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| HOUSING AND ANTI-POVERTY SCRUTINY PANEL | | DATE: 8 February 2017 |
| TITLE: Review of Affordable Housing in the Royal Borough of Greenwich | | ITEM NO: 7 |
| CHIEF OFFICER: Director of Regeneration, Enterprise and Skills | | CABINET MEMBER: Housing and Anti-Poverty |

1. Purpose of the Report

- 1.1 The purpose of this report is to consider the information gathered during the four stages of evidence gathering and collate findings as set out in this report below.
- 1.2 Members are asked to note and comment on the proposed way forward as set out in paragraph 11 of this report.

2. Introduction

- 2.1 This report is the final report to conclude the Review of Affordable Housing 2016. It considers the evidence gathered to:
 - Define Affordable Housing,
 - Outline different models of providing affordable housing at various rent levels;
 - Reviews the supply of Affordable Housing comparing it with other London Boroughs;
 - Considers innovative ways to provide new homes being used by other councils.

In addition, it considers the changes to the national and regional political background during the timescale of the review. It follows on from the project statement dated 2 February 2016 agreed at the Housing and Anti-Poverty Scrutiny Panels on 21 January and 29 February 2016.

- 2.2 This report follows two previous Member-led Best Value Reviews into the provision of Affordable Housing:
 - Best Value Review of Affordable Housing 2009-2010 focusing on maximising the supply of and access to affordable housing
 - Best Value Review of Accessing Affordable Housing in 2013-2014 building on the earlier review. This one focused on access, demand and delivery of

affordable housing and the partnerships needed to successfully deliver them.

- 2.3 A separate report to the Housing and Anti-Poverty Scrutiny Panel on 8 December 2016 provided an update on the access to affordable housing in the Royal Borough and specifically gave an update on the implementation of the action plan from the Best Value Review 2013 – Accessing Affordable Housing. This report included the significant changes in local and government policy which have impacted on the Council’s ability to deliver affordable housing since the review completed in March 2014.
- 2.4 This report sets out the current position with regard to the issues covered in the Affordable Housing Review and includes:
- A definition of Affordable Housing
 - Changes to the political background since the beginning of the Affordable Housing Review in January 2016
 - Maximising the supply of Affordable Housing
 - Performance of Registered Providers
 - An update on Meridian Home Start
 - Comparisons with the work of other Local Authorities regarding delivery of Affordable Housing
 - Empty properties in new developments within the Royal Borough of Greenwich
 - Impact of Right to Buy (RTB) sales
 - Conclusions regarding the way forward in Royal Greenwich
- 2.5 Over the past year, officers have provided a range of information to the Affordable Housing Review which has been extended to enable further evidence gathering to take place. Information has been provided by Registered Providers (Viridian, Family Mosaic and the G15 which represents London’s 15 largest Housing Associations) Developers, (Lovell, Durkan and Essential Living), the Greater London Authority, and Camden and Islington Councils.
- 2.6 Given the extended time period of the Affordable Housing Review there have been a number of changes to the national and regional political context which affects the delivery of affordable housing. This includes the progress of the Housing Planning Act 2016, a change of Prime Minister and the work that is being carried out by the Mayor of London, which has led to a complex picture in London.

- 2.7 Some of the issues that have been presented during this review will be further explored in the proposed Housing Strategy to be produced this year. The new Housing Strategy will also give consideration to the work of the “Greenwich Fairness Commission”
3. Definition of Affordable Housing, the planning system and section 106 legal agreements
- 3.1 Since April 2012 affordable housing is defined in National Planning Policy as “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. The Government has consulted regarding the changes to National Planning Policy necessary for inclusion of Starter Homes as “affordable housing” (please see definition in table 1 paragraph 4.2 below). This was followed by a technical consultation in March/April 2016, however, since the consultation period closed there have been no further details released.
- 3.2 The majority of affordable housing is delivered through Section 106 agreements which is a legal agreement between the Local Authority and developers linked to the planning permission. However, the term affordable housing is also used more widely to describe Council and Registered Providers’ (RPs) – formerly known as Housing Associations – properties which are also let at below market rents.
- 3.3 There are a wide variety of models for the provision of housing from market housing where the price is determined solely by the private market through discounted market schemes to subsidised rent models let at below market rent. Some of the most common are included in Appendix I. The appendix shows that there is a complex set of definitions regarding the different types of affordable housing that can be offered on various sites across the borough. The plethora of different products which lie legally within the definition of affordable housing leads to confusion with residents as all types of “affordable housing” are not affordable to residents on the lowest incomes or in the greatest need.
- 3.3 Based on the Council’s Core Strategy, which was adopted in July 2014, the Council has been able to stipulate rent levels in its Section 106 agreements, aiming for a target rent (approximately the same as a capped rent) at around 50% of market rent for family homes, and a blend of rents at 65% of market rent across schemes. However, this does sometimes have an impact on the

price that RPs are able to pay for the units to the developer. This in turn can impact on scheme viability and the number of affordable homes that can be provided.

4. Political context and changes since the beginning of the Affordable Housing Review

4.1 Despite the Housing and Planning Act becoming law in May 2016 many of the measures put forward have not yet come into force as they require further regulations in order to implement them. In many cases the timeline for the changes to be introduced is still not clear.

4.2 The current position relating to the main measures contained in the act is outlined in the table below:

Table 1

| | |
|---|---|
| <p>Extension of RTB to RP tenants (Voluntary Right to Buy VRTB)</p> | <p>In the 2016 Autumn Statement the Chancellor announced £200m of funding for a new regional pilot of the VRTB scheme. This pilot will last for one year and will test two critical pillars of the original agreement that weren't tested in the original pilot: one for one replacement and portability. The new pilot will also test the application of the VRTB guidance, which is the policy that details how the scheme will operate. It is likely that the pilot will run in 2017/18. However, further details are awaited from the Government on where the pilot will take place in and the eligibility criteria for tenants</p> |
| <p>Loss of Council Higher Value Stock</p> | <p>The introduction of the Higher Value Asset payments the Council will be required to pay government has been delayed. The Department for Communities and Local Government (DCLG) has confirmed the Government will not be requiring the Higher Value Asset payment from local authorities for the next financial year, 2017/18. No date has been given for its introduction. However, it is anticipated it will not be before the completion and evaluation of a regional pilot scheme of the extension of the VRTB to housing association tenants (see above). Regulations are needed to define higher value and exemptions.</p> |

| | |
|------------------------------|---|
| Pay to Stay | This proposal was originally announced in July 2015 and would have seen social tenants earning more than £40,000 in London charged market rents. However, in November 2016 the Government announced that this will no longer be compulsory for Local Authorities. |
| Review of Lifetime tenancies | The government is continuing with its plans to enforce mandatory fixed term tenancies for Council tenants and we are awaiting further regulations. Detailed provisions will be set out in regulations which are expected to be laid in autumn 2017. Housing Associations are unaffected by this section of the Act and will still have discretion to use either assured or fixed term assured shorthold tenancies. |
| Starter Homes | <p>The government has previously announced they intend to build 200,000 Starter Homes exclusively for first time buyers aged over 23 and under 40, and for sale at 20 per cent below normal market prices. The Act creates a new duty on all local authority planning departments to promote the supply of Starter Homes in their areas.</p> <ul style="list-style-type: none"> • The Act also allows the government to set regulations requiring Starter Homes to be included on residential sites as a condition of securing planning permission. • The government is currently consulting on the detail of the policy. Regulations will define Starter Homes and set out requirements for suitably sized sites and monitoring arrangements. They are likely to come into force in summer 2017. |

Mayor of London's approach to Affordable Housing

4.3 The Mayor's long term aim is for 50% of all new homes to be affordable. He intends to achieve this through investing in affordable housing with grant funding. This will increase the amount of affordable housing on developer-led sites above 35% and will support Approved Providers which can be any provider who can meet the following criteria:

- Ensure that at least half of their London housing starts between April 2015 and March 2021 are affordable homes
- Deliver their programme on sites controlled by them or by joint-ventures in which they have at least a 50 per cent share; and
- Intend to, either as themselves or as part of a consortium, own the completed affordable homes.

The Mayor is further looking to increase provision by bringing forward more public land for affordable homes and increasing the amount of affordable housing delivered through the planning system.

4.4 The Mayor has secured government funding to begin building at least 90,000 Affordable Homes by 2021. The latest funding guidance was published in November 2016 and the types of affordable homes the Mayor is funding include:

- London Affordable Rent - for people on low incomes
- London Living Rent - targeted at people on average incomes with the aim of helping them to purchase their home
- London Shared Ownership - for people who want to buy but can't afford to purchase on the open market

4.5 Under the "*Homes for Londoners: Affordable Homes Programme 2016-2021*" the Greater London Authority (GLA) will specify grant rates per home available for the new supply of affordable homes. This approach is intended to give providers certainty over the grant levels they can expect from the GLA for certain products. There will also be a separate route for Developer-led schemes.

4.6 The two grant rates provided are as follows:

- London Affordable Rent - £60,000 per home, when rent is set at or below the benchmark levels (attached as Appendix 2)
- London Living Rent and London Shared Ownership – £28,000 per home.

4.7 If we compare the proposed London Affordable Rent benchmark rents to the current market rent levels in the borough they range between 40% - 60% of market rents.

4.8 The GLA presentation to Members at the 3rd evidence gathering meeting in October 2016 outlined the basis for the London Living Rent with rents based on a third of average local income, not market rates. Typically this would be aimed at London households on low to middle incomes who would otherwise be struggling to pay rent in the private rented sector. Average local income has been assessed at ward level and details are provided in Appendix 3. New homes will potentially be offered to households, typically earning between £35,000 and £45,000. This would provide a new form of tenure, and because it is more affordable, this would provide an opportunity for residents to save for a deposit.

4.9 Mayor of London's Supplementary Planning Guidance (SPG)

The Mayor has also brought forward a draft Affordable Housing and Viability Supplementary Planning Guidance which is currently being consulted on. The consultation period closes at the end of February 2017. This guidance cannot introduce policy which contradicts the existing London Plan. The main aim of the guidance is to speed up the planning process and increase the number of homes delivered through the planning system. Importantly it is intended to embed the requirement for affordable housing into land values, and make the viability process more consistent and transparent. This is being introduced ahead of a new London Plan (consultation draft expected in autumn 2017). Local Planning authorities are encouraged to follow this new approach for all schemes of ten or more units.

4.10 The draft SPG sets out a threshold approach to viability, where the approach to viability varies depending on the amount of affordable housing being provided. The proposed threshold is 35% of a scheme as affordable housing based on habitable rooms. Schemes which don't meet this threshold or require public subsidy to do so will be required to submit detailed viability information to the Local Planning Authority and where relevant the Mayor. In addition, comprehensive review mechanisms will be applied to schemes that don't meet the threshold in order to ensure that affordable housing provision is increased if viability improves.

4.11 Applications that meet or exceed the 35% threshold without public subsidy provide affordable housing on site and meet the specified mix and other requirements will not be required to submit a viability assessment. Such schemes will be subject to an early review mechanism but only if they do not make an agreed level of progress within 2 years of permission being granted.

4.12 Build to rent

The draft SPG seeks to support purpose-built private rented products, in an attempt to encourage development of more high quality rented homes. The Mayor has exempted Build to Rent (BTR) developments from the threshold approach to viability which is proposed for build for sale developments. Instead BTR schemes will be considered on a case by case basis that takes into account the fact that rental income creates lower profits than for-sale properties. A form of discounted market rent - at similar levels to the London Living Rent - will form the basis of the affordable housing provision for BTR.

4.13 To qualify, developments will have to comprise more than 50 units and will have to remain as BTR blocks for 15 years. If a developer sells individual homes during this time, it will have to pay a 'claw back' charge to the local authority and the development can only be traded if it remains a BTR scheme.

4.14 RBG is currently considering its response to the consultation; however, there are several areas which require further clarification such as the potential relationship with the Housing Zone and the implications for Meridian Home Start.

4.15 Housing White Paper

The Government has announced that the anticipated Housing White Paper which is currently due for release will be published in January 2017. Housing minister Gavin Barwell has said it will tackle planning housing supply, tenure mix and investment. To date it has been suggested that it may include:

- measures to improve the volume production of affordable housing
- additional efforts to ease council planning blockages for developers
- further incentives for the development of institutional investment in the private rented sector through Build to Rent
- potential expansion of modular construction techniques
- the government is also said to be considering ensuring developers pay a contribution on the uplift in value of land which secures residential planning consent.

5. Analysis of rent levels in RB Greenwich

5.1 The Affordable Housing Review has considered in detail rent levels in the borough. The table below shows the comparison of average rent levels in RB Greenwich between market rents (which have been taken from the London rents map), council rents and those at 50%; 65%; and 80% of market rents, compared with the Local Housing Allowance. which is a way of working out how much housing benefit you can get to help pay the rent if you have a private landlord. The London Rents Map shows average weekly private sector rents for different types of home across London, and is updated regularly.

5.2 It needs to be borne in mind that these figures can only provide a snapshot of the market at a particular point in time and that the calculation of the “average” rent is dependent of the size and type of properties becoming available to rent over a specific time period.

Affordable rented homes are provided at 50% - 80% of the market rent levels, rents provided at 65% of market rents as at November 2016 would be for a one bed £164.45; two bed £194.35; and three bed £224.25 per week. RBG Council rents have fallen slightly due to the 1% reduction in rent levels.

Table 2: Median weekly market rent

| | Average market rent | RBG Council average rents | 50% market rent | 65% market rent | 80% market rent | LHA inner | LHA outer |
|--------|----------------------------|----------------------------------|------------------------|------------------------|------------------------|------------------|------------------|
| Shared | £99 | N/A | £49.50 | £64.35 | £79.20 | £95.18 | £84.27 |
| One | £253 | £89.20 | £126.50 | £164.45 | £202.40 | £204.08 | £161.02 |
| Two | £299 | £101.26 | £149.50 | £194.35 | £239.20 | £265.29 | £198.11 |
| Three | £345 | £119.25 | £172.50 | £224.25 | £276.00 | £330.72 | £242.40 |
| Four | £414 | £129.46 | £207.00 | £269.10 | £331.20 | £417.02 | £312.77 |

Source of market rents: London rents map (updated November 2016); LHA rates as at January 2017

5.3 Average Local Authority rents are generally below the 50% mark, (except for shared housing which is not applicable) whereas rents for new homes delivered by RPs in the borough will generally be between 50% and 80% of the market rents, subject to a cap at the Local Housing Allowance rate. Rents will vary depending on the size of unit and the location within the borough.

5.4 Further work was carried out to look at actual rents charged by Registered Providers between Jan 2015 and August 2016 and this is provided in Appendix

4. Officers also compared market rents in Greenwich with the other boroughs within the sub region which are shown in Table 3 below.

Table 3 comparison with neighbouring boroughs

| Room type | Bexley | Bromley | Greenwich | Lewisham | Southwark | LHA Inner | LHA outer |
|-----------|---------|---------|----------------|----------|-----------|-----------|-----------|
| studio | £150.00 | £178.00 | £193.00 | £190.00 | £232.00 | £95.18 | £84.27 |
| 1 bed | £183.00 | £219.00 | £253.00 | £253.00 | £299.00 | £204.08 | £161.02 |
| 2 bed | £230.00 | £282.00 | £299.00 | £311.00 | £368.00 | £265.29 | £198.11 |
| 3 bed | £288.00 | £334.00 | £345.00 | £374.00 | £460.00 | £330.72 | £242.40 |
| 4 bed | N/A* | £437.00 | £414.00 | £506.00 | £598.00 | £417.02 | £312.77 |

Source of market rents: London rents map (updated November 2016);

*insufficient lettings of this type took place within the period

5.5 In order to provide some context to the rental figures above gross median weekly earnings for full time workers in 2016 are provided below:

Table 4

| | Royal Greenwich (£) | London (£) | Great Britain (£) |
|--|---------------------|------------|-------------------|
| Gross median weekly earnings by workplace for full time workers in Greenwich 2015 | 582.70 | 671.00 | 539.00 |
| Gross median weekly earnings by residence for full time workers in Greenwich 2015 | 597.10 | 632.40 | 541.00 |

(Source ONS)

5.6 As outlined in paragraphs 4.6 and 4.7 above it is clear that policies regarding affordable rent in London are still evolving, with the Mayor adopting an approach to rents based on average earnings, rather than the market, however, it is too early to say what impact these measures will have over the five-year programme.

6. Shared Ownership

6.1 Shared Ownership homes have traditionally been targeted at those people on average incomes within the Royal Borough with the Council adopting income

bands to seek to ensure priority is given to those people who are unable to purchase outright.

- 6.2 To widen access to intermediate housing for local people Royal Greenwich has recently agreed to adopt figures closer to the GLA's income bands moving to up to £71,000 for 1 and 2 beds, and up to £85,000 for 3+ bed properties. However, the latest GLA funding guidance states that households with incomes up to £90,000 should have access to shared ownership housing in London. These changes which came into effect from April 2016 mean that many of the restrictions have been lifted, such as on the size of property that people can purchase, and priority groups (other than military personnel) have also been removed from the intermediate housing criteria. Where boroughs specify lower local income thresholds or other restrictions, providers should only apply these restrictions for the first three months of marketing, after which the London Plan maximum household income should apply, rather than be applied to initial sales such as is currently the case in Greenwich
- 6.3 There is now a wide range of intermediate housing options available to first time buyers, as shown in Appendix I referred to above. Historically shared ownership or intermediate market rent (80% of market rent) have been the key products.
- 6.4 The affordability of shared ownership remains a concern and therefore Members have agreed that there should be an option to negotiate off-site payments instead of some or all intermediate homes on particularly high value sites. The money realised from this process can then be used to subsidise the development of rented homes in the borough – for Local Authority New Build (LANB) and/or Meridian Home Start (MHS). This is an approach being increasingly taken by many inner-London boroughs where the value of homes cannot be deemed affordable even with discounts and/or as a percentage share purchased.
- 6.5 The Government has begun consultation on the proposed changes to the National Planning Policy Framework (NPPF) which will include broadening the definition of affordable housing to include a wider range of low cost home ownership and will include a statutory requirement for a proportion of Starter Homes to be delivered on all reasonably sized housing developments. To date this has not progressed, however, it was announced on 3 January 2017 that 30 Local Authority areas across England are to receive funding from the £1.2bn "Starter Homes Land Fund" for new developments on brownfield

sites. None of these sites are in London and the nearest to the Royal Borough is Ebbsfleet.

- 6.6 The different types of Affordable Housing will be explored in greater detail in the forthcoming Housing Strategy and in particular the strategy will consider how best to target the various products at particular sections of the housing market.
7. Maximising new supply - RB Greenwich performance
- 7.1 Information on the delivery of affordable housing is collected in different formats and reflects the number of different sources for the data. Royal Greenwich monitors the delivery of affordable housing on site, officers collect information about rented and shared ownership schemes on a quarterly basis from local RPs, and this covers new build, refurbishments or conversions and existing properties that are purchased by RPs. These figures were previously reported as National Indicator 55 (gross affordable homes delivered) to the government. The number of Affordable homes reported for NI 55 will differ from the GLA data, which refers to a gross number of new build units in line with planning data.
- 7.2 The GLA collect information on a London-wide basis from each local authority regarding affordable housing delivery - details of the number of completions, and the number of planning permissions given each year. This information is collated by the GLA based on their funding rounds to demonstrate to the Government that they are meeting their delivery targets. These figures will potentially differ from GLA returns made by RPs which relate only to schemes funded and agreed through their framework agreements.
- 7.3 Royal Greenwich continues to deliver a high level of new affordable homes with its partners, with 2509 new affordable homes completed in the last 5 years, which is an average of 502 homes per annum. Appendix 5 shows comparative performance with other London boroughs.
- 7.4 Appendix 6 shows the number of affordable homes granted planning permission between 2011/12 and 2015/16. Greenwich ranks =4th out of all the London Boroughs with an overall average of 21% affordable housing. In 2015/16 Royal Greenwich had the highest level of permissions for all new homes at 15, 224, however, this was due to the inclusion of the revised Greenwich Peninsula Masterplan in that year's data.

7.5 Maintaining delivery of affordable housing – Registered Providers

Presentations to Members provided by RPs and Developers (noted in paragraph 2.5 above) alongside the first report on 26/4/2016 highlighted that given the reduction in the availability of GLA Housing Grant it is becoming increasingly difficult for RPs to deliver homes that are affordable to the local community, in particular those at “target rent” around 50% market rent. There are other issues around the use of GLA grant as RPs cannot use it alongside Recycled Capital Grant Funding (RCGF), which are proceeds accrued when a property previously funded by grant is sold, or other public subsidy. It remains to be seen how the reintroduction of Mayoral grant announced as part of the Autumn statement will alter this situation.

- 7.6 One option for RPs seeking to deliver homes at rent levels below 80% of market rents (affordable rents) is to develop mixed tenure schemes including private housing for sale where they can use the receipts to cross subsidise the affordable units. Alternatively, RPs will need to seek alternative sources of grant funding or access to land at a reduced value.
- 7.7 Whilst the numbers of affordable housing units delivered in Greenwich remain at a relatively high level compared with other boroughs, there were concerns raised by Members about how many of these homes were genuinely affordable. It is too early to assess what the impact will be of the Mayor’s new funding round and the changes in guidance outlined in section 4 above, however, it is proposed within the Mayor’s draft SPG that of the affordable homes in a development, 30% should be available at London Affordable Rent, for those in the “greatest need”. A further 30% will go to intermediate affordable homes – either shared ownership or the new London Living Rent tenure. This sets maximum rents at one third of the average household income in a borough: across London, that will mean an average of £977 a month for a two-bed home. The boroughs will get to decide how the remaining 40% is split between the three tenures.
- 7.8 Housing Associations will continue to deliver the majority of the affordable homes, with potentially more flexibility to provide a wider mix of tenures to suit various housing needs.

7.9 Existing tenure mix in Royal Greenwich

The private rented sector has been the fastest growing housing tenure in London in recent years, and it is regarded as very important to supporting the labour market and allowing mobility within the capital. There is support for more high quality private rented homes from the Mayor and the 2016 London Plan recognises there is a need for more positive support to be given for purpose built private rented products.

7.10 Royal Greenwich has a higher level of Local Authority and Housing Association provision than the London Average, and a smaller private rented sector. Please see table 4 below – these figures are taken from data collected in 2014 although only recently published, in 2016. More recent analysis of local data suggests that there has been significant growth in the private rented sector in Royal Greenwich to around 29%.

Table 4

| | Greenwich % | Greater London % |
|-----------------------|-----------------------|----------------------------|
| Owned | 19.2 | 22 |
| Mortgage | 26.9 | 27.9 |
| LA/HA | 34.2 | 23.1 |
| Private rented | 19.7 | 26.8 |

Source GLA data store

7.11 Further work is required to be carried out to assess the various housing needs within the borough; and to understand how the private rented sector is operating. This will enable future decisions to be made about the balance required between rented accommodation and intermediate options such as, London Living Rent, Shared Ownership, and Build to Rent.

7.12 Empty Homes in RBG

Officers were asked to consider the level of empty homes in the borough in particular within new build housing schemes. An exercise was carried out whereby Berkeley Homes reviewed the units on the Kidbrooke Village scheme. Based on this review there was no issue identified with regard to this development and officers are not aware that empty properties are a specific problem in the Royal Borough of Greenwich unlike in central London.

8. Investment of RTB receipts

8.1 The Royal Borough can invest in new homes provided through RPs or develop homes itself through the LANB programme, or purchase homes on the open market, for example, through use of its Right to buy receipts.

8.2 Royal Greenwich has experienced increased levels of Right to Buy sales over the past 5 years, representing a loss of affordable housing.

| | |
|---------|-----|
| 2011/12 | 18 |
| 2012/13 | 129 |
| 2013/14 | 252 |
| 2014/15 | 247 |
| 2015/16 | 244 |

Over the next 4 years it is anticipated that the sale of council housing in Royal Greenwich will continue at the current level (approximately 250 per year).

8.3 This level of sales creates a stream of Right to Buy (RTB) receipts available for investment in new rented affordable housing. Current projections indicate that by March 2020 approximately £90million of RTB receipts will have been generated, requiring a further £210million of match funding, creating an overall potential investment programme of £300million. Receipts can only be invested in up to 30% of scheme/purchase costs of new rented homes with the remaining 70% being raised through borrowing and/or other investment sources. Because of the three-year limit on the use of a receipt, £54.8million of RTB receipts will need to be invested by March 2020 requiring a further £128million match funding. If the receipts are not spent the money has to be paid with 4% interest to the government.

The Council has adopted a strategy for investment and growth using RTB receipts up to 2020, including:

- Grants to Registered Providers to deliver affordable housing.
- Continuation of the Local Authority New Build (LANB) and Hidden Homes programme – these remain modest programmes of 30 homes per year because of Royal Greenwich’s Housing Revenue Account (HRA) borrowing cap.
- Grants to Meridian Home Start to deliver genuinely affordable housing.

- Purchase of properties which will be used for temporary accommodation, where the General Fund has supported the additional borrowing to cover the remaining 70%.

8.4 Grants to Registered Providers

Further grants are under consideration Home group's scheme will not complete until winter 2017/ 2018. Proposals by Asra/Paragon regarding the development of Woolwich Baptist Church, and Hexagon for a street property programme are in the pipeline.

8.5 Local Authority New Build

To date a total of 176 units have been delivered which are either completed in Rounds 1-5 or are in development in Round 6. In future the Council is looking to deliver a modest programme of new build homes on garage sites around the borough of approximately 30 homes per annum. As these sites tend to be on existing estates they do not lend themselves to disposal. Going forward Round 7 has been agreed and will provide 57 new homes during 2017/2018, and Round 8 is currently being developed and this will be due to complete in 2018/19.

8.6 Meridian Home Start

- 8.6.1 Meridian Home Start (MHS) was set up as a Housing Delivery Vehicle, following approval by Cabinet on the 20 July 2010. The Company was established to provide an entity to develop homes for commercial purposes, e.g. homes for private rent. Given that commercial purpose a further benefit is that any affordable rented homes built by the company would not be subject to Right to Buy provisions. Meridian Home Start converted to a Community Benefit Society during 2016.
- 8.6.2 Meridian Home Start currently manage 29 properties, the two and three bedroom houses are in various locations around the borough and have all been refurbished to a high standard. They were originally let at 20 per cent below local market rent levels. However, as market rents have increased faster than MHS rents they are now further below market rental levels. Another MHS initiative was to support their tenants who wanted to staircase out of rent and into ownership. It was intended that MHS would contribute up to £10,000 at the end of a tenancy to tenants who had saved for a deposit.

Take up of this has been very low indicating that tenants remain unable to purchase market housing.

8.6.3 The Council has been working with MHS to explore the potential for new housing developments. The Council has identified six sites with potential for housing that could be transferred to MHS and which will be subject to Cabinet approval. The Council is preparing planning applications for each site with one already granted (Rochester Way) and a further five pending.

8.7 Buying properties outside the Housing Revenue Account

Due to an increasing need for temporary accommodation the Council has recently purchased a number of properties on the open market in various areas of the borough.

9. Further options to produce more housing for the Royal Borough – Comparisons with other local authorities

9.1 Royal Greenwich has identified a number of alternative options used by other local authorities to provide affordable housing, for example, by making land available at nil cost, releasing sites that have been earmarked for other uses, selling publicly owned land at discounted values, building for sale to subsidise affordable housing provision, or entering into joint ventures. A number of these are outlined in Appendix 7.

9.2 Council-owned housing companies can allow local authorities greater borrowing power and flexibility in rents and tenures as well as exempting properties from the Right to Buy. In addition to the model used by Royal Greenwich there are other options being developed by other local authorities, both inside and outside London and this is provided as an addendum to Appendix 7

9.3 In addition to the work already undertaken with regard to Meridian Home Start outlined in paragraph 8.6 above to consider further through the development of the housing strategy whether any additional options are needed.

10. Summary and Conclusions

10.1 Royal Greenwich continues to deliver a high level of new affordable homes with its partners. We are delivering above average numbers in comparison

with other boroughs over the past five years, ranking 6th out of the 32 London boroughs and the City of London. However, these figures vary significantly year on year and officers will continue to monitor closely the performance in this key area.

- 10.2 Rent levels for the affordable homes continue to provide a challenge, during the review we have explored different levels of rent and compared them to market rent. It has become increasingly difficult for RPs to provide rents around target rent levels (50%) market rent levels, whereas “affordable rents” at 80% market rent levels are considered unaffordable by many people. Greenwich has sought a blend of rents at around 65% of market rent, with family accommodation still at target rent levels. The wide variety of different housing products available which are considered “affordable products” can also be confusing for residents. It is too early yet to judge how the proposals being put forward by the Mayor of London for a London Affordable Rent for those in greatest need and a London Living Rent will impact across the new five-year funding programme. This issue will be explored further in the Housing Strategy.
- 10.3 As outlined in Appendix 7 there are many local authorities who have adopted or are considering options for setting up Local Housing Companies. Royal Greenwich’s model Meridian Home Start described above is slightly different from many of the others as it is constituted as a Community Benefit Society which is seen as a more flexible model, with directors from the private development sector able to assist with finding private sector funding and solutions.
- 10.4 The Council will continue its strategy for investment and growth using RTB receipts up to 2020, including grants to RPs, delivery of LANB, Meridian Home Start and consideration of other options as they present themselves.
11. Recommendations regarding the way forward for the Royal Borough of Greenwich
- 11.1 To identify the needs of residents now and in the future and consider what solutions are best suited for the Royal Borough further through the Housing Strategy to be produced this year. The strategy will also address:
- The nature of the Private Rented Sector in Greenwich and where the Mayor of London’s Build to Rent proposals might be useful.

- The wide variety of affordable housing products outlined in appendix 1 and how they can best be targeted at different groups within the housing market.
- The suitability of other options to deliver affordable housing currently being adopted by other boroughs, and their applicability to Greenwich.
- Whether a greater use of modular housing construction could deliver good quality housing more quickly.

Appendices:

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| Appendix 1 | Models of affordable housing |
| Appendix 2 | London affordable rent benchmarks 2017 |
| Appendix 3 | GLA rent information for London Living Rent |
| Appendix 4 | Registered provider rent examples |
| Appendix 5 | Affordable housing completions up to 2015/16 |
| Appendix 6 | Planning permissions up to 2015/16 |
| Appendix 7 | Options to produce more housing for RBG |
| Appendix 7 - Addendum 1 | Council company options |

Background Papers

Affordable Housing Review Project statement dated 2 February 2016.

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