

Housing Select Committee			
Title	Key Housing issues		
Key decision	No	Item no	5
Wards	All		
Contributors	Executive Director for Customer Services		
Class	Part 1	25 May 2016	

1 Summary

- 1.1 Key Housing Issues is a general report that aims to update the Housing Select Committee on current and new issues important to housing.

2 Recommendation

- 2.1 Housing Select Committee is recommended to note the contents of the report.

3 New Mayor of London

- 3.1 The new Mayor of London Sadiq Khan's manifesto contained a number of commitments regarding housing, including:

- A target for 50 per cent of all new homes in London to be genuinely affordable
- A new form of affordable housing, with rent based on a third of average local income, not market rates
- To establish a London-wide not-for-profit lettings agency to promote longer-term, stable tenancies for responsible tenants and good landlords across London.
- To work with boroughs to set up landlord licensing schemes

4 Update on legislation timetable

- 4.1 The Welfare Reform and Work Act received Royal Assent on 16 March 2016. This contained measures including the one per cent rent cut and the reduction of the benefit cap from £23,000 to £20,000 in London.
- 4.2 On 21 March 2016 the regulations relating to the rent cut were published. This indicated that certain types of accommodation such as specialist supported housing would be exempt from the rent cut in future years, including supported housing developed in partnership with councils, local health or social services offering a high level of support for clients, for whom the only alternative options

are care homes.

4.3 The Housing and Planning Act received Royal Assent on 11 May 2016. This contains the following measures:

- Voluntary Right to Buy for Housing Associations – expected to start mid 2016
- Higher Value Voids policy – determination of levy expected to be made in June 2016 with payments due from early 2017.
- Pay to Stay – paying up to market rents if household in London earns more than £40k from April 2017
- Ending of secure tenancies
- Starter Homes introduced as a type of affordable housing
- Measures aimed at tackling rogue landlords
- Planning changes

4.4 A small number of concessions were made as the Act went through Parliament. A taper for Pay to Stay was introduced at 20%. This will mean that for every additional pound of income above the starting income thresholds, a household will pay an extra 20 pence in rent. In addition, the 'High Value Voids' policy was amended to take into account areas with a large number of high value properties. This means that the impact is likely to be more evenly spread amongst boroughs.

4.5 The full implications of the legislation for Lewisham will still not be totally clear until the regulations enacting the measures are published and come into force. An initial overview on the implications is contained in the Housing Strategy Update paper which will also be presented to Housing Select Committee on 25 May.

4.6 Officers will ensure Housing Select Committee is kept updated as more detail becomes available over the coming months.

5 Church Grove Self Build

5.1 Lewisham is working with Community Land Trusts (CLT) on two separate developments in the borough as an alternative way to provide homes that will be affordable in perpetuity.

5.2 At Church Grove the CLT Rural Urban Synthesis Society (RUSS) will be delivering London's first completely affordable self-build scheme. The locally led organisation have been working with the Council over the last year to develop a proposal for 33 affordable homes; 14 for shared equity, 12 for shared ownership, and 2 shared houses for affordable rent and 5 social homes. At the end of April the development agreement between RUSS and the Council was signed, finalising this approach. Most of the future residents have already been selected through a public ballot and have begun to work together to prepare detailed designs of their homes. They are working towards a planning submission in Autumn of this year and are expecting to start on site this time next year, with final completion in 2020.

- 5.3 The model RUSSELL are using on the site is to retain at least 20% ownership across all of the tenures so that they can ensure that any resale is affordable. RUSSELL are using ethical investors to fund the construction costs.

6 Jones v London Borough of Southwark

- 6.1 A court has found against the London Borough of Southwark in a case regarding a contract between Southwark and Thames Water. Southwark was found to be a re-seller of water and has decided to pay compensation to residents affected. Officers are currently investigating the implications of this case for Lewisham.

7 Centre for London report on Housing and Inequality in London

- 7.1 The Centre for London is a politically independent, not-for-profit think tank focused on the big challenges facing London.
- 7.2 The Centre has produced a report "Housing and Inequality in London". The report documents three ways in which rapidly rising housing costs are affecting the fortunes of Londoners and increasing disparities in income and wealth.
- 7.3 Firstly, the report shows how rising housing costs are eating away at discretionary income and undermining living standards. This has had the biggest impact on private renters who are least sheltered from increases in housing costs, with the result that the traditional association of poverty with social renting no longer holds. Income inequality in London is markedly higher after housing costs are taken into account.
- 7.4 Secondly, the report shows how the increased cost of housing has increased wealth disparities. Those who are already on the housing ladder have seen the value of their asset increase markedly, while everyone else is finding it harder to get on the housing ladder in the first place. Since most wealth is in the form of housing this process has inflated the wealth gap between the housing "haves" and the housing "have nots".
- 7.5 Thirdly, they show how the housing crisis has affected spatial inequality. Inner London has historically had higher poverty rates than outer London, but rapidly rising house prices in the city centre mean that it is increasingly unaffordable for lower-income people. Meanwhile a movement of lower-skilled, lower-income workers into outer London has also increased poverty rates there. The housing crisis is they conclude therefore turning London's poverty map inside out.

8 Final report of the London Housing Commission

- 8.1 The London Housing Commission was established by the IPPR (the Institute for Public Policy Research), comprised of experts from the worlds of housebuilding, government and academia. Their objective was to review the causes of London's housing crisis and to set out a clear programme for how the next mayor, the 33 London boroughs and central government should work

together to tackle it. They set themselves the following tests:

- What would it take double the delivery of homes in London every year, and maintain high levels of delivery over the long term?
- What steps can we take to reconnect the costs of home ownership and renting to incomes in London?
- What can be done to provide a high-quality private rented sector?

8.2 The final report has recently been issued and concluded that there is no single root cause of London's housing problems. Rather, the report exposes a great many barriers to building affordable, decent homes in sufficient numbers – from land to planning, investment to skills, subsidy to regulation. In response, they have developed a detailed and coherent package of recommendations.

8.3 They argue the only way to solve the housing crisis is by building far more homes. On current population projections, they say we need to build 500,000 homes over the next decade if we are to match the expected growth in the number of households in the capital. This will not be easy as in the last decade, we built only 194,000. Additionally these homes need to be of all types and tenures.

8.4 The government's renewed commitment to delivering 1 million homes by the end of the decade is, they conclude, a welcome step and they note it has taken measures to increase housing supply by changing planning rules, investing in infrastructure, and supporting buyers to access new-build properties through its equity loans scheme. However, despite these changes they note that housing starts in London appear to have peaked in 2015, and moving from delivering 25,000 new homes last year to delivering 50,000 a year by the end of the decade will require many more effective interventions to keep the capital and the country building. The current array of government policies are not, on their own they argue, sufficient to address this substantial shortfall.

8.5 Even in the best possible scenario the report says, it will take time for housing supply to catch up fully with population growth. In the meantime, market prices will continue to rise – which, other things being equal, means a further squeeze on household finances, rising homelessness, and growing complaints from businesses that their workers cannot afford to live in London. We also risk continuing to see many private renters living in substandard conditions. To mitigate these consequences they assert, we need continued intervention by government – at national, city and borough level – to ensure that a significant proportion of housing is genuinely affordable and that the standard of rental property is improved.

8.6 The government's focus on promoting homeownership through initiatives such as Starter Homes may move people from renting to ownership but will not, by itself they conclude, have much impact on supply. Indeed, by focusing so much on homeownership they suggest we risk making new supply vulnerable to a future economic downturn, when demand dries up and mortgage lending falls. Promoting homeownership, if it comes at the price of fewer affordable rented properties, will add to London's housing challenges. The nature of London and

Londoners' incomes means that we need to deliver more homes across all tenures in London, for people with a wide range of means and expectations. Of the 50,000 new homes London needs every year, 25,000 will need to be at market price (whether for sale or rent) and 25,000 will need to be 'affordable' (at submarket prices).

- 8.7 Within the 25,000 new homes needed at market price, experience they argue shows that the market will not absorb more than 10,000 for owner occupation – so the remaining 15,000 will need to be for private rent. This target of 15,000 'build-to-rent' homes is well above London's performance last year, which saw the completion of only 5,000.
- 8.8 Additionally within the 25,000 affordable homes needed, 15,000 will need to be social or affordable rent (compared to delivery last year of only 8,000) and 10,000 will need to be 'intermediate' homes (also well above current delivery levels).
- 8.9 Thus the report concludes across all tenures, London is falling short of its needs – and while increased homeownership is one answer, it is far from the whole solution.
- 8.10 The report concludes that the housing challenge that London faces is huge but not intractable. The response must be led by London and draw in all of the public and private capacity that London possesses. The Mayor and the London boroughs will need to combine their efforts and invest in new place making capacity at a city-wide and borough level, and local communities will need to be fully engaged in the growth and development of their own areas. By this approach it will, they conclude, be possible to deliver both increased quantity and better quality of new supply.

9 Resolution Foundation: Can we fix it? Solving Britain's housing crisis

- 9.1 New research from the Resolution Foundation looks at housing costs as a proportion of income over time rather than examining it from the standard perspective of rising house prices and declining home ownership. In advance of their forthcoming publication publicising their findings they have released a short slide series detailing their findings. The main findings are:
 - If a couple household with 1 child was paying the same proportion of their income in housing costs today as they did in the early 1990s, they would be £1500 p.a. better off
 - Equivalent to a 10% rise in the basic rate of tax
 - London and Scotland equivalent to 13% rise in basic rate of tax
 - The wedge that has opened up between incomes and housing costs does not look set to shrink
- 9.2 A link to the slide presentation can be accessed via the attached link <http://www.resolutionfoundation.org/publications/can-we-fix-it-solving-britains-housing-crisis/>

10 Legal Implications

10.1 There are no specific legal implications arising from this report.

11 Financial implications

11.1 The purpose of this report is to update Members on current housing issues. As such, there are no specific financial implications arising from the report itself.

11.2 As firmer details become available, in particular regarding the new legislation, officers will report back to Members with the implications of each issue.

12 Crime and disorder implications

12.1 There are no crime and disorder implications arising from this report.

13 Equalities implications

13.1 There are no equalities implications arising from this report.

14 Environmental implications

14.1 There are no environmental implications arising from this report.

15 Background Documents and Report Originator

15.1 There are no background documents to this report.

15.2 If you have any queries relating to this report please contact Jeff Endean on 020 8314 6213.