



**SCRUTINY**

**AFFORDABLE HOUSING  
IN NEW DEVELOPMENTS  
TASK GROUP**

**NOVEMBER 2018**

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## 1. THE CHAIR'S FOREWORD



In the foreword to the June 2017 IPPR report, [what more can be done to build the homes we need?](#), Sir Michael Lyons said: “We would stress that it is not just the number built but also the balance of tenures and affordability which need to be thought through for an effective housing strategy.”

Locally, it has long been known that access to decent affordable housing is the number one issue for many Brent residents.



Whilst there are high expectations about how Brent Council can rise to a challenge, the impact of national and regional policy concerning housing finance and the planning framework is not always appreciated.

We are pleased that both Cabinet and Scrutiny have prioritised the need for a task group to examine the forces impacting on the delivery of affordable housing in new developments in the borough and to consider the best options for consolidating and where possible, improving upon delivery in the future.

It is intended that the 18 recommendations and detailed background analysis will provide Brent Council and partner organisations with clear direction as to how to maximise opportunities for new affordable housing.

We would like thank the many organisations and individuals who have provided evidence, and Patrick Doherty Senior Policy and Scrutiny Officer who has supported this task group.

**Cllr Neil Nerva - Chair**

**Cllr Robert Johnson – Vice Chair**

## 2. METHODOLOGY

The task group held a series of evidence gathering sessions with internal and external partners and experts.

This included a series of meetings with senior officers from Brent Planning and Housing departments; a major local Housing Association (HA); experts from a leading affordable housing consultancy; specialist officers from The Greater London Authority (GLA); a GLA Assembly Member; the Independent Chair of Brent’s housing company “Invest4Brent” (I4B); an expert in the disposal of public land; and representatives from a Community Land Trust in Tower Hamlets. The evidence gathering was combined with extensive research.

A full list of participants in the task group’s evidence gathering can be found in appendix two of this report.

## 3. INTRODUCTION

The Borough of Brent was created in 1965 through the merger of the Wembley and Willesden District Councils. The Council’s name derives from the river Brent that flows through the borough. At the time of its merger the Council had roughly 15,000 units of housing stock. At its peak, Brent housing stock numbered approximately 23,000 units.

The Housing Act 1980 had a real impact on the borough, bringing into being the “Right-to-Buy” regulations. Brent Council housing stock has since diminished to below 10,000 units, principally due to Right-to-Buy sales and stock transfers. The major housing regeneration schemes of Stonebridge, Church End, Chalkhill, South Kilburn (on-going) and Barham Park have seen the loss of over 9,000 council units through stock transfer to HAs and over 2500 homes have been lost through Right-to-Buy.

Since the 1980s the split of rental accommodation in the borough has shifted considerably, with a growth in HA units followed by a resurgence in private renting, with a gradually larger proportion of properties in the private rental sector over time.

An added complication is that prior to the Localism Act in 2011, 50 per cent of Right-to-Buy receipts was held centrally by Government and could not be used to replace the units lost through the sales process. The Localism Act now allows greater freedom to use sales receipts for replacing lost units, however the sale of the unit does not automatically produce a new social housing unit. It requires at least two sales just to replace one unit sold through right to buy.

The financing of Housing Associations as partly public sector organisations was through social housing grants which enabled significant private borrowing. The peak of grants available during the last Labour Government – where there was a pot of £8.1bn to be spent on creating 180,000 new homes per year. This was equivalent to an average of £150,000 grant for a typical 3 bedroom home. By the time that the new coalition Government came in during 2010, this was cut to a total of £6.5bn through the 2011-15 programme and further reduced to £3.3bn through the 2015-18 programme.

In 2018 the lack of truly affordable housing being built is a national problem, but has a greater impact in urban areas such as London.

## 4. EXECUTIVE SUMMARY

In its work the Task Group sought to gain an understanding of the barriers and solutions to affordable housing delivery, during an acute housing crisis and following decades of declining delivery of genuinely affordable housing in the borough, across London and nationwide.

It is abundantly clear that there are no easy solutions. Government subsidies for genuinely affordable housing remain at historically low levels and local government borrowing to build homes has been tightly restricted, while at the same time land values and demand for housing are at record highs.

We continue to operate as a public body in an extremely challenging financial landscape, but we must respond to that challenge and to the demands of national and regional policy, pursuing every opportunity available to deliver genuinely affordable housing for our residents.

Our investigations did reveal that there is some cause for optimism, as potential for innovative approaches, partnerships and improved funding and borrowing opportunities arise. Ultimately, the main thrust of this report is that Brent council must make the most of every one of these new, if limited, opportunities.

We have reached wide-ranging conclusions about approaches the council should take and we have grouped our key findings under seven themes, as follows:

- Affordable housing targets and viability
- Corporate approach to affordable housing delivery
- Estate regeneration

- Land owned by public authorities
- Industrial/employment sites
- Small sites
- Community led housing

In total we have made eighteen key recommendations, but our findings in fact highlight a broader range of approaches the council should consider.

The council must ask itself what success would look like in 5 years. If development sites with capacity for above 10 units achieved 35 per cent affordable housing with a 70 per cent (Social/London Affordable Rent) to 30 per cent (intermediate product) tenure split; sites with capacity for below 10 units produced commuted sums to fund development elsewhere in the borough; publicly owned sites produced 50 per cent affordable housing, as in the South Kilburn estate regeneration; enough subsidy/free land was available to enable the council (or a council-owned company) to produce its share of new homes at social rent/London Affordable Rents; and an expansion of Invest4Brent or New Wave Housing continued to bring Temporary Accommodation numbers and costs down, this would constitute significant success and improvement.

## 5. RECOMMENDATIONS

### **Affordable housing targets and viability**

1. In the new Local Plan for Brent the strategic target of 50 per cent for affordable housing in new developments should be retained, with an expected tenure split of 70 per cent social rent / London Affordable Rent to 30 per cent intermediate affordable housing.
2. Brent Council should adopt the Mayor of London's 35 per cent "fast-track" threshold approach to viability (with 50 per cent on publicly owned land and for industrial sites). Through this the council would forego the requirement for a financial viability assessment and/or a late stage viability review in the event that a developer guarantees delivery of the requisite percentage of affordable housing across the entire development (with the 70 per cent social rent / London Affordable Rent to 30 per cent intermediate tenure split applicable). The policy should be subject to review.
3. To help meet the need for larger affordable homes in the borough, Brent should continue to require a minimum of 25 per cent of new affordable rented homes to be three bedrooms or larger, accommodating at least a household of six (2 people per bedroom). However, this approach must be combined with a clear and effective under-occupation strategy, enabling and incentivising down-sizing in order to release more existing larger homes for re-let.
4. The council should continue to use the "Existing Use Value Plus" (EUV+) method for determining benchmark land values. Any other uplift in value should be captured for the public.

### **Corporate approach to affordable housing delivery**

5. Future council policy with regard to the setting of rents for affordable housing should continue to be based on the traditional social rented model (like the mayor's London Affordable Rent model) and should not be linked to volatile and irrational market rents rather than incomes.
6. Brent Council should create a cross-departmental Board of officers, reporting directly into the Corporate Management Team (CMT), to ensure a 'one council', joined-up,

sustainable approach to the delivery of Affordable Housing. The board should have high level responsibility for programme management and monitoring of an Affordable Housing Action Plan and associated suite of Key Performance Indicators. The Board should include senior officers from Brent's Planning, Housing, Regeneration, Property, Finance and Legal teams.

7. Brent should consider adopting a land assembly, master planner approach, working with key partners and designating Land Assembly Zones in its Local Plan. Where attempts to encourage and incentivise voluntary land assembly do not succeed, Brent should commit to extend its use of compulsory purchase powers in these zones, where the law allows.
8. Brent Council should maximise resources available through the mayor's fund, RTB receipts and borrowing to support direct delivery within its own capital development programme with a primary focus on rented homes at social rent levels and on larger homes (3 bedrooms or larger).
9. Brent must adopt a clear policy on access to shared ownership in the borough, making the product accessible to people on incomes that are as low as possible and ensuring the policy is designed to enable keyworkers to take advantage of it.
10. All new homes in Brent should be marketed locally first, as per the Mayor of London's planned "first dibs" policy. Brent should investigate how such a requirement could be implemented.
11. Brent Council should explore all the options highlighted in this report for innovative partnering arrangements and delivery models with Registered Providers.

### **Estate regeneration**

12. Future estate regeneration projects in Brent should use the South Kilburn Regeneration Programme as a model of good practice and make a clear commitment to ensuring there is no loss (in quantum terms) of social rented affordable housing and to resident ballots.

### **Land owned by public authorities**

13. Brent should actively promote partnership working on publicly owned land with other public bodies, as promoted by the Naylor Review (One Public Estate), e.g. Network Rail/TfL sites such as potential over station and over rail land developments, as part of the Local Plan.

### **Industrial/employment sites**

14. Brent must adopt a proactive approach to identifying opportunities where surplus commercial space, underused retail sites and car parks may have significant potential for housing development, both strategic industrial land sites and smaller commercial land sites, and in particular where sites have potential for mixed-use developments.

### **Small sites**

15. The council and its agents should proactively explore partnerships with developers and RPs on small sites to maximise the amount of affordable housing across the borough. Brent should identify potential opportunities and funding mechanisms for increasing

development of small sites, including any further opportunities for infill development. It should be prepared to invest the necessary resources.

16. Developers of small sites with capacity for 10 or fewer units should be expected to pay a commuted sum, wherever possible, based on a consistent tariff, to Brent as a contribution to the fund for affordable housing to be built elsewhere in the borough. All affordable housing in small developments should be included in Brent's periodic performance stats.

### Community led housing

17. Brent should investigate and promote opportunities for community led housing projects, such as "Community Land Trusts" and "Self-Build" projects, which will protect homes and assets at affordable levels in line with local incomes for future generations.
18. Brent should explore setting up of a CLT model on publically owned land and encourage developers to do the same.

## 6. POLICY CONTEXT

### 6.1 Definitions of "affordable" housing

The National Planning Policy Framework 2012 (NPPF) introduced changes to the definition of housing affordability, as well as a range of "intermediate" housing products. The NPPF stipulated that "affordable housing" proposals must fit within three types and are to be provided to eligible households whose needs are not met by the market. These three types are:

- Social rent
- Affordable rent
- Intermediate housing

The introduction of the new "affordable rent" type was both controversial and confusing, with "affordability" now being defined by Government as up to 80 per cent of local market rent with no link to local incomes. To maintain the number of so-called affordable homes being produced, the government replaced grant with much higher rents. The inevitable long term increase in the cost of housing benefit was not part of the calculation.

**Social rented** accommodation is what was commonly understood historically to be affordable housing. The amount of social rent a person pays is set according to a longstanding national formula based on the location and size of the property and average earnings in the area. This formula determines '**target rents**' to which rents will move over time on an agreed national basis (usually annual inflation + rent increases). Although sometimes measured in comparison with market rents, the calculation system is not linked to local market rents. The vast majority of existing council and housing associations properties have their rents assessed in this way and are often referred to as 'traditional social rent'.

The **affordable rent** introduced by the coalition government in 2012 is directly linked to market rents in an area. It can be up to 80 per cent of local market rents, but in practice is sometimes set lower. Although normally used for new properties, many existing social rented homes (nearly all housing association homes) have been 'converted' to affordable rent when they become vacant. This has been encouraged by government because it generates additional income to support the development programme, but it is expensive for the tenant and the long-term cost of housing benefit.

**Intermediate products** are sub-market housing for both sale and rent, traditionally targeted at working households on moderate incomes and especially 'key workers', including "low cost" home ownership products such as "Shared Ownership".

The NPPF was revised in 2018 and now provides the following overarching definition for **Affordable Housing** as: "*housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:*

*a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

*b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

*c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement."*

There are further affordable housing products that have recently been made available in London, funded by the Mayor of London, including "**London Affordable Rent**" (**LAR**), which is set significantly lower than national affordable rent. Unlike the national scheme, LAR is not related to market rents but is linked to target rent levels towards which social rents are gradually being raised. This makes it higher than average social rents in the capital. For 2017/18 the benchmark London Affordable Rent for a two bedroom property was £152.73, whilst a three bedroom property had a £161.22 benchmark.

The intermediate product "**London Living Rent**", is set at 67 per cent market rent, with an assumption that the home will be sold as shared ownership after 10 years.

Anyone familiar with rent levels in Brent and London will question the degree to which 80 per cent of market rent can be termed "affordable" in any reasonable sense, but regardless of whether rents defined as "affordable" constitute genuinely affordable rents, in terms of



planning policy, and the previous mayor's capital grant funding, "affordable housing" has been defined as "up to 80 percent of market rent" since 2012.

In practice, for new development secured under the planning system by s106 agreement, "Affordable Rented" housing also standardly requires disposal to a Registered Provider, rents be capped at LHA rates and a nomination agreement be entered into between the Registered Provider and the council, giving the council rights to nominate people on the housing waiting list to "affordable" rented housing. Together these additional requirements provide some check on rents being charged at the full 80 per cent of market rent.

Tables 1 & 2 below provide a comparison of social rent cap levels in Brent with "Affordable Rent", based on median average market rents as of June 2017.

**Table 1 – Brent Social Rent Cap levels**

<b>Weekly Rents</b>	<b>Social rent cap</b>	<b>+£20pw s/c*</b>	<b>% of Market</b>	<b>Brent Market Rent (median average)</b>
1 bed	£144.26	£164.26	57%	£289
2 bed	£152.73	£172.73	49%	£350
3 bed	£161.22	£181.22	43%	£426
4 bed	£169.70	£189.70	37%	£506

\*s/c = service charge

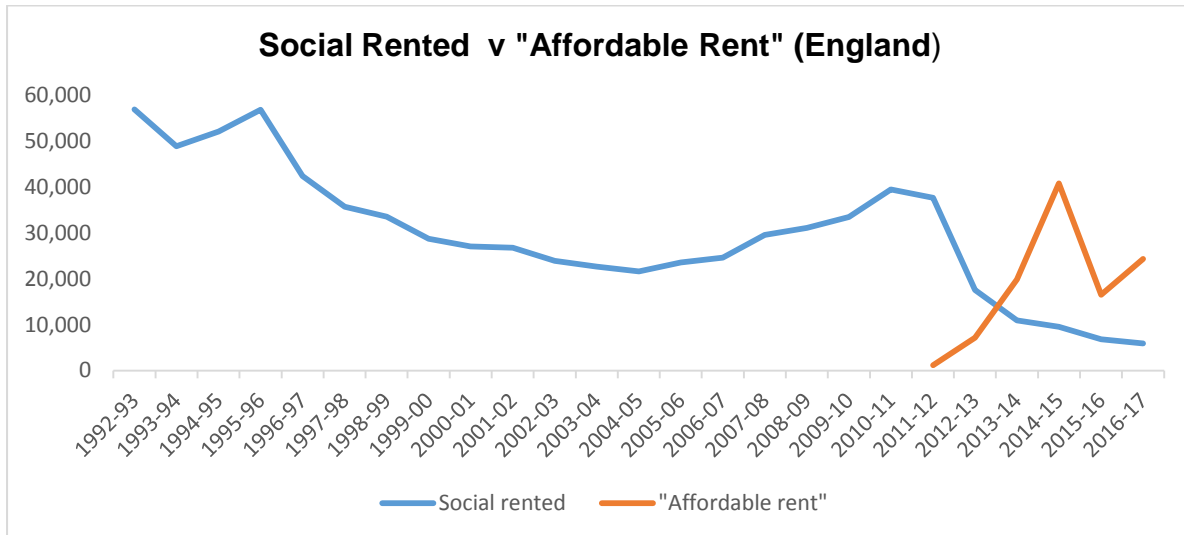
**Table 2 – Brent "Affordable" Rent (80 per cent of market rent)**

<b>Weekly Rents</b>	<b>80 per cent Affordable rent (inclusive s/c*)</b>	<b>% of Market</b>	<b>Brent Market Rent (median average)</b>
1 bed	£231.20	80%	£289
2 bed	£280.00	80%	£350
3 bed	£340.80	80%	£426
4 bed	£404.80	80%	£506

\*s/c = service charge

## 6.2 Historical delivery of affordable housing

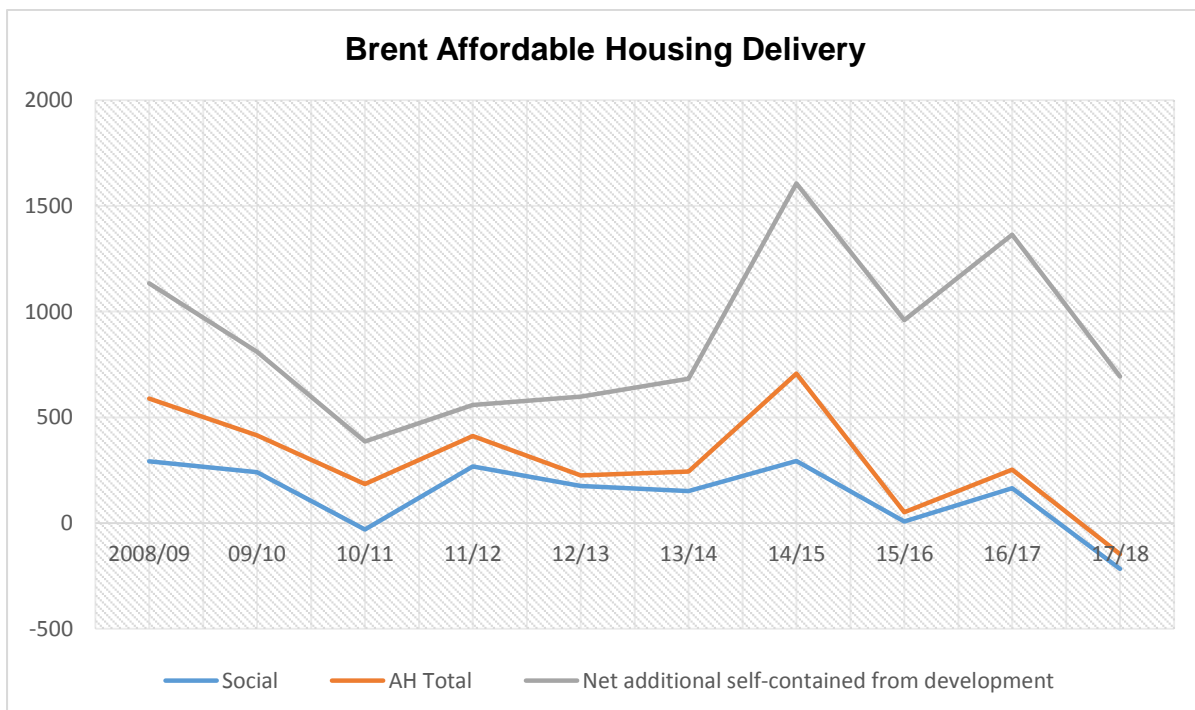
The graph below shows the downward trajectory for the amount of new social rented accommodation built across England since the early 1990s. “Affordable rent” units (as defined under the NPPF (2012)) are shown from its introduction in 2012.



Source: Ministry of Housing, Communities and Local Government

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

The following graph shows social rented homes and “affordable” rented housing (NPPF definition) as a proportion of new self-contained housing units delivered in Brent over the last ten years.



Source: GLA London Development Database

The spike in 2014-15 was due a large number of developments coming through at the end of the 2011-2015 funding cycle. The reduction in net social rent units shown in 2017/18 is due to

a demolition phase on the South Kilburn regeneration programme (it should be noted that all such units will ultimately be replaced like for like, so in the longer term this will not represent a loss in social housing units).

However, these caveats aside, the proportion of units of housing being delivered which are “affordable” and in particular for social rent, has continued to decline.

Causes for the decline in new genuinely affordable housing are complex and manifold. In the following sections of the report we will examine this decline in the context of national, regional and local policy.

Since the 1980s councils have been discouraged from involvement in housing supply, through both cuts in housing subsidies and caps on borrowing. Since 2010, central government grant funding has been switched from mainly social rent to mainly “affordable rent” and then to mainly low cost home ownership.

However, since 2016 some additional grant funding has been made available, a revised NPPF 2018, the policies of the new Mayor of London and the emerging new draft Local Plan have strengthened the planning framework, and the HRA borrowing cap is being lifted, so the ability of London councils and HAs to produce more ‘affordable’ homes has been improved.

### 6.3 Affordability and housing need

The GLA’s projections in their 2017 Strategic Housing Market Assessment (SHMA) suggest that based on demographic changes and market trends, the net requirement for new homes in London between 2016 and 2041 will be around 65,900 homes a year. This equates to 2,915 new homes a year in Brent.

They project that 47 per cent of these would need to be ‘low cost rent’ (social rent and London Affordable Rent) and 18 per cent intermediate, e.g. shared ownership and London Living Rent and only 35 per cent at market rates.

Brent’s own current Local Plan “The Core Strategy” identified a need for at least 22,000 new homes overall in Brent between 2007 and 2026, and its SHMA 2016 identified a need for 47,510 new homes between 2011 and 2037, including 23,780 affordable homes. More recently in 2018, the West London SHMA identifies the Full Objectively Assessed Need for Housing in West London (Barnet, Brent, Ealing, Hammersmith, Harrow, Hillingdon and Hounslow) to be 322,000 new homes to 2041. This equates to 1,919 new homes a year in Brent.

#### ***Affordability in Brent***

Brent’s housing market, as with much of London, faces distinct pressures. There is high demand, a shortage of genuinely affordable housing, a diverse mix of households - including large numbers of multigenerational households, above average levels of overcrowding and many households living in temporary accommodation.

To begin to understand “affordability” of housing in Brent, it is necessary to understand the relationship between average income levels and the level of rents locally. To this end Brent Housing Department commissioned Cambridge University to carry out a study in 2017.

The report reached some shocking conclusions, most notably that social rents are already too high for a significant proportion of Brent social housing tenants.

The researchers found that over half of current working single people or couples allocated social housing in Brent were struggling to afford Brent rents for 1 bedroom flats, and that 90

per cent of families with 2 children couldn't afford the rent for a 3 bed property (affordability here being judged by the income that a household requires in order to be able to afford the rent without the need for support from Housing Benefit). With higher average rents the situation is even worse for tenants renting from Registered Providers.

The report concluded that the council faced a choice in the future between building a smaller number of social rented units (due to factors including the lack of subsidy available, restrictions on and cost of borrowing, and land values) or a larger number of units at "affordable rents" (in this case 65 per cent of market rent) where many more tenants would be reliant on housing benefit support to meet the rent.

We should be mindful here that the landscape has shifted since the 2017 report was commissioned, given the recently proposed lifting of the HRA borrowing cap.

### ***Private sector rents and income levels***

In Brent the acute pressures on housing are compounded by high private sector rents combined with relatively low income levels in much of the borough, when compared with London as a whole.

In September 2017 the average private rent in Brent was £1,557 per month, which represents a 15 per cent increase from five years earlier and a figure only 8 per cent lower than the average of £1,685 for London. Whereas full-time workers in Brent earned an average gross weekly pay of £576.20 in 2017, compared with the London average of £692.50, a difference of 20 per cent.

Brent private sector residents therefore face paying rents at a significantly higher proportion of their pay than the London average. Many people in work also need housing benefit to enable them to pay their rent.

It is worth noting that while private rented housing does not meet the definitions of affordable housing, many tenants that rent from a private landlord can only afford their housing costs because they receive housing benefit. Such households aren't counted in calculations of the "need" for affordable housing (as housing benefit enables most of them to afford their housing costs), but if housing benefit support was reduced or if there wasn't sufficient private rented housing available at a price they could afford, then this would inevitably and significantly increase the need for affordable housing.

This highlights the degree to which Government investment in housing has switched over time from capital expenditure on "bricks & mortar" to the housing benefit bill. More on this in the section on subsidy to follow.

### ***Out of work benefits and welfare reform***

Brent also has higher than average levels of residents in receipt of out of work benefits (10 per cent to London's 9.3 per cent in November 2016) and of those considered "economically inactive" at 23.8 per cent to the London average of 21.8 per cent (March 2018).

Welfare reforms have and continue to pose a considerable risk to households renting in Brent in both the private and social housing sectors. The combination of the freeze on many benefits, the benefits cap, the bedroom tax, changes in Local Housing Allowance (LHA) and, soon, the roll-out of Universal Credit, have put further pressure on low income renters and have impacted housing need in the borough, including through increases in PRS evictions.

### ***Brent housing register***

There are currently 3645 households in the priority Bands A to C on Brent's housing register, including homeless households. 19 per cent of these registered households are in bands A or B. This provides a clear indication of unmet housing need in the borough.

There are a further 17,190 households who are a low or no priority for housing who are in priority band D, making a total of 20,843 households registered in 2017/18. It should also be noted that an unknown number of households in need are not registered, either through a lack of awareness or the belief that social housing is no longer available.

The council's projection for lettings into social housing tenancies (council and Housing Association) in 2018/19 is 695, which will only meet around 18 per cent of the current total demand from housing register bands A to C.

The priority bands are defined as follows:

- Band A: Urgent need to move or releasing adapted or larger properties
- Band B: A need to move
- Band C: Need to move – Reasonable preference but with reduced priority

### ***Projected social housing lettings***

Many of the 695 lettings of social housing expected to be made during 2018/19 will become available through re-lets within existing social housing stock, including those arising from the transfer of existing tenants. The Council expects a total of 136 additional properties to be delivered through the new build programme, but a significant proportion of these will be 'affordable rent' not 'social rent'.

2017/18 lettings were comprised of 62 per cent homeless households, 16 per cent non-homeless families on the register and 22 per cent transfers.

### ***Brent allocations scheme and temporary accommodation***

The council's current allocations scheme was introduced in 2014 and aims to help those in the most housing need; giving priority to those with a long standing attachment to the borough and recognising the contribution of working households by awarding additional priority if at least one adult member of the household is employed (some conditions apply regarding the nature of the employment). The scheme is priority based and priority is awarded based on detailed criteria.

Registered households bid for homes that are advertised by Brent Council and Registered Provider partners, and applicants are placed in order of priority according to their band and waiting time. In most cases the highest ranking household will be offered the property.

Households are assessed for the number of bedrooms they need and the following income /asset thresholds apply:

<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>	<b>4 bed+</b>
£35,000	£45,000	£55,000	£70,000

Applicants at or above the income thresholds for each bedroom category detailed above will not qualify to join the register as they are deemed to have sufficient financial resources to secure alternative housing.

In line with the powers granted to the council under the Localism Act 2011, the council can also discharge its duties to households accepted as homeless after 9th November 2012 through an offer of suitable private rented accommodation.

The table below shows the total number of homeless households in temporary accommodation (TA) since 2015. The numbers have reduced consistently over that time.

01/04/2015	01/04/2016	01/04/2017	01/04/2018	30/10/2018
3167	2933	2795	2478	2351

Brent accepts approximately 700 households annually as homeless and therefore has a duty to place them in TA. From the households in TA, Brent then places approximately 400-450 into social housing and 400 into the private rented sector (PRS) each year.

We can see from this that there are more households being accepted as homeless each year, than there are units of available social housing coming on stream. The consistent reduction in the total number of households in TA since 2015 is therefore primarily explained by the decision taken by the council at that time to start using the powers granted under the Localism Act to discharge its homelessness duties through making offers of private sector accommodation to homeless families.

Such a policy is not without controversy and not all councils have adopted it. If a homeless household refuses an offer of accommodation in the private sector, the council has discharged its legal duty to house them and the household is then considered responsible for finding their own accommodation. Housing homeless households in the PRS also, once more, generally comes at a greater cost (to the state) in terms of housing benefit; a recurring theme in this report. High private rents also increase the risk of households facing a 'revolving door' of discharge into the private sector followed by a recurrence of homelessness, despite council support.

The PRS accommodation used by the council comes from a range of sources, including the council's own private housing company "Invest4Brent" (I4B) and a scheme through which landlords are offered incentives to rent to homeless households.

Roughly 650-700 new social housing units become available in Brent each year from all streams, including council and Housing Association new builds and re-lets. The 400-450 households going into social housing units annually from TA are the highest priority homeless households, generally those who have been in TA the longest. The rest go to high priority non-homeless households from the housing register, or are used for transfers.

In order to tackle rising numbers of households living in TA at the time, Brent's Cabinet took the decision in 2015/16 to amend Brent's allocations policy so that that 80 per cent of newly available social housing units should go to homeless households in TA.

From 2016/17 this became and remains an annual target of 70 per cent. Prior to these changes, approximately only 30 per cent of new social housing went to homeless households. This of course means that less available social housing goes to non-homeless households on the housing register.

### ***Large homes***

Due to the extent of overcrowding in Brent there is a recognised need for an increased number of larger affordable homes to be built, but this need is unlikely to be met by the market.

The current shortfall in such properties is compounded by the fact that developers and landlords currently lack the financial incentives to build them, as the difference in build cost between small and large properties (in terms of the number of bedrooms) is significantly greater than the difference in the level of rent that will be chargeable for them.

There is also a risk that this problem could be further compounded by the absence of a target for larger family homes in the Mayor of London's draft housing strategy.

## 6.4 Subsidy

The proportion of total development scheme costs met through Government grant funding has declined significantly since the 1990s. In the early 1990s, social housing grants provided for around 75 per cent of total cost of developing new affordable homes. By 2010, grants had fallen to 39 per cent of the overall cost of development. Under the Government's 2011-15 "affordable homes programme", it had reduced to only 14 per cent.

The coalition Government's 2010 Comprehensive Spending Review slashed council grants leading to further reductions in subsidy for building homes. Between 2009 and 2015 capital made available to councils and HAs for building homes fell from £11.4 billion in 2009 to £5.3 billion in 2015.

In 2010/11, just under 36,000 social rented homes were started, the next year work started on just over 3,000 and the downward trend continued in the early part of this decade.

There have also been significant changes to the funding regime for "affordable" housing. Government first ended funding for social rent and put the money into 'affordable rent', but it then reduced 'affordable rent' in favour of 'affordable home ownership' programmes such as "shared ownership".

Since the reductions in Government subsidy for social rented housing, most recent social rent has been provided either by section 106 agreements or by housing association self-financing through cross-subsidy from surpluses. Both are under severe pressure and producing very few new affordable homes.

Subsidy levels are still well short of historical levels, but some increased grant funding for affordable housing has recently become available from Government, with more capital grants available under the current Mayor of London, Sadiq Khan. Grants of up to £100k per unit are now available from the GLA for London councils to bid for.

It is worth restating here that the reduction in Government subsidy for the building of housing in no sense means that the Government isn't spending money on housing. The money is merely being spent a different way, as the Government is spending more than ever supporting people to live in rental properties through housing benefit and home ownership schemes like Help to Buy.

Between 1995/96 and 2015/16, annual spending on housing benefit increased by 51 per cent, from £16.6bn to £25.1bn, with the increase most pronounced in the private rented sector, which has seen an increase of 57 per cent in real terms over the past two decades. Housing someone in the private rented sector costs an average of £110 per week in housing benefit compared with £89 in social housing. And none of the money spent on private sector housing benefit increases the supply of new homes, whereas social landlords do of course reinvest.

## 6.5 The HRA borrowing cap

A primary means of funding local authority housebuilding programmes is borrowing on the Housing Revenue Account (HRAs), the income to which is ring-fenced so that it can only be spent on local affordable housing provision.

While councils can borrow money within their HRAs in order to build more homes, there has been an artificial cap on how much they are allowed to borrow, restricting their ability to invest in building new homes.

The picture does appear to be changing however, with the Prime Minister announcing at the Conservative Party conference in October that she plans to ditch the HRA borrowing cap. This followed the announcement in the wake of Grenfell by the Chancellor Phillip Hammond of an extra £1bn of borrowing capacity for council house building by 2021-22, including £500 million reserved for London boroughs, with councils told they'll be able to blend the money with grant or Right-to-Buy receipts.

## 6.6 The London Plan

The London Plan is the statutory Spatial Development Strategy for Greater London prepared by the Mayor of London. It sets ten-year targets for net housing completions for each borough and Brent must include these targets in our own Development Plan documents.

Borough targets in Sadiq Khan's draft London Plan were developed from the Strategic Housing Land Availability Assessment (SHLAA) carried out in 2017 and a ten year target of 29,150 has been set for Brent.

This requirement for nearly 3000 net housing completions annually, represents a significant uplift on actual delivery in recent years for Brent. Furthermore, the plan requires that boroughs deliver around 1/3 of their overall target from small sites.

This small sites requirement is problematic, as a requirement for provision of affordable housing units cannot be stipulated in planning obligations for small sites providing 10 or fewer housing units.

## 6.7 Brent Local Plan

Local Plans set out a vision and framework for the future development of the area, addressing needs and opportunities, including in relation to housing, community facilities and infrastructure. The Local Plan guides decisions about individual development proposals.

Brent's current Local Plan "The Core Strategy" came into force in 2011 and contains a strategic target for affordable housing of 50 per cent of total units delivered with a ratio of 70:30 social/affordable rent to intermediate housing. There is a presumption that affordable housing should be delivered on site.

A new Local Plan for Brent is currently in development and has and will continue to be consulted upon extensively, with a final consultation planned for 2019, before submission to the Planning Inspectorate for examination. The Local Plan is ambitious for housing and affordable housing delivery and sets the local tenure and size mix for new homes in Brent.

Local Plans must clearly demonstrate evidence of housing need and include viability evidence for the borough, and they are required to accord with, and be justified against, regional and



national planning policy and guidance. This includes the London Plan, the NPPF and the “National Planning Practice Guidance” (PPG).

It should also be noted that Local Plans must, as a requirement of national policy, make provision for 10 per cent of new homes built to be of the affordable home ownership type, such as the shared ownership model.

## 6.8 Section 106 “planning obligations”

Due to decreasing levels of Government subsidy and the restrictions that councils have faced in the direct delivery of housing, an ever greater reliance has been placed on private developers to deliver affordable housing through Section 106 agreements, known as ‘planning obligations’.

Councils can require developers to build a proportion of affordable housing to meet the needs of households who will not be able to afford the new private housing, effectively diverting profit from private sales into subsidising new affordable homes.

Following the recovery after the economic downturn at the end of the last decade, land values and house prices have increased significantly, but this has not translated into increased numbers of affordable housing being delivered through section 106 agreements, at least in part due to the use and impact of “Financial Viability Assessments” (FVAs). It should be noted that other mechanisms for land value capture and developer contributions such as the Mayoral and Brent Community Infrastructure Levy (CIL) have been introduced in this time which have secured contributions for the Elizabeth Line (Crossrail 1) and other local community benefits.

This has primarily been to the benefit of landowners through huge increases in profits, but to the detriment of councils and their local residents.

## 6.9 Viability

Many believe that FVAs have in recent years exerted a strong influence on the downward trend in affordable housing delivery across the country.

National, London and Local Plan policy all accept that new development schemes must be financially viable to be deliverable and in many cases it is not viable to deliver a large proportion of affordable housing without significant capital grant or public land. Planning applicants have been able to submit FVAs to make their case as to what would represent the “maximum reasonable amount” of affordable housing.

Developers bid against each other for land and take into consideration the anticipated sale value of the properties and deduct from this anticipated costs, including build costs, Community Infrastructure Levy (CIL) and the cost of affordable housing provision. This leaves the ‘residual value’ of the land.

The levels of affordable housing provision have been subject to negotiation on the basis of ‘viability’ in recent years, but the Mayor of London’s recent Supplementary Planning Guidance 2016 announced a new viability threshold whereby a streamlined planning process applies if developers can commit to providing 35 per cent affordable housing on site. This aims to make developers take this fixed proportion of affordable housing into account when bidding for sites, and to reduce land speculation.

Critics of the National Planning Policy Framework 2012 pointed out that it effectively encouraged developers to overpay for land in the knowledge that they could drive down the

amount of affordable housing to be delivered through planning requirements. This was in part due to a clause in the 2012 framework protecting their right to make “competitive returns” (commonly understood to be 20 per cent), ultimately at the expense of affordable homes.

This clause has since been removed from the revised NPPF 2018 along with further changes made with a view to reducing the influence of viability assessments, but it is of course too soon to know what impact the changes will have on land prices and/or delivery of affordable housing.

### ***Parkhurst Road Ltd v Secretary of State for Communities and Local Government and London Borough of Islington***

In 2018 a landmark test case went to the High Court on the issue of viability, central to which was the approach to valuation evidence for the purposes of FVAs.

The key issue was whether the developer’s offer of 10 per cent affordable housing was the “maximum reasonable amount of affordable housing” in the context of Islington’s overall affordable housing target of 50 per cent. The council and developer disagreed regarding the Benchmark Land Value (BLV) for the site based on which the developer had argued that any more than a 10 per cent affordable housing requirement was not viable. Islington claimed that 10 per cent failed to take into account their expectations for affordable housing in their Local Plan.

The developer’s approach to calculating the BLV was based on the market alone, the “market value” (MV), whereas the council adopted an approach which took account of the “existing use value” (‘EUV’) of the site (in this case of a former Territorial Army site negligible). Islington’s view was ultimately that unadjusted market data would not reflect policy compliant assumptions on affordable housing provision.

The developer had appealed against Islington’s decision, but the Planning Inspector had dismissed their appeal and accepted Islington’s assessment of the BLV.

The case then went to the High Court where the judge held that the Inspector had validly rejected the evidence of the developer because that evidence had failed to include any adjustment of market evidence to ensure it was policy compliant.

### ***Transparency***

Brent now has a requirement that it will publish viability assessments to ensure they are publicly available and open to scrutiny. The exception is where a developer can reasonably prove that there is commercially confidential information included which, in a tender situation, may negatively impact on the proposals.

## **7. KEY FINDINGS**

### **7.1 Affordable housing targets and viability**

The task group firstly recommends that Brent retains the 50 per cent target on the development programme as a whole for the provision of affordable housing (70 per cent of which should be social rented / London Affordable Rent housing and 30 per cent intermediate products). Secondly, a fast-track threshold approach to viability should be introduced.

Where developers choose not to go down the fast-track route, the higher target would apply pending submission and evaluation of an FVA, which by default would now be publishable.

### ***Viability threshold***

The mayor's Supplementary Planning Guidance 2016 recommends a fast-track threshold of 35 per cent "affordable housing", with a tenure split of one third social rent, one third intermediate and one third to be determined by the borough.

The London Plan also provides extremely challenging housing targets for Brent over the coming decade at 3000 units per annum. The proportion of one third of the total target that are expected to come from small sites is also problematic and could have implications for the council's ability to meet the targets and for its expectations in respect of affordable housing delivery.

Unlike with larger sites, councils can't require through section 106 planning obligations that a proportion of the units developed onsite in small sites under 10 units are "affordable". And while the GLA actually defines small sites as those producing under 25 units, if one third of the units produced in the borough over the next ten years are to be from such sites, there are implications for the borough's ability to achieve their targets. This means that on 40 per cent of "small sites" there will be no onsite affordable housing provision.

In the light of this the task group considered whether a threshold of above 35 per cent may in fact be justifiable.

Setting a higher threshold would certainly not be without risks and we cannot ignore how it may influence the thinking of developers. For instance, it could encourage them to go to other boroughs; could lead more of them to go for the full viability process; or lead more of them to challenge successfully the 70 per cent tenure split for social rent which we propose.

For the threshold approach to be influential it needs to be set at a level where it is an attractive option for developers, because where they don't accept it the longer viability process would still apply.

Setting the threshold at 35 per cent will also enable Brent to work under the mayor's policy umbrella. We do, however, propose that Brent should stretch the mayor's SPG approach by requiring a tenure split of 70:30 social rent/LAR to "intermediate", with social rent obviously being more expensive in a viability assessment. Given that current Brent performance is in the region of 20% affordable housing annually, getting to 35% would be a major achievement because the financial and policy context is still not entirely encouraging.

The policy could then be subject to review at a later date, as the mayor proposes, and setting it higher will be possible if in practice the policy bears down on land costs and on excessive developer profit. Construction costs are likely to rise above inflation in the coming years and any switch to off-site manufacture will be slow.

### ***Large homes, overcrowding and under-occupation***

As highlighted earlier in this report there is a shortage of larger homes in the borough and high levels of overcrowding.

To help tackle this Brent should maintain the requirement in the Local Plan for a minimum of 25 per cent of new affordable rented homes to be at least three bedrooms, but it should also blend this with an alternative approach. Notwithstanding the London Plan policy that there should be a mix of sizes in new developments, the council must also have a clear strategy for tackling under-occupation. If some new build properties could be targeted specifically at enabling downsizing by an existing 'bedroom taxed' council tenant, subsequently releasing a larger home for re-let, the same objective is ultimately achieved. This approach may make it easier to achieve viable new build and a higher share of social rent.

The London Plan measures affordable proportions by habitable rooms, not units. So, in a development it might, for example, be possible to achieve 2 x 1 bedrooms instead of 1 x 3 bedrooms, providing homes for 2 “downsizers” *and* releasing 2 additional larger properties, both (perhaps) 3 beds.

The additional homes to let (the crucial point in tackling need) then become 2 x 3 bedrooms, plus 2 x 1 bedrooms, rather than 1 x 3 bedrooms. This is a more complex operation, but ultimately provides a major improvement in housing outcomes.

### ***Land costs and developer profits***

Brent must ultimately seek to take an approach that can influence land costs and developer’s profit because the third factor in cost – the build itself – is likely to inflate in the coming few years due to Brexit.

The borough must also be willing to take a strong stance in negotiation and take test cases to the courts where necessary.

The Islington High Court judgement should strengthen the hand of councils in negotiations over viability and developers should no longer be able to claim that they cannot meet planning policy requirements because of the price that they have paid for the land.

There are signs that Government policy on land (after the Letwin review) might also change to challenge excessive profits for landowners, taking the view that a much greater share of the value uplift caused by planning permission should revert to the public.

Brent should also seek to set an acceptable level for developer profit within the borough, which could be geared to the degree of risk involved.

### ***Letwin review***

The Letwin review examined build-out rates on large sites (defined as over 1500 units) and the issue of land banking. While the review found “*no evidence that speculative land banking is part of the business model for major house builders*” it has made a number of recommendations that may ultimately impact on developer profits.

These include that large sites should be required to provide “a diversity of offerings” that should ultimately mean less emphasis on sales and tenures with the largest margins, and consequently lead to faster build-out rates. Importantly, it is recommended that that this should be facilitated through new planning rules for large sites in areas of high housing demand.

It is proposed that councils would be given the power to designate land for ‘large site’ development only and have the power to use Compulsory Purchase Orders (CPOs) to obtain the land at a price that takes into account the diversity of tenures required. The council should take full advantage of any such changes should they become active government policy.

### **Key recommendations:**

1. In the new Local Plan for Brent the strategic target of 50 per cent for affordable housing in new developments should be retained, with an expected tenure split of 70 per cent social rent / London Affordable Rent to 30 per cent intermediate affordable housing.
2. Brent Council should adopt the Mayor of London’s 35 per cent “fast-track” threshold approach to viability (with 50 per cent on publicly owned land and for industrial sites). Through this the council would forego the requirement for a financial viability assessment and/or a late stage viability review in the event that a developer guarantees delivery of the requisite percentage of affordable housing across the entire

development (with the 70 per cent social rent / London Affordable Rent to 30 per cent intermediate tenure split applicable). The policy should be subject to review.

3. To help meet the need for larger affordable homes in the borough, Brent should continue to require a minimum of 25 per cent of new affordable rented homes to be three bedrooms or larger, accommodating at least a household of six (2 people per bedroom). However, this approach must be combined with a clear and effective under-occupation strategy, enabling and incentivising down-sizing in order to release more existing larger homes for re-let.
4. The council should continue to use the “Existing Use Value Plus” (EUV+) method for determining benchmark land values. Any other uplift in value should be captured for the public.

## 7.2 Corporate approach to affordable housing delivery

As the external environment changes (new London Plan, new funding regime, tougher decisions by the mayor, reduction in influence of viability in the new NPPF) Brent must be geared up to make the most of the opportunities and to consolidate recent moves to take a stronger approach.

Maximising delivery of genuinely affordable housing that meets the particular needs of Brent residents must be a corporate priority. Officers working to this end must feel confident that they have the full backing from the most senior levels of the organisation.

There is no silver bullet; the approach requires continuous improvement across all sectors and functions to get better outcomes: a “one council” approach. All relevant council departments must work closely together and display the collective courage required to make important and at times perhaps even unpopular decisions.

There is evidence of a wide range of housing need, affecting people on middle as well as low incomes, however, the overwhelming housing priority, in terms of meeting the needs of our residents, is for homes at social rents (or the Mayor of London new ‘London Affordable Rent’ which is based on, but not as low as social rents).

Council-generated resources for housing (HRA headroom, RTB receipts, high value sales, General Fund resources, mayor’s funding) must be maximised and directed towards the supply of genuinely affordable homes, including the £65 million GLA grant funding recently confirmed. And the council should make a clear assessment of the share of London-wide resources coming to Brent via the mayor’s programmes, which are determined by provider and not by borough.

Brent must review its housing strategy and consider the implications for future delivery of affordable housing in the light of the removal of the borrowing cap. The lifting of the cap is welcome but will not automatically lead to more council homes at traditional council rents. Either cheap land or subsidy is needed to do that. But how will this affect Brent’s strategy for new council homes? This must be considered through an urgent review of the proposed new housing strategy.

We must continue to develop a successful I4B programme and utilise and examine the possibility of other council-owned company programmes, considering and developing alternative ‘invest to save’ models – any option that can help reduce the need for temporary accommodation benefits council finances greatly.

Due to the very ambitious overall housing targets the council faces, i.e. 3000 homes per year over the next ten years, there will undoubtedly be pressure to deliver any type of home to meet the targets, and developers will be aware of this. Developers naturally prefer to deliver 'affordable' housing at the higher end of the range (e.g. shared ownership and market based rents), as they are generally more profitable. The council's clear policy should be the reverse, given the evidence of acute need for genuinely affordable rented housing.

The apparent cost of having higher 'affordability' requirements in private developments is accepted by many to lead to reductions in land values as developers will be more reluctant to overpay for land. This is of course an imperfect mechanism for achieving this, but it is a very good policy objective and should be central to Brent's approach. A consistent approach to affordability requirements across London will be important in controlling land costs and making housing more affordable in the long term.

The absolute benefits of successful development to the council should mean a flexible approach to the recruitment of staff (also including I4B and FW) and if necessary a flexible payment structure. However, partnering with or commissioning a Registered Provider is probably the most practical option for future council developments.

Brent should ensure it sets a clear vision for and maximises the potential for its wholly-owned housing companies "Invest4Brent" (I4B) and "First Wave Housing" to help reduce the cost of Temporary Accommodation, and it must consider the potential for I4B to extend its business model from purchasing to developing. However, careful consideration should be given to whether this is the best model. It might be best for I4B to focus on expanding its specialist provision of alternatives to TA (a clear council-wide priority) whilst using First Wave Housing as a developer (FW is a registered provider) or even setting up a new company. Each organisation should have a clear and dedicated focus, but all should adopt the I4B working method of keeping close to the council.

With regard to the Community Infrastructure Levy, it is reasonable to expect that most CIL funds will be used to unblock future housing development, through infrastructure spending.

There should also be a clear policy on the use of overage arrangements on council disposals and s106 agreement planning viability reviews – i.e. where the council receives a share of future profits if a development outperforms over time, or deferred commuted sums should a development viably support such when delivered post planning determination.

Whilst the Local Plan is developed, initiatives such as a corporate land assembly approach (Corporate Master Planning) should be encouraged so that the authority is in the driving seat in future planning of all available sites in the Borough. This will enable the Council to set realistic plans over a 5 to 10 year period. It will also enable the Council to challenge both the mayor and the Government on what is a realistic target in terms of delivery of new units in the borough.

### ***Approach to setting of affordable rents***

Brent should not adopt an approach to "affordable rent" in their future housing strategy whereby a large proportion of rents are set as a percentage of market rents rather than an approach based predominantly on social rents, and providers building in Brent should not be encouraged to either. Such an approach should definitely not replace the council's commitment to 'social rent'.

Rents set at, for instance, 65 per cent of market rent, would be higher than the mayor's 'London Affordable Rent (LAR) (which is the closest current option to social rent). The mayor's proposal has already been criticised for being higher than social rent and will be likely to diverge more

from social rent over time, but has been accepted as being the best that can be achieved with this government in charge of funding (we must remind ourselves again that the landscape here could change given the proposed lifting of the HRA borrowing cap).

Brent should not go even higher than LAR, the logic of doing so would be questionable in the light of what we know about need and affordability in the borough, and the council should not risk being in a contradictory position of arguing a clear case for social rents, yet adopting a higher rent policy.

In the absence of clear evidence the task group remains unconvinced that a market rent based approach would actually lead to additional delivery and feels that acceptable levels of “affordable rent” probably cannot be justified in Brent in large numbers if set that way. Moreover, as the argument is one of affordability, affordable rents must be set in relation to incomes in the borough and the cost of provision, not by a dysfunctional and volatile market.

Brent’s future housing strategy should be explicit about the need for social rent. It is not acceptable for the viability process to lead to a lack of social rented accommodation, but significant proportions of “affordable rent” and intermediate products such as shared ownership, when we know these simply are not genuinely affordable options for residents of the borough in housing need.

The Cambridge University Study concluded that a significant proportion of Brent residents already struggled to afford social rents. While this presents clear difficulties it also demonstrates beyond any doubt that rent setting based on market prices simply cannot be the answer to meeting the true need in the borough.

### ***Sale of council homes***

If the council is to consider sales of high value council homes as part of an asset management strategy it needs to be extremely careful about how any such approach is to be adopted.

Clear and strict rules must be in place about how many homes are sold and on what terms. Brent should also be seeking to monitor and influence what housing associations in the borough do in this regard, and how they use the proceeds from such sales.

The task group is not in principle opposed to ‘asset management’ strategy sales, but this is where HAs started, with modest plans to sell very high value and hard to let property, only to gradually become so development-driven that large numbers of social rent homes ended up in auction (including many in Brent) to fund development, which then did not in turn produce social rent homes to replace those that were sold and might not even have been in the borough.

Any such policy must be very carefully monitored and any ‘asset management’ sales should meet a clear test of benefit and the money should be used for replacement social rented homes not for higher rent or intermediate products.

### ***Shared ownership***

There is of course a good case for ‘intermediate’ schemes which help people on better incomes, as housing built should be for all and not only those with the most critical needs. A diverse range of housing products are therefore required in the borough. However, intermediate products must not be the council’s headline policy nor the main programme as clearly they do not meet the most acute housing need in the borough.

The council must carefully consider who shared ownership and ‘intermediate rent’ products are actually for in Brent and what more can be done to make these a realistic option for Brent residents. Policy on this must clearly define priority beneficial groups, in particular key workers.

To access shared ownership in London, annual household income must generally be less than £90,000 and they must be able to easily access at least £4,000 to cover the costs of buying a home. In most cases savings or access to a minimum 5-10 per cent of the equity share being bought, as a deposit.

50 per cent of “affordable” housing delivered in Brent in 16/17 was shared ownership. But household income of approximately £60k per annum is generally required to access it here and there is clearly a shortage of households in the borough for whom it is attainable.

The task group heard anecdotally of a development in Wembley, where even after the income threshold had been reduced considerably to £45k, there was still a lack of Brent residents able to take up the offer.

The task group therefore finds that Brent must adopt a clear policy on access to shared ownership in the borough. The aim should be to make the product accessible to people on incomes that are as low as possible and policy must be designed to enable keyworkers to take advantage of it, bearing in mind that it needs to be sustainable for the household. HAs may have waiting lists, but the borough should ensure access policies are fair and reasonable and should set other eligibility criteria if it wishes. It is also important to make sure that there is an effective second hand market in the borough.

### ***Build To Rent (BTR)***

There is growing interest in “Build to Rent” schemes as major investors move into London. The Task Group would like to see a similar approach to achieving affordable homes applied to these as to any other schemes, where the council should be looking for 35% affordable and full access to nominations, even if the developer intends to manage the homes itself. Market rent homes within the scheme should be offered on longer tenancies with high quality management guaranteed.

The Task Group acknowledge that under current National and London planning policy, the economic assessment of BTR schemes for planning is different than developer led ones. The NPPF 2018 says BTR should provide ‘Affordable Private Rent’; The London Plan calls this ‘Discount Market Rent’ (of which 30% should be London Living Rent, with 70% at intermediate, as opposed to a standard disposal to an RP).

However, we stress that the council must give serious consideration to whether BTR schemes will provide any genuinely affordable housing, or just some at London Living Rent, and whether it may generally be better, in terms of meeting local housing need, to wait for an ordinary mixed development to be viable for a particular site.

With this in mind the council should consider whether it may need to go beyond London Plan requirements by requiring some social rent in BTR schemes.

### ***Partnerships***

Better joint working with housing associations is critical. A major new programme of council house building for social rent would undoubtedly be a good thing if financially viable. However, the important thing is not to engage in an ideological debate, but to focus on obtaining the right housing outcomes.

If working with housing associations produces more homes for social rent than the council going it alone, we should welcome it. The model of council land, plus council HRA funds, plus grant through Register Providers may be the most effective means of delivery. However, if such partnerships only, or predominately produced more shared ownership or higher rent



products the task group would be opposed to it. Commuted sums from other schemes should also help these developments.

Brent must also seek to gain more influence over Housing Associations (HAs). There is a need for more comprehensive info about what they're doing, especially on sales, 'conversions' to affordable rent, and the tenure and rents of new developments. We need to know their investment levels in Brent or whether they are spending their money elsewhere.

It is worth remembering that housing associations generate considerable 'internal' resources by making surpluses on all their activities, which are then available for reinvestment. Surpluses amount to hundreds of millions of pounds in London and may be derived from previous schemes within Brent or from the management of homes in Brent.

The council needs to be aware of the position with local HAs and discuss with them how they intend to apply their surpluses. They may, for example, be able to choose between subsidising new-build schemes elsewhere or investing within Brent to keep rents down to social rent levels. It is reasonable for the council to seek to influence these investment decisions to assist Brent to the greatest extent possible.

The task group also heard during its investigations that HAs sometimes compete with each other in land purchase, which inevitably tends to up the price. This produces an unacceptable outcome and the council may feel it can do more to influence the process through better dialogue with local housing associations.

There are several potential models for Brent working with HAs. Land could be sold to them for them to build out in line with our strategy. There could be partnerships where the council and HA share a development. The council might contribute funds (CIL for supporting infrastructure and other funds) to enable a HA scheme to proceed. Or there could just be a commissioning arrangement where the council employs a HA on contract to do all the necessary work (design and construction) on a council development which is then managed by the council.

Any and all of these options should be considered appropriate in different circumstances – with what produces the most social rented and other genuinely affordable housing being the guiding principle.

### **Key recommendations:**

5. Future council policy with regard to the setting of rents for affordable housing should continue to be based on the traditional social rented model (like the mayor's London Affordable Rent model) and should not be linked to volatile and irrational market rents rather than incomes.
6. Brent Council should create a cross-departmental Board of officers, reporting directly into the Corporate Management Team (CMT), to ensure a 'one council', joined-up, sustainable approach to the delivery of Affordable Housing. The board should have high level responsibility for programme management and monitoring of an Affordable Housing Action Plan and associated suite of Key Performance Indicators. The Board should include senior officers from Brent's Planning, Housing, Regeneration, Property, Finance and Legal teams.
7. Brent should consider adopting a land assembly, master planner approach, working with key partners and designating Land Assembly Zones in its Local Plan. Where attempts to encourage and incentivise voluntary land assembly do not succeed, Brent should commit to extend its use of compulsory purchase powers in these zones, where the law allows.

8. Brent Council should maximise resources available through the mayor's fund, RTB receipts and borrowing to support direct delivery within its own capital development programme with a primary focus on rented homes at social rent levels and on larger homes (3 bedrooms or larger).
9. Brent must adopt a clear policy on access to shared ownership in the borough, making the product accessible to people on incomes that are as low as possible and ensuring the policy is designed to enable keyworkers to take advantage of it.
10. All new homes in Brent should be marketed locally first, as per the Mayor of London's planned "first dibs" policy. Brent should investigate how such a requirement could be implemented.
11. Brent Council should explore all the options highlighted in this report for innovative partnering arrangements and delivery models with Registered Providers.

### 7.3 Estate regeneration

It must be recognised that there is a shortage of land available in Brent, greatly restricting opportunities for redevelopment. We therefore cannot fail to maximise outputs from opportunities where precious land is available and has potential for development, including those that arise through in-fill and intensification on our estates.

There has been a change in mind-set, away from the stock transfers of past regeneration schemes, and this direction of travel should be maintained and the good work done thus far consolidated.

Estate Regeneration is, of course, not solely about increasing the number of affordable housing units, but about creating balanced and sustainable communities. However, council estates in Brent arguably already are mixed communities, so this alone is not a justification for building private homes.

The requirement for private homes is a) to help meet the London plan targets set for Brent and, most importantly, b) increasing density to get extra value - to help pay for refurbishment of and supply of more council and lower rent homes in the area. Schemes should be kept flexible so that the tenure split can be improved if additional funding (e.g. from the mayor) becomes available.

The Task Group is therefore not opposed in principle to private sales during redevelopment of estates. Just as there is a desire for private development to provide affordable housing, we recognise that council developments may need to do private sales in order to generate revenues to recycle into further genuinely affordable housing and estate improvements.

The Task Group is aware that estate regeneration schemes prior to Barham Park sometimes led to the loss of social rented homes, even if there was an increase in total homes. This damages the council's ability to meet need in the long term.

All proposals for estate regeneration should therefore include a forecast, taking into account the likely programme of decanting and demolition, and of the likely impact of the scheme on the forward lettings plan.

The mayor is now requiring no loss of social rent overall in funded schemes plus tenant ballots. This policy change is supported by Brent and will be implemented in the St Raphael's Estate Regeneration.

It is paramount that the South Kilburn approach to regeneration and intensification is considered a model of best practice and used elsewhere in the borough wherever feasible.

**Key recommendation:**

12. Future estate regeneration projects in Brent should use the South Kilburn Regeneration Programme as a model of good practice and make a clear commitment to ensuring there is no loss (in quantum terms) of social rented affordable housing and to resident ballots.

## 7.4 Land owned by public authorities

Brent must adopt a strong corporate approach to the identification of other land within its boundaries which could be brought forward for housing development. This could include the purchase of land to create developable sites, by agreement or by using its compulsory purchase powers.

The council also needs to improve the output of affordable homes on public land, getting more from land owned by other public agencies (NHS, TFL, Network Rail, Metropolitan Police, The Fire Service, Crown Estate etc.) but also by improving the supply of sites in council ownership – which will produce the highest proportion of affordable homes.

We consider that the Council should take the lead in any complex partnership arrangement to maximise the delivery of housing units in the borough. The model suggested by the Naylor review (One Public Estate) is worth developing across the borough – in particular working with TFL and Network Rail.

We do recognise the tension between maximising affordable housing and public agencies maximising income from sale. However, there is a need to maximise the benefit to the whole public sector and not just a single agency. A high degree of affordable/social rent housing must be achieved on public sector sites to enable the council to deliver its overall policy.

**Key recommendation:**

13. Brent should actively promote partnership working on publicly owned land with other public bodies, as promoted by the Naylor Review (One Public Estate), e.g. Network Rail/TfL sites such as potential over station and over rail land developments, as part of the Local Plan.

## 7.5 Industrial/employment sites

Much of the future housing supply in London will come from existing ‘brownfield’ sites in zones 3 and beyond. Even in places where mixed-use projects are happening there is often a lack of diversity of suitable and flexible workspace, but if carefully designed and with suitable access, a wide range of activities can take place in similar spaces.

It is an extremely important task for the council to ensure that as demand for retail and commercial space continues to change, we adopt a proactive approach to identifying opportunities where surplus commercial space, under-used retail sites and car parks may provide potential for housing development, with a focus on mixed use development.

Whatever the ownership, identifying and uncovering potential sites and bringing them to development should be a clear aim of the council.

As part of the revision of the Local Plan, there is the opportunity to identify relevant strategic industrial land sites and smaller commercial land sites which can be developed or used for mixed use - so that we can develop a coherent strategy over the lifetime of the next Local Plan and beyond.

Brent's planning framework must incentivise the delivery of innovative, mixed-use, productive employment and residential schemes.

**Key recommendation:**

14. Brent must adopt a proactive approach to identifying opportunities where surplus commercial space, underused retail sites and car parks may have significant potential for housing development, both strategic industrial land sites and smaller commercial land sites, and in particular where sites have potential for mixed-use developments.

## 7.6 Small sites

The new London Plan places great emphasis on the need for increased delivery of homes from small sites, around one third of the total target for new homes from boroughs is to come from such sites. As identified earlier, this has implications for the delivery of affordable housing. We must also give careful consideration to how best to ensure that small sites do make some contribution to increasing the supply of affordable housing.

Brent must ensure that there is a requirement in the development of small sites (defined in the London Plan as less than 25 units) over the 10 units threshold that they should meet fully the council's requirements for affordable housing through a section 106 agreement to provide affordable housing onsite.

Small sites under 10 units should also be expected to make a financial contribution via an offsite tariff; a contribution to the council's affordable housing fund to assist with the provision of affordable housing elsewhere. The Council should consider charging a commuted sum based on a consistent formula for such sites. A clear policy on this will ensure consistency.

The council must also consider whether to provide the flexibility for payments to be collected prior to the occupation of development, rather than prior to commencement of development as recommended in the London Plan.

**Key recommendations:**

15. The council and its agents should proactively explore partnerships with developers and RPs on small sites to maximise the amount of affordable housing across the borough. Brent should identify potential opportunities and funding mechanisms for increasing development of small sites, including any further opportunities for infill development. It should be prepared to invest the necessary resources.
16. Developers of small sites with capacity for 10 or fewer units should be expected to pay a commuted sum, wherever possible, based on a consistent tariff, to Brent as a contribution to the fund for affordable housing to be built elsewhere in the borough. All affordable housing in small developments should be included in Brent's periodic performance stats.

## 7.7 Community led housing

The Council is pushing for more genuinely affordable housing that will meet the needs of its local people. There are also various alternative models available, which are not actively promoted in the borough.

The GLA have taken on board both the self-build and Community Land Trusts models, which meet the criteria of affordable housing and they have allocated some funding towards them. The model has the backing of communities across London as it promotes a lifetime affordable product.

A community land trust (CLT) is a non-profit corporation that develops and stewards affordable housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community. “CLTs” balance the needs of individuals to access land and maintain security of tenure with a community’s need to maintain affordability, economic diversity and local access to essential services. A number of other London councils have an interest in developing the CLT model with the National Community Land Trust. <http://www.communitylandtrusts.org.uk/>

There are now over 225 CLTs in England and Wales, half of which formed in the last two years. CLTs have developed 700 homes and will have developed a further 3000 new affordable homes by 2020.

However, with the right funding and support, that could be tripled. It is recommended that Brent Council explores setting up of a CLT model on its own land and also encourages developers to do the same, to provide another avenue for truly affordable housing provision in the borough.

### **Key recommendations:**

17. Brent should investigate and promote opportunities for community led housing projects, such as “Community Land Trusts” and “Self-Build” projects, which will protect homes and assets at affordable levels in line with local incomes for future generations.
18. Brent should explore setting up of a CLT model on publically owned land and encourage developers to do the same.

## APPENDIX 1 - TASK GROUP MEMBERSHIP

<b>Chair</b>	Councillor Neil Nerva
<b>Vice-Chair</b>	Councillor Robert Johnson
<b>Members</b>	Councillor Janice Long Councillor Orleen Hylton Councillor Fleur Donnelly-Jackson
<b>Brent Resident</b>	Mr Steve Hilditch – Brent resident and affordable housing expert

The Senior Policy and Scrutiny Officer who supported the work of the task group was Patrick Doherty.

## APPENDIX 2 – PARTICIPANTS

The views expressed in this report are those of the task group. However, during their investigations the group met with or consulted all of the following and the task group is extremely grateful to all the participants for their valuable input, insight and challenge.

<b>Brent Council</b>	Councillor Eleanor Southwood, Lead Member for Housing and Welfare Reform  Councillor Shama Tatler, Lead Member for Regeneration, Highways and Planning  Brent Strategic Director of Regeneration & Environment  Brent Strategic Director of Community Wellbeing  Brent Director of Housing  Brent Head of Planning  Brent Spatial Planning Manager  Brent Head of Estates Regeneration  Brent Senior Regeneration Manager  Brent Head of Supply and Partnerships  Brent Planning Policy & Projects Manager
<b>GLA</b>	Tom Copley – GLA Assembly Member  John Wachter – Strategic Planning Manager – Viability, GLA

	Nick Taylor – Head of North West, London Housing and Land Directorate, GLA
<b>Invest4Brent (I4B)</b>	Martin Smith – Independent Chair
<b>Campbell Tickell</b>	Maggie Rafalowicz, Director Greg Campbell, Partner
<b>Network Housing</b>	Helen Evans – Chief Executive
<b>London Community Land Trust</b>	Calum Green and Lianna Etkind
<b>Future Care Capital</b>	Annemarie Naylor MBE - Director of Policy & Strategy

### **APPENDIX 3 - SCOPE AND OBJECTIVES OF THE TASK GROUP**

A Task Group was convened by Brent’s Resources & Public Realm Scrutiny Committee towards the end of the last municipal year to examine Financial Viability Assessments (FVAs) and explore concerns regarding their impact on the delivery of affordable housing in the borough.

Progress of the committee was interrupted by purdah and the election cycle, but its initial work suggested that, firstly, the national and regional planning policy landscape was shifting, and secondly, it would be beneficial to investigate a wider range of issues impacting affordable housing delivery in the borough.

It was also considered that the Task Group was asking the wrong question, which should in fact have been how to get more affordable housing, rather than how/why FVAs were preventing it.

The Task Group was re-formed, with new membership, to continue the work with a broader remit.

This group’s primary objectives were to examine and understand the forces impacting on the delivery of affordable housing in new developments in the borough and to consider the best options for consolidating and where possible, improving upon delivery in future.

The group was to take evidence from relevant expert witnesses and consult key guidance, policies and strategies, producing a detailed report and a set of policy recommendations for cabinet, taking account of the national, regional and local context.

Our work has run concurrently with the development of Brent’s new Local Plan, so its recommendations are timely. The group’s full terms of reference can be found as appendix 6 to this report.

## APPENDIX 4 - TERMS OF REFERENCE

1. To understand the policy context of subsidising housing and the barriers and solutions to affordable housing delivery
2. Examine forthcoming changes to regional and national planning policy and guidance
3. Analyse the supply of affordable homes (numbers and percentage) from new developments in Brent over the past 10 years
4. Review best practice from other London boroughs
5. Understand the full range of “affordable” and “intermediate” housing
6. Learn from case studies in Brent where planning targets for affordable housing have been met
7. Examine how land owned by public authorities can contribute to targets for affordable housing
8. Understand if Brent is maximising the affordable housing contributions from developers and whether better use could be made of late stage reviews and Section 106 payments
9. Investigate alternative models for delivery of genuinely affordable homes, such as Community Land Trusts
10. Understand what the council believes is genuinely affordable for communities in Brent
11. Gather evidence to feed into and influence the development of the new Local Plan and Housing Strategy

## APPENDIX 5 – REFERENCES

The task group referred to a number of reports in the course of its work. Key documents included:

<b>Ministry of Housing, Communities and Local Government</b>	National Planning Policy Framework, 2012 & 2018
<b>GLA</b>	Draft New London Plan – August 2018  Affordable Housing And Viability Supplementary Planning Guidance – August 2017  Homes For Londoners Affordable Homes Programme 2016-21 Funding Guidance  Annual Planning Monitoring Reports
<b>Cambridge Centre for Housing and Planning Research</b>	Affordable Housing Products In Brent and Their Affordability To Target Client Groups – December 2017



<b>Centre For London</b>	<p>(July 2018) <i>Borough Builders: Delivering More Housing Across London</i></p> <p>(2017) <i>Strength In Numbers – Funding and Building More Affordable Housing in London</i></p>
<b>Capital Economics</b>	<p>(2016) <i>SHOUT - Building New Social Rent Homes</i></p> <p>(April 2014) <i>Increasing Investment In Affordable Housing</i></p>
<b>House of Commons Library</b>	(2016) <i>Affordable Housing In London</i>
<b>Inside Housing</b>	Multiple Articles
<b>Joseph Rowntree Foundation</b>	<p>(2013) <i>Changes To Affordable Housing In London And Implications For Delivery</i></p> <p>(2015) <i>Living Rents – A New Development Framework For Affordable Housing</i></p> <p>(July 2015) <i>Rethinking Planning Obligations - Balancing Housing Numbers And Affordability</i></p>
<b>Smith Institute</b>	(October 2017) <i>Delivering The Renaissance In Council-Built Homes: The Rise Of Local Housing Companies</i>
<b>Centre for Housing Policy</b>	(January 2015) <i>The Coalition's Record On Housing: Policy, Spending And Outcomes 2010-2015</i>
<b>Local Housing Delivery Group</b>	(June 2012) <i>Viability Testing Local Plans</i>
<b>The Housing Finance Corporation</b>	(December 2016) <i>Investing In Affordable Housing - An Analysis Of The Affordable Housing Sector</i>
<b>Frontier Economics</b>	(September 2014) <i>Assessing The Social And Economic Impact Of Affordable Housing Investment</i>
<b>University of Reading</b>	(January 2017) <i>Viability And The Planning System: The Relationship Between Economic Viability Testing, Land Values And Affordable Housing In London</i>
<b>Shelter</b>	(2017) <i>Slipping Through The Loophole</i>

<b>Town and Country Planning Association (TCPA)</b>	<p>(November 2017) <i>New Models, Partnerships And Innovations</i></p> <p>(May 2018) <i>Delivering Affordable Homes In A Changing World</i></p>
<b>Institute for Public Policy Research (IPPR)</b>	<p>(June 2017) <i>What more can be done to build the homes we need?</i></p>