

THE LONDON BOROUGH OF SOUTHWARK

TOWN AND COUNTRY PLANNING ACT 1990

AND ACQUISITION OF LAND ACT 1981

Revised Inquiry into

THE LONDON BOROUGH OF SOUTHWARK
(AYLESBURY ESTATE SITES 1B-1C)

COMPULSORY PURCHASE ORDER 2014

PINS REFERENCE: NPCU/CPO/A5840/74092

Proof of Evidence of

Pat Turnball

London Tenants Federation (LTF)
www.londontenants.org

1. London Tenants Federation (LTF) is an umbrella organisation of representative borough- and London-wide organisations of tenants of social housing providers This includes the London Federation of Housing Co-operatives and the National Federation of Tenant Management Organisations. Its key focus is engaging member organisations in London-wide strategic regional housing, planning and community related policy.
2. LTF has had representation on the Mayor's Housing Forum (2004-2014/15) and delegates have been panel members for London Assembly housing and planning committee investigations into various issues, including the extension of right to buy, the role of local authorities in providing social housing and the refurbishment v demolition of social housing.
3. LTF members have given evidence, by invitation, at almost all the Examinations in Public of the London Plan since 2007 and it is represented on the Mayor's sub-group relating to housing need and housing land availability. Since 2013, it has been funded by the Trust for London and UCL, to bring together wide networks of residents and community groups, to influence large scale developments, particularly in London's Mayoral Development Corporation areas. LTF produces annual analyses of net delivery of housing in London.
4. The term 'affordable housing' is a catch all term used to describe types of housing that are less than market costs. However, there are enormous differences between the various types of affordable housing and the sections of society able to gain access to them.
5. Most 'affordable homes' are **not affordable** or accessible to families that are homeless, living in overcrowded homes, languishing on housing waiting lists or with below median income levels.

6. The present London Mayor, Sadiq Khan, has added to the types of 'affordable' homes available and rebranded some. In the instance of his London Affordable Rent, similar to the previous Mayor's capped 'affordable rents' this rebranding can mislead the general public into assuming that it is the same in cost terms as social rents.
7. He has also introduced the term 'genuinely affordable', further misleading the general public into assuming that such housing is meeting the needs of the least well off, when this is not the case.

Social-rented homes

8. Most existing council and housing association homes are social-rented. Most existing council tenants have secure tenancies and most existing housing association tenants (where tenancies began post Jan 15th 1989) have assured tenancies. Since 2012 council and housing associations have been able to grant 'flexible tenancies' with a fixed term tenancy periods, generally for at least five years.
9. The housing costs relating to housing association social-rented homes are, and have been historically, higher than council rents. In part this is due to development costs (borrowing from private finance houses and without access to public sector borrowing) being taken into account in rents. The differences are even more apparent once service charges are added.
10. In 2002, the Labour Government introduced 'rent restructuring' which aimed to bring council rents up to housing association rent levels over a 10-year period and bring rents closer to reflecting market property values.
11. A rent formula was applied through which actual rents were to gradually moved towards a national target or formula rent ('convergence'). The

formula in part reflected local manual earnings (70%) and part local property values (30%). Annual rent increases were set at no more than £2 per week + RIP + 0.5%.

12. By 2012 'convergence' had not been achieved, but the Coalition Government continued the process until 2015/16, after which it said social rents would rise by CPI plus 1% for 10 years.
13. However, in July 2015, the government changed track in an attempt to reduce the national housing benefit bill. Rents in the social housing sector were to be reduced by 1% a year, for four years, to bring about in a 12% rent reduction by 2020/21.
14. While convergence had been 'achieved' in parts of the country by 2015/16, in high value property areas such as London¹, the gap between target rents and average social rents remained and in fact had widened.
15. Latest data shows average housing association rents are £17.54 per week higher than average council rents², excluding service charges. In 2002/3 the difference was £2.25, according to DCLG figures. It should be noted that at that time council rents also included service charges (now charged separately) whereas housing association rents did not.
16. Since 2011/12, no government grant funding has not been available to deliver social-rented homes, although the government has recently (October 2017) announced an additional national £2b grant, which may be used to deliver social-rented homes³.

1 Page 20 - House of Commons Library Briefing Paper on Rent Setting (social housing June 2017) - <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01090>

2 Average weekly London Council rents in 2015/16 were £107.93 (up from £65.75 in 2002/03). <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies> (table 702)

Average weekly Housing Association rents in 2016 and £125.47 in 2016 – up from £67.99 in 2003 (as of 31st March 2013). <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies> (table 704)

3 <https://www.gov.uk/government/news/2-billion-boost-for-affordable-housing-and-long-term-deal-for-social-rent>

Affordable-rent homes

17. Affordable rent homes were introduced in 2011/12 and have rents of up to 80% market rents. In areas like London that have high property values these are much higher than social-rents and in some instances, are too high to be covered by benefits.
18. A total of 19,000 London social-rented homes were also approved for conversion to affordable rent homes from 2011-15.⁴ Mayor Sadiq Khan stopped this when elected, ending the loss of social housing in this manner .
19. The previous London Mayor, Boris Johnson, created two affordable housing types - 'capped affordable rents' (at no more than 50% market rents, including service charges) and 'discounted' affordable-rents (with up to 80% market rents). Both were accessible to households previously eligible for social-rented housing, although benefit caps prevented many from accessing 'discounted' affordable rent homes.
20. Sadiq Khan has introduced 'London Affordable Rent' homes, which cost-wise are similar to the previous Mayor's 'capped affordable rent homes', but exclude service charges. They are based on 'capped' **formula rent levels** (see table below⁵).

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

⁴ <https://www.london.gov.uk/press-releases/mayoral/mayor-launches-london-living-rent-for-new-homes>

⁵ Table 1 from the Mayor's Homes for Londoners affordable Homes Programme 2016-21

<https://www.london.gov.uk/sites/default/files/homesforlondoners-affordablehomesprogrammefundingguidance.pdf>

21. Formula rent levels, as detailed in para 11, reflect the formula or target rent that social-rents were intended to reach through 'convergence'. However as social rents did not reach the formula or target rent levels in high value property areas like London, in fact, formula/target rents remain considerably higher than existing social rents.
22. Latest available data (2015/16) show that average London council rents were £107.93⁶ and average London housing association rents £125.47⁷.
23. If we assume that a three-bedroom sized home is the 'average', London Affordable Rents are £53.07 (almost 50%) higher than average council rents and £35.75 (28%) higher than average housing association rents.
24. Since London average social-rented household incomes are only £17,500 per annum this is a significant rent difference.
25. However many London planning authorities, including the Mayoral Development Corporation in Old Oak and Park Royal claim that 'London Affordable Rent' homes are the same as, or 'equivalent' to, social-rents, when this is simply not the case.⁸
26. In addition:
- i) London Affordable Rent homes will immediately have annual rent increases of CPI + 1%, while existing social housing tenants will have reductions in rent of 1% each year until 2020/21. By 2020 the gap between actual social-rents and London Affordable Rent will be even higher.

6 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies> (table 702)

7 Average weekly Housing Association rents in 2016 and £125.47 in 2016 – up from £67.99 in 2003 (as of 31st March 2013). <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies> (table 704)

8 Page 11, Addendum report Oaklands, Old Oak Common Lane, London NW10 6DU (13/07/16) Report of Director of Planning <https://www.london.gov.uk/moderngovopdc/documents/s56546/Item%206%20-%20Oaklands%20-%20Old%20Oak%20Common%20Lane.pdf>

- ii) Service charges on top of rents, can be a significant addition to housing costs particularly in new mixed tenure developments. The example from the Oakland development⁹ shows indicative service charges of £35pw (£152.7 pcm).

Intermediate Housing

- 27. This includes a range of housing for sale or rent at costs above social-rents but less than market costs. Generally, this has meant some kind of shared ownership (part-rent part-buy) housing. Mayor Sadiq Khan has also introduced London Living Rents.
- 28. London Living Rent (LLR) is described by the Mayor as being '*genuinely affordable*'. In cost terms LLR can be up to 80% market rents. On average, it tends to be at 67% market rents. The big difference between affordable rents and LLR, however, is that it is only accessible to middle income households with an income up to £60,000 and with enough money way to save for a deposit. LLR is not aimed at households on housing waiting lists or that need to claim benefits to meet the cost of their homes.
- 29. LLR is based on a third of average incomes in each ward¹⁰, which is supposed to be fairer than rents based on market rents. However, since average incomes are high in exactly the same areas where there are high market rents, there would seem to be little difference or benefit in the distinction. LLR and average incomes are highest in central and south-west London where market housing is most expensive. The map below is from GLA website ¹¹. On income basis alone, households that have a less than the London median level (£39,000) will only be able to afford the lowest two levels of London Living Rent homes, generally at the edges of outer London.

⁹ Table 1 below.

¹⁰ <https://www.london.gov.uk/what-we-do/housing-and-land/renting/london-living-rent#acc-i-47686>

¹¹ https://www.london.gov.uk/sites/default/files/ward_map_2017.pdf

MAP

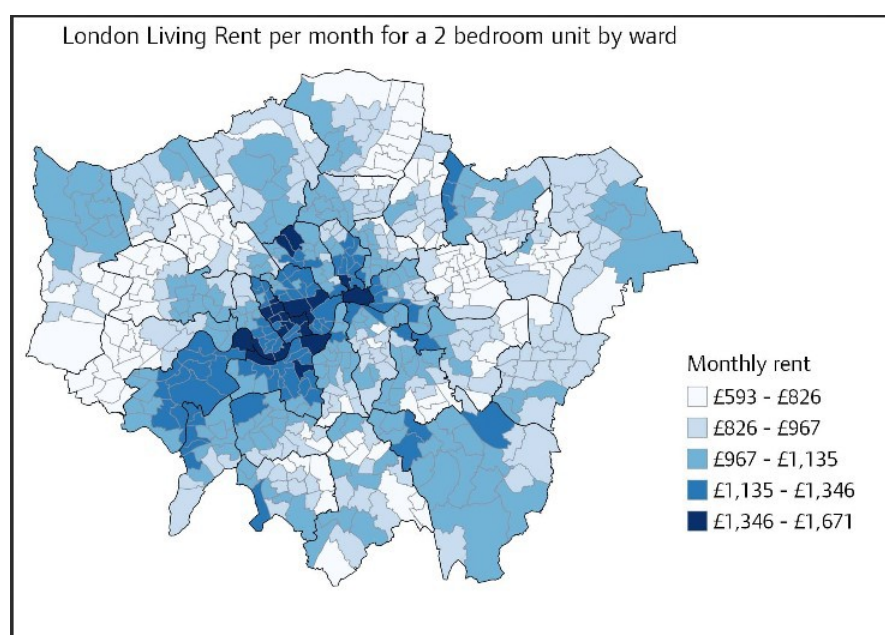


TABLE 1

5.9 Table 5.3 Indicative rent levels for social rented and affordable rented units without service charge

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£251.00	£120.38	48%	£165.00	66%
2B3P	£298.00	-	-	£195.00	65%
2B4P	£339.00	£143.60	42%	£200.00	59%
3B5P	£354.00	£154.92	44%	-	-
3B6P	-	£154.92	-	-	-

5.10 Table 5.4 Indicative rent levels for social rented and affordable rented units with indicative service charge

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£286.00	£155.38	54%	£200.00	70%
2B3P	£333.00	-	-	£230.00	69%
2B4P	£374.00	£178.60	48%	£235.00	63%
3B5P	£389.00	£189.92	49%	-	-
3B6P	-	£189.92	-	-	-