

London Tenant's Federation

Reclaiming social rent

Target rent

Southwark Council Cabinet report Dec 2014

12. Rent convergence is no longer applicable from April 2015. However, since there are proposals for newly-let tenancies to be let at the target rent level for that property, it is important to briefly set out how that figure is derived.
17. In Autumn 2013 the Department for Communities and Local Government (CLG) issued a consultation paper '*Rents for Social Housing from 2015-16*' ... ending the policy of rent convergence from April 2015...
18. The consultation paper also took the policy of setting new-let properties at target rent as a given, as a means of defraying rental income lost by nonconvergence. The council has previously resisted this..
19. Assuming a turnover rate of around 1,700 tenancies per annum, then movement to a target rent policy would generate around £300,000 per year in additional income...
20. However, the council recognises the positive engagement of tenants being decanted from their homes to facilitate council-led regeneration ...[these] tenants should be considered for exemption from this policy change. Tenants arbitrarily impacted by the government's decision to remove the "spare room subsidy" might similarly be considered for exemption...

APPENDIX A – AVERAGE RENTS ACROSS LONDON BOROUGHES 2014/15

	Average Rent 2014/15 £	Target Rent 2014/15 £	Average to Target Gap 2014/15 %	Target Rent 2015/16 £
Barking and Dagenham	90.79	98.36	8.3%	100.52
Barnet	100.93	112.19	11.2%	114.66
Bexley	–	–	–	–
Brent	111.04	118.70	6.9%	121.31
Bromley	–	–	–	–
Camden	109.58	121.75	11.1%	124.43
City of London	98.16	109.07	11.1%	111.47
Croydon	105.06	106.89	1.7%	109.24
Ealing	94.42	103.65	9.8%	105.93
Enfield	100.73	101.87	1.1%	104.11
Greenwich	101.95	103.64	1.7%	105.92
Hackney	99.41	100.43	1.0%	102.64
Hammersmith and Fulham	103.42	116.75	12.9%	119.32
Haringey	103.12	106.71	3.5%	109.06
Harrow	112.43	114.43	1.8%	116.95
Havering	90.80	97.15	7.0%	99.29
Hillingdon	107.69	109.39	1.6%	111.80
Hounslow	101.22	104.76	3.5%	107.06
Islington	110.91	120.18	8.4%	122.82
Kensington and Chelsea	118.29	128.78	8.9%	131.61
Kingston-upon-Thames	113.29	113.32	–	115.81
Lambeth	107.20	108.93	1.6%	111.33
Lewisham	95.90	96.77	0.9%	98.90
Merton	–	–	–	–
Newham	95.96	97.30	1.4%	99.44
Redbridge	102.67	103.52	0.8%	105.80
Richmond-upon-Thames	–	–	–	–
Southwark	99.07	108.56	9.8%	110.95
Sutton	106.04	108.22	2.1%	110.60
Tower Hamlets	108.59	111.57	2.7%	114.02
Waltham Forest	100.72	102.85	2.1%	105.11
Wandsworth	123.80	125.63	1.5%	128.39
Westminster	121.03	125.72	3.9%	128.49
London Average	104.04	109.27	5.0%	111.67

Source: London Boroughs HRA Budget Reports 2014/15

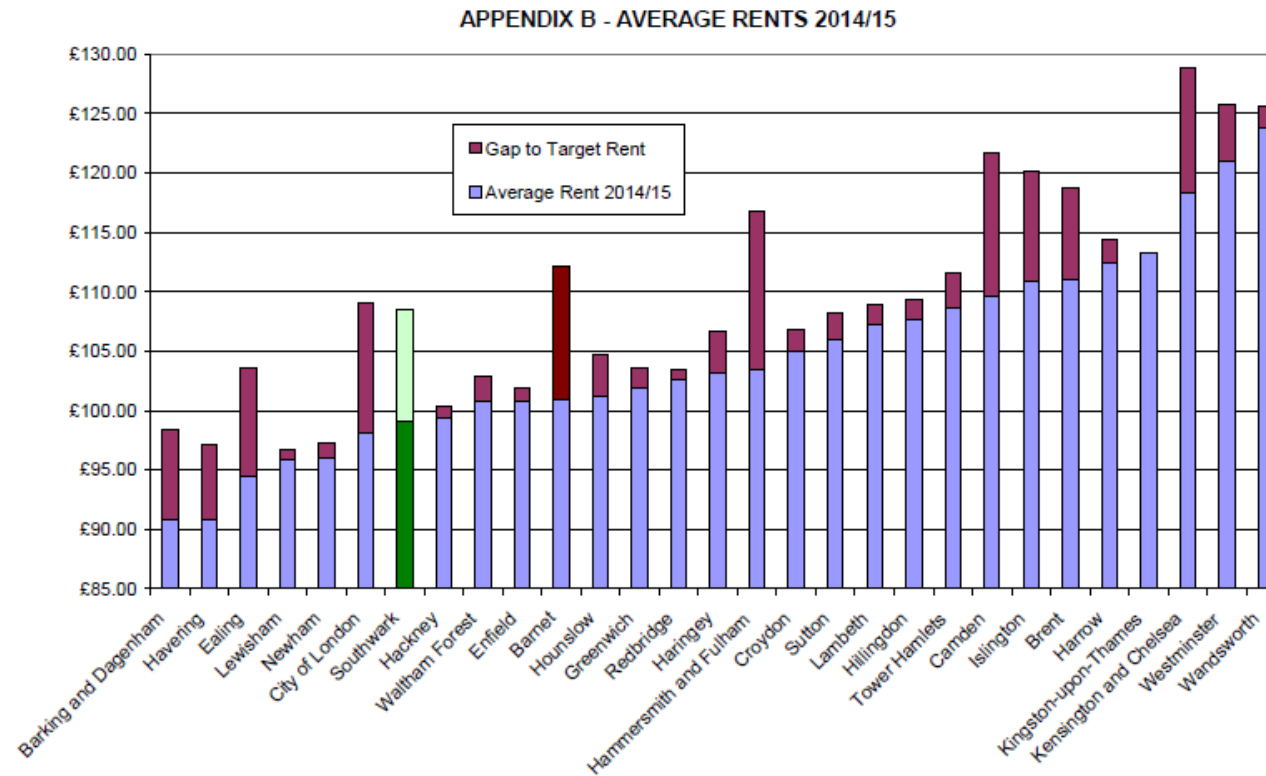
Notes:

- Southwark's average rent (adjusted mid-year stock position) for 2014/15 ranks 7th lowest of the 29 London Boroughs that manage their housing stock either directly or via an ALMO.
- Average rent figures exclude tenant service charges.
- London averages are weighted by stock numbers (taken from most recent CLG HSSA return).
- Where the budget report did not quote an average weekly cash figure, this is extrapolated from their quoted percentage increase.

Southwark Council Cabinet report Dec 2015

Target Rents for New Lets

34. As part of last year's HRA budget consideration, and in line with CLG expectations, cabinet resolved to adopt the proposed "straight to target" policy for new lets, with a set of exemption criteria to reflect specific circumstances. In the first six months of 2015/16 832 void properties have been let, of which 647 were straight to target, and 185 exempted, broadly in line with expectations.



Data source: London Boroughs HRA Budget Reports

Government policy

National Planning Policy Framework 2012

Annex 2: Glossary

Affordable housing: **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.

National Planning Policy Framework 2018

Annex 2: Glossary

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for **Social Rent** or Affordable Rent, **or is at least 20% below local market rents** (including service charges where applicable); (b) the landlord is a registered provider, **except where it is included as part of a Build to Rent scheme** (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. **For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).**
- b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household’s eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) **Other affordable routes to home ownership:** is housing **provided for sale** that provides a route to ownership for those who could not achieve home ownership through the market. **It includes shared ownership, relevant equity loans, other low cost homes for sale** (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

White Paper 2017

Affordable private rent housing is housing that is made available for rent at a level which is at least 20 per cent below local market rent. Eligibility is determined with regard to local incomes and local house prices. Provision should be made to ensure that affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of Build to Rent Schemes.

Green Paper 2018

Reforming Right to Buy Receipts

152 We are publishing a consultation paper alongside this Green Paper which sets out proposed changes to the way local authorities can use Right to Buy receipts to deliver new homes... We are also considering allowing a greater proportion of the cost of new Social Rent council homes in areas of high affordability pressure to be met through Right to Buy receipts and to allow greater flexibility over the tenure of replacements – **to include shared ownership as well as Affordable Rent and Social Rent.**

London Mayor's policy

The Mayor's Affordable Housing and Viability SPG 2017

13. The Mayor's preferred affordable housing tenure mix includes a range of products to meet different needs – principally low cost rented accommodation to meet general needs, and London Living Rent and shared ownership to meet intermediate needs.
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- 2.40 The Mayor is keen to maintain this flexibility to meet local needs while ensuring the delivery of his preferred affordable products. The preferred tenure split is for schemes to deliver:
 - at least 30 per cent low cost rent (social rent or affordable rent). London Affordable Rent¹¹ should be the default level of rent, and should be assumed by applicants in the absence of alternative guidance from LPAs on the rent levels that they consider to be genuinely affordable. An LPA may specify other levels of affordable rent they consider genuinely affordable, and the Mayor will generally expect this to be significantly less than 80 per cent market rent. These homes are to be made available as general

The Mayor's Affordable Housing and Viability SPG 2017

PART FOUR: BUILD TO RENT

19. The fourth part of the SPG provides specific guidance on Build to Rent developments, recognising that they differ to the traditional build for sale model.
20. The SPG defines Build to Rent and explains how its distinct economics should be taken into account when assessing applications. It provides guidance on the requirement for covenant and clawback arrangements if homes are sold out of the Build to Rent sector. It sets out an alternative pathway which applicants may choose to follow. This pathway: promotes Discount Market Rent (DMR) as the affordable housing offer and expresses the Mayor's preference for DMR homes to be let at London Living Rent levels; highlights the Plan's existing flexibility when it comes to mix and design standards where schemes are of exemplary design; and requires applicants to meet the Mayor's five key Build to Rent management standards.

'London Affordable Rent' homes have been introduced by Sadiq Khan. These are based on 'capped' **formula rent levels**, exclusive of service charges (see table below). This is the highest amount of rent that a council or housing association may currently charge for social-rented homes. Rents at this level are quite a lot higher than average social-rents in London. According to the latest available data (2015/16) the average London council rent in was £107.93¹ and the average London Private Registered Provider rent was £125.27².

Table 1: London Affordable Rent benchmarks for 2017-18

Bedroom size	2017-18 Benchmark (weekly rents, exclusive of service charge)
Bedsit and one bedroom	£144.26
Two bedrooms	£152.73
Three bedrooms	£161.22
Four bedrooms	£169.70
Five bedrooms	£178.18
Six or more bedrooms	£186.66

If we assume that a three bedroom sized home is the 'average', London Affordable Rents are almost 50% higher than average council rents and 43% higher than average private registered provider (housing association) rents. As average social-rented household incomes in London are only £17,500 this is a significant hike in rent levels.

39. Our proposed direction would allow the Regulator to exempt a private registered provider from one or more requirements in the rent standard. The Regulator would be able to do this if it considers that complying with the requirement(s) would jeopardise the private registered provider's financial viability. This is very similar to the existing threshold for exempting private registered providers from the social rent reduction (as set out in section 25 of the Welfare Reform and Work Act 2016). The process for private registered providers to apply for an exemption will be set out separately by the Regulator.

- Rents for social housing from 2020-21 consultation

<https://www.gov.uk/government/consultations/rents-for-social-housing-from-2020-to-2021>

C. For estate regeneration schemes the existing affordable housing floorspace should be replaced on an equivalent basis i.e. where social rented floorspace is lost, it should be replaced by general needs rented accommodation with rents at levels based on that which has been lost, and the delivery of additional affordable housing should be maximised. All schemes should follow the Viability Tested Route (see Policy H6 Threshold approach to applications) –

- draft London Plan Policy H10

30. *Building Council Homes for Londoners* is designed to enable councils to deliver more housing, particularly for social rent.² The GLA therefore expects to allocate the majority of grant funding in this programme to support new council homes for rents at or below ‘London Affordable Rent’ caps, since these caps are based on social rent levels (see Table 1).

Table 1: Current London Affordable Rent caps (based on social rent levels)

	2018-19 cap
Bedsit and one bedroom	£150.03
Two bedrooms	£158.84
Three bedrooms	£167.67
Four bedrooms	£176.49
Five bedrooms	£185.31
Six or more bedrooms	£194.13

Local housing companies

Local housing companies (LHCs) are independent arms-length commercial organisations wholly or partly owned by councils. They can develop, buy and manage properties within and outside of a local authority area. The homes LHCs provide sit outside of the local government housing financing system (Housing Revenue Account) and are not subject to the Housing Act and most of the social/affordable housing regulations.

There are now probably as many as 150 LHCs in England, most formed in the past few years. On the current trend, this could increase to 200 by 2020 – covering just over half of all councils in England.

On the current trend, up to half of all councils in England may have a LHC by 2020, most building on council land.

We estimate that around 30%-40% of new LHC homes are likely to be 'affordable', with a minority at the equivalent of social rented levels.

LHCs provide a mix of housing tenures, with the focus on renting (at equivalent affordable rent and market rent levels) and to a lesser extent at social rented levels. Some LHCs provide homes for sale and to meet specialist housing needs (e.g. for temporary accommodation and homes for older people) and several are involved in estate renewal and regeneration schemes.

The majority of LHCs are wholly owned by the council, which typically provides loan finance and land. Most are governed by a mix of Members and officers and partly staffed by the council and external consultants.

Delivering the renaissance in council-built homes: the rise of local housing companies - Paul Hackett, Smith Institute 2017

The New Southwark Plan

P1 Affordable homes

Table 1 : Affordable homes requirement

Market Housing	Affordable housing	
Up to 65%	A minimum of 35%	
	Intermediate housing	Social rented housing
	Up to 10.5%	A minimum of 24.5%

P4 Private rented homes

Table 3: Affordable housing requirement option on qualifying private rented homes scheme

Market Housing	Affordable housing		
Up to 65%	A minimum of 35%		
	Social rent equivalent	Affordable rent capped at London Living rent equivalent	Affordable rent for household incomes between £60,000 and £90,000 per year
	A minimum 12% (34%)	A minimum 18% (52%)	A minimum 5% (14%)

Southwark's proposed Intermediate housing waiting list

Why We Are Consulting

We want to hear from you on who you think should be eligible to apply for these new intermediate homes and who should be prioritised.

These properties will have:

- Minimum three year assured shorthold tenancies
- Rent levels set at the London Living Rent (around half of the private market rent) for those on household incomes below £60,000. There will also be a small proportion with rents at up to a maximum of 80% of the market rent for those with household incomes of between £60,000 and £90,000
- A private or housing association landlord

These homes will mainly be delivered as the affordable homes component on purpose built private rental developments. More information is included in the FAQ below.

Elephant & Castle Shopping Centre redevelopment

Appendix 2

FURTHER UPDATED AFFORDABLE HOUSING OFFER - 15 JUNE 2018								
	Social Rent	London Living Rent (household incomes up to £60k)			DMR			
	A	B	C	D	E	F	G	Total
West								
1b	22	2	-	-	-	-	10	34
2b	66	10	-	-	-	-	27	103
3b	28	-	-	-	-	-	-	28
East	-	-	-	-	-	-	-	-
1b	-	9	9	-	-	-	35	53
2b	-	12	11	-	-	-	89	112
3b	-	-	-	-	-	-	-	-
Total unit mix	116	33	20	-	-	-	161	330
Unit %	35.1%	10.0%	6.1%	0.0%	0.0%	0.0%	48.8%	100.0%
Hab room %	38.1%	9.4%	5.3%	0.0%	0.0%	0.0%	47.2%	100.0%

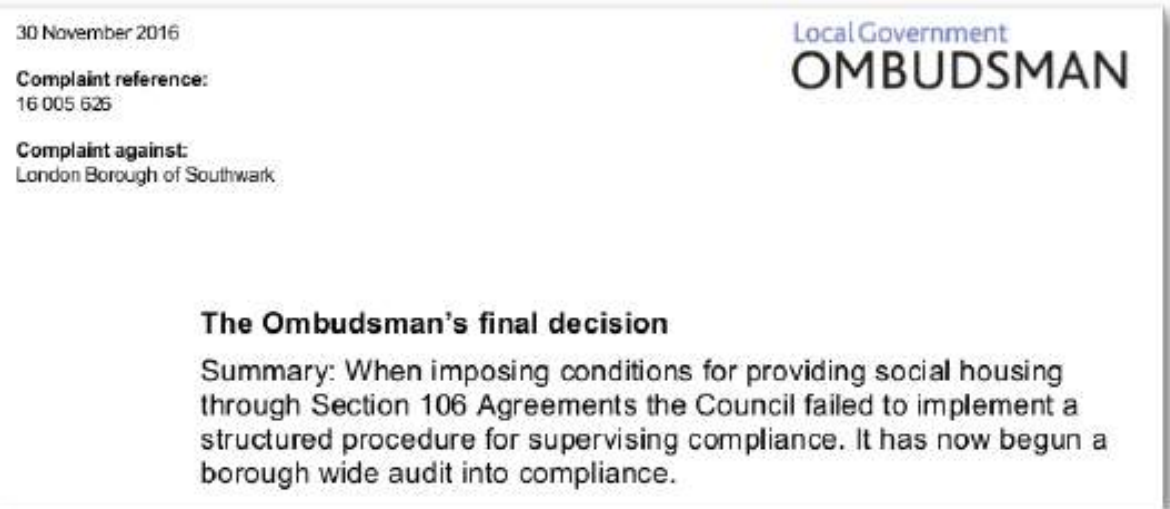
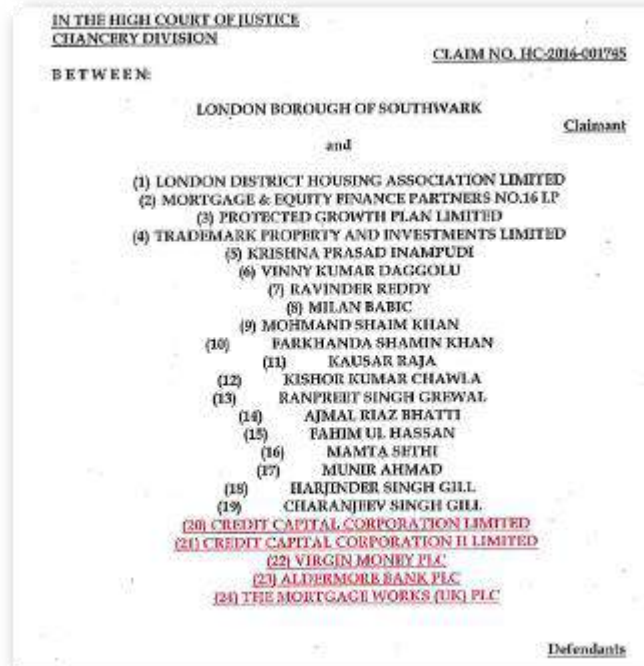
Biscuit Factory redevelopment

Build to Rent and Discount Market Rent

- 2.13 Grosvenor's Offer proposes a Build to Rent scheme which will include a proportion of DMR.
- 2.14 The proposed DMR provision equates to 27.5% affordable housing by habitable rooms at an average 25% discount to market rent.
- 2.15 Table 3 below summarises the proposed market BTR unit mix:

Jammy Dodgers

The Signal Building and the Jam Factory were amongst 46 developments submitted in the 35% Campaign's complaint to the Local Government Ombudsman, that affordable housing from private developments was not being delivered. Affordable units in the Signal Tower were being advertised on AirBNB for £129 per night.



Bermondsey Spa



Notting Hill Hosing Trust's Bermondsey Spa regeneration - 54 council homes were demolished and replaced with 205 new homes, of which 44 were supposed to be social rent, but instead let at affordable rents, at up to 63% market rent. Southwark Council promised that 'appropriate action' would be taken.

Southwark subsequently stated at first Aylesbury CPO Public Inquiry, that it "will not be taking any [enforcement] action" against Notting Hill for the breach of planning conditions at Bermondsey Spa.