



**Scrutiny Committee
11 March 2015**

**Report from the Director of
Regeneration and Growth**

For information

Wards affected: ALL

Housing Pressures in Brent

1.0 Summary

- 1.1 This report provides an overview of the housing pressures impacting on the borough, drawing on the Housing Strategy 2014-19 and other information, with particular regard to homelessness and wider housing supply and demand issues.

2.0 Recommendations

- 2.1 Members are asked to note this report and consider any recommendations for further action.

3.0 Background

- 3.1 In common with the rest of London, Brent's population grew significantly between the 2001 and 2011 Census exercises, with a marked increase in average family size and the numbers of children. This is driven by both natural increase through new births and longer life expectancy and by national and international in-migration. Demand for homes is rising in consequence, accompanied by rising rents and prices, with demand for larger homes in particular above the London norm. As has been well-documented and recognised across the political spectrum, there has not been a concurrent increase in new supply of market or affordable housing to keep pace with demographic and market changes. Rather, the main consequence of rising demand has been a shift in tenure, with owner occupation falling, private renting rising and social housing supply remaining static as a proportion of the total, at least in part due to loss from Right to Buy.
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- 3.2 Change to the tenure pattern in London is even more pronounced in Brent, where the private rented sector grew from just over 17% of the stock in 2001 to 28.8% by the 2011 Census and around 32% now, making it a larger source of supply than the social sector. This growth is principally through a shift from owner occupation to renting, not any increase in new supply. The proportion of social housing has remained broadly unchanged and the majority (around 16,000 homes) is owned and managed by RPs, while the council owns just fewer than 9,000 rented and 3,000 leasehold homes, managed by Brent Housing Partnership (BHP). Following increases to discount rates (with further change possible following the General Election), Right to Buy applications have increased: for example, there were four sales in 2008/09, compared to 92 in 2013/14 and 55 in the current year (as at November 2014).
- 3.3 While the picture in Brent resembles that in London in many respects, there are also significant differences. This report presents the key characteristics and highlights factors that are particularly important for Brent.

4. Detail

4.1 Housing Market and Affordability

- 4.1.1 House prices in Brent have risen steadily: between December 2013 and December 2014, the average house price in Brent rose 15.4% to £415,000, compared to a London average of £461,453. While this appears to indicate that Brent is relatively affordable, the London figure is distorted by very high values in the centre, so it may be more helpful to consider the affordability in other ways. Gross annual earnings in Brent are £28,111 (London £32,800), giving an average price to income ratio of 14.7, while the London Housing Strategy states that eighty per cent of new market housing is affordable to only twenty per cent of working households. Median private sector rents are £1,250 a month, just below the London average of £1,300.
- 4.1.2 The disparity between earnings and housing costs suggests a dysfunctional market. At the same time, the local economy is not delivering the jobs or salaries that might allow residents to enter the market locally or elsewhere in London. The emerging Employment, Skills and Enterprise Strategy is therefore as important as new housing development in meeting demand.
- 4.1.3 The most striking change in patterns of need and demand has been the impact on low or middle income households, who might once have met their own needs quite readily but are increasingly unable to afford private purchase or renting and have no access affordable housing. To some extent, this demand is being absorbed by the rapid expansion of the private rented sector, but high rental costs are also driving an increase in sharing, overcrowding and poor quality housing.

4.2 Homelessness

- 4.2.1 Homeless applications and acceptances have been rising across London and this trend is expected to continue, at least in the short term; Brent currently
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sees around fifty new applications a week and it is anticipated that the council will accept around 700 homelessness applications in the current year. There are a number of reasons for this rise but the most notable feature is that eviction from private rented housing is now the single largest cause of homelessness and it is anticipated that around 450 (65%) of the 700 expected acceptances will be from this source. In part, this reflects a growing shift away from renting to households claiming Housing Benefit by some landlords, including those affected by the benefit cap (see below), as demand from other household types increases and landlords see Housing Benefit and Universal Credit as risk factors. At the same time, the number of Housing Benefit claims in the sector is increasing as even households in work struggle to meet high rents.

- 4.2.2 As a result of past high levels of homelessness and the limited supply of social housing Brent has more households in temporary accommodation than any other authority, currently totalling 3,400, of whom 2,600 were accepted before 9th November 2012, when the Localism Act introduced the ability to discharge permanent housing duties through the private rented sector. Housing Benefit restrictions and rising rents have limited the council's ability to secure temporary accommodation in Brent, leading to increased reliance on properties elsewhere in London and further afield.
- 4.2.3 In response, the Housing Strategy sets targets to reduce the number of homeless applications to below the London average by 2019 and to reduce the numbers in temporary accommodation to the London average by the same date. In particular, the emphasis will be on prevention, advice and support. The council will work with landlords individually and collectively to sustain tenancies and use discretionary housing payments where appropriate to secure the accommodation of those affected by the overall benefit cap. Where this is not possible and households are threatened with homelessness the council will provide advice and assistance to secure a private let. Since November 2012 the council has been able to discharge its permanent housing duties by securing private rented housing for homeless households and it is acknowledged that affordability and supply issues will result in a higher number out-of-borough placements.
- 4.2.4 A fundamental review of temporary accommodation in Brent aims to reduce reliance on it over the lifetime of the strategy. New temporary accommodation options are being developed, such as the facility at Knowles House, and a permanent hostel to provide emergency and short-term accommodation will be established. Increased access to private sector properties is being explored, including conversion of existing temporary accommodation to private rented accommodation available for let at Local Housing Allowance (LHA)-compatible rents and the possibility of acquisition, either directly or through an investor partner, of a portfolio of private rented properties.
- 4.2.5 In the short term, a higher proportion of social lettings are targeted for homeless households and the scope to maximise transfers within social housing, thus increasing the overall capacity to meet housing need is being explored. A revised incentive policy was approved in April 2013 to mitigate the
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impact of the social sector size criteria and encourage down-size moves, which will also assist in making larger homes available for letting.

4.3 Private Rented Sector

4.3.1 The private rented sector is a valuable resource but its growth is also a symptom of excessive demand and standards of management and maintenance are variable. Access to much of the sector is increasingly restricted by high rents, leading to two main effects. First, a shift in the demographic of private renters, in particular due to movement of both higher income households and those claiming housing benefit out of central London. Second, there has been a parallel growth in the number of houses in multiple occupation, in sharing, in overcrowding and, at the extreme, the phenomenon of “beds in sheds”. While the market has grown in response to demand, there is evidence that it is increasingly polarised, while shifting market conditions have also driven the rise in homelessness noted above. The local policy response therefore focusses on the key objectives of raising the quality of management and maintenance and facilitating access to the sector.

4.3.2 While the council will support the use of voluntary accreditation schemes for both landlords and agents and encourage the dissemination of best practice, the introduction of licensing from January 2015 is a key element of the local response to the growth of the sector and its consequences in terms of standards of management and maintenance. An Additional Licensing Scheme now requires all properties let as HMOs to be licensed. A Selective Licensing Scheme, covering the three wards of Harlesden, Wembley Central and Willesden Green, requires all privately let accommodation to be licensed. A review of enforcement and grant making powers is also being undertaken, alongside work with Lakehouse, our partner in delivering energy efficiency programmes, to raise standards in the sector.

4.3.3 While the council has limited ability to influence the market, it is anticipated that licensing, in particular through the support and incentives that will be available to landlords in addition to its enforcement aspects, will assist in developing a more stable market over time, within which it may be possible to encourage landlords to follow best practice, including the offer of longer term tenancies. To assist further in this area, Brent Housing Partnership is working to establish a Lettings Agency that will provide letting and managing agent services to landlords and tenants. It will operate on a commercial footing but provide an exemplar of high standards within the market. A central objective will be to provide increased access for the council to private rented properties for those approaching as homeless or in need of housing assistance.

4.4 Welfare Reform

4.4.1 The welfare reform programme has been wide-ranging, affecting both social and private renters, with further changes in train or proposed and the council set up a joint team, involving staff from Housing Needs and Revenues and Benefits, working with Job Centre Plus and the CAB, at an early stage to support our approach to mitigation of the impact on Brent households, which has been among the highest in the country. Limits have been placed on

Housing Benefit through the LHA cap and the social sector size criteria (the so-called bedroom tax). The Overall Benefit Cap has imposed further constraints since August 2013, limiting overall income from benefits to £500 a week for families and £350 for single people, and phased (albeit delayed) introduction of Universal Credit (UC) will pose further challenges. Although the numbers change over time as claims end or begin, there were 1,173 live cases affected by the cap at the end of January 2015, 798 of which were private tenants and 271 were households in temporary accommodation. Worst affected are large families in high rent areas, with private rented housing simply unaffordable for most workless households requiring three bedroom or larger homes and even two bedroom homes at manageable rents are in very short supply.

4.4.2 The following figures give some idea of the impact of the LHA cap, where there is a significant gap between LHA levels (in the south of the borough) and actual rents:

- 1 bed LHA £258 - Brent average rent £315
- 2 bed LHA £299 - Brent average rent £395
- 3 bed LHA £351 - Brent average rent £575
- 4 bed LHA £413 - Brent average rent £850

This gap must be covered by the council if households are to sustain tenancies. As noted earlier, Brent will accept close to 700 households as homeless this year, with around 450 of these evicted from the private rented sector. In terms of their bedroom needs and the costs of supporting rent payments, the impact is:

- 350 two bedroom homes - £1,747,200 a year
- 175 three bedroom homes - £,2,038,400 a year
- 75 four bedroom homes - £,1,704,300
- Total - £5,489,900 a year

In this context, it will be essential to find alternative solutions, either in terms of the type or location of temporary accommodation.

4.4.3 In broad terms, finding employment is the most direct way for households to mitigate the impact of welfare reform and, to date, 351 of 966 cases where a solution has been found have been resolved in this way. This figure is in line with industry expectations for this household cohort. Other solutions include rehousing both within and outside the borough (77 households have moved out of Brent) and use of discretionary housing payments, which have been used in 508 cases.

4.4.4 The social sector size criteria mean that affected tenants unable to find employment will need to move to smaller homes or meet the cost from existing household budgets. The council is keen that under-occupiers should move to free up much-needed family housing and offers high priority and

incentives to assist. Around 40 BHP tenants have downsized in 2013/14 and the current year combined.

- 4.4.5 Universal Credit went live in Brent on 2nd March for a small proportion of current claimants (all single people but with many exclusions that restrict the roll-out to straightforward cases). As the roll-out expands, it is anticipated that, broadly speaking, single people will be better off but a large proportion of lone parents will be adversely affected. At the national level, it is predicted that 3.1 million households will be better off and 2.8 million will be worse off.
- 4.4.6 Welfare reform has given further impetus to the council's effort to promote employment in the borough. The council has implemented a new employment offer, to be supported by the development of the Employment, Skills and Enterprise Strategy, which will be presented to Cabinet in April 2015.

5. Housing Need and Housing Supply

- 5.1 As noted above, demand is growing and supply has failed to keep pace, with access to all sectors increasingly restricted, either by price or by policy. Rising homelessness is the most severe symptom but needs to be seen in the context of wider housing demand. In the long term, a significant increase in supply across all sectors - owner occupation, private renting, affordable renting and mid-market options - is essential.
- 5.2 Following changes to the Allocation Scheme, there are now 4424 households in bands A-C on housing register (including homeless cases) among a total of 15763 (including those with no recognised housing need). In 2013/14, 578 lettings were made (269 to homeless households) and 873 are projected for 2014/15 (520 to homeless households). Average waiting times for rehousing through the Locata choice-based lettings scheme for households accepted as homeless are:
- 1-bed 5 Years
 - 2-bed 9 Years
 - 3-bed 12 Years
 - 4-bed 16 Years
 - 5-bed 12 Years
- 5.3 The Allocation Scheme allows for direct offers to be made to households who have been waiting longer than the average and other measures, such as increased incentives for downsizing moves, are intended to increase availability of larger homes for letting.
- 5.4 Two other elements of demand are also worth noting. First, as noted earlier, there is increasing demand from households on middle or lower incomes who might have expected to meet their own needs through house purchase or private renting and are now struggling to do so as costs rise. This suggests a need for mid-market options such as low-cost home ownership or sub-market
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rented products and for new private rented sector provision that could provide better quality and longer-term security.

- 5.5 Second, there is an over-reliance on unsuitable and expensive residential care for older or disabled households that, along with homelessness, is a significant financial pressure for the council. There is therefore a requirement for new supported and Extra Care housing.
- 5.6 An additional source of pressure on the needs register is the drive by government and the Mayor to increase mobility among existing social housing tenants. While efforts to increase the opportunities for tenants to move within and between boroughs are welcome in principle and will benefit Brent residents, facilitating this adds an additional burden on available lettings, particularly in the case of the proposed top-slice of 5% of lettings to support the Mayor's pan-London mobility scheme.
- 5.7 The Affordable Rent programme, managed by the Mayor in London through his Housing Covenant, aims to maintain output while reducing subsidy by permitting rents up to 80% of market levels, although average actual rent levels in the current programme are below that maximum, with subsidy skewed towards larger homes. 2014/15 is the last year of the current programme and the 2015-18 version introduces variants on the Affordable Rent product: Capped and Discounted Rents, with rent levels respectively ranging from 50% to 80% of market rates.
- 5.8 Local planning policy projects development of at least 22,000 homes between 2007 and 2026 of which 11,000 (50%) will be affordable housing. Within this, the Housing Strategy sets a target of 5,000 Affordable Rent and Low-cost Home Ownership properties by 2019. 700 of these would be provided directly by the council through BHP. This will include affordable housing at Target, Affordable, Discounted and Capped rents, of which at least 35% would be three bedroom or larger, to align with profile of demand, mitigate the impact of benefit cap and tackle overcrowding. The majority of new homes will be delivered in the identified Growth Areas, while smaller sites (including land within the Housing Revenue Account) will also be identified.
- 5.9 Alongside new development, it will be essential to make best use of the existing stock. To some extent, this is a question of the allocation and lettings policies referred to earlier – for example support for down-sizing. As well as approaches to allocation, best use of stock will include reviewing existing stock holdings by the council and its partners and the development of asset management plans that will include options for remodelling existing stock and estate or disposing of some stock to support new development elsewhere.
- 5.10 In addition, the council will support provision of mid-market options, such as shared ownership and other low-cost home ownership products, LCHO products, and new build provision in the private rented sector, with 1000 build
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to rent homes delivered by 2019, at least 30% of which would be at Local Housing Allowance rates. This will support employment and the needs of local employers, with provision targeted at working households.

- 5.11 The New Accommodation for Independent Living (NAIL) programme, supported through Mayor's Covenant funding, aims to provide 390 extra-care and specialist supported housing units by end of 2017/18 to widen housing options and reduce reliance on residential care. This supply will be delivered within the council's own development programme and those of Registered Providers, with new accommodation at varying scales and sizes targeted at older people, people with physical or learning disabilities and people with mental health issues. Alongside new accommodation, this will also involve new approaches to support in line with the personalisation agenda in adult social care services.
- 5.12 Although the Mayor's Covenant programme will be the main source of funding, the council will also explore new partnerships and new funding sources, as well as ensuring that most effective use is made of S106 resources, Right to Buy receipts and the council's own borrowing capacity.

5.0 Financial Implications

- 5.1 There are no immediate financial implications arising from this report but it should be noted that the serious financial pressures arising from homelessness, residential care costs and other factors have shaped the development of policy and have been detailed in various earlier reports.

6.0 Legal Implications

- 6.1 There are no legal implications arising from this report.

7.0 Diversity Implications

- 7.1 There are no diversity implications immediately arising from this report. However, it should be noted that full Equality Assessments have been carried out in relation to the policies and practices referred to above.

Background Papers

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