

London Tenants Federation

Briefing Green Paper 1 - Sept '07

Housing Green Paper

'Homes for the future: more affordable, more sustainable'.

The publication of the governments Housing Green Paper has without doubt seen housing hitting press headlines, but beneath the spin, are we really to see a significant increase in social rented homes or a role for councils in building homes?

The Green Paper begins as all government consultation papers do, by setting out what they think their successes have been since being in power. These include homeowners seeing the value of their properties increase, the decent homes programme, homeless figures 'slashed', the tackling of low demand, assistance for 77,000 to buy their first homes, better use of land by using brownfield sites and increases in density of new housing.

They also brag that the level of completion of new homes has increased by 30% since 2002 and is now at its highest for 17 years. This is not the case – in fact even its own figures show increases to be only half this.

Background information on the country's housing crisis

Only some of the following information in this section is included in the Housing Green Paper.

- There 1.6 million on council waiting lists across the country (one in every 13 households) an increase in 60% since this government came to power. There are 331,230 on London council waiting lists.
- The number of homeless families living in temporary housing has doubled since 1997 and billions of public money had been spent on bed and breakfast accommodation and homes leased from the private sector. 90,000 homeless households in total are living in temporary housing; 60,000 in London.
- There are now unprecedented levels of overcrowded homes. Shelter estimates that a million of the nation's children are living in overcrowded homes. London suffers the greatest share of this. Over 150,000 London homes are overcrowded and 61,000 severely overcrowded.
- One in seven children in Britain is, according to Shelter, either homeless or is badly housed.

Number of new social rented homes built not enough to replace loss.

1,700,000 homes have been bought under Right to Buy legislation since it was introduced, whilst only 790,342 new social rented homes were built between 1980 and 2005.

Over the last six years the number of social rented homes available to let nationally has dropped by a third and overall the social housing stock has fallen

by 5% (despite an increase of 36% in new housing association homes). London suffered a net loss of 5,000 social rented homes between 1992 and 2004.

Only one third of local authority areas nationally have seen any social housing stock increase since 2001 and in the majority of cases the growth is marginal. Last year was the first year in London that the number of new social rented housing homes built exceeded the level of loss.

It seems unlikely that this will be repeated this year. *Inside Housing* magazine reported (28.08.07) that there has been a sharp fall in house building figures this year. The number of new homes started by housing associations plummeted by 14% in the first half of 2007 compared with the same period in 2006 (a drop of 1,278). The London figures are worse than elsewhere with 830 fewer homes started in the first half of 2007 – more than 25% down on the previous year.

Continued house price increases makes buying inaccessible to the majority

In 2006 house prices rose to an average of over £206,500; 10.7 times the average income. Across England house prices rose by 156% between 1997 and 2006 and rose four and a half times faster than workplace incomes.

London average house prices reached £318,864 (13 times the average earnings) - a rise of 161% since 1997. It would require an income level of £86,549 in the capital to get a mortgage. In Kensington and Chelsea house prices are now more than 20 times local average earnings.

It is estimated that in London average house prices will be £478,300 by 2012.

New housing supply is often going to investment and second home purchasers. A further 148,000 Buy-to-Let mortgages were taken out in 2006 bringing the total to 850,000, over seven times higher than in 2000. In London almost 70% of new private housing is bought by Buy-to-Let investors. Over 1% of homes nationally are now second homes. The increase in Buy-to Let and ownership of second homes is contributing to the overvaluation of housing.

Mortgage repossessions increasing

Mortgage repossessions leapt 65% last year to 17,000, equivalent to one in every 690 mortgages. Mortgage arrears and repossession problems seen by Shelter more than doubled in the last two years. They had 70,000 hits on their repossession web pages in 2006.

An estimated 14,000 properties were repossessed in the first six months of this year, a 30% increase on the same time last year.

New need

On average 222,800 households are expected to form each year to 2026. Last year 163,398 homes were built.

Government estimates newly arising need (for social rented housing) each year amounts to 40,000 households.

Targets for social rented housing not being met and targets fail to reflect need.

London Plan targets are for 31,090 new homes a year. Guidance states that 50% should be 'affordable' and 35% social rented. Overall housing targets are being met in London but affordable and social housing targets are not.

The latest monitoring report of the London Plan '07 shows that only 27% of new homes produced in the capital during '05/'06 were 'affordable' and only 16.8% social rented.

To meet need in London 67% of what is built should be affordable homes and 59% social rented.

What Government says it's going to do.

Government says it is committed to building 240,000 new homes a year in order to achieve 2 million new homes by 2016 and 3 million by 2020.

It says it's going to build 180,000 affordable homes in the next 3 years (it is unclear exactly what the split is between social rented and intermediate housing – but it appears that it will be roughly 75,000 intermediate and 105,000 social rented). From 2010/11 it promises 75,000 affordable homes each year (50,000 social rented and 25,000 intermediate).

As a percentage of the total 3 million homes then, 28.5% of these new homes will be 'affordable' and 18.5% will be social rented.

The National Housing Federation has already made a public statement saying that the funding the government is making available will only fund 150,000 - 160,000 (not 180,000) affordable homes over the next 3 years, so presumably if they are correct, the percentages for affordable homes would be even less.

2 million homes by 2016

1.6 million of the 2 million target are already set out in Regional Spatial Strategies (like the London Plan) So, what government is actually proposing is an additional 400,000 (spread over 8 years) or an additional 50,000 homes a year.

The additional 400,000 is to be made up from -

- 150,000 – 200,000 additional homes in the Regional Spatial Strategies
- 100,000 in 45 towns and cities that make up the 29 New Growth Points (across the East, South East, South West, E and W midlands),
- 50,000 new homes, in an additional round of New Growth Points (covering the whole of England – many of which will be in the North)
- 25,000 and 100,000 from 5 new eco-town schemes (new towns which are exemplar 'green developments').

Its difficult to say exactly how many new homes, additional to those already set out in the London Plan will be constructed, but based on London's percentage of the 1.6 million homes already set out in the RSSs, it is likely that it would end up with 6.4% of the total. That would result then in between 2930 and 3906 additional homes a year. And using the percentage set out above (28.5%

affordable and 18.5% social rented), it would result in an additional 835 – 1113 affordable home a year and an additional 542 – 723 social rented homes a year.

It's difficult to see this resulting in anything other than what we are already getting in London - far too many luxury homes being constructed (that will be bought up by Buy-to Let Landlords) and no where near the levels of low cost rented homes that are desperately needed here.

Whether any of the new targets will be met, is also at question – as well as the sharp fall in house building figures for this year (noted in paragraph 2, page 2 of this briefing), *Inside Housing* magazine has also reported on both the East and SE regional assemblies gearing up to battle with government on housing targets. *Inside Housing* magazine (31.08.07) reported that the South East's draft Regional Spatial Strategy has recommended a lower house building target than government wants. It has also called for more infrastructure funding.

Will councils be building homes?

Despite the hype of councils being able to build again, there is little in the Green Paper to suggest this will be anything but minimal. It says government expects councils to undertake direct development only where it offers better value for money than other options.

It says government wants to test whether some council-backed schemes could bring in other benefits - when linked to council owned land which would offer 'good value for money' in comparison with traditional housing association development.

Barriers have been removed to councils gaining access to Housing Corporation social housing grant, through a special venture vehicle or an ALMO. 3 have been approved to bid and 10 have pre-qualified as eligible for bidding in the next round. Eligibility is to be extended to 2* ALMOs.

Council backed bids will compete on equal terms with other schemes, ('allowing government to compare costs and benefits'). New homes built via a local authority company or ALMO would be held outside the Housing Revenue Account. This means that the full rents could be used to finance development costs and if a property is sold to a tenant, the council gets its capital investment back.

Where councils choose to invest their own money in new supply, the Green Paper suggests that government thinks councils should be able to keep the income and capital returns from those additional new homes. (Government welcomes views on the practicalities of making these changes as well as the potential for them to encourage more local investment in new housing).

Additionally the Green Paper says, if these changes were made, they might have less reason for restricting access to social housing grant only to councils developing through an ALMO or other vehicle. However before considering extending access to social housing grant to councils in their own right, government says they would need to establish rigorous criteria for selecting potential local authority developers. This would have to ensure 'value for money and delivery' but also have a means of controlling the public sector spending and

borrowing impacts of an increase in council house building, as any increase would have to be affordable within national as well as local public expenditure and borrowing limits.

In most cases they would expect models to offer access to private finance to provide 'better value for money, delivering more affordable homes for the public investment'.

Opt out of the Housing Revenue Account subsidy system

Government is currently 'examining the costs and benefits of *self financing* – allowing council to leave the HRA subsidy system and retain their full rental incomes. A group of councils has apparently shown that there could be potentially significant benefits by this approach; they believe would assist in long-term planning and improve asset management. It could also lever in 'more private sector investment' to support 'estate transformation, mixed communities and increase in supply'.

The Green Paper suggests that the next stage of this would be to pilot the approach – to assess the potential benefits and risks. Obviously dismantling a national redistributive system would create both winners and losers.

It is proposed that councils should be allowed to retain housing capital receipts generated by the disposal of equity shares in council dwellings if those retained receipts are used for the provision of affordable housing.

The 'Settled Home Initiative' a £30 million pilot where rental income is used to repay borrowing that has been used to buy a home, instead of going to a private landlord to pay for the renting of a property as temporary accommodation, is to be extended. After 10 – 15 years the borrowing has been repaid to a level that allows the property to be converted to social housing. An additional 900 homes are to be provided in London through the pilot.

Support for councils and 'local partners' adopting a 'mixed communities' approach in deprived areas and estates is to be provided. Much of the capital costs of such schemes will be met through the private sector.

Council partnership programmes which could deliver affordable housing are also being encouraged.

Government is to produce guidance on councils establishing public / private joint venture partnerships.

Increased provision of family homes is mentioned, as is the continuation of the decent home programme. There is no mention of addressing Moonlight Robbery.

14 potential Community Land Trust pilots are to be selected to receive guidance from the Housing Corporation and Salford University (they can bid for Housing Corporation social grant funding) One of these is in Barking and Dagenham.

Housing associations and the private sector

For the most part it will be housing associations and increasingly, the private sector that will be building and managing social rented homes (as set out clearly in the Cave Review).

The Housing Corporation produced 'Unlocking the Door – Delivering more homes from the Comprehensive Spending Review 2007' which analysed how previous investment locked up in stock can be used to help finance more affordable housing. The HC is also developing its investment processes and aims to use more competitive bidding so that social landlords and the private sector can win a bigger programme if they offer better value. Increasingly the HC is to allocate money only where there is good value for money rather than in one single allocation. It is suggested that regulation can help Housing Associations to make the most of their existing assets and ability to borrow.

Government is to continue to seek delivery of social housing within market housing development. They are keen to see greater investment, innovation and involvement of the private sector in affordable housing.

PFI is also mentioned.