



Scrutiny Committee

26 April 2016

Report from the Director of Community and Wellbeing

For information

Wards affected: ALL

Housing Pressures in Brent

1.0 Summary

- 1.1 This report provides an overview of the housing pressures in the borough, updating the report provided to Scrutiny Committee in March 2015. It considers developments since then, in particular the potential impact of the Housing and Planning Bill and related government initiatives and steps taken by the council to address the pressures identified in the earlier report.

2.0 Recommendation

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

3.0 Background

- 3.1 Brent's current population of 325,300 is projected to increase by a further 17,000 by 2020 and demographic change is a key factor in rising demand for housing and consistent house price and rent growth. Alongside this, the pattern of tenure shift has been maintained, with the private rented sector growing, mainly at the expense of owner occupation, and now housing around 35% of Brent's households.
- 3.2 The fundamental issue nationally and in London in particular is the failure of new supply, across all tenures, to keep pace with demand. In turn, this has exacerbated problems of affordability in the private purchase and rental markets and, in the case of the latter, welfare reform and restrictions on Housing Benefit have added to the problem. Homelessness applications and acceptances have grown across London, with a particular growth in evictions from the private rented sector (PRS). The growth of the PRS, while making an important contribution to meeting housing demand, is also a source of demand pressure through evictions and service pressures as the council responds to the need to raise standards and improve management. In summary, the sources of housing pressures in Brent and London as a whole have not
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changed since the last report to this committee. The key change since 2015 is the clarification of the government's housing priorities and the national policy direction will be the main factor influencing the council's ability to respond.

- 3.3 Housing and housing supply in particular has been an increasingly important focus for political debate and the government has responded through a range of policy proposals and initiatives, the majority of which are set out in the Housing and Planning Bill currently passing through parliament. The Bill and related matters are considered in more detail below but it is important to stress that detail is still lacking in many areas and will only be provided through further consultation and the publication of regulations and guidance. At the time of writing, the Bill is at a crucial stage and a number of amendments have been made by the Lords, by both government and opposition. Some of these may be overturned when the Bill returns to the Commons and it is therefore difficult to assess the full implications accurately. The bill is expected to become law in May 2016.

4. Detail

4.1 Housing Market and Affordability

- 4.1.1 House prices continue to rise. The Land Registry House Price Index (March 2016) shows an annual increase on 11.2% and 0.4% in the previous month, with an average price of £478,285, compared to the London average of £530,368. 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 house price to income ratio as a more realistic measure. In Brent, this has remained at around 1:14 for some time, with the latest data from GLA Economics indicating that it was at 1:13.92 as at December 2015.
- 4.1.2 The government's response is centred on increasing home ownership. The Autumn Statement announced a doubling of the Housing budget 2018-19 to support delivery of 400,000 affordable housing starts by 2020-21. 200,000 of these will be starter homes, for which provision is made in the Housing and Planning Bill. In addition, there is a target for 135,000 homes via the new Help to Buy: Shared Ownership, open to households earning less than £90,000 in London while 'London Help to Buy' will offer a 40% equity loan. While the need to open up home ownership opportunities for those whose reasonable expectation of house purchase is increasingly thwarted by high prices, numerous concerns have been raised. In London in particular, there are doubts as to whether the 20% discount available on starter homes will make them affordable, while the lack of any income limit or ability for local authorities to influence access to the product means that they are not well targeted to those on lower or middle incomes who might benefit most. Similar doubts apply to the other new initiatives such as Help to Buy. Concerns have also been raised at the proposed inclusion of starter homes in the definition of affordable housing set out in the National Planning Policy Framework and the proposal for a "starter homes requirement" of 20% on all but the smallest sites. This approach is likely to have a significant impact on the ability to deliver affordable rented housing through S106 agreements and is considered further in the section on supply below.
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- 4.1.3 The rental market has also seen consistent price growth, fuelled in part by demand from those who might previously have expected to buy. The ONS Rental Prices Index indicates a median rent for a two bedroom flat in London of £1450 a month as at February 2016; in the twelve months to February 2016, rents rose by 3.8%, compared to an English average of 2.8%. An ONS study in 2015 indicated that tenants in Brent are, on average, spending over 50% of their income on rent; most assessments of affordability suggest that 30-35% is a manageable level.
- 4.1.4 The government's proposals on the PRS are considered further below, but with regard to rents and affordability, the continuing welfare reform agenda is most relevant here. From autumn 2016 (date yet to be confirmed) the Overall Benefit Cap will reduce to £23,000 in London. Currently, 621 Brent households are affected by the cap but the reduction is projected to increase this number to 2,353, of whom 1,650 will be private tenants. A four year freeze on working age benefits from 2016 will include the Local Housing Allowance rate, imposing further affordability problems for households claiming HB. In addition, it is proposed that, from 2017, automatic entitlement to HB for non-working 18-21 year olds will cease, although there will be some exemptions, details of which are yet to be announced. It is difficult to be precise at this point, but it is expected that these changes will increase homelessness and exacerbate landlord reluctance to let to households claiming HB.

4.2 Homelessness

- 4.2.1 The previous report noted the rise in applications and acceptances and, while numbers have remained more or less static during 2015/16, they are still much higher than in earlier years. Within the total, the highest proportion is households evicted from the PRS. High rents, the impact of welfare reform and landlord caution over letting to claimants have all contributed to this rise and further welfare reform is likely to impose additional pressure. These factors also limit the council's ability to secure suitable and affordable PRS accommodation for the temporary or permanent discharge of homelessness duties and out-of-borough placement of homeless households has continued as a result.
- 4.2.2 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 and the previous report noted proposals for a fundamental review of temporary accommodation, aiming to reduce reliance on it over the lifetime of the strategy.
- 4.2.3 On 14th March 2016, Cabinet approved a report setting out a range of proposals to address homelessness pressures and accompanying costs through a Temporary Accommodation Reform Plan. The key features of the Plan are:
- Roll Out of the "Find Your Home" programme, which aims to prevent homelessness by intervening early and empowering households threatened with homelessness to access PRS accommodation.
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- Making all Stage 1 temporary accommodation self-contained by planned development of identified sites in Brent.
- Improved procurement of PRS accommodation to prevent homelessness or end a homelessness duty, by external commissioning and through a pilot project with other West London boroughs.
- Acquisition of a large portfolio of long term PRS accommodation in Brent and the Home Counties to accommodate households who are homeless or at risk of homelessness at LHA rates into the future.
- Development of new build LHA rent PRS accommodation inside and outside Brent.
- Development of a more integrated package to assist housing needs clients into employment.
- Enhanced resettlement services in the main areas where the council is placing homeless households.

4.2.4 Some elements of the Plan, such as Find Your Home, have already commenced, while others will be rolled out during 2016/17. Although it is too early to assess the impact accurately, numbers in temporary accommodation have fallen to 2,933 at 1st April 2016, compared to 3,161 twelve months ago, a reduction against the overall trend of increase temporary accommodation levels in London. This has been assisted by a range of measures including a higher proportion of permanent lettings to homeless households. This progress is encouraging, and the measures outlined above will be critical to further reducing reliance on temporary accommodation in the context of increasing homelessness pressures in 2016/17 and beyond.

4.3 Private Rented Sector

4.3.1 As noted in the previous report, 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. The council has responded to the need to raise and maintain standards in the sector through the introduction of a borough-wide Additional Licensing Scheme from January 2015, requiring all properties let as HMOs to be licensed and Selective Licensing Scheme, covering the three wards of Harlesden, Wembley Central and Willesden Green, requiring all privately let accommodation to be licensed.

To date, 5,266 properties have been licensed and there have been a number of successful prosecutions for breaches of the scheme. Research is currently being conducted to establish if there is a case to extend Selective Licensing to other wards in the borough, and to provide additional intelligence to increase compliance with the existing licensing schemes.

4.3.2 The Housing and Planning Bill includes a range of measures that should prove helpful in supporting the licensing programme and related enforcement work, while the Autumn Statement set out revised tax arrangements affecting private landlords.

- 4.3.3 The Bill provides for new local authority powers, including banning orders that will prevent a person from letting a property and/or engaging in letting agency/property management work. A banned person will not meet the fit and proper person test and will therefore be unable to hold a landlord licence. If a management order is made due to a property being let in breach of an order, the authority will be able to retain any surplus rental income after management costs. The Secretary of State will set up a database of rogue landlords and letting agents and information held will be accessible to all local authorities to support their work.
- 4.3.4 The Autumn Statement proposed higher rates of Stamp Duty (3 per cent above current rates) on purchase of additional properties, such as buy to let and second homes, from 1 April 2016, although larger “corporate” operations are exempt. This and the changes in the Bill are part of an approach that seeks to encourage institutional investment in the sector while imposing stronger controls on smaller and less professional landlords. This is consistent with the council’s approach to the sector.

4.4. Housing Need and Housing Supply

- 4.4.1 Including the demand from homeless households noted earlier, there are 4,142 households in bands A-C on the housing register. While this gives one indication of the level of demand for affordable housing there is also significant demand for market or sub-market housing and a particular need for appropriate supported and specialised housing to replace expensive and unsuitable options such as residential care for older people and other households needing support.
- 4.4.2 The previous report to this committee noted that 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. 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, to mitigate the impact of benefit cap and tackle overcrowding. In addition, the council aims to support provision of mid-market options, such as shared ownership and other low-cost home ownership products and new build provision in the private rented sector, with 1000 build to rent homes delivered by 2019, at least 30% of which would be at Local Housing Allowance rates. The New Accommodation for Independent Living (NAIL) programme, supported through Mayor’s Covenant funding, aims to provide additional extra-care and specialist supported housing units, both directly and through partners, to widen housing options and reduce reliance on residential care.
- 4.4.3 While the broad priorities and targets summarised above remain valid, the policy direction set out in the Housing and Planning Bill and elsewhere presents a challenge. While it is not the purpose of this report to provide a full analysis of the potential impact of the Bill and, as noted earlier, there is still uncertainty about its final form and the detail of regulation and guidance, it is important to note the most significant proposals.
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- 4.4.4 The emphasis on starter homes, as noted earlier, is likely to impact on the ability to deliver affordable rented options. If the proposed starter homes requirement of 20% is applied, it will mean that the quota of affordable rented housing delivered through planning policy will diminish. For example, if 50% affordable housing is secured on a site, only 30% will be allocated to other products once the requirement is met.
- 4.4.5 The Bill also gives effect to the government's promise to extend the Right to Buy to housing association tenants. This is now the subject of a voluntary agreement with the National Housing Federation and, in return for some flexibility, providers will voluntarily sell to tenants on terms similar to those in the existing RTB. There is an expectation, but no binding requirement, that properties sold will be replaced on at least a one-for-one basis within three years but there is no absolute requirement to do so nor any guarantee as to the type, tenure or location of any replacement. If replacement is at a low level or is weighted towards low cost home ownership products there may be a significant reduction in social rented homes and available lettings in Brent over the medium-term.
- 4.4.6 Discounts will be paid for by a levy on local authorities, based on the predicted number of "high value" homes becoming vacant each year. Local authorities will be obliged to consider sale of such properties to meet the payment. This will directly mean a loss of social lettings in the short-term although it is difficult to assess the number involved as the basis for calculating both the payment and what constitutes high value is yet to be announced. Based on what is currently known, this could mean around 70 sales a year in Brent. There is expected to be provision for the levy to be reduced on the basis of a commitment to provide two-for-one replacement in London though the replacement will not necessarily be affordable rent. The arrangements and conditions for this are not yet known, and its practicality will depend on the portion of the disposal receipts that remain with the council under such an agreement, and the available development opportunities. Restrictions on borrowing through the HRA will also impose a limit on the amount available for replacement.
- 4.4.7 On 12th April, the government conceded that the regulations governing the definition of high value should be subject to parliamentary scrutiny in both houses. The government has also indicated that they will move an amendment referring to "higher" rather than "high" value. The stated intention is that this would allow higher value to be "defined in a bespoke way for each local authority by reference to the homes it owns", meaning that in London, where all stock might be considered higher value, the definition would apply to a proportion of stock in each local authority area.
- 4.4.8 The Affordable Rent programme, managed by the Mayor in London through his Housing Covenant, will continue to be the main mechanism through which affordable rented housing is delivered to 2018 but after then there is expected to be little or no grant support for affordable rented homes with support being provided primarily to shared ownership provision. As noted above, the emphasis on starter homes, as a planning requirement will reduce the amount of other affordable housing deliverable on any given site. Although the Autumn Statement announced a doubling of the housing budget, this will not happen
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immediately and ability to deliver on this promise will depend on prevailing economic conditions and the government's assessment of its deficit reduction programme in future years.

5.0 Financial Implications

5.1 There are no immediate financial implications arising from this report.

6.0 Legal Implications

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

7.0 Diversity Implications

7.1 There are no diversity implications immediately arising from this report.

Background Papers

None

Contact Officers

Jon Lloyd-Owen,
Operational Director, Housing and Culture

Telephone: 0208 937 5199

Email: jon.lloyd-owen@brent.gov.uk
