition for Lewisham is clearly outlined in our Sustainable Communities Strategy. The strategic housing target

remains to achieve 50% of new housing as affordable homes, even if this percentage is not achieved on every development.

- The calculation of what is affordable to tenants of social housing, which is based on the percentage of market rent that is charged, is different to the calculation used in all other sectors, notably to assess mortgage affordability and whether private tenants can afford the rent, where applicants are assessed by testing their net income against the proposed expenditure.. If the calculations for “affordable rents” were also made in relation to net disposable income rather than market rents, different realistic definitions of affordable would be reached.
- Within the strategy there is mention of institutional investment in the private rented sector. This is an attempt to get investors such as pension funds to invest in the private rented sector over the longer term to provide further stability for that sector.
- The new finance regime in the Housing Revenue Account (HRA) allows councils to be more flexible, for example in relation to extending existing homes.
- There has been an increase in homelessness across London and in Lewisham. This has been highlighted in the draft response: In the last 12 months there has been a 20% increase in accepting a duty to homeless households, an increase of 17% of households in temporary accommodation and a decrease in housing supply of 17%.
- Statistics around projected population growth and population “maximums” would be circulated to the Committee.
- The response could be amended to make more explicit the:
 - scale of the challenge facing London
 - data surrounding demand, supply, homelessness and population growth
 - strength of Lewisham’s record of delivery,
 - importance of local flexibility in managing delivery of affordable homes
- Some Councils have changed the Management Agreement with their ALMOs to ensure that new supply is not subject to Right to Buy (RTB) as this reduces the properties available to them; Lewisham is likely to “lose” approximately 100 homes to RTB each year and this is replicated across all London boroughs, and there are limiting controls on the ability to spend those RTB receipts that, ideally, should be lifted.
- There is no current policy position on rent control and there are differing views on the benefits, there are concerns that it might discourage landlords and limit supply.
- Enforcement action and accreditation, in relation to the private rented sector, need to “have teeth” and be strong across London to be effective.
- Local authorities need to be able to manage allocations and delivery based on local need.

- The local connection requirements could be looked at as part of a review of the allocations policy; flexibility to enable people to move across London for employment or family reasons is important.
- It is suggested that the ability of people to “staircase up” their level of ownership in part buy part rent homes should be reviewed, to identify if these schemes are successfully achieving their aims.
- There is a funding stream related to Empty Homes and there are plans to submit a bid.

3.3 The Committee discussed the strategy further and considered:

- The interchangeable use of the terms bubble/crisis/shortage and the different meanings they can have. Shelter use the term crisis.
- The increase in London properties being purchased by foreign investors and the impact this may have on the housing market.
- The use of the term affordable housing covering various levels of rent and low cost home ownership can disguise the fact that large numbers of “affordable” homes are not at a social rent level that many people would understand as “affordable”.
- The strength and clarity of response required, to this consultation, from Lewisham. The importance of clearly reflecting the realities of the situation, as well as highlighting the strong record Lewisham has on delivering affordable homes.
- The level of reduction in available Housing Grant subsidy over recent years reducing the ability of Councils and partners to deliver affordable homes
- The important role of financial viability assessments and the innovative work of local planning officers to introduce “ratchet/gearing” mechanisms in relation to development delivery, attempting to ensure that the level of affordable homes can be increased if retail prices are higher than initially anticipated
- The pros and cons of introducing rent control as an additional mechanism to support the delivery of affordable housing for Londoners.
- Whether the Help to Buy programme had hindered delivery in London by pushing up demand.
- The higher purchase and rental prices become the less affordable they are for the majority of working Londoners, even if discounted to 80%.

3.4 In concluding their discussions the Committee resolved the following:

General comments

3.5 The urgency of the housing shortage in London is not sufficiently recognised in the strategy. Purchase and rental prices are escalating at an alarming rate as is the level of homelessness which increased by 20% in Lewisham in the last 12 months alone. The challenge of providing sufficient genuinely affordable homes is not fully recognised or addressed. The real scale of housing need must be strongly emphasised in Lewisham’s response. London housing is being used as an investment vehicle in foreign markets distorting the local economy.

- 3.6 Lewisham has a strong record of providing affordable housing in recent years, in spite of reduced grant and challenging market conditions. This should be highlighted in the response to:
- emphasise the pivotal role of Local authorities' in meeting local housing need,
 - stress the importance of appropriate funding availability coupled with local decision making responsibilities, in the successful delivery of affordable homes
- 3.7 The Funding Prospectus which was published alongside the draft housing strategy should be amended in light of the consultation responses to the draft strategy. It is very prescriptive in parts.
- 3.8 The sustained decrease in level of grant available substantially reduces the ability to provide genuinely affordable housing across London. The Mayor of London should lobby government on this matter on behalf of Londoners.

New Supply

- 3.9 42,000 new homes per year are not sufficient to meet demand. London Councils estimate that at least 60,000 new homes are needed each year. This point should be emphasised within the Lewisham response.

Tenure mix

- 3.10 Strong support for tenure mix should be outlined, along with support for the introduction of the capped rent model. However it should also be unequivocally stated that Lewisham feels that decisions about the appropriate mix of tenure, and utilisation of the affordable housing models should be led locally based on local need, rather than prescribed in the percentages outlined.

Rents and affordability

- 3.11 80% of market rent is not affordable housing for people in Lewisham. The Lewisham response should include detailed figures of the level of need in Lewisham in relation homelessness, tenure mix, the median rental prices in Lewisham, details of local income and projected population growth to emphasise this point. The Mayor of London's strategy should clearly distinguish between social rented and other products.
- 3.12 In line with the Lewisham policy; affordability of rents should be measured in relation to an appropriate percentage of net disposable income for a range of households, rather than in percentages of market rent prices. This would be in line with "affordability" calculations carried out for mortgage provision and private rented provision.
- 3.13 The legislation and models of assessment, of the financial viability of proposed planned developments, should be subject to further review in relation to planning and community "gain".
- 3.14 Rent Control should be further considered as a potential additional mechanism to support the delivery of affordable housing for Londoners.

- 3.15 Enforcement, in relation to housing standards in the private sector, needs to be strengthened – using compulsion if necessary - across London to be as effective as possible.

Tenancies

- 3.16 The Lewisham response should strongly state that Lewisham is opposed to the enforced use of fixed term tenancies: decisions about appropriate tenancies to meet need should continue to be taken locally.

Nominations and Allocations

- 3.17 Local authorities have a statutory responsibility to manage allocations. Agreement of an allocations policy should remain a local authority responsibility, and should not be dictated to by the Mayor of London. This should be given greater emphasis in the Lewisham response.

Investment

- 3.18 The removal of the borrowing cap is welcomed, but the response should state in the strongest terms that Local Authorities should be free to manage their resources as necessary to meet local need and not be constrained by case by case intervention from the Mayor of London.
- 3.19 The allocation of Right to Buy receipts, towards existing programmes of delivery if appropriate, should be free to manage locally, to maximise the potential delivery of affordable homes.

Design and sustainability

- 3.20 Whilst welcoming a focus on sustainability and carbon neutral homes, it must be recognised this increases the build price of homes, further impacting on the affordability of homes.

Further recommendations

- 3.21 Raising the “local connection” requirement from 2 years to 5 years, within the Lewisham Housing Allocations Policy, should be further considered.
- 3.22 The following recommendations, made initially by the joint meeting of the Housing and Sustainable Development Select Committees on 2 December 2013, should be reiterated within the Lewisham response:

The Mayor of London should review the way in which affordable housing statistics for developments in London are presented, to clearly show the breakdown of the different “types” of affordable housing achieved including social rented, affordable rented and intermediate. The Mayor should also consider including figures for the actual rents that will be charged.

The GLA and the Council should explore the ground rent model (where public bodies lease land to developers in return for ground rent payments that are indexed to land values) in relation to future developments, where appropriate.

RESOLVED: To:

- refer the agreed points (3.5 to 3.22) to Mayor and Cabinet

- to table a “note” of the meeting at Mayor and Cabinet
- reserve the right to make a separate submission to the consultation
- authorise the Chair to finalise the referral, and any separate submission, on behalf of the Committee.

4. Referrals to Mayor and Cabinet

The Committee agreed to refer their views on item 3, as outlined in sections 3.5 to 3.22, to the Mayor and Cabinet for consideration.