

Who lives in Tower Hamlets? Where do they live?

Communities and Housing Evidence Pack

This evidence pack provides background reading for the first public meeting of the Tower Hamlets Fairness Commission on communities and housing in the borough. It covers a series of topics and provides key facts, data and an introduction to some of the challenges and opportunities for each topic. Where relevant, some useful reports are included, with summaries.

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Glossary

Affordable housing refers to social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

Homelessness

The formal homeless definition for those qualifying for housing assistance is people who have lost their home or are at risk of losing their home, and are in priority need. Priority households include those with dependent children or a pregnant woman, 16 and 17 year olds and people who are vulnerable due to old age, a mental or physical disability.

Overcrowding

There are various technical definitions of overcrowding, but in general a household is overcrowded if they have one less bedroom than they need, and severely overcrowded if they have two or more less bedrooms than they need.

Local Housing Allowance

Local Housing Allowance (LHA) provides housing benefit entitlement for tenants renting private sector accommodation.

POD Rents

The council believes that rents charged at 80% of market rate are not affordable for most residents Tower Hamlets, and could be paid for from benefits. Research by POD, commissioned by the council, calculated what a true affordable rent would be. They found that an actual 'affordable' rent for Tower Hamlets would be 65% of market rate for a 1 bedroom property, 55% for a 2 bedroom property and 50% for a property with 3 bedrooms or more.

Fuel Poverty

Fuel poverty is said to occur when in order to heat its home to an adequate standard of warmth a household needs to spend more than 10% of its income to maintain an adequate heating regime.

Introduction

Communities, housing and fairness in Tower Hamlets

The experience of different communities coming and living in Tower Hamlets and the type of housing they can access or afford is integral to perceptions of fairness within the borough. Where we live is inextricably linked to our income, our employment, our health and our life chances. It is therefore entirely appropriate that this is the first theme that the Tower Hamlets Fairness Commission will consider.

This evidence pack sets out the key issues Tower Hamlets faces in terms of increasing the supply and managing demand for housing, and aims to inform the Commissioners' discussion around this theme. It presents some stark facts about the changing structure and composition of the Tower Hamlets housing market and how this has led to the current crisis in the demand for housing, including the significant growth in the private sector, often driven by overseas investment, pricing out existing local residents on lower incomes. Tower Hamlets' Executive Mayor has made the provision of more affordable housing his top priority, with over 1400 properties built in the last year, but with 23,000 people on the housing waiting list, the challenge is enormous. Tower Hamlets is of course not alone in facing these issues. In most of London there is a significant shortage of genuinely affordable housing. However, the unequal nature of Tower Hamlets, where such significant poverty sits alongside great wealth, makes the situation particularly acute. The pack also sets out key changes in Government policy and how these may affect the borough's residents in the coming years.

The question for the Commission is then how can this unfairness be addressed. Where should they focus their discussions and what sort of recommendations should they make? The evidence in this pack demonstrates three important issues which will form a starting point for the Commission's discussions.

Housing and poverty are inextricably linked. The cost of housing drives poverty, and poor housing affects people's life chances.

53% of Tower Hamlets children live in poverty and 11.2% of the borough's residents are in fuel poverty. Over 21,000 households in Tower Hamlets have an income of less than £15,000 a year. The cost of buying or renting a home in the borough is very high. When housing costs are so high relative to income, households have to spend a larger share of their income on housing costs. This means they have less money to spend on other things like food, energy, clothing, furniture, activities and transport. It also means they are more likely to live in a home that is too small for their needs, leading to overcrowding. We know that living in an overcrowded property is not good for people's physical and mental health and educational outcomes. We also know that having to spend a high proportion of your income on housing means you are more likely to fall behind on rent payments and become homeless. The council

and its partners have prioritised the delivery of a range of services and initiatives to mitigate the impact of overcrowding and reduce inequalities in health and educational outcomes, but addressing the underlying cause is a tougher challenge.

The creation of a mixed-income community requires state intervention in the local market. Demand for affordable and family-sized housing in Tower Hamlets hugely outstrips supply.

The cost of private sector housing, both to buy and rent, in Tower Hamlets is so high that only a small percentage of people can afford to live here. To have a sustainable mixed-income community there must be state intervention in the local market, creating a range of affordable housing options for local people. Although Tower Hamlets is currently building the highest amount of affordable housing in the country, only 10% of those on the borough's housing waiting list are allocated a home each year. The Government's current policy of encouraging housing providers to charge rents at 80% of market rate, so called 'affordable rents', are anything but affordable to most residents of Tower Hamlets, exacerbating the demand for low-rent homes and the shortfall in supply.

Over the next five years, affordability of both private and social housing, will determine who can live in Tower Hamlets, potentially changing the nature of the area for good.

The continued growth in the private rented sector, driven by economic growth in Canary Wharf and the City of London and a continued boom in overseas investment, will continue to distort the local housing market for residents. Only a small fraction of the population, those who earn incomes way above the national or London averages, will be able to afford to own or privately rent a property. The continued downward pressure on real incomes as the price of food and fuel rises, combined with welfare system reforms, the benefit cap in particular, will also put pressure on existing social tenants – larger families or those on very low incomes may not be able to afford to live in Tower Hamlets any more. These twin factors could considerably change the demographics of the borough.

Background reading

SPITALFIELDS: A place on the edge: a chapter from Anne J Kershen, *Strangers, Aliens and Asians: Huguenots, Jews and Bangladeshis in Spitalfields 1660-2000*, (2005) Routledge.

This will be circulated with evidence packs. Please note it is a pre final copy edit draft.

(Recommended reading if available) Charlie Foreman's book, *Spitalfields a Battle for Land*, which appeared in 1989, it provides an insight into the housing problems in the area in the 1970s and 1980s.

Section One

Demand for housing in Tower Hamlets

Key facts

The 2011 Census identifies Tower Hamlets as the fastest growing borough in London with over 50,000 more residents since 2001.

Tower Hamlets has a young population. 37% of the population is aged 20-34, compared to 20% in the rest of England. The borough has the lowest percentage of pensioners in the country – only 7% of the population are 65 and over, compared with 16% in England.

Around 13,000 people of working age (18-64) have a moderate or serious physical disability. A further 9500 people aged 65 and over have a limiting long-term illness. This increases demand for adapted or suitable properties, particularly ground floor properties.

There are over 23,500 households on the borough's housing register. 48% are in priority categories 1 and 2 meaning they are in medical need, homeless, overcrowded or other housing need.

9500 households on the housing register are overcrowded. More than two thirds of these households are of Bangladeshi origin.

Over 1500 households are currently in temporary accommodation, placed there by the Council after they've become homeless.

1228 households are under-occupying, meaning they have more bedrooms than they need. 271 households have two or more rooms than they need.

During 2011-12, 36% of priority 1 households, and 17% of priority 2, were rehoused. That year 50% of allocated homes went to overcrowded households.

The challenge: huge and increasing demand

Demand for housing in Tower Hamlets hugely exceeds supply. This is reflected in the high value of land, the high property prices and private rental values, and the sheer number of people on the borough's housing waiting list, many of whom are currently living in overcrowded properties.

This level of demand is only going to increase in the coming years and puts huge pressure on the social housing sector, and the council's housing and homeless services in particular.

This increased demand can be broken down into three main drivers:

- Continued and significant increase in the size of the local population, and in particular the borough's young age profile.
- Continued inflow of new communities
- Ongoing economic development in Canary Wharf, the City and the Lea Valley Olympic Park, which bring people to the borough and keep prices high

A growing population

There is a rich history to the evolution of communities in Tower Hamlets, which has long been driven by migration from other countries. Flows of young people from abroad, other parts of the London and the UK are a strong driver of the borough's continued population growth. Analysis of overseas adults registering for national insurance numbers shows that almost 90% of registrants are aged 18-34.

The introductory evidence pack, written for the Tower Hamlets Fairness Commission, set out the key characteristics of the borough's population – its age and ethnicity profile, information about employment and income, statistics about poverty, education and health.

Within London, people tend to move to Tower Hamlets from wealthier boroughs in west and north London including Camden, Westminster, and Brent, as well as Hackney.

Those moving out of the borough tend to move east to Newham, Barking and Dagenham, Redbridge and Havering. They mostly fall in the 30-45 age range, reflecting the lack of affordable family housing. Despite many young families moving out of the borough, Tower Hamlets continues to be a hub for the Bangladeshi community in particular, with many returning to visit family and friends, religious activities and grocery shopping.

An assessment of older people's housing needs demonstrated a lack of choice of different types of accommodation in some areas of the borough, and a requirement for more specialised housing for older people. It also showed the potential for shared ownership leasehold retirement housing in Tower Hamlets.

Providing suitable accommodation for an ageing population is a real challenge for the borough, with implications for social care services as well as housing. Gateway Housing, who manage much of the borough's current stock of housing for older people, have recently undertaken a Commission of their own looking at housing for older people in Tower Hamlets. They will publish their final report in January.

Investment shaping demand

Housing investment in the borough, shapes housing demand to a significant extent. Housing demand in the UK as a whole has increased considerably over the last 20 years, driven by investments in the housing market, low mortgage rates and rising real incomes. Housing supply has not been able to match this demand.

The Smith Institute estimates that the annual investment in luxury homes in inner London is currently over £5 billion a year – 5 times more than the annual investment in affordable homes. 60% of new homes in central London are bought by overseas investors and a high proportion of them are kept empty. If this overseas investment in the London housing market continues, the city could experience an isolated housing bubble.

In Tower Hamlets, housing investment over the next 15 years will be concentrated mainly in the southern parts of the borough – Millwall, Canary Wharf, Blackwall and Leamouth – as well as Spitalfields and Fish Island. The borough is listed by the Land Registry in the top 10 London boroughs where 'overseas incorporated bodies owned property'. A review by Knight Frank Canary Wharf estimated that 88% of their Canary Wharf tenants are from overseas. Knight Frank also stated that the best lettings opportunities in the E14 area are two bedroom, two bathroom luxury properties.

Homelessness

Homelessness is expected to increase in Tower Hamlets in the coming years following a recent decline, particularly once limits to the Local Housing Allowance and the benefit cap both kick in, pricing low-income families out of the private sector. The growing population, particularly of young people, reductions in benefits and public sector cuts generally, and the high cost of private sector housing will all conspire to put pressure on the borough's homeless services.

In 2011/12 there were 3,300 approaches to the council's homelessness service by households were already homeless or at risk of being homeless. 38% (1,240) were family households (households with dependent children or a pregnant woman); and 62% (over 2,050) were single households. Of these, over 1,040 households were prevented from becoming homeless as a result of interventions to support them to remain in their own homes (such as reconciliation support, debt advice and support to deal with rent arrears) and support to secure alternative accommodation.

Where homelessness cannot be prevented, households make a formal homeless application, which is assessed by the council to determine if a main duty to provide the household with housing assistance is owed.

The council has a duty to provide accommodation for households accepted as homeless. The number of households accepted as homeless reduced from 700 in 2008/9 to 400 in 2011/12. This represents a significant reduction of 43% over the three years, although this rate is now starting to plateau.

Evidence from the borough's homelessness review shows that in 2011/12, based on statutory homeless data, the main causes of homelessness, for those accepted as homeless were:

- Parents no longer willing to accommodate - 24%
- Other relatives and friends no longer willing to accommodate - 22%
- Domestic violence – 14%
- Termination of Assured Shorthold Tenancy –11%

The cause of homelessness for the remaining 29% of households can be attributed to relationship breakdown, non-domestic violence, and rent arrears. There was no specified reason for nearly 18% of accepted households.

Whilst the four main known reasons for homelessness have remained relatively stable since 2008/9, there has been a notable increase in overall proportion of homelessness due to termination of assured short hold tenancy between 2008/9 and 2011/12. This may be due to the impact of changes to the Local Housing Allowance.

Unsurprisingly, the majority of households accepted as homeless are households with dependent children or pregnant women. In 2011/12, this group accounted for 80% of homeless acceptances. Of these households, 47% have one dependent child and 13% have three or more dependent children.

The next largest priority need category is people vulnerable due to a mental or physical disability, many of whom are single households.

Ethnic minority households in the borough are disproportionately affected by homelessness, as is the case regionally. Between 2008/9 to 2010/11 68% of households statutorily assessed as homeless and 73% of household accepted as homeless were from BME groups. However ethnic minority groups only account for 47% of the borough's population. This is reflective of the general housing needs in the borough. Bangladeshi households are, by far, more likely to be homeless than any other ethnic group.

By far the largest age groups accepted as homeless (based on the age of the main applicant) are the 25-44 and 16-24 age groups, at 58% and 29% respectively.

All households assessed and accepted as homeless are placed into temporary accommodation, including hostel accommodation for some single households. Local partners have worked hard to reduce the number of households in temporary accommodation. The number of households placed by the Council in temporary accommodation reduced year on year, from 2,424 in 2008/09 to 1,789 in 2010/11.

Providence Row are a local organisation supporting homeless and vulnerable people in Tower Hamlets, and a provider of hostel accommodation. Over the last 6 years the profile of their clients has remained consistent – 90% are men, and 48% are aged 36-54. However their country of origin has changed significantly. In 2006, 43% were ‘White UK’, falling to 17% in 2012, whilst there has been an increase in clients from new EU countries – rising from 21% in 2006 to 44% in 2012. Over 10% of their clients are from Romania and Bulgaria alone.

Background reading

Gateway Housing Association, Widening the spectrum of retirement housing in Tower Hamlets: Tower Hamlets Older People’s Housing Commission
Executive Summary

London Poverty Profile: Housing and Homelessness

<http://www.londonpovertyprofile.org.uk/downloads/povertyreport2011-web.pdf>

(summary at end of this pack, document not in the pack as it’s 100 pages long!)

Poplar ooo what a place! A snapshot of happiness in London’s Eastend 2012

Poplar Harca

Section Two

Supply of housing in Tower Hamlets

Key facts

The number of homes in Tower Hamlets is growing by over 3000 per year, making it the quickest growing borough in the country since 2001. There are now around 111,000 homes in the borough. This has risen from 82,800 in 2003. Projections suggest this could rise to 140,000 by 2026.

The majority of homes in Tower Hamlets, 83.2%, are flats or maisonettes. 66% of homes have only one or two bedrooms. There is a very limited supply of family-sized housing – only 30% of homes have three or more bedrooms.

Private rented housing is the fastest growing sector in the borough. It now accounts for 39% of all homes in the borough compared with 9% in 1981.

Just under half of all housing in Tower Hamlets is in the social sector. This has fallen dramatically since 1981 when 97% of all homes in Tower Hamlets were owned by the council or the GLC.

The owner-occupied sector is around 26% of the market. The ratio of flats to houses is lower than other sectors at 75% flats.

There are 15,000 leaseholder properties in Tower Hamlets that were bought under the right-to-buy scheme. 9000 of these are managed by Tower Hamlets Homes.

There are 2500 'intermediate housing units' in Tower Hamlets. Over 1000 of them were built in the last three years.

The borough is on target to deliver 4000 new affordable homes between 2010 and 2014. It is the council's aim that 40% of properties within every large development are affordable homes, and that 45% of affordable rented homes have three bedrooms or more. However the planning requirement is that 30% of properties are affordable.

A family renting in the private sector will pay, on average, 5 times as much as a family renting a council-owned property.

A household income of £75,000 is required to rent privately in Tower Hamlets, and spend no more than a third of that income on housing costs.

The average house price in Tower Hamlets is £364,500. This is over 12 times the median household income.

66% of council-owned homes do not meet the Government's Decent Homes standard. Only 5% of properties owned by Registered Housing Providers are non-decent. Between 2010 and 2016 more than £203m will be spent on Tower Hamlets Homes Decent Homes programme, ensuring 90% of homes meet the standard.

The challenge: a shortfall in supply

There is a huge shortfall in the supply of housing in the borough. A housing market assessment done in 2009 estimated the size of this shortfall of both affordable and private sector housing. The borough is currently producing around 3100 homes per year, suggesting a shortfall of 5600.

Delivering a good balance between different housing tenures (private, social, intermediate) is a real challenge for the borough. Currently 70% of new homes are in the private sector and unaffordable to those in housing need. There is also a risk that existing social homes could become private through new right to buy proposals.

Demand for land in Tower Hamlets is high compared with the rest of London and the UK, with a correspondingly high price. As discussed above there is huge and increasing demand for housing and a continually expanding business sector, particularly in Canary Wharf and the City Fringe. The borough's location and infrastructure, particularly its proximity to the City of London and good transport networks, make demand for office space high as well. In the first decade of the 21st Century, following a significant regeneration of the Docklands area, 40% of all new office space in London was in Tower Hamlets. This economic growth and demand for office space increases creates competition with house building, making housing development more expensive and more difficult to finance.

A fast growing private sector

As stated in the previous section, future housing investment in Tower Hamlets will be concentrated in Millwall and Cubitt Town, neighbouring Blackwall and Leamouth, as well as Fish Island and Spitalfields. The Isle of Dogs, the Lower Lea Valley and the City Fringe have been identified by the GLA as 'opportunity areas', on the basis that they are capable of accommodating a substantial number of new jobs or homes and their potential should be maximised. The Millwall and Cubitt Town (Isle of Dogs) Opportunity Area has been projected as being able to accommodate at least 100,000 new jobs and 3500 homes by 2016 (this would require land and a significant increase in transport capacity). The Lower Lea Valley has been described as the largest remaining regeneration opportunity in inner London.

It is thought Tower Hamlets has the capacity to accommodate 43,470 new homes by 2025, with 13,930 by 2015. There are significant regeneration projects underway on the Ocean estate in Stepney and in Blackwall near the Town Hall. These aim to provide new homes, bring existing homes up to the decent homes standard and convert some properties into family-sized properties.

Private landlords

Over the last 20 years the borough has seen a huge increase in the number of properties rented by private landlords, as the table below illustrates. This has meant a much increased range in quality of experience of tenants. Compared to social housing, there is less data available on this sector, and examples of good and bad practice can be illustrated through case studies.

Table 2: Changes in Tower Hamlets housing by tenure

Tenure	1981	%	2003	%	2011	%
Owner occupied	2451	5%	27308	31%	25339	23%
Council owned	43419	82%	24200	28%	12500	12%
Registered social landlord	2518	5%	17828	20%	26484	24%
Private rented sector	4594	9%	17513	20%	41870	39%
Shared ownership			500	1%	2000	2%
Total	52982		87349		108193	

Around 42,000 or 39% Tower Hamlets households live in the private rented sector. The average rent for a two bedroom property is £1300 a month, higher than in neighbouring boroughs and the London average. Analysis of the local housing market in 2009 found that 76% of newly formed households were unable to afford private rental rates in the borough.

Affordability and home ownership

The demand private rented sector housing means that renting or buying a house at market rates is completely unaffordable for most Tower Hamlets residents. House prices have been rising since the mid-1990s, making owner-occupation unaffordable for most and increasing the demand for affordable housing and private rented accommodation.

Whilst the average income of those who work here is relatively high, at £58,000, this is heavily skewed by the high incomes of those working in Canary Wharf and the City Fringe, many of whom don't live in the borough. The most common income bracket is £10-15,000 per annum. The average house price in the borough is £358,000 making home ownership out of reach for the vast majority of residents. It is estimated that 94% of recently formed households can't afford to buy in the

borough, and 76% can't afford to rent privately. A household income of at least £75,000 per year is required to rent privately in Tower Hamlets, spending no more than a third of income on housing costs.

Quality of housing

The quality of current housing supply in the borough varies significantly. What makes a good quality home is not straightforward to define and varies for different people, but the Government's Decent Homes initiative sets out minimum standards that all homes should meet. This includes central heating, a kitchen and bathroom and a generally good state of repair.

Around 12,800, 19% of properties in the private sector, do not meet the Decent Homes standard. Many of these are flats and maisonettes built between 1945 and 1980, occupied by leaseholders or privately rented.

The average cost of bringing a home up to Decent Homes standard is £5,580. To improve the quality of homes in the borough, and to bring unoccupied homes back into use, the council offers financial support and incentives to private landlords to make improvements, through the Tower Hamlets Home Improvement Agency.

Luxury homes

Tower Hamlets is one of top 10 London boroughs in which overseas investors are buying property, often luxury homes at the top end of the market. It is having the effect of significantly raising house prices across London, potentially creating another housing bubble, isolated from the rest of the country. This phenomenon is described in a report by the Smith Institute and Future for London. A summary is provided as an appendix to this evidence pack.

The future of social housing

Traditionally, a large amount of council provided housing has helped make Tower Hamlets an affordable place to live. But in the last 20 years the landscape has changed significantly and the borough's stock of social housing has been divided up and is now owned by a variety of different landlords and organisations.

In 1981, 86% of all housing in the borough was owned by the council. Today only 12% of housing is owned by the council, maintained by its arms-length management organisation, Tower Hamlets Homes. Through the 'Right to Buy' scheme and the large scale selling off of council properties, 39% of former council-owned properties are owned by private landlords, and 23% are owner occupied.

Registered Providers (RPs) or Housing Associations account for a further 24% of housing in the borough. RPs are not-for-profit organisations that provide low cost or 'social' housing to people in need of a home. They are regulated by the GLA in London and receive some public funding. Early housing associations include philanthropic organisations such as the Peabody and Guinness Trusts. Housing associations increased in importance in the last 30 years due to changes to council housing finance brought in by the Thatcher government. Councils were prevented

from subsidising their housing stock from local taxes, and grants for construction of new social housing were only granted to housing associations. This was a major factor in many councils transferring some or all of their properties to housing associations through the 'housing choice' programme. In Tower Hamlets £400 million of investment was brought in to improve the transferred estates.

Building new affordable homes

Around 4100 affordable homes are needed each year to meet demand. The borough is currently delivering around 1400 affordable properties per year, more than any other borough in the country, yet still leaving a shortfall of 2700.

The council's target for affordable home delivery is 40% of all large developments, and 45% of affordable rented homes should have three or more bedrooms. 20% of all new private sector housing should have three bedrooms or more.

The introduction of the Community Infrastructure Levy and the terms of that, could impact upon the council's ability to mandate developers to build affordable housing (see section 4 for more information on the CIL).

The council's ability to deliver major housing and regeneration programmes is restricted mainly by its limited ability to borrow. This is the same for the Housing Revenue Account and the General Fund. The Housing Revenue Account is ring fenced to ensure that tenants and council tax payers don't subsidise each other. There is more information on the changes to the HRA, and what this means in Tower Hamlets, in Section 4 below. The council is likely to require all its borrowing headroom to maintain and improve the existing stock. This leaves little to finance new homes.

There are limited other funding options to finance housing schemes. Those that are available include receipts from disposal of assets and other capital receipts (but only some of right-to-buy receipts) and grants such as the New Homes Bonus and any grants from the GLA. Tower Hamlets receives the highest New Homes Bonus in the country. The council is exploring a range of other funding options.

'Affordable' housing?

A significant challenge to the affordability of living in Tower Hamlets is the introduction of the 'affordable rent' model. This is explained in more detail in section 4, but enables social housing providers to set rents at 80% of market rates (also known as intermediate rent). Research commissioned by the council shows that this is unaffordable to most existing social housing tenants. A comparison of different rent regimes is provided in table 2 below.

Table 2: Comparison of different rent regimes in Tower Hamlets

Monthly	1 Bed	2 Bed	3 Bed	4 Bed	5 bed
THH Social Rents	£354	£403	£453	£511	£565
Target Rents (RP's)	£585	£617	£650	£650	£682
POD Affordable rent levels	£833	£926	£1,041	£1,173	£1,291
Local Housing Allowance	£1,040	£1,256	£1,473	£1,733	£1,733
80% Market rents	£1,026	£1,346	£1,666	£1,877	£2,294
Market rents	£1,282	£1,683	£2,083	£2,346	£2,868

Weekly	1 Bed	2 Bed	3 Bed	4 Bed	5 bed
THH Social Rents	£82	£93	£105	£118	£130
Target Rents (RP's)	£135	£142	£150	£150	£158
POD Affordable rent levels	£192	£214	£240	£271	£298
Local Housing Allowance	£240	£290	£340	£400	£400
80% Market rents	£237	£311	£385	£433	£530
Market rents	£296	£389	£481	£542	£662

Allocation of social housing

Many people in Tower Hamlets apply for social housing. The council and its RP partners have jointly created a Common Housing List to register everyone who applies for housing and is eligible to go on the list. All available housing is offered to people on the list. Although the council and its partners work to provide as many homes as possible, there are many more people on the Housing List than there are homes available. Many who apply will have little or no chance of being offered a home. Even those who do have a chance may have a long wait.

People have many important reasons for wanting to go on the Common Housing List, such as being overcrowded, not having a secure place of their own, wanting to be nearer family, a friend, nearer to work or wanting to move to another area. Some

people must be rehoused because their homes are being demolished as part of plans to regenerate the borough. Others live in homes that are larger than they need. Some people need housing because where they live is unsuitable – it may be too small, bad for their health problem or disability, or needs such major repairs that they cannot live their whilst repairs are being done. Some people are threatened with homelessness. All these competing demands have to be considered and difficult decision made about who should be offered the limited number of homes available each year. The council and its partners have a lettings policy in order to decide how to give priority for housing. The policy also aims to make it clear how decisions are made. The lettings policy is available on the council’s website:

http://www.towerhamlets.gov.uk/lgs/51-100/90_tower_hamlets_letting_polic.aspx

There are four bands in the lettings policy. Everyone is put in one of these bands based on the information given on application or following any change in circumstances. It is a statutory requirement to give ‘reasonable preference’ to people who are overcrowded, homeless, or need to move on medical, welfare or hardship grounds. The law also says that people can be given ‘additional preference’ because of serious medical, emergency or social and welfare problems. The table below sets out the four bands.

Common Housing List: The Four Bands

Band 1 High Priority Band	Group A <ul style="list-style-type: none"> • Emergencies – people with an urgent need, combined with a serious medical or safety factor. • People who need a ground floor property for medical or disability reasons. • People whose home is due to be demolished – either those who need to move in less than a year or need a 4 bed or wheelchair accessible property. • Tenants who want to move to a smaller property.
	Group B <ul style="list-style-type: none"> • People with a serious health problem that is affected by their housing circumstances. • People who need to move urgently on social, safety or welfare grounds. • Tenants whose home is to be demolished in more than a year. • People given priority in the community’s interest or because of their circumstances.
Band 2 Priority	People who are living in overcrowded accommodation, and people who are currently homeless.
Band 3 General	Current tenants of the council and its partners who are not overcrowded.
Band 4 Reserve	Applicants without a local connection, people who are leaseholders or who already own a property. Tenants of social landlords who are not part of the Common Housing List.

People in Bands 1 and 2 have a much greater chance of being offered a home. However, under this policy, each year, a small number of homes are offered to applicants in Band 3 in order to meet local need. During 2011-12, 36% of priority 1 households, and 17% of priority 2, were rehoused. That year 50% of allocated homes went to overcrowded households.

A choice based lettings system is used to allocate homes. Available homes are advertised weekly. Applicants can then 'bid' for as many homes as they wish each week. A short list is drawn up in priority order for each advertised home from those who have bid for it. A home is usually offered to the highest priority bidder first. If refused, it is offered to the next priority bidder and so on until it is accepted.

As demand for social housing outstrips supply, average waiting times have increased. In 2009 the average wait for a 2 bedroom property was 6 years. This rose to 14 years for a 3 bedroom property, given the lower number of 3 bedroom properties available in the borough. There is higher turnover amongst 1 and 2 bedroom properties.

Quality of social housing

As of April 2012, 30% of socially rented homes in Tower Hamlets did not meet the minimum Decent Homes standard. The majority of these are council owned properties – 66% of Tower Hamlets Homes properties are 'non-decent' – however a £203 million programme is currently underway to ensure all Tower Hamlets Homes properties meet the Decent Homes Standard by early 2015. The council received the highest amount of Decent Homes funding from central government, but this is being supplemented by the council's own resources to ensure all homes are improved.

Background reading

Investing in Council Housing in Southwark: The Final Findings of the Independent Commission on the Future of Council Housing in Southwark

<http://www.southwarkhousingcommission.co.uk/>

Royal Institute of British Architects – Future Homes Commission Report

<http://www.architecture.com/Files/RIBATrust/FutureHomesCommissionLowRes.pdf>

Future of London and The Smith Institute: London for Sale

<http://www.futureoflondon.org.uk/futureoflondon/wp-content/uploads/downloads/2012/07/120724LondonforSaleFINAL-2.pdf>

New Economics Foundation: One Million Homes: How to build a million affordable new homes in the next five years and still cut the public subsidy

http://www.neweconomics.org/sites/neweconomics.org/files/One_million_homes.pdf

Learning from Dutch Cities: Achieving sustainable urban growth

Nicholas Falk for URBED and TEN Group, 2005

'We do Things Differently'

'Stuck in the middle: The Poplar Riverside and South Poplar Opportunity Areas'

both provided by Poplar Harca

Section Three

Current Government policy

There are a range of external drivers, many of which are recent government policies, affecting the demand and supply of housing in Tower Hamlets. Some of these may present opportunities, such as the reform of council housing finance (the Housing Revenue Account/HRA), but many will exacerbate the affordability of living in Tower Hamlets.

The benefit cap and welfare reform

From April 2013 the government is introducing a benefit cap. All the benefits that a household receives will be added together and capped at £350 for a single person without children, and £500 per week for everyone else. If a household currently receives more than the cap, the difference will be cut from their housing benefit. The higher their rent, the higher the cut in housing benefit.

Example

Mr and Mrs A are unemployed but looking for work. They live in a three bedroom flat and have three children under 18. They currently receive £320 a week in Job Seekers Allowance, Child Tax Credit and Child Benefit. They also receive £340 in Housing Benefit to cover their rent. This gives them a total £660 per week in benefits.

From April their total benefits will be capped at £500 per week. They will receive £160 less a week than they do now. This £160 is taken from their housing benefit.

The cap does not apply to households receiving Working Tax Credit (i.e. households with children, and where one parent is working 24 hours a week or more, or 16 hours a week or more for single parents), people who are not of working age, or people who receive Disability Living Allowance, Attendance Allowance or the support component of Employment Support Allowance.

September 2012 estimates suggest that 1600 Tower Hamlets households will be affected by the benefit cap. The estimated average loss in income is £103 per household.

Tower Hamlets Council and its local partners have responded quickly to the challenges of welfare reform. A task group was established in March 2012 to co-ordinate support activities across the borough and communicating the changes to residents through a range of channels. This includes a programme of home visits by housing officers to those affected by the benefit cap.

There will be further changes to the benefit system over the next few years. In particular, Universal Credit will be phased in between 2013 and 2017. It will replace six of the main means-tested benefits and tax credits. Its stated aim is to ensure that

people are better off in work. Universal Credit will be gradually reduced when people go back to work, meaning people can work part-time and still receive some of their benefits.

Reform of council housing finance (Housing Revenue Account)

The Localism Act changes the way council housing is funded by introducing self-financing. This came into effect in April 2012. Under self-financing, existing national housing debt is distributed amongst local authorities based on the valuation of each authority's housing business. In the case of Tower Hamlets, £236.2 million of Housing Revenue Account (HRA) debt was paid off, leaving the authority with outstanding HRA debt of £70 million. The maximum amount of HRA debt that Tower Hamlets is permitted to hold is set at £184 million (the 'borrowing cap'), which means that we have initial borrowing capability or 'headroom' of £114 million. Careful assessment will be needed to ensure that any future borrowing is affordable within the HRA.

Self-financing provides the council with both opportunities and risks. It will mean greater transparency for tenants and leaseholders in terms of what they pay and the services they receive. Self-financing will also allow for better long-term planning within the HRA and a greater focus on the management of HRA assets; however, it also means we will face new challenges in the future.

The council has already undertaken work to develop a 30-year HRA financial model using assumptions about future income and expenditure. Initial analysis suggested that the council could fund the capital works anticipated to be needed over the next 30 years, including the Decent Homes programme. However, there are a number of risks facing the HRA, including recent changes to the right to buy scheme which could lead to an increasing amount of stock being sold off and a consequent reduction in rental income. In addition a number of welfare reforms, such as the benefit cap and the payment of benefits direct to claimants, have yet to come into effect and will affect the ability of the HRA to collect rental income.

Reduction in subsidies for social housing

Government funding for affordable housing has been considerably reduced since the change of Government in May 2010. £8.4 billion was invested in new homes between 2008 and 2011 through the Homes and Communities Agency (HCA). This has been reduced to £4.5 billion for the period 2011-2015.

In April this year the GLA took over responsibility for the programmes, functions and funding from the HCA London region, the London Development Agency and London Thames Gateway Development Corporation. The GLA's new responsibilities include projects associated with the affordable housing programmes which aim to increase the supply of new affordable homes across London. The GLA will invest £1.9 billion in affordable housing between 2012 and 2015.

Most of these new homes will be delivered through the 'affordable rent' model – a type of social housing where providers can charge up to 80% of market level rents. This enables providers to increase their rent revenues and reduce the level of

Government investment in affordable homes. Providers will also have the flexibility to convert a proportion of their existing social rented homes to 'affordable' rent, as part of an agreement with the GLA. Again, this additional income will be used to deliver new affordable homes.

Given the decreasing funding, rising rents and the negative impact of welfare reform on household incomes, it is becoming increasingly vital that the council finds ways of raising its own funds to invest in new housing, provided at rents which are genuinely affordable for local people.

Reform of social housing allocations

The Localism Act gives greater freedom to local authorities to set their allocation policies, albeit whilst still requiring that certain groups should be given 'reasonable preference' such as people who are overcrowded, homeless or in medical need.

The council now has more scope to control its housing allocations through the setting of qualification criteria. These may take into account:

- A person's limited prospect of gaining a social tenancy. Local authorities may even prevent those not in housing need from being on the waiting list
- The financial resources available to the person with a view to limiting their access to the waiting list
- Any behaviour by the person or a member of their household that affects their suitability to be a tenant
- The extent or otherwise of any local connection, removing the current obligation to open the waiting list to everyone, even those with no local connection.

Tower Hamlets' current lettings policy was introduced at the end of 2010 in response to local housing need. It particularly focuses on reducing overcrowding, not least because this was seen as a major cause of homelessness in the borough. The lettings process was also made more straightforward, simplifying the categories of housing need and introducing date order queuing. The council will be considering the new freedoms with regard to allocations and will be consulting on a new lettings policy shortly.

Tenure reform

The Localism Act enables social landlords to offer fixed term, or 'flexible', tenancies. A flexible tenancy is a secure tenancy and must be for a minimum term of two years. However, it is expected that a term of 5 years will be the norm, with no upper limit. Councils and other Registered Providers will still be able to offer lifetime tenancies if they wish. The objective is to give more flexibility to councils and Registered Providers in the allocation of social housing, enabling them to make the best use of the housing stock. The Council is required to produce a tenancy strategy by January 2013. Registered Providers will be required to have 'due regard' to this tenancy strategy when setting their own tenancy policies. However, most Registered Providers work across several local authorities, who are all at different stages in the development of their tenancy strategies.

All providers who manage housing stock in the borough have been surveyed on the status of their tenancy policies and a substantial number will be introducing fixed term tenancies for both new affordable rent properties and some re-lets.

Changes to homelessness legislation

Local authorities have a statutory duty to house people who have unintentionally become homeless. They have always been able to do this by offering people accommodation in the private rented sector, and the council has been relatively successful and brokering private sector tenancies for homeless households. Until recently though, households have been able to reject private sector accommodation, preferring to wait for a social tenancy (living in temporary accommodation in the meantime). Under the Localism Act, homeless households will not be able to reject an offer of private sector accommodation.

However, under the welfare reform, particularly the reductions in Local Housing Allowance and the benefit cap discussed above, private sector tenancies, and indeed temporary accommodation, will be unaffordable for many households.

Introduction of the affordable rent model

Social landlords who seek grant funding from the Government to help develop and build new homes will be enabled to let newly built homes and some existing homes at 'Affordable Rent'. That rent can be up to 80% of private market rents.

Introduction of the Community Infrastructure Levy

The Community Infrastructure Levy replaces planning obligations (Section 106) as the main way in which the council leverages funding from new commercial development. It will fund the provision of infrastructure such as transport links. It will be set rate per square metre, rather than a discretionary rate. The Mayor of London will have his own CIL, all developments in Tower Hamlets are already subject to this, and will pay a separate Tower Hamlets CIL once it is introduced. The CIL is not paid on social housing developments.

Background reading:

The Housing Report, Edition 3 November 2012: Shelter, Chartered Institute of Housing, National Housing Federation

http://www.housing.org.uk/media/news/housing_report_edition_3.aspx

GLA: Implications of the Affordable Rent model in London, July 2011

<http://www.london.gov.uk/sites/default/files/Implications%20of%20Affordable%20Rent%20Model%20in%20London.pdf>

Background Reading

Summary of reports

London Poverty Profile: Housing and Homelessness

<http://www.londonspovertyprofile.org.uk/downloads/povertyreport2011-web.pdf>

Key findings:

- Households accepted as homeless in London has remained in stasis between 2009-2010 at 3 per 1000; although the rate began to increase as of end of 2010
- Tower Hamlets has a proportion of households in temporary accommodation around 20 times the national average.
- Proportion of households living in temporary accommodation in London is more than 10 times higher than national average, accounting for 75% of all households in temporary accommodation in England, most of which are housed in private rented accommodation.
- Private rental has been used thus far as main provider of temporary accommodation; however as Local Housing Allowance is to be capped, private landlords letting their properties to homeless families will likely withdraw their accommodation from this part of the market.
- The number of people sleeping rough in London has risen in each of the last three years and in 2010 stood at 3,800, of which 2,300 were in contact with services for the first time. Around 1,000 rough sleepers are from Central and East European countries.
- The number of households living in overcrowded accommodation has risen by 60,000 in the last decade and now stands at 220,000; an increase of 40%.
- Correlation between emergence of private rented sector as dominant form of housing tenure and overcrowding. Overcrowding has increased by 100% in private rental over past decade.
- Newham and Barking & Dagenham had the highest levels of mortgage repossessions among London boroughs - Tower Hamlets falls under the top category 'More than 1.3%'.
- Added to these existing problems, 104,000 households in London will be affected by changes to the housing benefit system starting in 2011, which will mean their levels of benefit will no longer be sufficient to cover their rent.
- From April 2011 the rate was set at the 30th percentile¹. According to Shelter an Cambridge Univ. following the changes parts of every borough will become 'unaffordable'. While by 2015 when LHA is uprated below the rate at which rents themselves increase, almost two-thirds of London's neighbourhoods will be hard to afford for LHA claimants.
- Those who stand to have the biggest shortfall in their weekly rent are households in the Inner West of London and larger households throughout the capital. The average shortfall these households will face will be in excess of £20 per week.
- Some of those households forced to move may well declare themselves homeless. The Mayor of London estimates there will be a 50% rise in homeless acceptances (not merely applications) across London.

¹ 30% of the rental properties of that size in the area will be affordable on housing benefit, rather than the previous 50%

Investing in Council Housing in Southwark: The Final Findings of the Independent Commission on the Future of Council Housing in Southwark

<http://www.southwarkhousingcommission.co.uk/>

Summary

This report sets out the findings of a Commission set up by Southwark Borough Council (where 1 in 2 households live in some form of council property) to answer the following questions:

- Against a backdrop of rising demand, less public money, major housing reforms and uncertainty in the housing market, what can be done to improve the future financing, ownership and operation of council owned housing stock?
- What are the expectations of tenants and residents?
- What might a new council housing investment strategy spanning up to 30 years look like, and what factors need to be considered to make it sustainable and affordable?

During the evidence gathering the following facts became apparent about the council's properties and their tenants.

- A crisis is looming, with affordable and social housing demand far outstripping supply.
- Southwark has the largest supply of social housing in London (39,000 council homes and 16,700 leaseholders), yet, much of this stock needs to be renovated and the council must 'raise its game'...with a far more responsive approach to tenants and leaseholders.
- In the past, the council has made poor, short term decisions which have resulted in long term problems.
- The size of the current stock is a real challenge given the poor state of the housing and the council's housing repairs and maintenance service lags behind on quality and cost.
- Two-thirds of current tenants are not economically active, many being pensioners, carers and other vulnerable groups. 70% of tenants earn below £20,000 with the median income being just £9, 100, five times lower than that of the average home owner in the borough.

Currently, the major changes impacting on council housing in borough are, or are expected to be:

- Population growth, which is rapidly increasing demand for housing. It is expected that 50,000 extra people will reside in the borough by 2030.
- The widening gap between council housing and private rental costs.
- Welfare reforms, which it is feared will hit the borough's poorest hardest.

Tenants told the Commission:

- While they still wanted the council as their landlord, the service provided was poor and had a significant, negative impact on their lives.
- They wanted to be listened to more and felt that they should be better consulted about changes, particularly major works in their local area.
- They wanted more done about illegal subletting of council properties.
- They are extremely worried about rising rent prices and the on-going welfare reform.

The commissioners reached the following conclusions:

- There are no easy solutions and no quick fixes. A range of options exist that could dictate very different outcomes for the area, influenced by the availability of finance.
- The current situation does, however, offer an excellent opportunity to break from the past and do things differently, changing the way the Council invests in housing.
- The decisions taken will influence council housing for the next thirty years, but the Council must be clear in its aims. The plans must focus on the wellbeing of all residents, be affordable and sustainable.
- It must be accepted that the council cannot meet all housing demand in the area, but could lead the way, setting a 'new agenda' for housing and working closer with the GLA and other boroughs to share resources, assets and good practices.

The Commission presented three clear options back to Southwark Council, which the council is currently consulting on.

1. A slow and steady decline in stock to around 30,000 homes. This would release extra funds to improve the retained stock and enable major restructuring of estates, but do nothing to address the shortage of affordable low-rent housing. Over time the council would gain a relatively large financial surplus from its rents which it could reinvest.
2. Maintaining the stock at around the current level of 39,000 homes over the next 30 years. This would necessitate a substantial and sustained refurbishment and new-build programme. This more ambitious scenario would help ease the borough's housing problems but would require the council to undertake a higher level of borrowing against the value of its larger stock to cover the funding gap. It would also require a step change in the quality of strategic and project management.
3. A carefully managed reduction to 20,000 homes. This would cut management and maintenance costs and release more resources for improving the existing stock. Fewer council homes would mean more pressure on other social and private housing providers, as well as probably many more leaseholders as a result of tenants exercising their Right to Buy. But this option would also generate a larger financial surplus for reinvestment, which could be used in partnership with other providers.

Smith Institute and Future of London: London for sale?

<http://www.futureoflondon.org.uk/futureoflondon/wp-content/uploads/downloads/2012/07/120724LondonforSaleFINAL-2.pdf>

Summary

London's housing market has become distorted and dysfunctional partly due to a huge rise in overseas investment in expensive properties for the super-rich. Investment in luxury homes has doubled to over £5bn a year – five times more than the annual investment in affordable homes in London and a third of all loans made for house purchases. The level and nature of overseas investment is arguably the single largest issue as well as the most urgent affecting the London housing market. Were foreign investment funnelled directly into the development of affordable housing it wouldn't pose such a problem, it is the form of high-end, speculative investments which drives the costs of housing out of reach of most Londoners, which is most significant. Markets exist to serve the interests and needs of real people. Arguably the London private housing market serves the interests of few people and fails to serve the needs of the majority. There is a case for intervention.

- Over 60% of new homes in central London are currently being bought by overseas investors.
- The £5.2 billion spent by overseas investors in London in 2011 was more than the entire Affordable Housing Programme for England administered by the Homes and Communities Agency for the whole of the four years 2011-2015.
- There is a real risk that investment on this scale could create a “housing bubble”.
- As overseas buyers seek out homes for investment purposes they risk pushing prices up and reducing the availability of homes to buy for local people.
- This is matched by falling homeownership rates in London, with rapidly growing private rented sectors which have their own distinct challenges. The fall in homeownership has various negative implications for the ability to save and meet financial requirements of old age without a wealth of assets.

1. *House Prices and Affordability*

- That house prices in London rise at a time when real incomes are falling, and that the most expensive properties and areas are subject to greater than average rises point to something specific occurring in London that is not happening elsewhere.
- The surge in overseas investment in London homes will exacerbate the fall in home ownership, which is already down to 53.5% as opposed to 66% for England.
- Affordability has been tightening in England for four decades but in London the situation is significantly worse. In London between 2000 and 2007 the ratio of prices to earnings rose from 5.62 to 8.17. However it did not fall back after 2007. In 2011 the ratio of prices to median earnings was 8.54.
- A household on the median income for Kensington and Chelsea (£39,000 p.a.) would face an average price of £1.25 million in that borough; 31 times their income.

- For those currently using Housing Benefit the position is set to become significantly worse. The GLA has estimated that up to 9,000 London households will have to move when proposed caps on benefits are introduced.
- The declining importance of mortgage buyers (everyday buyers) within the housing market and emerging importance of equity buyers suggests a fall in the number of first-time buyers, a fall in the overall level of home ownership, and a shift towards a more affluent and exclusive profile of homeownership.

2. *Overseas Investment*

- In 2011 that investment overseas investment into housing increased to £5.2 billion, predominately from the Far-East.
- Overseas investors drive around 60% of the central London new-build market.
- Was the growth in overseas investment to continue until 2016, annual inward investment of £15-20 billion will be larger than the totality of mortgage loans for house purchase in 2011.
- Overseas investment can have a particularly volatile impact on the London housing market, given its often speculative nature. Inward investment contains an element of unpredictability since it is driven at least in part by motivations that are not directly linked to the fundamentals of the London property market but with perceptions of economic, financial and political developments in many parts of the world.
- Much overseas investment is not for rental purposes and lays empty thus compounding affordable housing shortages while contributing to fictitious growth in house prices.
- According to the Land Registry, Tower Hamlets is in the top ten boroughs where overseas incorporated bodies owned property in February 2012.

RIBA: The Future Homes Commission

<http://www.architecture.com/Files/RIBATrust/FutureHomesCommissionLowRes.pdf>

The Future Homes Commission was set up a year ago by the Royal Institute of British Architects (RIBA) to conduct an independent inquiry into the quality of newly-built housing, to ensure that more and better homes become available to house a growing and ageing population.

Britain needs a revolution in the scale, quality and funding of home building if we are to have any hope of meeting the housing needs of our growing and changing population. It is not just the number of homes being built but also the quality – new homes are often associated with cramp, poor design and dinginess.

While, local planning authorities often undermine construction of social housing by excessive Section 106 conditions². If they were more flexible, more homes of both social and open market tenures would be built.

The Commission believes local planning committees must take advantage of the flexibility offered by the Localism Act 2011. Every area will have its own need for affordable homes, different land values, different availability of brownfield sites and different development economics for local builders. The same percentage of affordable homes will not make sense everywhere, so seeking to impose a higher percentage than a site can bear will kill the development, leaving everyone to lose out. Local authorities should seek to de-couple the market from affordable housing.

The report's 5 key suggestions:

1. A three-fold increase in the number of new homes being built every year, to over 300,000. Land will be needed in or close to virtually every city, town and village.
2. A kick-start from an independent £10 billion Local Housing Development Fund, financed and owned by local authority pension funds with their combined assets of over £180 billion.
3. A greater focus on design in all new homes, to meet current buyers' needs and make them fit for future generations.
4. A more consumer-oriented housing market. Home-buyers and communities have too little power to influence the design of future homes.
5. A lead role for local councils, using the powers now at their disposal to promote sustainable communities to meet local housing needs. With their new powers and responsibilities under the Localism Act, local authorities are well placed to use their land holdings and potential access to funding from the proposed Local Housing Development Fund to promote new local communities.

²Planning conditions on new developments which usually implicate the developer in affordable housing provision.

Detailed recommendations of the report:

1. In the context of the Localism Act, Local planning authorities should be flexible in imposing S106 planning conditions related to affordable housing, to promote the construction of high quality homes on the open market as well as ensure the right social housing is built in the right place.
2. The Financial Services Authority (FSA) and its successor should ensure regulatory scrutiny of potential entrants to the UK mortgage market is carried out quickly and reflects consumer needs to get new finance circulating as soon as possible.
3. In the interests of local taxpayers and those who need housing, the Local Government Association must demonstrate leadership in getting local authority pension funds to invest in housing and associated infrastructure. The fifteen largest funds and other relevant bodies should set up an independently managed £10 billion Local Housing Development Fund to finance local developments of mixed-tenure housing, looking at the potential returns, risks to be managed, structure and governance arrangements.
4. The LGA should work with local authority pension funds, the National Association of Pension Funds and the Association of British Insurers to identify any legislative or tax constraints to increased institutional investment into UK rental and shared-ownership housing, and the necessary infrastructure associated with housing development.
5. The government must ensure its review of local housing standards sets minimum national standards for space, storage, noise insulation and natural light.
6. In the future, the layout of homes should reflect the growing need for flexibility and adaptability. The RIBA should mount a design competition for a flexible home that meets consumer needs and can be replicated at scale.
7. The construction industry must talk to the public more about good practice in new homes, and share information about quality and how they compare with older homes, to attract buyers currently suspicious of new build.
8. The industry should ensure consumers are provided with all the information on properties they need, whether or not they ask for it. These should include: floor areas; to-scale floor plans; lifetime costs; unique property features; creative storage; ease of recycling; details about different types of tenure such as shared ownership.
9. Everyone involved in housing development must embrace research as a way to empower consumers, produce more desirable homes and boost demand..
10. The Council of Mortgage Lenders, National House-Building Council, Home Builders Federation, RIBA and RICS should work together to build a statistical evidence base to inform the valuation of homes. This evidence should demonstrate whether more innovative, niche designs together with higher standards of build quality and energy efficiency achieve higher values over time.
11. The Department for Communities and Local Government (DCLG) should look for a suitable opportunity to extend the “Duty to cooperate”³ to include planning

³ The Duty to Co-operate requires local planning authorities, county councils and other bodies with statutory functions to co-operate with each other in preparing development plans, supplementary planning documents, marine plans and “strategic matters” such as infrastructure development

for individual large scale mixed developments and in the meantime consult on the best way to define these in legislation.

12. The Department for Transport should review highways design and adoption policies, including all relevant bodies, to enable more flexibility in the design of local roads while maintaining safety standards.
13. The DCLG should publish a comprehensive inventory and map of publicly-owned land —The results need to be shared with the public and used to encourage local authorities to think innovatively about local public assets.
14. Public bodies should use their procurement powers to ensure design quality and long-term value are not sacrificed to achieve short-term cost reductions.
15. Local authorities should ensure the quality of the neighbourhood is maintained. They can do this when they invest in a development, as well as appointing estate managers whose role is to ensure the quality of the neighbourhood is maintained.
16. The LGA should work with local authorities to identify the skills they need and set up a peer review service to share expertise in delivering large housing developments.

New Economics Foundation: One Million Homes: How to build a million affordable new homes in the next five years and still cut the public subsidy

http://www.neweconomics.org/sites/neweconomics.org/files/One_million_homes.pdf

The Government has set a modest target of just 150,000 new affordable homes to be built between 2010-2014. This is despite waiting lists for social housing now over 1.7 million households and house-build need of 200,000 just to keep pace with growing demand. This is alongside Government cuts to support for social housing by 60 per cent.

The Government's 150,000 target will require significant rent rises which combined with benefit caps will almost certainly cause hardship, particularly in London and the South East.

There is a way of building a million new affordable homes within five years while *at the same time* cutting government spending radically, it involves:

1. *Measures to reduce the cost of land:* changes to capital gains tax and planning rules that help ensure more of the value created by planning decisions benefits taxpayers and tenants.
2. *Measures to reduce the cost of capital for new homes:* bonds with returns linked to the retail price index, and designed to allow housing benefit to be paid directly to bond holders, combined with new financial structures; these measures may push down the cost of capital to the point where it is economic to replace government capital grants (to build houses) with revenue grants (to support interest payments), but even if they don't, they will make capital grants go a lot further.
3. *Measures to increase landlords' operating margin:* a tier of housing between existing social housing and the private sector, with somewhat higher rents and lower operating costs than at present.

Depending on assumptions, these measures would lead to savings ranging from one-third of those proposed by the government to over £1 billion a year *more* than those proposed.

The NEF 'strongly believe' that serious inroads need to be taken in order to tackle Britain's housing problems within existing public sector financial constraints.

Learning from Dutch Cities: Achieving sustainable urban growth

Nicholas Falk for URBED and TEN Group, 2005

Note for Commissioners from Nicholas Falk:

Clearly Tower Hamlets faces an extreme case of the polarisation that happens in London, but also shows how the new and old can be successfully integrated. I have included a report we did of a recent study tour by the TEN Group to Bow which brings out some lessons, including ways of saving resources by refurbishing tower blocks and reducing energy consumption.

However if we are to go further in getting poorer groups on to ladders that lead somewhere, I think London needs to apply the kinds of measures that have worked well in other European countries. Over the past few years I have led study tours to many European cities, and have been working on a book drawing lessons, as well as many articles, including some for the Smith Institute.

The best models come from the Netherlands, and the Commission could usefully learn from cities such as Rotterdam, which have faced similar challenges in terms of integrating ethnic groups. There are strong arguments for creating more balanced communities, and for introducing measures to manage shared space, like the Opzoomeren model with the City Council pioneered. My report on Learning from Dutch cities goes into detail.

The Dutch have enabled housing associations to broaden their roles, and allow those on lower incomes to buy homes in new developments at reduced prices, with any uplift in value share with the local authority. A policy that broadened the options could well secure funding from City institutions looking to make major long-term investments in property based vehicles.

The Housing Report, Edition 3 November 2012: Shelter, Chartered Institute of Housing, National Housing Federation

http://www.housing.org.uk/media/news/housing_report_edition_3.aspx

The Government has reached its half-way point— an appropriate moment to step back and assess the Coalition’s record so far.

Key Findings:

1. *Housing Supply*: The increase in new affordable homes completed is a welcome sign that the Affordable Homes Programme, led by housing associations, may be beginning to bear fruit. However, the disappointing overall starts and completions figures suggest that significant progress on boosting supply is still some way off. With the number of households projected to grow by almost five million in the next two decades the Government will have to do much more even to come close to meeting demand.
2. *Planning*: The Government’s National Planning Policy Framework (NPPF) has yet to show real signs of reviving house building. The 24% fall in units granted planning consent since the Coalition came to power demonstrates the challenge facing Government.

However, it is too early to assess the impact of the NPPF. By rushing to respond to poor new build figures by re-opening Section 106 agreements, there is a risk that Government will increase uncertainty in the planning system, and undermine the delivery of affordable housing.

3. *Overcrowding*: The first release of data covering the period of the Coalition Government showed that overcrowding worsened between 2009-10 and 2010-11. We await a further release early next year to see whether its policies to tackle the problem have yet made an impact.
4. *Homelessness*: Families in temporary accommodation, and in B&Bs for more than six weeks, are increasing, and worrying figures suggest rough sleeping is rising in London. Changes to the legal duty owed to those accepted as homeless from November may move numbers in unpredictable ways.
5. *Evictions, reposessions and arrears*: Repossessions, court actions and significant mortgage arrears are all down, which is good news for home owners and tenants. Maintaining the proactive approach of the previous administration to support home owners experiencing difficulty with mortgage payments has been a positive influence. It is important to caution, however, that as Government forecasters have recognised, this positive trend is tied to low interest rates, which are expected to start rising before the end of this Parliament.

6. *Help with housing costs:* The Government's cuts to Local Housing Allowance are exerting a downward pressure on benefit costs in the private rented sector (PRS). Nevertheless, the number of Housing Benefit recipients, payments per recipient, and overall expenditure are all rising.

The Government's attempts to reduce the Benefit bill are in tension with rising rents in the private sector. More people – including those in low paid work – are seeking support for housing costs from the state. It will be some time before we see the full impact of efforts to help people into work through the Universal Credit.

7. *Affordability:* It is clear that in the long term Government will try to bring down rents in the PRS partly through changes to Local Housing Allowance, but also by increasing the supply of large scale private rented sector properties. Until more details emerge, and new developments begin on the ground, progress on widespread affordability remains a distant prospect.
8. *Home Ownership:* Little has changed on home ownership since the publication of the previous edition of *The Housing Report*, despite policy initiatives to increase lending to home purchasers and lenders. Where new data are available they show that house sales may have increased slightly and that house prices are relatively stable, which is encouraging.

GLA: Implications of the Affordable Rent model in London, July 2011

<http://www.london.gov.uk/sites/default/files/Implications%20of%20Affordable%20Rent%20Model%20in%20London.pdf>

Affordable Rent Model

The Government announced that it would introduce, from April 2011, a new Affordable Rent model to be offered to Housing Associations. Government's intention that the additional rental income providers receive will contribute to the provision of new affordable homes.

Affordable Rent will offer shorter term tenancies at a rent higher than social rent, to be set at a maximum of 80 per cent of local market rent, on a fixed term of at least two years. Initially AR will be offered initially on providers' empty and re-let stock.

1. Housing Associations (example of Family Mosaic used) welcome the move which would generate extra rental income: 80 per cent of market rents equates to 92 per cent extra rent.
2. However, the new model will increase Housing Association's dependency on housing benefit.
3. There is also a high degree of uncertainty over the numbers of new homes likely to be built under the AR model.
4. AR does little to encourage turnover, which is needed to generate capacity to bring in new tenants on the higher Affordable Rent. However, turnover rates in London are low compared to the national rate.
5. Further, the new rent levels could potentially see new clients having to pay significantly more for their accommodation than existing clients, or alternatively existing clients could be squeezed out of the sector⁴.
6. New clients could therefore be facing rents that are higher by nearly 100 per cent for a one bedroom flat and over 300 per cent for a four bedroom property.
7. Not only does this raise serious concerns about horizontal equality⁵, but also about whether those clients in most need will ever be able to afford 'affordable' properties.
8. 'Serious concerns' over the affordability and the introduction of the government's proposed welfare reforms; in particular the £500 a week total benefit cap that will apply to the new universal benefit. Given that most people in housing need earn less than 15,000 p.a., the scope for significant rent increases is limited.
9. Taken on its own the affordable rent element would be likely to increase the number of new homes being built each year. However, when the benefit cap and reduction in

⁴ L&Q (housing association) charges on a one bed - in Haringey - are £85 a week. 80 per cent of the market rent will be £168 a week. The rent that we charge on a four bed is £126 a week. If charged 80 per cent of the market rent that would increase to £390 a week.

⁵ People with the same need and income paying different social rents

public subsidy are taken into account, the overall number of new homes is likely to be reduced.

10. Particular concern over the tension between ability to build more affordable family housing and the benefit reforms capping benefits otherwise used to pay new higher rents.