

16th September 2020

Response to the Mayor of London's consultation on intermediate housing

Introduction: London Tenants Federation brings 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. LTF's main focus is on engaging its member organisations and individual tenants' associations (in open meetings), in London-wide strategic policy – particularly relating to housing, regeneration and planning.

We have strong links with other community and voluntary sector organisations in London that also have an interest in housing, regeneration, planning and community related issues.

We are members of the Mayor's London Housing Panel.²

General comments on the consultation: The headline of the Mayor's press release about this 40-page consultation document on intermediate housing is '*Mayor proposes priority housing for London's Covid heroes.*'

This sounds depressingly like political opportunism in respect of the wide public support given to key workers, especially during lockdown. The consultation paper itself provides little of substance. The Mayor knows very well that large numbers of the key workers who have been most at risk during the pandemic are the front-line working-class workers who, by and large, are not able to afford, nor are eligible for, intermediate housing.

These include: construction and transport workers, security guards, caretakers, carers, cleaners, shop-workers and nurses, many of whom are in insecure employment.

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

² www.trustforlondon.org.uk/issues/housing/london-housing-panel/

Since the Mayor's office refers to the London Living Rent and shared ownership housing as being for middle income households, this consultation has no value or meaning for many of those it purports to wish to help.

The introduction to the consultation says that delivering social rented homes remains 'at the heart of the Mayor's Housing Strategy', but improving the provision of intermediate homes 'is likely to support those Londoners who can afford rents above social rent levels but who still struggle with housing costs'. However, the Mayor's own data undermines his statement that social housing is really at the heart of his strategies.

- The Mayor's 2017 Strategic Housing Market Assessment (SHMA) which provides evidence of housing need in London show a massive 163,000 backlog of need for social rented homes. This backlog principally comprises homeless families in temporary homes and overcrowded households, that is, those who have suffered most from the impact of Covid-19. At the same time, the backlog need for intermediate homes was assessed as being only 4,000.
- The 2017 SHMA shows that 47% of the total need for housing (backlog as well as the needs of newly forming households) is social rented, in total, 31,000 per annum. A much lower 18% of the total need is for intermediate housing.
- Even the evidence for that 18% intermediate housing need is questionable. The SHMA's affordability tests show that the need for low cost rented housing is based entirely on affordability – i.e. not able to afford intermediate or market housing. In respect of intermediate housing however, there are two tests; one of which is, inability to afford to buy or rent market housing, but the other (which we have not seen in previous SHMAs) relates to dissatisfaction with market housing and an 'expectation' that at some stage a household might buy a home (even if they can afford market rents).

We feel this particularly relevant to Q5. of the consultation. We argue that the second criteria in the affordability tests should be removed as it is an expression of desire rather than of need which likely increases assessed 'need' for intermediate housing at the expense of low cost / social rented housing.

Table 3: Affordability tests

Tenure	Details of test
Owner occupation	Existing outright owner occupiers are assumed to be able to afford to continue to own. Other households can afford owner occupation if: <ul style="list-style-type: none"> (i) the sum of (a) 3.5 times the income of single earner or 2.9 times the income of joint earners and (b) available savings plus equity exceeds the lower quartile price, and (ii) savings plus equity exceeds 10% of the purchase price.
Private rent	Households can afford private rent if the lower quartile private rent does not exceed 25% of gross household income for households with incomes of less than £40,000 per annum, or 30% for households with incomes of more than £40,000 per annum.
Intermediate	Households are allocated to this category if: (i) they can afford to pay more than the London Affordable Rent (LAR) benchmarks but cannot afford to buy or rent market housing, or (ii) they can afford market rents <u>but</u> are not satisfied with their current tenure <u>and</u> they expect to eventually buy their own home
Low cost rent	Households are allocated to this category if they are unable to afford market housing or intermediate housing.

While of course we are concerned about the poor quality and insecurity of many private rented homes, we feel that the Mayor should prioritise other strategies to address this, so that grant funding is allocated to meet the greatest need, which is for social rented homes.

- The Mayor’s housing targets and delivery go nowhere near to meeting the need for social rented homes; so, we can expect the chronic hardship and public health risks associated with poor quality housing, that have been further exposed through Covid-19, to continue to increase. The Mayor’s 2019 Annual Monitoring Report of the London Plan shows that only 433 social rented homes were delivered in 2017/18. Gross housing completions for social and London Affordable Rent in 2018/19³ were 1,938. This is a small fraction of the 31,000 need per annum. Since these are gross figures, they are likely an overestimate as they do not take into account any social rented homes lost through council estate demolitions or Right to Buy that year.

It is incredible that the Mayor continues to persist in prioritising intermediate housing, when it has been obvious for many years that the shortage of housing in London is overwhelmingly that for social rented housing.

We note that the housing needs survey carried out for the Mayor’s Old Oak and Park Royal Development Corporation in 2016, covering the boroughs of Brent, Ealing and Hammersmith and Fulham, found that only **8%** of those needing

³ <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-statistics>

'affordable housing' would be able to afford intermediate housing, without spending more than 35% of their income on housing costs.⁴

We are concerned that the Mayor and the boroughs continue to misleadingly use the term 'affordable' to encompass categories of housing which are unaffordable to the bottom half of households, by income, in London. This allows large amounts of unaffordable housing to be included in their headline delivery figures for 'affordable' housing.

The growth of shared ownership at the expense of social rented housing is one of the most concerning aspects of the current and previous Mayor's terms and, as Covid19 has demonstrated, puts the health and financial wellbeing of lower income Londoners at risk.

Shared ownership is an unsatisfactory form of tenure for many reasons, some of them outlined in the consultation document. No amount of tinkering can remedy a fundamentally unsound tenure which places all the burdens on the 'shared owner' (or, actually, assured tenant). People only embark on it because currently the alternative is insecure and expensive private renting. Shared ownership is:

- Expensive. It is aimed at households with earnings up to £90,000 and does not meet the needs of the people who require social rented housing, though it is spoken of in the same breath. As well as rent and mortgage, there are service charges, which appear to be increased at will.
- It is difficult to sell a shared ownership property, because the process is not in the hands of the shared owner but of the housing association or other body which is the owner.
- Shared ownership is not actually 'ownership'. All that you have is an assured tenancy (albeit for a long term - 99 or 125 years) with an option to purchase. And because the shared owner is actually an assured tenant, they are vulnerable to possession proceedings in the usual way (including Ground 8 – mandatory possession orders). If the possession order is made then the tenant / shared owner loses their capital payment.⁵

⁴ www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjmm8PkjrTrAhXWWWhUIHSiYD8MQFjABegQIAhAB&url=https%3A%2F%2Fwww.london.gov.uk%2Fsites%2Fdefault%2Ffiles%2F2016_02_01_oak_park_royal_draft_shma_new_cover.pdf&usg=AOvVaw3UaHrZOPhClzwNjRCCF2RH

⁵ <https://nearlylegal.co.uk/2013/09/shelter-and-shared-ownership/>

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- A 'shared owner' pays part rent and part mortgage but has all the responsibilities of upkeep and repairs and must pay a 100 per cent share of renovation costs even if they only 'own' a 25 per cent share.
- Most shared owners will never be able to afford to 'staircase' to full ownership of the property.

The Mayor accepted money from central government in 2016 for 'affordable' housing, along with the limitations on how it is to be spent, despite knowing that overwhelmingly the only type of housing that meets need in London is social rented housing. The result is, structurally sound council homes continue to be demolished and replaced by market housing for sale, low cost ownership and shared ownership, at the expense of those in greatest need.

We have long had a very serious housing problem in London. The number of homeless households living in temporary accommodation in London reached 58,680, including 90,090 children, as of December 2019. There are also 118,000 overcrowded social rented households. Failure to address this problem by prioritising delivery of social rented housing has placed these London families in harm's way during a global pandemic.

We call on the Mayor to stop playing games of smoke and mirrors, to stop colluding with central Government on a strategy that deepens inequality and to publicly articulate the case for funding to support public and community owned and managed homes at rents that are no higher than existing council rents.

Yours sincerely

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London Tenants Federation