

16.03.20

London Tenants Federation's response to MHCLG First Homes consultation

1. Introduction:

- 1.1 London Tenants Federation (LTF) is an umbrella organisation bringing together borough- and London-wide federations and organisations of tenants (including leaseholders)¹ of social housing providers. Our membership also includes the London Federation of Housing Co-operatives and the National Federation of Tenant Management Organisations. A number of our member organisations involve both council and housing association tenants and a few (a minority) also involve some private tenants.
- 1.2 LTF has strong links with other community and voluntary sector organisations in London that also have an interest in housing, planning and community related issues.
- 1.3 LTF's key focus is engaging our member organisations in London-wide strategic policy – particularly relating to housing and planning. We also respond to national policy consultations highlighting what our members feel will be the impact on London.

2. Overview

- 2.1 The government's 'First Homes' policy proposal is focused on propping up a market system for delivering homes that fails to meet the needs (in terms of affordability) of most households (in London) and is at the expense of families that are only able to meet the cost of social rented homes. This is clearly for market good, at the expense social good.
- 2.2 There is no evidence of need for yet another form of subsidised intermediate / low cost ownership product in London. The evidence, by far, is that funding and policy focus must be on social rented homes.
 - The total number of **homeless households living in temporary homes** in London was 56,950 in April-June 2019 (almost double that for the rest of England) and 43,160 of these were households with children².
 - The number of **overcrowded households in social rented homes** in London is more than 109,000, equivalent to 15% of social rented households³.
 - According to the London Mayor's Strategic Housing Market Assessment (SHMA) 2017⁴ **47% of the new and additional homes delivered in London over a 25-year period needed to be social rented** (that's 30,973 per annum),

¹ When referring to 'tenants' we mean both tenants and leaseholders (as set out in our Articles of Association)

² MHCLG – April-June 2019 - <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

³ <https://data.london.gov.uk/dataset/housing-london>

⁴ <https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/examination-public-draft-new-london-plan/eip-library> - NLP/HOU/001

only 35% (23,065) needed to be market homes and **just 18% (11,862) intermediate** homes.⁵

- It is of note the London Mayor's 2017 SHMA identified that the **backlog of need for social rented homes had increased from 60,893 in 2014 to 163,000 in 2017, while the backlog of need for intermediate housing had reduced from 45,705 in 2014 to just 4,000 in 2017.**
- With poor delivery of social rented homes, the need will undoubtedly have increased since 2017

2.2 According to the most recent (2019) London Mayor's Annual Monitoring report of the London Plan, **in 2017/18 just 1% of the homes delivered in London were social rented and 4.5% affordable rent.** (The latter includes rents up to 80% of market rent which do not meet assessed need).

In addition, we continue to lose social rented homes through estate demolitions and Right to Buy. Between 2004 (when the first London Plan was developed) and 2019, we have seen just 5,754 additional social rented homes delivered in London⁶. On average that's just 384 additional social rented homes each year, when we currently need 30,973 each year for 25 years to address newly-arising, and the backlog of, need.

Poor delivery of social rented homes can only be addressed through:

- higher levels of grant funding for new and protection of existing social rented homes;
- full use of section 106 to deliver social rented homes;
- suspension of the right to buy;
- requirements for local authorities and housing associations to prioritise this most serious need (for social rented homes) in terms of affordability and supporting healthy and sustainable communities.

2.3. If the market is so effective in delivering homes to meet need then this should be left to the market instead of consistently propping it up with the public purse. In 2018/19 the Government supported / subsidised private / market housing to the tune of £55.5m – for help to buy equity loans and ISAs, financial guarantees and other incentives. That compares to just £14.9m for affordable housing which also includes shared ownership.

2.4 We note that Bert Provan from the LSE highlighted in October 2017⁷ that Help to Buy mainly helps the privileged. He advised that *"since the 1990s cross-party English housing policies have included some form of commitments to help "first time buyers" to get onto the property ladder.*

⁵ NB these figures are based on newly arising and backlog need being addressed over a 25-year period, while in the past national government required need to be addressed on a 5-year period.

⁶ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants> - tables 115 and 116

⁷ <https://blogs.lse.ac.uk/politicsandpolicy/how-help-to-buy-helps-the-privileged/>

These policies include both subsidising the construction costs of homes for targeted sale to first time buyers, mortgages with subsidised rates or lower deposit requirements, subsidised savings schemes, and “shared ownership” programmes which let these buyers initially buy half the house (or less), then increase their equity at a later date (renting the rest in the meantime)”.

He highlighted that the downsides of the policy are that:

- those benefiting had incomes considerably more than the national median income, with four out of five having incomes above the median;
- three out of five would have bought their homes anyway – albeit they may have had to wait a little longer to save for a deposit.

2.5 Despite ongoing pursuance of this strategy, property prices continue to increase as do the number of analysts arguing that building more homes (regardless of type) won't deal with the housing crisis and particularly won't bring down house prices.

The application of demand and supply is just faulty in respect of the housing market. Housing investment markets operate differently to user markets.

We note that the Kate Barker national review of housing supply of 2004 recognised this, saying that even if private housebuilding roughly doubled from 120,000 to 240,000, house prices would still continue to rise on a trend of 1.1 per cent above inflation. The review said that to stop house prices rising at all would imply a level of market housebuilding that would be “undesirable and unachievable”⁸

3. Questions set out in the First Homes consultation paper

Q1(a) We don't support the introduction of the First Homes policy at all – for reasons set out in **section 2** of our response. We want to see considerable emphasis on delivery of social rented homes to support delivery of really affordable homes both for those who can't afford other types of homes and in time, to others who would prefer to have a secure and stable home at a reasonable cost rather than renting privately or owning a home.

Q1(b) We don't feel that First Homes should be delivered in London alongside the already wide range of intermediate housing products: London Living Rent, shared ownership and low-cost ownership homes.

We are pleased that the Government has said that it wants a significant amount of the £12bn affordable housing programme to be social rented, but we fear that a larger chunk of it will go towards other types of so-called 'affordable' homes that are not affordable to most households in London.

Q2 (a) and (b) As above.

Q3 (a) As above.

⁸

http://webarchive.nationalarchives.gov.uk/20120704150620/http://www.hm-treasury.gov.uk/d/barker_review_report_494.pdf

Q4. As above

Q5. Local authorities in London should focus on addressing their own levels of need for social rented homes and contributing to London-wide need not delivering homes subsidised by the public purse / planning gain monies for households with above median income levels.

Q6. As above Q1(a and b) and Q5.

Q7. As above

Q8. As above

Q9. As above

Q10. As above

Q11. As above

Q12. Don't introduce First Homes.

Q13. We don't support the introduction of First Homes – see section 2 of our response above.

Q14. We don't support the introduction of First Homes – see section 2 of our response above.

Q15. We don't support the introduction of First Homes – see section 2 of our response above.

Q16. We don't support the introduction of First Homes – see section 2 of our response above.

Q17. We don't support the introduction of First Homes– see section 2 of our response above.

Q18. We don't support the introduction of First Homes – see section 2 of our response above.

Q19. We don't support the introduction of First Homes – see section 2 of our response above.

Q20. No

Q21. Section 106 should be used to deliver social rented homes in London. We note that in 2016-19, **5,678 affordable homes were delivered in London via nil grant Section 106 and an additional 217 with part Section 106 funding** yet of these **only 441 social rented homes were delivered with nil grant Section 106 and 16 via part Section 106 funding.**⁹

⁹ MHCLG table 1011

Q22. 0%

Q23. We don't support the introduction of First Homes – see section 2 of our response above.

Q24. Only social rented homes.

Q25.

Q26. It shouldn't seek to introduce First Homes delivery.

Q27. No

Q28. We would like to see the Government ensure maximum delivery of social rented homes through section 106 with the same in relation to affordable housing grant / GLA funding.

Q29. (a) The impact of this policy would be on income particularly. It would not benefit households with below median incomes. We know from Government household income data that black and mixed households are the most likely of all ethnic groups to have a weekly income of less than £400 per week¹⁰. BAME Londoners are more likely to live in households with an average annual income below £20,000 and are twice as likely to rent privately than white British people¹¹. BAME households are more likely to live in overcrowded accommodation than white households in London¹² and overcrowding is most severe among Pakistani, Bangladeshi and black African households. Overcrowding in social rented homes in London is greatest in some of the poorest London boroughs – including Brent and Newham.

(b) greater benefit would be achieved by focusing strategic policy on delivery of social rented homes.

Q30. No

Yours sincerely

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¹⁰ <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/pay-and-income/household-income/latest>

¹¹ Office of the national statistics 2011 Census

¹² EHRC (2016) Is London Fair: The State of Equality and Human Rights