

# Homes for Londoners Affordable Homes Programme 2016-21

## Briefing Paper

June 2017



**Regeneration at Wornington Green, Kensington.**

### Introduction

London Mayor Sadiq Khan (Labour) has secured £3.15billion in government funds to help start building at least 90,000 affordable homes by 2021. This is intended to help Londoners who would otherwise struggle to rent or buy. It's part of 'Homes for Londoners', the Mayor's work to tackle London's housing crisis. The Mayor and Government have agreed at least 58,500 of this total will be a combination of London Living Rent and shared ownership.

The announcement that £3.15billion will be given to the Greater London Authority to deliver 90,000 affordable homes was made in the autumn statement of 2016 by Philip Hammond, the Chancellor of the Exchequer. Sadiq Khan said that the cash was:

*"The largest sum of money ever secured by City Hall to deliver affordable housing".*

Sadiq Khan said that rules surrounding the use of the funding had been relaxed, and it will be used to fund homes for low-cost rent, London Living Rent, and shared ownership between now and 2021. London Living Rent is set at 35% of local wages calculated on a local basis.

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Sadiq Khan said that:

*“I’m delighted that we today took the first steps towards a major new devolution deal for London... The record-breaking affordable housing settlement means we can get on with the hard slog of building new genuinely affordable homes, but it won’t happen overnight – fixing the housing crisis will be a marathon and not a sprint.”*

Jamie Ratcliff, Assistant Director of Programmes at the Greater London Authority, said that:

*“Now our funding settlement with Government is confirmed we will move to publish funding guidance as soon as possible. This will enable us to provide housing associations with muscular backing to deliver many more genuinely affordable homes for Londoners.”*

The Mayor is committed to delivering homes that are tailored to the different needs of Londoners. He published his ‘Homes for Londoners: Affordable Homes Programme 2016-21’ funding guidance in November 2016. His long-term aim is for half of all new homes to be affordable. His Homes for Londoners: Affordable Homes Programme 2016-21 is intended to increase the supply of new homes and the number of those that will be genuinely affordable. The Greater London Authority expects that most of the homes in this programme will be built by partners who would deliver half, or more, of their homes in London as affordable. Supplementary Planning Guidance was published at the same time.

Homes funded in this programme are expected to be primarily composed of three affordable products. The types of affordable homes the Mayor is funding include:

- London Affordable Rent - for people on low incomes
- London Living Rent - helping Londoners on average incomes save for a deposit to buy their first home
- London Shared Ownership - for people who want to buy but can't afford the open market

Other products may be funded under the Mayor’s programme where they are genuinely affordable to Londoners. They may also be funded by providers’ own resources or secured through the planning system. Existing pipeline schemes may have affordable housing tenures fixed already, in which case there will be some flexibility during the transitional period.

The Greater London Authority expects most the funding in this programme to be used as grant to support affordable housing delivery, but is also keen to identify how this funding can be used in flexible and innovative ways. This will include supporting new housing products through an Innovation Fund, and other interventions such as those to support land assembly and to increase affordable housing delivery in Housing Zones.

The Greater London Authority will fund affordable housing through three different routes:

- The Approved Provider route, with a single set grant rate for London Affordable Rent at or below the benchmarks, and a different set grant rate for both London Living Rent and London Shared Ownership;
- The Developer-led route, with a single set grant rate to increase the level of affordable homes provided on section 106 sites;
- Negotiated grant rates mainly for supported and specialised housing, and for London Affordable Rent at levels above the benchmarks.

The allocation to London represents 67% of the allocation for England as a whole, compared with the 40% that was allocated to London during the previous round. Of the £3.15billion that has been allocated; £2.171billion is available for the Mayor’s Homes for Londoners 2016-21 programme; £579million is required for affordable allocations that had already been made; and £400million has been allocated to the Housing Zones Programme.

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## **Sadiq Khan's Foreword**

In his foreword to the Programme, Sadiq Khan wrote that:

*“London is open. We are a leading global city with a strong economy, with businesses that trade internationally, and with people drawn from all over the world.*

*“Our city’s success is reflected by the number of people becoming Londoners. With 70,000 new Londoners every year, we are a bigger city than we have ever been, and our population is set to top 10 million within 25 years.*

*“But our city’s great success has brought huge challenges too. In recent years, we know that London has built nowhere near the number of new and affordable homes we need. As a result, too many Londoners can’t afford a decent home to rent or buy.*

*“We know we won’t be able to turn round London’s housing crisis overnight. It’ll be a marathon, not a sprint. But I’m determined to get started, working with councils, housing associations, the development industry, central government, and Londoners themselves.*

*“That’s why I am pleased to set out my ‘Homes for Londoners: Affordable Homes Programme 2016-2021’. Working with government, I have secured £3.15bn to start building at least 90,000 new affordable homes. We will help Londoners who would otherwise struggle to rent or buy, by building a range of new affordable homes. This will include homes for low-cost rent, London Living Rent, and shared ownership.*

*“My long-term aim is for half of all new homes to be affordable. Most homes in this programme will be built by partners who are meeting or exceeding this target. I will also increase the amount of affordable housing delivered through the planning system, and bring forward more public land for affordable homes. Together, these steps will set us in the direction I want us to take.*

*“I want to build a city for all Londoners. A place where no community feels left behind, and where everyone can benefit from the opportunities London has to offer. New and affordable housing is essential to this goal, and together, we can build the homes that Londoners need.”*

## **Products**

London Affordable Rent is a shared aspiration of the Mayor and the Government to support both affordable home ownership and much-needed sub-market rented homes. Low-cost rented homes are needed in the capital to help low-income households, typically nominated by London Boroughs, who are unable to secure or sustain housing on the open market. To this end, the Government has agreed the Greater London Authority may use funding to support new homes for Affordable Rent. The Greater London Authority is keen to make good use of this flexibility, whilst bearing in mind the need to meet the target of 58,500 London Living Rent / London Shared Ownership homes.

Providers must provide Affordable Rent homes for rent at the benchmarks set out in the funding guidance. There is no single definition of what makes a home genuinely affordable if rent is set above those benchmarks. The Greater London Authority will not specify a percentage of market rent that it considers to be genuinely affordable; and considers that simply being within the Local Housing Allowance caps does not necessarily mean that a home is genuinely affordable to Londoners. Providers will have to provide evidence to the Greater London Authority, including rent levels compared to both market rent and local incomes.

Through the Greater London Authority's consultation on its Supplementary Planning Guidance, boroughs will be asked to provide the Greater London Authority with their preferred local tenure split, and providers should also be mindful of this preference when considering what type of homes are genuinely affordable.

The Mayor is introducing London Living Rent as an intermediate affordable housing product with locally specified rents. When funded through this programme, London Living Rent is a Rent to Buy product with sub-market rents on time-limited tenancies. This will help households on average income levels to save for a deposit to buy their own home. Providers bidding for grant through this programme are encouraged to set out their commitment to delivering London Living Rent.

London Shared Ownership homes allow a home buyer to purchase a share in a new home, and pay a regulated rent on the remaining, unsold share. London Shared Ownership purchasers should have household incomes that can support an initial purchase of between 25% and 75% of the value of a property, and usually a mortgage deposit of around 10% of the share to be purchased. Initial rents on the unsold equity of London Shared Ownership properties can be no more than 2.75% of the value of the unsold equity at the point of initial sale, and all sales must use a form of lease containing the fundamental clauses set out in the Greater London Authority Capital Funding Guide.

The Greater London Authority finds that a common complaint from shared owners is a lack of transparency over service charges, causing confusion and dissatisfaction for those affected. The Mayor wants to work with the industry to improve satisfaction with shared ownership and is encouraging providers to commit to working together to standardise approaches to service charges and, where possible, reducing these charges for consumers.

Providers of shared ownership housing are being invited to work together to propose a charter on shared ownership service charges to the Mayor. It is hoped that this will address concerns and commit providers to meaningful positive action that may be endorsed by the Mayor and become an important standard for consumer protection. This charter will be the key distinguishing feature for London Shared Ownership.

London Shared Ownership uses the same standard form lease as shared ownership previously funded by the Greater London Authority and in the rest of the country. The difference is in relation to the proposed charter on service charges that should ensure shared owners will have much greater clarity and certainty in relation to the service charges they pay now and in future.

Providers are being encouraged to bring forward supported and specialised housing projects for vulnerable Londoners. The Mayor has existing funding streams available for providers to utilise, and is keen to support the provision of supported and specialised housing in the following areas:

- Specialised housing for disabled or older Londoners;
- Accommodation for those who are homeless, or at risk of being homeless;
- Move-on accommodation;
- Other forms of supported and specialised housing.

## **London Living Rent**

London Living Rent is one of the three types of 'genuinely affordable' homes from the Mayor. London Living Rent homes are for middle-income households who now rent and want to build up savings to buy a home. This can be either through shared ownership or outright purchase. Landlords are expected to encourage their tenants into home ownership within ten years.

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The homes will be offered on tenancies of a minimum of three years. Tenants will be supported to save and given the option to buy their home on a shared ownership basis during their tenancy. They will also be given extra priority for other shared ownership homes across London.

The amount of rent a tenant will pay will vary according to where they live. Across London the average monthly rent for a two-bedroom London Living Rent home is around £970 a month. That is two-thirds of the median market rent. The Mayor has published benchmark London Living Rent levels for every neighbourhood in the capital. These are based on a third of average local household incomes and adjusted for the number of bedrooms in each home. In most boroughs this will be a significant discount to the market level rent. To ensure family-sized London Living Rent homes are affordable, the rent for a three-bedroom home will be set at just 10% above the two-bedroom rent.

To be eligible for a London Living Rent home, a tenant must:

- Be renting in London
- Have a maximum household income of £60,000\*
- Be unable to currently buy a home (including through shared ownership) in their local area.

The Greater London Authority has published maximum rents by number of bedrooms for new London Living Rent homes (inclusive of service charges) in every ward in London, and will update these figures on an annual basis. These are maximum figures for the London Living Rent and providers are welcome to set rents below these levels if they wish.

The rent levels are derived from average local incomes and ward-level house prices using a multi-stage process. Broadly, the rent for a two-bedroom property is based on one-third of the local median household income, and across London comes to £968 a month, or 67% of the median monthly market rent in London as reported by the Valuation Office Agency for 2015/16.

Rents for London Living Rent homes vary according to their number of bedrooms. Using the two-bedroom rents for each ward as a benchmark, the rent for a one-bedroom home is 10% lower, for a three-bedroom home 10% higher and for a four-bedroom home 20% higher. As a final affordability safeguard, the rent for any individual unit must be at least 20% below its assessed market rent.

The methodology for calculating the London Living Rent is as follows:

- Annualised median gross household income for London is calculated from Households Below Average Income data. Using the latest available data (currently the 2014/15 dataset), this gives a figure of £35,618.
- To estimate median household income for individual local authorities, this London-wide figure is re-scaled at borough level using data from the Annual Survey of Hours and Earnings, specifically the average of the last three years of annual gross pay. For example, the median gross annual pay for all employees in London average over the three years 2013 to 2015 was £28,112, while in Lambeth it was £28,679, around 2% higher. Applying to this increment to the London-wide household income figure results in an estimated median household income figure for Lambeth of £36,336.
- These estimated local median household income figures are divided by three and then again by twelve to give borough-level monthly rent benchmarks for two-bedroom London Living Rent homes. In Lambeth, this figure is £1,009.

- To reflect neighbourhood-level market conditions, these monthly two-bedroom benchmarks are varied at ward level by a maximum of 20% above or below, in line with the median price for flats sold in the ward over the last three years. For example, in Lambeth the highest ward-level figure is in the Oval ward at £1,211, while the lowest is in Knight's Hill at £807.
- The ward benchmarks derived above are for two-bedroom homes, and the rent for units of different sizes varies from these benchmarks by 10% per bedroom. For example, in the Knight's Hill ward of Lambeth the maximum rent is £807 a month for a two-bedroom London Living Rent home but is £726 (90% of £807) for a one-bedroom home, £888 for a three-bedroom home (110%), £968 for a four-bedroom home (120%) and so on.
- Finally, to ensure that London Living Rent homes are always considered affordable in planning terms, the rent for every home must at least 20% below the assessed market rent for that unit.

London Living Rent homes delivered in partnership with the Greater London Authority will be available to households on Assured Shorthold Tenancies, with the rent allowed to increase by up to the rate of Consumer Price Index inflation each year. The Greater London Authority encourages providers to help as many households as possible over the lifetime of each London Living Rent home, but to ensure stability does not expect tenants to be required to move for at least three years from the start of their tenancy. Providers delivering London Living Rent homes without direct Greater London Authority involvement can choose appropriate tenancy terms.

The London Living Rent model has been introduced by a Labour Mayor with the approval of a Conservative government. It is now attracting interest in other parts of England. During the 2017 general election campaign the Labour Party has proposed rolling it out to all parts of England. It is possible that the London Living Rent model may play a part in housing deals between central government and combined authorities in other parts of England.

### **Available Routes for Affordable Housing Funding**

The Greater London Authority does not expect to allocate its entire available grant in this programme through the initial bidding round. There will be further opportunities to bid on an ongoing basis, once the initial allocations are made.

Following the completion of a review of the Housing Zones investment programme, the Mayor may consider moving funds into this programme to increase levels of affordable housing in existing, or additional, Housing Zones. Homes that are subject to direct funding from the Greater London Authority's existing Housing Zone programme are not eligible for further funding under this new programme.

Under the Homes for Londoners: Affordable Homes Programme 2016-21, the Greater London Authority specifies set grant rates per home, available for the new supply of affordable homes. These grant rates are inclusive of Recycled Capital Grant Funding and Disposals Proceed Funding, and therefore the new funding paid by the Greater London Authority will be correspondingly lower than the grant rates where Recycled Capital Grant Funding / Disposals Proceed Funding is included.

This approach is intended to give partners certainty over the grant levels they can expect from the Greater London Authority for certain products, and allows them to plan accordingly. The bidding process and systems have also been streamlined for partners, reducing overheads and administrative burdens that will allow them greater freedom to optimise the use of their own resources.

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The Approved Provider route is open to all providers of affordable housing who:

- 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.

Two set grant rates are available under the Approved Provider route that are applied to all affordable homes delivered by partner organisations under the Mayor's Homes for Londoners: Affordable Homes Programme 2016-21. These set grant rates are as follows:

- London Affordable Rent - £60,000 (inclusive of Recycled Capital Grant Fund / Disposals Proceed Fund) per home, when rent is set at or below the benchmark levels;
- London Living Rent and London Shared Ownership – £28,000 (inclusive of Recycled Capital Grant Fund) per home.

Only benchmark London Affordable Rent, London Living Rent and London Shared Ownership products may be funded through the set grant rates in the Approved Provider route. Other genuinely affordable products may be brought into the programme on a nil-grant basis, through the Developer-led approach below, or at negotiated grant levels. The Greater London Authority will simplify the logging of nil grant homes on our system and funding conditions. Compliance audit will not apply to nil grant homes.

Funding for London Affordable Rent homes at rent levels other than the benchmarks can be requested through the negotiated grant rates. This will only be approved where the Greater London Authority is satisfied the homes will be genuinely affordable and grant rates will be expected to be significantly below the £60,000 per home set out above.

The Mayor wishes to see a clearer and more consistent approach to assessing the viability of delivering affordable homes through the planning system. The Mayor's Affordable Housing and Viability Supplementary Planning Guidance 2016 sets out the approach to delivering affordable housing through the planning system.

The Mayor is keen to provide a strong incentive to increase the level of affordable housing beyond that which is viable with nil subsidy on developer-led sites. Once the minimum viable level of affordable housing is established by the Local Planning Authority, Greater London Authority grant at £28,000 per affordable home will be available through the Developer-led route to increase the level of affordable housing. Bids for this grant are invited from providers that will own the completed affordable homes.

In cases where this grant enables the level of affordable housing to be viably increased to 40% or more, measured by habitable room, it can be applied to every affordable home within the relevant planning application.

In cases where developments could viably achieve 40% or more affordable housing without Greater London Authority grant, providers can use the grant-funding to increase the level of affordable provision to an even higher level. On all developments where Greater London Authority grant is being utilised, the purchasing of affordable homes from a developer must be compliant with State Aid rules.

This approach can be applied to any residential development across London, including those that are not referable to the Mayor. The tenure of the affordable homes provided in schemes delivered through this approach should comply with the policy of the relevant Local Planning Authority.

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If, even with Greater London Authority grant, a development cannot viably achieve 40% affordable housing, then Greater London Authority grant (at £28,000 per affordable home) may be applied for in respect of every affordable home above the nil grant level identified by the viability assessment. In these cases, grant will only be available for these net additional affordable homes and not for the total number.

The Greater London Authority will fund a small number of projects at negotiated grant rates. The Greater London Authority will take this approach when funding supported housing projects that vary in cost far more than standard affordable housing projects.

The Greater London Authority may choose to extend this approach to projects that fit its spatial and thematic priorities, but this will be solely at its discretion. It is expected that most homes developed through the Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 will be funded through the Approved Provider and Developer-led routes.

This funding route may also be used for London Affordable Rent homes at rent levels above the benchmarks. This will only be approved where the Greater London Authority is satisfied that the homes will be genuinely affordable and grant rates will be expected to be significantly below the £60,000 per home set out above.

An Innovation Fund has been established. Expressions of interest are encouraged from providers who want to deliver affordable housing using Greater London Authority investment in an innovative way. Proposals must deliver products that offer a similar level of affordability to consumers as the three tenure products set out above. Interested providers must evidence:

- a previous track record of delivering homes at scale;
- that land has been acquired or lined up to enable early delivery;
- that the delivery model is capable of being scaled up to deliver significant numbers of new homes;
- that the delivery model will be compliant with State Aid rules;
- the circumstances in which GLA grant would be repaid and when this is expected to occur.

The Greater London Authority also offers funding that makes available very low-cost investment on a loan basis to increase the volume and pace of housing delivery, with homes initially let on an intermediate rent basis.

Strategic investment partnerships are being sought. The Mayor is interested in working with a small number of major providers that will be delivering at scale through the programme period and could be supported to do more by working at a more strategic level. These strategic partners may be able to benefit from higher levels of investment than that which is available through the set grant rate programme, but they would be expected to return some of that investment back to the Greater London Authority in the form of overage, should their programmes outperform assumptions.

Such strategic partners must be willing to commit to bringing forward at least 600 affordable homes within a wider delivery programme consisting of at least 60% affordable housing. Partners interested in this approach should signal their interest at an early stage of the bidding process.

## **Bidding for Funding and Assessment**

The Mayor welcomes bids from a range of organisations. Only organisations who are intending, either independently or as part of a consortium, to own the completed affordable homes are eligible to bid for grant. The landlord of all properties funded as London Affordable Rent and London Living Rent must be registered with the Social Housing Regulator.

Funding bids are encouraged from London Boroughs. Boroughs should note that properties they deliver for London Affordable Rent and London Living Rent may be eligible for Right to Buy, where the local authority is the landlord. It is a Government requirement that boroughs cannot currently use their Right to Buy re-provision receipts in conjunction with Greater London Authority grant. However, there should be many opportunities through this programme to work with the Greater London Authority to fund mixed-tenure projects.

The Greater London Authority considers the following criteria when assessing funding bids under the Approved Provider and Developer-led routes:

- Deliverability;
- London Borough feedback;
- Regulator feedback.

The Greater London Authority was open for bid submissions from 31<sup>st</sup> January 2017 to 13<sup>th</sup> April 2017. It was expected that allocations would be announced in May 2017 with partners being in contract by the end of June 2017.

## **The 2015-18 Programme**

The London 2015-18 programme will continue to be open for Continuous Market Engagement until funding allocations for the Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 have been published. Projects that require funding through the London 2015-18 programme should start on site by 31 March 2017, and must complete by 31 March 2019.

## **Planning**

The Mayor also wants to increase the amount of affordable housing delivered through the planning system, and bring forward more public land for affordable homes. Other products may be funded under the Mayor's programme where they are genuinely affordable to Londoners. They may also be funded by providers' own resources or secured through the planning system. Existing pipeline schemes may have affordable housing tenures fixed already, in which case there will be some flexibility during the transitional period.

The Mayor's long term strategic aim is to make half of all new homes in London affordable. He intends to achieve this by:

- Investing more in affordable housing
- Bringing forward more public land for affordable homes
- Increasing the amount of affordable housing delivered through the planning system

The new 'London Plan' is currently being developed and will incorporate this aim, and a consultation draft of the new 'London Plan' will be published in Autumn 2017. In the meantime, the Affordable Housing and Viability Supplementary Planning Guidance provides guidance to ensure that existing policy is as effective as possible. The main aims of the Supplementary Planning Guidance are to:

- Increase the amount of affordable housing delivered through the planning system
- Embed the requirement for affordable housing into land values
- Make the viability process more consistent and transparent

It will also ensure that development appraisals are robustly and consistently scrutinised as well as speeding up the planning process for those schemes which are delivering more affordable homes.

The Supplementary Planning Guidance sets out the Mayor's preferred approach and Local Planning Authorities are strongly encouraged to follow this approach for all schemes of ten or more homes. The Mayor wants to boost the overall supply of new homes by making the planning system clearer, quicker, and more consistent. It aims to increase the amount of affordable housing coming through the planning system, and reward those who deliver more. The Supplementary Planning Guidance focuses on affordable housing and viability and includes four distinct parts:

- Background and approach
- The threshold approach to viability appraisals
- Detailed guidance on viability assessments
- A specific approach to Build to Rent schemes.

The Greater London Authority is currently working on a London Plan that will set out how it intends to meet its 50% affordable housing target. However, it is now expected that it will not be published until 2019 although a consultation draft is expected in the autumn of 2017. James Murray, Deputy Mayor for Housing, told a National Housing Federation conference in December 2016 that:

*"The Mayor wants to crack on with stuff and when it came back that the timetable for getting a new London Plan in place was 2019 at the earliest there were a few eyebrows raised about whether we could speed that up... But the process is thorough... so the reality is it will be around 2019 when the new London Plan comes in."*

### **Other Affordable Housing**

It could be argued that the Affordable Housing Programme is not as significant as it used to be. Grant rates have been reduced and an increasing number of affordable homes are being provided by housing associations and local authorities without the support of grant. The larger housing associations have been forced to move away from reliance on grants by government grant cuts and the complexity of bidding for mayoral funds. They have become skilled at using London's high-value property market to become more self-sufficient, building properties for market sale and using the profits to finance lower cost homes, including on separate sites. Several London councils have set up their own semi-detached housing delivery companies, enabling them to borrow to build homes their residents can afford. Until recently it was expected that this trend would continue although some commentators expect that as Britain leaves the European Union, land and property values in London will reduce and the scope to develop affordable homes on the back of market housing schemes will also reduce.

### **Response of the Sector**

The Affordable Homes Programme and the Supplementary Planning Guidance have been welcomed by organisations as varied as Shelter, developer Mount Anvil, David Montague who chairs the G15 group of London's largest housing associations and business organisation London First.

David Montague, Chief Executive of London & Quadrant Housing Association and Chair of the G15 group of housing associations, told 'Inside Housing' that:

*"I believe this is another defining moment in housing history. Sadiq Khan has secured the very best deal for London. Now housing associations... must rise to the challenge and put the housing crisis behind us."*

Shelter published the following statement on their website:

*"The Mayor and the Government have done a deal to roughly double affordable housing investment in the capital, and to spend this on a mix of tenures, including genuinely affordable homes on low rents. This is excellent news: both the Mayor and the Chancellor deserve respect for coming to such ground-breaking deal in a tough fiscal climate, and across political party lines too. The housing crisis is not a purely London problem, but it is undeniably most acute in the capital, and any attempt to address the chronic undersupply of affordable homes in England has to address London's needs as a priority.*

*"So both the Autumn Statement and the London settlement seem like very positive steps forward. But does the detail support this rosy picture? We'll need to see the government's White Paper, due out soon, but on the available information our initial assessment is that, overall, it really does. The Autumn Statement made it clear that the really will be new money, and that it will support rented housing too. The Mayor's proposals... are also very encouraging.*

*"Some reports have suggested that the new planning proposals constitute an abandonment of the Mayor's campaign pledge of 50% affordable housing – up from the 13% actually achieved last year. There are in fact good technical reasons why the Mayor cannot instantly achieve such a huge increase, but that does suggest that it may not have been sensible to promise it in the first place. Overall, we think the funding and tenure policies are a decent balance of the positive and the pragmatic – but we will be holding the Mayor's feet to the fire to ensure that the homes built really are as affordable as possible.*

*"We also think there is something really interesting emerging in the Mayor's planning policy about the way the role land is understood – which for my money is the most fundamental problem we need to tackle in our housing system.*

*"There's a lot of complex stuff going on here but at first reading it sounds extremely encouraging. In essence, land values ought to reflect democratically agreed plans. So if the plan requires affordable housing and good community infrastructure, the market ought to factor those things into the price of land. Too often it works the other way around: developers bid against each other for land, and the highest bidder then has to haggle down the affordable housing and infrastructure contribution on grounds of viability. Reversing this perverse interaction between the market and the planning system offers the promise of a genuine transformation in the way development is done in this country. There's a real chance that Chancellor and Mayor have just fired the starting gun on that transformation."*

## **Conclusions**

The mayor's interventions in London's housing market with the powers, the influence and the money he has could be very significant. Boris Johnson was Mayor from 2008 to 2016 and oversaw the building of a record 100,000 'affordable homes'. Sadiq Khan intends to help fund 90,000 over just four-and-half years under a stricter definition of 'affordable'. That is an average of 20,000 a year compared to the 12,500 a year completed by his predecessor and is to be achieved with more central government funding than was available before 2016.

However, London's overall housing need is generally held to be about 50,000 new homes a year. Sadiq Khan acknowledged this in his manifesto, though he did not pledge to meet it. He has set no overall absolute target for delivering (or starting) 'genuinely affordable' or any other kind of home by the end of his term. The potential impact of extending the 'right to buy' to housing association tenants and of the sale of high value council housing as provided for in the Housing & Planning Act 2016 (if it happens) is also unclear.

A key 'long-term strategic target' that Sadiq Khan has set is for 50% of all new homes in London to meet his definition of 'genuinely affordable' including London Shared Ownership, London Affordable Rent, London Living Rent, traditional social rent or anything else that fits the definition. This is a higher proportion than has been sought in the past. However, if 20,000 'affordable homes' are built each year and the total requirement of 50,000 homes a year is met the proportion that would be affordable would be 40%. However, if the total new housing output in London remains at the 25,000 a year that it has been in recent years, the proportion that would be affordable would be 80%.

**Adrian Waite**  
**June 2017**

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## **Seminar: Developments in Local Authority Housing Finance in England 2017**

**June / July 2017**

We are holding seminars on 'Developments in Local Authority Housing Finance in England' during June and July 2017. This seminar will look in depth at current developments in local authority housing finance in England – especially the implications of the outcome of the 2017 General Election for local authority housing, the Autumn Statement of 2016 and the Budget of 2017, whether the Housing & Planning Act 2016 will be implemented in full, the future funding of supported housing, the vote for Britain to leave the European Union, the affordable housing programme, the public finances, welfare reform, rent reductions, issues around the reinvigorated 'right to buy', sale of high value properties to fund the extension of 'right to buy' to housing associations and new development.

If you want to be up to date with the world of local authority housing finance, this is the seminar for you!

### **The seminar will address the following questions:**

- What is the Political, Economic, Social and Technical Context?
- What will be the implications for local authority housing finance of the new government's policies on housing and welfare?
- How, and to what extent, will the Housing & Planning Act be implemented?
- How can councils develop effective self-financed business plans?

### **Who should attend?**

All those with an interest in developments in local authority housing finance in England, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives. The session will assume a basic knowledge of local authority housing finance but will not assume that delegates are experts.

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Registered office: c/o Butterworths Solicitors, 3 Walker Terrace, Gateshead, Tyne & Wear, NE8 1EB.  
Company Number: 3713554. VAT Registration Number: 721 9669 13.**

The session is accompanied by a very useful book entitled: **“Developments in Local Authority Housing Finance in England 2017”**

**Venues and Dates:**

**London:** Novotel Hotel, Waterloo – Wednesday 14th June 2017

**North:** Novotel Hotel, Leeds – Wednesday 5th July 2017

The price of the seminar is £195 plus £39 VAT, total £234.

For further information or to make a booking, please click here:  
<http://awics.co.uk/developments-in-local-authority-housing-finance-in-england-2017-seminar>

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## Other AWICS Seminars

AWICS holds seminars on a variety of subjects of relevance to public services. Details of all our seminars can be found at: <http://awics.co.uk/seminars2017>

Our next seminars include:

- All You Want to Know about Housing Association Finance
- All You Want to Know about Local Authority Finance
- All You Want to Know about Service Charges in Social Housing in Wales
- All You Want to Know about Local Authority Housing Finance

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## About ‘AWICS’

‘AWICS’ is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is ‘Independence, Integrity, Value’. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about our services and us please visit our website at [www.awics.co.uk](http://www.awics.co.uk) or contact Adrian Waite at [Adrian.waite@awics.co.uk](mailto:Adrian.waite@awics.co.uk).

Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars — <http://www.awics.co.uk/Seminars2017.asp>
- Webinars – <http://www.awics.co.uk/webinars.asp>
- In-House Training — <http://www.awics.co.uk/inHouseCourses.asp>
- Independent Residents’ Advice — <http://www.awics.co.uk/IndependentTenantAdvice.asp>
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