

REPORT OF THE LIVING IN HACKNEY SCRUTINY COMMISSION		
New Residential Development and Affordable Housing Gain <u>Final Report</u>	Classification Public	Enclosures

FOREWARD

The cost of open market housing, in house prices and in rents, has accelerated on a huge level. Only subsidised types of housing are genuinely affordable to many of our residents.

This review has explored the avenues of affordable housing delivery in Hackney – the contributions by private housing developers, through developments delivered by Registered Housing Providers (Housing Associations), and, more recently, through the Council recommencing its own housing delivery. It has also explored the views of our residents.

It has struck me during this review just how much the level of affordable housing provision relies on subsidy. The levels of subsidy offered by central government are far lower than they were previously. This is resulting in a challenge for the Council and its partners in trying to ensure that genuinely affordable housing is still delivered, particularly as the costs of development have risen considerably.

We have scrutinised the Council's work in gaining as much affordable housing as it can from new privately funded developments. I believe that we have found some good and committed work going on, although there are some recommendations which we feel could make our negotiations more effective.

We have heard of the challenges faced by Registered Housing Providers in continuing to develop here and we make suggestions around actions that the Council may be able to take to better support them and to help address any relocation of their activities away from inner London.

We have explored the Council's own programme of housing delivery and have been very impressed with this.

While there are recommendations for changes for the Council to make on a local level, we have not found any golden bullet with which rafts more genuinely affordable housing units could be delivered, without wider national and regional changes. Subsidy has fallen with Central Government asking that the gap be filled by charging rents at levels which deem 'affordable' housing unaffordable to many. The Council despite being able to show sound business plans and a track record of delivery, is not able to access the finance with which it could do even more.

The findings from all the evidence gathered reinforces my view that we must continue our impressive work within the environment as it currently stands. We must also make a stronger case for the changes needed on a wider level in order for further substantive progress to be made.

At this point I would like to express my thanks to a wide range of people and organisations without whom a review of this scope would have been impossible to achieve.

Council Officers from a number of services have given us their professional insight and advice throughout. I am hugely grateful for this; both in terms of the scrutiny that they have been fully accommodating of, and their guidance and interest. Nigel Minto in the Housing Regeneration Division

perhaps deserves special mention for the assistance he has provided and his level of engagement in the review.

The evidence of Michael Edwards, an independent expert in housing and planning helped us to ensure that the lines of questioning that the Commission made of the officers mentioned above, and other witnesses, were challenging and useful.

A range of Registered Housing Providers showed a willingness and commitment to hold quite candid public discussions around the barriers they face in continuing their great work in the borough.

Members and or Officers from five other London Boroughs gave up an evening of their time to share their approaches to housing delivery in their areas. A Private Planning Consultant attended the same session and shared his experiences of working as the bridge between private developers and local authorities.

All these parties inputting into the review have had a direct impact on the recommendations which have emerged. I am hugely grateful to them.

Finally, I am very thankful to the 176 Hackney residents completing the survey. The data collected suggests that concerns in the community around housing affordability matches ours as Councillors.

I commend this report to the Council.

A handwritten signature in black ink, appearing to read 'CMA', written in a cursive style.

Cllr Clayeon McKenzie
Chair- Living in Hackney Scrutiny Commission



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1. SUMMARY

Affordability Crisis

- 1.1. The decision to carry out this review was made within a context of rapidly rising housing costs in Hackney.
- 1.2. The average price paid for a terraced house in the borough stood at over £700,000 in December 2014, more than double that of the same month 10 years previously. The story of high house prices is mirrored in the private rented sector. The average open market rent for a two-bedroom property in Hackney stood at over £1,500 during 2014.
- 1.3. As a group of locally elected Councillors, we are determined to do all we can to help ensure that the wide range of community groups we represent continue to be able to thrive here. The provision of housing that is genuinely affordable to these groups is absolutely key to making this possible.
- 1.4. We are fully aware that prices on the open market do not cater for all. This makes it vital for subsidised forms of housing to come to the fore.

Housing is a key concern

- 1.5. Our concern around housing affordability is matched by our residents. They see it as being one of the most important things in making somewhere good to live. The topic has become the aspect of community life which they feel to be most in need of improvement. Members have also heard voices of concern around the extent to which the Council is doing all that it can on the matter.

Focus of the Commission

- 1.6. Our aim at the outset was to explore the extent to which new housing developments catered for those on low incomes.
- 1.7. For some years the supply of subsidised, affordable housing has principally been delivered through two avenues. The first of these is through private developers providing allocations of affordable homes when delivering otherwise private housing developments in the borough. The second is Housing Associations (now called Registered Housing Providers) delivering new housing units, large shares of which are offered at affordable levels.
- 1.8. Since 2010 a third stream has been added to this, with the Council moving to deliver affordable homes itself.
- 1.9. This review interacts with these three means of affordable housing delivery.
- 1.10. On the first strand, it makes public the extent to which the Council has been able to obtain levels of affordable housing from private developments to feed into an overall target that 50% of new homes delivered in the borough, are affordable housing units. This is something that has not been available previously, from this Council or, as we understand it, from others. We then document our findings as to why it has not been possible to ensure that private development makes the affordable housing contributions at the levels that we would like.
- 1.11. On delivery by Registered Housing Providers, we have heard from some of the major players in Hackney. We have gained a fuller understanding of the increasingly difficult environment in

which they are operating. We have also asked questions around how the Council may be able to better support them in their efforts to continue to develop here, at prices that are affordable to residents.

- 1.12. In tandem with this, we have gained some insight into the work of the Council in using its land and resources to deliver new affordable homes itself.
- 1.13. This review has also gained the views of our residents, through a survey to which more than 170 responses have been received. The findings cannot be treated as fully valid or scientific; a more substantial piece of work would be needed to achieve this. However, we do feel that the analysis presented in this report offers an indicative insight into the views towards a range of issues; the local housing market, aspiration for change, tolerance towards steps that could be needed to help cater for the larger numbers of people wishing to live here, and the levels of support for some steps that the Council may be able to take to help improve things.
- 1.14. The survey is well timed; the Council has recently announced that it is entering a year-long engagement exercise with residents to hear their thoughts about the changes that are taking place here, and what the Council should do in response. Housing is at the centre of the changes, and we very much hope that the findings here can assist with this work.

Key Findings

- 1.15. Our findings and the 11 recommendations that we make are wide ranging.
- 1.16. We have found that on an overall level the Council is doing very well on affordable housing relative to others – particularly on the number of affordable homes delivered.
- 1.17. It is still the case that the report shows that the Council is not achieving its policy aim that 50% of new housing in the borough is made up of affordable housing (and that no other inner London boroughs are achieving this either). It also shows that the missing of this overall target is due to the lower shares that affordable housing takes of units delivered by the private sector, compared to those delivered by Registered Housing Providers and the Council.
- 1.18. Viability as a trump card. Delving further, Viability appears to be the key factor in the Council missing its affordable housing target. Within this complex area, developers are effectively able to avoid contributing the levels of affordable housing units targeted by the Council if they are able to show that providing these would make a scheme commercially unsound. A scheme can be claimed to be commercially unsound if an adequate level of profit is not redeemable. Central Government policy underpins this.
- 1.19. On Viability the Commission has found a great amount of Officer commitment and skill around working to ensure that the calculations used by developers to evidence 50% level of affordable housing to be unviable, are fair. We have heard and been given examples to show that the Council in many cases works to increase the amounts of affordable housing initially proposed by developers as part of schemes. We have also reached a fuller understanding of the balances that the Council is forced to play between working to meet the targets that it sets itself in a local context, and adhering to policy requirements set by Central Government.
- 1.20. This said, we still think that there are some possible areas of learning for the Council, informed largely by the input of the other boroughs who gave evidence to us.

- 1.21. Despite all the work that is done around ensuring that Viability Appraisals submitted are valid, there is concern in the community around how robust the Council may be. We feel that the recommendation we make around improving transparency could help better assure residents that we are on their side on this issue.
- 1.22. We feel that more could be done to ensure that any rising land values from the point of planning permission being given for a development, and development completion, be partly translated into greater affordable housing gain and not only greater developer return.
- 1.23. We suggest that the Council should keep under review the work of another local authority in moving to challenge a widely accepted view that a 20% level of profit is a minimum amount required to make a scheme viable.
- 1.24. Finally on Viability, we outline our reasons why more formal arrangements around our work could be beneficial. This could be through a cross borough approach on Viability Appraisals, through the establishment of a set of approved providers to provide advice to the Council when carrying out its checks, by procuring a Government department to provide this service, or a mixture of these.
- 1.25. Moving onto other areas of the review, the Commission has learnt of the challenges faced by Registered Housing Providers in their efforts to continue to operate in the borough. The key difficulty is loss of subsidy from Government; 60% less for the period 2015-18 compared with 2008-11. The ability to deliver affordable housing depends on subsidy. With government subsidy falling sharply, it is difficult for Registered Housing Providers to continue to operate in a now-expensive borough, while still trying to make their units genuinely affordable.
- 1.26. The government has encouraged a model where the lower subsidy received per unit delivered is balanced by the charging of higher rents – at up to 80% of those charged on the open market. This is not affordable to many residents, and I was struck during the review by the commitment of many Registered Housing Providers towards rejecting this model and doing all that they can to continue to serve the communities that they were established to.
- 1.27. We are concerned that the lack of subsidy when coupled with the high costs of developing in Hackney and other inner London areas, is slowly forcing Registered Housing Providers from operating in the inner city, with an ensuing fall in the numbers of affordable housing units that are needed in this area no less than they are in the outer boroughs.
- 1.28. As a Commission we want the Council to help these organisations in any ways which are possible. The report makes recommendations drawn from our discussions which aim to do this. We ask that the Council does more (along with other inner London Councils) to call for a fairer funding model which allows for the higher costs of developing in inner compared to outer London. On a more local level, we ask that a particular element of a standard legal agreement which was mentioned as a barrier, is reviewed.
- 1.29. While wanting to be fully supportive of Registered Housing Providers, we fall short of agreeing with a view expressed by more than one provider that the Council should consider direct financial support of them. This review has made clear to the Commission the value of the Council using its resources to develop its own impressive estate regeneration programme, which we explore in more detail within this report. This programme is a key part of the Council's drive to address housing supply whilst greatly improving the quality of a number of

estates in the borough. We have not felt able to make recommendations which could divert funding away from the work.

- 1.30. As the final strand of this review, the analysis of the responses to our survey has produced some useful insight.
- 1.31. The findings clearly suggest a strong level of support for subsidised housing. There is an almost unanimous view that open market prices are too high. There is a great deal of support for the Council doing all it can to ensure that new housing developments offer opportunities to those who cannot afford to buy or rent privately. The majority feel that more homes for Social Rent, for Intermediate Rent, or for Shared Ownership are needed. A minority feel that the same is the case for homes for sale or for rent on the open market.
- 1.32. There is also support for the Council calling for various changes which would need to be made at a Mayor of London or national level, which we feel could enable the development of more housing which is genuinely affordable to the communities we serve.
- 1.33. Allowing Councils greater borrowing capacity is one of these. Hackney in its delivery of its own house building programme is working within borrowing restrictions which are preventing it from doing more, more quickly. This is despite having sound and robust plans in place, and an impressive track record of delivery established.
- 1.34. Both this Council and others giving evidence to the Commission reported that a lifting of a particular borrowing cap would allow them to be more effective in their delivery of affordable housing, while still working within sound and robust financial management practices. 91% of respondents to the survey would support the Council lobbying for these greater powers. We ask that the Council acts on this.
- 1.35. The Council has done a lot of work designed to prevent the delivery of homes in the borough which, while falling within revised national definitions of affordable housing, are far from affordable to swathes of our residents who are in housing need. These units can charge up to 80% of market rents, and we do not wish these unit types to account for the provision of affordable homes here. The survey finds huge support for the Council building on the work it has already done, by seeking to recover powers to insist units badged as affordable units are homes that are genuinely affordable to more of our residents.
- 1.36. Other elements of the survey findings are for noting rather than being the basis of recommendations within this report. They perhaps lay the ground for further discussions with residents around how the Council should manage the increased demand for housing in the borough during the years ahead. Our indicative analysis suggests that there may be tolerance for some changes if it would enable more affordable housing could be delivered. In this area, we only give our findings and hope that it could be used as a wider conversation starter around the future shape of the borough.

2. INTRODUCTION

Reason for the Review

- 2.1. Research has shown Hackney residents to see the provision of affordable decent housing as one of the most important things in making somewhere good to live. There is also evidence that the issue has overtaken crime and activities for teenagers as the aspect of community life felt to be in most need of improvement¹.
- 2.2. This finding is in keeping with evidence on a wider level, with four in five Londoners (82%) agreeing that there is a housing crisis in the capital.²
- 2.3. The Council has a target on the overall share of new homes delivered in the borough which should be 'affordable'.
- 2.4. Also, in terms of numbers, the Council and its partners have performed very well. More than 2,600 affordable housing units were delivered in Hackney between April 2010 and March 2014, the 4th highest for London during this period. This has been achieved in an increasingly challenging environment, which this report explores in more detail.
- 2.5. Despite this, Members of the Commission reported receiving some comments of concern from residents around whether the Council was doing all that it could, principally around the amounts of affordable housing gained from new private developments.
- 2.6. The Commission wished to evaluate the evidence and reach an independent view of what has been achieved. We wanted to reach a fuller view on the challenges faced by the Council, Registered Housing Providers and developers in delivering new affordable housing in the borough.
- 2.7. We also hoped that speaking to and learning from a wide range of groups including housing providers, other boroughs and residents, might enable us to produce recommendations giving further impetus to the successes already achieved.

The task for the Commission and the core questions set

- 2.8. The arena of affordable housing is a very wide one, and the Council role within it multi-faceted. With a limited time period to allocate to this review, the Commission decided to focus on three broad areas.
- 2.9. Reflecting concerns raised by residents, the first area would be around private housing development, and the extent to which this area has helped to contribute to an overall aim that 50% of new housing delivered in the borough is affordable³. Members hoped to reach an understanding of any common themes which may prevent the Council from being able to achieve the 50% level from some developments, and to gauge whether other boroughs with similar objectives and local environments fare better or worse.

¹ Hackney Borough Monitoring, bdrcc continental, April 2014

² Ipsos Mori/London Councils. 8 January 2014. <https://www.ipsos-mori.com/researchpublications/researcharchive/3326/Housing-key-issue-for-Londoners-who-want-to-see-financial-freedom-for-local-government.aspx>

³ Local Development Framework (LDF) - www.hackney.gov.uk/Assets/Documents/Adopted-LDF-Core-Strategy-final-incchaptimagescov-Dec2010-low-res.pdf

- 2.10. The Commission wanted the second area of focus to be on Registered Housing Providers (previously known as Housing Associations). We wished to explore the challenges they face in continuing to deliver affordable housing in Hackney, the ways that they have responded to a new funding regime set by the Mayor of London and national government, and any ways that the Council could better support them to deliver more genuinely affordable housing in the borough.
- 2.11. In tandem with assessing the evidence around the delivery of affordable housing, the Commission wished for the third area of focus to be on exploring the views of our residents. This would be through giving a platform on which residents could share their housing aspirations, their views towards the housing market, and their views towards particular actions which the Council may be able to take to improve things further.
- 2.12. The Commission set itself the task of answering the Core Questions below.
- A. How is the Council performing against its aims on affordable housing gains from new private housing developments?**
- B. What challenges do Registered Housing Providers face around the delivery of affordable housing developments in Hackney?**
- C. What views and concerns do residents have towards new housing developments, housing opportunity in general, and what do they feel the Council should be doing?**

Additional area of focus – direct delivery by the Council

- 2.13. With a limited time period for the review and Members wishing to focus on areas which could offer most benefit, the Commission did not intend to visit the area of the Council's own programme of direct housing delivery. Members were very aware that the Council has in place what has been recognised externally as one of the most innovative, ambitious and firmly set out, Council-own building programmes in the country⁴.
- 2.14. However, in addressing the core question around the challenges faced by Registered Providers, the Commission heard suggestions that the Council could help these organisations by offering financial support to better enable them to continue in the delivery of affordable housing units in the borough. They were also made aware that another inner-London borough (Islington) followed this approach.
- 2.15. The Commission was sympathetic to this view. We were therefore keen that the approach of the Council using its resources for its own house building activities rather than to use part of these to support partner programmes was explored further so that the Commission could reach a rounded view on whether it felt this approach to be a sound one.

Delivery of the Review

- 2.16. Key to this review has been reaching a further understanding of what is happening in Hackney. However, it has also been vital to grasp the wider environment in which the Council is operating, and the way that policy changes on a London-wide and national level have affected the ways that the Council, Registered Housing Providers and Private Developers operate.

⁴ <http://www.insidehousing.co.uk/building-hackneys-empire/7004514.article>

- 2.17. This led to substantial desktop research of policy produced by the Council and externally. We were also greatly aided by the advice received from a Senior lecturer in economics and planning at University College London gave advice to the Commission around potential lines of enquiry that the review could follow.
- 2.18. Armed with its initial information the Commission heard from Council services around their record of affordable housing delivery and their approach to and successes in, gaining affordable housing units from private developers.
- 2.19. We spoke to a range of Registered Housing Providers around the challenges that they face in continuing to deliver the levels of affordable housing that they have done previously, and ways that they felt that the Council could better support their work in the borough.
- 2.20. We also heard from a Private Planning Consultant around why, from a private developer viewpoint, it might not always be achievable for new developments to provide the levels of affordable housing which the Council generally targets.
- 2.21. As a final evidence gathering session inside the Town Hall, the Commission heard from relevant Cabinet Members and/or Officers from five other London Boroughs. This enabled insight into the approaches others took towards the delivery of housing in their boroughs, the ways that they worked with Registered Housing Providers, and the approach that they took to securing affordable housing gain from private development.
- 2.22. To answer the Core Question around gaining resident views, the Commission designed a survey and marketed this online and through the media. In addition, Members carried out fieldwork in a number of locations in the borough. Over 170 responses were received. The findings of this survey form the platform from which to inform the Commission's response to the third core question of the review.
- 2.23. We are very grateful to the residents who took the time to complete the survey, and to the wide range of other external organisations and internal services whose input throughout the review has been invaluable.

3 FINANCIAL COMMENTS

- 3.1. The recommendations in this report have no direct financial implication to the Council. However, there are concerns that they may be onerous and place additional risk on the developers and therefore may impact on future developments in the borough. This would have a consequence on future increases in Council Tax and Business Rates in the borough. Whilst a re-appraisal in a rising market could result in additional affordable housing, what would happen if there was a down turn in the market, would less affordable housing be considered
- 3.2. Whilst the recommendations are aimed at increasing the amount of affordable housing built in the borough, if the planning requirements are overly restrictive, this may ultimately impact on the number of successful developments and therefore may adversely impact on the amount of affordable housing built. This is demonstrated in table 1 of the report were the top 5 delivery of affordable housing (numbers) all delivered around 40%, whereas the top performing (percentage) deliver 400-800 less properties.

- 3.3. The requirement to provide 50% affordable housing is being provided by the Estate Regeneration programme, but land value is excluded from its viability assessment as it is owned by the Council and borrowing rates with the Public Works Loan Board are more favourable. On other Council development sites, it may be difficult to deliver 50% affordable housing if other community assets (schools, leisure centres etc.) are being provided. The Estate Regeneration programme is accounted for within the Housing Revenue Account (HRA). Recent changes in the financing and subsidy arrangements for the HRA limits the amount of borrowing available to fund the Council's scheme. Whilst the Council continues to work with registered providers to increase the delivery of affordable housing, any payment of subsidy or funding would impact on the Council's ability to deliver its own programme of affordable housing. The Government set borrowing limit unduly places a restriction on the Council's borrowing cash flows and restricts the delivery of what would be viable regeneration schemes and affordable housing.
- 3.4. Private developers have to purchase land and have higher financing costs, therefore it is more difficult to achieve 50% affordable provision. With more certainty in a rising market 20% profit may seem excessive, based on historic trends and the sensitivities of the house building and housing (sales) market, an element of their profit accounts for the risk of the development. Risk is aggregated by the timescale for development and the financing for the outlay of land and building, without certainty of receipt until completion. Even in the current buoyant housing market there are other risk factors to consider, such as labour and skill and procurement of materials.

4 LEGAL COMMENTS

- 4.1. As noted in this report the Core Strategy Policy 20 is only aspirational, and not an absolute requirement as it is qualified by site characteristics, location and overall scheme viability. Therefore, it is unlikely that 50% affordable housing could be delivered in most cases.
- 4.2. The introduction of section 106BA of the Town and Country Planning Act 1990 (as amended) means that developer can now request that the Local Planning Authority ("LPA") modify any affordable housing obligation, if the developer can show viability reasons for doing so. There is a right to appeal to the Planning Inspectorate if the Council does not agree to this request. The LPA needs to be mindful of this statutory power when setting an affordable housing obligation that may not correspond with the developer's own viability assessment.
- 4.3. Furthermore, the Government have recently introduced new policies as part of the Planning Practice Guidance ("PPG") which may increase the difficulties of maximising affordable housing in each development (see <http://planningguidance.planningportal.gov.uk/blog/guidance/planning-obligations/planning-obligations-guidance/>).
- 4.4. The PPG states that no affordable housing contributions should be sought from developments of 10-units or less and which have a maximum combined gross floor-space of no more than 1000sqm (i.e. the contributions can only be sought where there are 11 units or more or where the floor space is 1001sqm or more). However, Hackney's policy threshold is 10 units or more, which is in conformity with the London Plan's threshold of 10 units or more. Therefore, for applications of 10 units there may be uncertainty about affordable housing requirement in such cases.

- 4.5. The PPG also introduces a vacant building credit, whereby the developer can claim a 'financial credit' which is the equivalent of the gross floor-space of any relevant vacant buildings being brought back into use or demolished as part of the scheme and then deducted from the overall affordable housing contribution calculation. This may have implications for the delivery of affordable housing.
- 4.6. Viability review mechanisms are currently used in some legal agreements, but it is advisable, as this report recommends, that there needs to be a clearer policy basis created for these, including the trigger points for such assessments, as this should increase the frequency of their use. However, any decision on the use of viability review mechanisms needs to take into account the PPG section on viability (<http://planningguidance.planningportal.gov.uk/blog/guidance/viability-guidance/>). In particular, that such reviews should only be considered where a scheme requires phased delivery over the medium and longer term.
- 4.7. It is also advisable, as noted in this report, for the LPA to formulate an approach to deal with disclosure requests for viability assessments. For example it could be a local list requirement that applicants produce a redacted version (with commercially sensitive figures etc removed) as part of the application, which can then be published on the LPA's application webpage.
- 4.8. Recommendation 9 of this report is already under review by the Housing Department. However, the 28 day period is not what has been requested, and this would not be workable. The current time period for mortgagees in possession is up to 3 months to identify a new registered provider, and then up to 3 months to transfer all the units to the new provider. The registered providers' funders have requested a total 3 month period, in which to identify and then transfer the affordable units. It would be almost impossible to identify a new provider and transfer all the affordable units within 28 days. Whilst the Council needs to appreciate funding difficulties registered providers may have (in terms of what funding terms are most favourable), this has to be balanced against the risk that affordable housing units are lost forever, which would be the consequence of a mortgagee taking possession and then not identifying and transferring the units in the specified time period.

5 FINDINGS

Structure

- 5.1. The core questions of the review are given in paragraph 1.12. We set out our findings to each below.

Core Question A - How is the Council performing against its aims on affordable housing gains from new private housing developments?

- 5.2. The Commission has obtained data showing the share that affordable housing takes of new private development. This has been compared with the shares that affordable housing takes of developments delivered by Registered Housing Providers and the Council.
- 5.3. The data shows that the levels of affordable housing that is gained from new private developments results in the Council not meeting its overall aim that 50% of new housing delivered is affordable.
- 5.4. What has not been possible is to compare the affordable housing outputs from private developments in Hackney, with those in other areas with similar policy aims; Members have been advised that data by borough on affordable housing gain from private development is not

available¹ (as it is not typically reported), and the submissions by other London Boroughs to the meeting in November did not include this level of information.

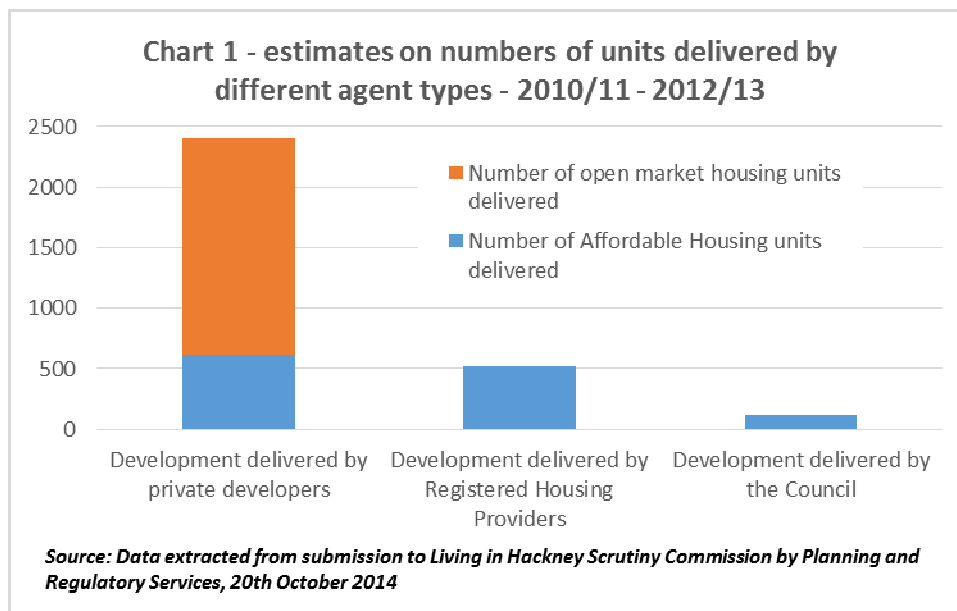
- 5.5. This prevents us from being able to reach a full view on our relative performance in this area; during the review we have heard of the challenges the Council (and other local authorities) face in their work to gain affordable housing from private development at levels of 50%. Without comparing our outcomes against those of other boroughs facing the same challenges we are unable to reach a firm position on the performance of the Council within the context of the environment it is operating within.
- 5.6. We have however been able to look at how, on an overall level (considering affordable housing delivery by private developers, by the Council, and by Housing Associations), the Council compares to other local authorities. In this, Hackney performs very well.

Policy target

- 5.7. The Council’s central planning document (the Core Strategy) sets an expectation that new developments of 10 or more units should aim to meet a borough wide target that 50% of new homes would be affordable. This is subject to site characteristics, location and overall scheme viability.

Performance against policy target

- 5.8. The data collected during the course of the review shows that the Council is not obtaining 50% affordable housing from new private developments.
- 5.9. Chart 1 shows, in terms of numbers, the split of unit types between affordable and open market homes which were delivered by different provider types between April 2010 and March 2013. The figures given are estimates.



- 5.10. The chart shows that the private sector delivered a total of 2,409 homes over the three years. Of these, 612 were affordable homes. This equates in percentage terms to 25.4%.

- 5.11. The quarter share of units delivered by the private sector which are taken by affordable housing compares with schemes delivered by Registered Housing Providers and by the Council itself, where all the units delivered during this period were for affordable housing.

Affordable housing delivery – performance in context

- 5.12. Members appreciate that the finding that the Council does not achieve the 50% levels of affordable housing from private development should be considered within a broader market and policy context.
- 5.13. Firstly, the private sector remains a key contributor to affordable housing in the borough; affordable housing gain from private development accounted for 49% of the 1249 new affordable housing units delivered between April 2010 and March 2013.
- 5.14. In addition, while the Commission has been unable to compare performance on affordable housing gain from private development across London boroughs, the Commission has been shown evidence that on an overall level, the Council performs relatively very well in both the numbers of affordable homes delivered in the area (by all providers) and on the share of all new units which are comprised of affordable homes.
- 5.15. Table 1, based on data submitted to the Commission, shows that the 1,249 affordable housing units delivered over the period April 2010 and March 2013, placed the Council in fifth place out of the 33 boroughs in London in terms of overall new housing delivery. This was above some substantially geographically larger boroughs.
- 5.16. In terms of the share of the overall numbers of new (net) units delivered that were accounted for by affordable housing, for Hackney this was 41%, placing the Council in joint 12th place out of all London Boroughs.
- 5.17. The Commission heard during its review that all inner London boroughs struggle to meet an aspiration for 50% affordable housing levels⁵ and the evidence is reflective of this; only the outer London boroughs of Waltham Forest and Brent achieved rates of affordable housing at 50% or more.

Table 1 – Affordable Housing Output and Affordable Housing as a % of total (net) supply - April 2010 – March 2013

Number of (net) affordable housing completions, by borough		Affordable housing as a percentage of overall supply, by borough	
Southwark	1613	Waltham Forest	63%
Lewisham	1400	Brent	51%
Lambeth	1361	Sutton	49%
Tower Hamlets	1282	Hounslow	48%
Hackney	1249	Lambeth	48%
Greenwich	1205	Greenwich	47%
Croydon	1167	Haringey	46%
Newham	1148	Havering	44%
Barnet	1072	Croydon	43%

⁵ Including the boroughs of Islington, Haringey, Lambeth and Southwark. Paragraph 4.3 of Meeting Minutes of Living in Hackney Commission, 11th November 2014

Hillingdon	899	Newham	43%
Waltham Forest	876	Southwark	43%
Brent	820	Enfield	41%
Haringey	797	Hackney	41%
Hounslow	717	Barking and Dagenham	40%
Ealing	706	Harrow	40%
Wandsworth	704	Lewisham	38%
Harrow	651	Tower Hamlets	37%
Islington	616	Ealing	36%
Bromley	604	Bexley	34%
Sutton	560	Camden	34%
Enfield	542	Hillingdon	33%
Barking and Dagenham	534	Barnet	31%
Camden	503	Kingston upon Thames	30%
Hammersmith and Fulham	383	Bromley	29%
Westminster	349	Wandsworth	29%
Bexley	348	Richmond upon Thames	28%
Havering	338	Hammersmith and Fulham	27%
Merton	313	Islington	24%
Richmond upon Thames	291	Kensington and Chelsea	24%
Redbridge	217	Merton	24%
Kingston upon Thames	184	Redbridge	19%
Kensington and Chelsea	84	Westminster	16%
City of London	2	City of London	1%

Source: Data extracted from submission to Living in Hackney Scrutiny Commission by Planning and Regulatory Services, 20th October 2014

- 5.18. Other data provided to the Commission on the number of affordable housing units delivered between April 2010 and March 2014 showed that, at 2,660, Hackney saw the 4th highest numbers delivered in London for this period. In addition, when delivery is compared against population size, Hackney's performance of 10.6 affordable housing units delivered per thousand residents places it at third place in London⁶.
- 5.19. Considering the evidence above, the Commission is satisfied, in terms of affordable housing delivery overall, that the Council is performing very well relative to other local authorities in London.

Reasons for not achieving 50% affordable housing from new private development

- 5.20. **Viability.** The Council's central planning document sets down an expectation that that new developments of 10 or more units should contribute to a borough wide target that 50% of new homes be affordable.
- 5.21. However, the document states that these expectations are subject to, among other factors, scheme viability (essentially a measure of whether it is financially viable for a proposed

⁶ Information extracted from submission to Living in Hackney Scrutiny Commission by the Housing Directorate (item 6) - <http://mointernet.hackney.gov.uk/documents/g2943/Public%20reports%20pack%2011th-Nov-2014%2019.00%20Living%20in%20Hackney%20Scrutiny%20Commission.pdf?T=10>

development to provide affordable housing at this level, taking into account current and projected market conditions).

- 5.22. In Hackney, when planning permission is being sought for a housing development of 10 units or more, and when a developer claims 50% affordable housing provision on the scheme to be unviable, the Council requires an Economic Viability Appraisal to be submitted.
- 5.23. In very broad terms for the purposes of this review, Economic Viability Appraisals compare the costs of developing a scheme (including consideration of the value of the land in its existing state, construction costs and other elements) against the value of a development after its completion (including likely sales values of new units built). Also incorporated into the Economic Viability Appraisal is an allowance for profit (known as a 'competitive return') to be made from scheme.
- 5.24. If, after the delivery of the scheme has been paid for and the profit has been made, there is not enough of excess left to provide half of the units as affordable homes, then a developer is able to negotiate with the Council on the level of affordable homes which are viable.

Viability – a trump card

- 5.25. Viability appears to be one of the reasons why the Council is not being able to achieve the 50% affordable housing level from private developments. The Commission heard evidence that, where schemes do not provide 50% affordable housing the reason was usually down to viability⁷.
- 5.26. It also appears to be a factor that overrides local priorities around affordable housing provision as a share of all development. The Commission has been advised that, if a developer is able to clearly demonstrate that it is not viable to provide affordable housing at 50% levels, that the Council is practically not able to reasonably refuse an application for a development on the grounds that not enough affordable housing was being delivered⁸. If it did so and the developer exercised their right to appeal the decision to the Planning Inspectorate, the Council would lose the case, if it was found that the viability appraisal contained within the original planning application made to the Council was valid. The Council would then be liable for its own costs and the appeal costs of the appellant. ⁹
- 5.27. During the review internal services¹⁰ and other boroughs¹¹ referred the Commission to a specific section of the National Planning Policy Framework which places an emphasis on the demands being put on a development (including expectations of affordable housing gain) needing to not threaten the viability of a scheme. This includes allowing for 'competitive returns' for the owner of the land for development and the developer delivering the scheme.

⁷ Oral evidence given to Living in Hackney Scrutiny Commission by the Head of Development Management 9th September 2014 (published minutes - <http://mginternet.hackney.gov.uk/documents/g2941/Printed%20minutes%2009th-Sep-2014%2019.00%20Living%20in%20Hackney%20Scrutiny%20Commission.pdf?T=1>)

⁸ Oral evidence given to Living in Hackney Scrutiny Commission by Planning and Regulatory Services 9th September 2014 (published minutes - <http://mginternet.hackney.gov.uk/documents/g2941/Printed%20minutes%2009th-Sep-2014%2019.00%20Living%20in%20Hackney%20Scrutiny%20Commission.pdf?T=1>)

⁹ Oral evidence given to Living in Hackney Scrutiny Commission by Planning and Regulatory Services 9th September 2014 (published minutes - <http://mginternet.hackney.gov.uk/documents/g2941/Printed%20minutes%2009th-Sep-2014%2019.00%20Living%20in%20Hackney%20Scrutiny%20Commission.pdf?T=1>)

¹⁰ Submission by Strategic Property Services - http://mginternet.hackney.gov.uk/documents/s39534/Approach%20to%20Viability%20Assessments_081014_Scrutiny%20Committee.pdf

¹¹ Submission to the Commission by Lambeth <http://mginternet.hackney.gov.uk/documents/s40478/Pack%20of%20late%20tabled%20papers.pdf>

The Commission during this review has heard how Councils are required to work within nationally set planning laws.

Figure 1: Extracts from the National Planning Policy Framework



National Planning Policy Framework

Ensuring viability and deliverability

173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

- 5.28. The Commission is concerned that the introduction of the National Planning Policy Framework has helped to reach a national planning imperative where, it could be argued, some developers are incentivised to demonstrate that the affordable housing contributions reasonably requested by local authorities would make a scheme unviable, and not allow for the 'competitive returns' which, within national policy, developers can expect.
- 5.29. However, for the purposes of the review and considering the above, the Commission has gained an appreciation that there are restrictions on the Council in terms of its capacity to prevent development where the affordable housing level proposed is under that of its policy aims. Where developers are able to show through a valid viability appraisal that it is unviable to provide 50% affordable housing as part of a new development, then the Council is bound by national policy guidance to accept this.
- 5.30. This said, while the Commission accepts that the arena of viability is one in which the Council is restricted, we also wanted to reach a fuller insight into the processes behind arriving at a viability assessment. We then wanted to explore any improvements that the Council may be able to deliver, with the aim of increasing the level of affordable housing, even within the challenging environment within it is operating.

How viability appraisals are produced, and the considerations on which they are based

- 5.31. A more technical and detailed breakdown of the considerations made within an Economic Viability Appraisal is available in the submission to the Commission by the Strategic Property Services Division of the Council¹². However, the Commission understands the core steps taken in the production of a Viability Appraisal to be those below.

Figure 2: The Economic Viability Appraisal

¹² The Submission is available here.

http://mginternet.hackney.gov.uk/documents/s39534/Approach%20to%20Viability%20Assessments_081014_Scrutiny%20Committee.pdf

1. To calculate what the total value of the proposed scheme would be, after it is completed.

For example, the scheme may involve the construction of 10 new flats.

It might be estimated that this scheme will be worth £1 million, after it has been completed.



2. To calculate the costs of delivering the scheme.

This includes the value of the land the scheme is to be built on, the cost of building the new flats, any other (architects etc) which will be incurred, and planning obligation costs (the costs of delivering any infrastructure required to make a development sustainable – improvements to a road for example, or a contribution to local education services).

Lets say that the costs of delivering the scheme is £600,000



3. To calculate a profit level equating to a 'competitive return'

The Service reported that profit levels are 'typically a minimum of 20% of Gross Development Value' (the value of the scheme after it is completed).

The value of this scheme at completion is estimated to be £1 million. A 20% profit level will be £200,000



4. The costs of delivering the scheme (2) and the profit level (3) are deducted from the total value of the scheme after completion (1).

This is used to show whether the scheme is viable. It is also used to identify whether, after allowing for the costs of delivering the scheme and a minimum 20% profit level, it is also viable to provide affordable housing.

The value of the scheme at completion is £1 million. The cost of delivering it was £600,000. The return (or profit) will be £200,000. Taking the costs of delivery and the return for the developer will leave £200,000 as being available for affordable housing.

- 5.32. We also understand that in order to ensure that the planning appraisals provided by developers are accurate, where the claim is made by a developer that 50% affordable housing is not attainable, checks are made on the calculations which are included within them. These checks and the assessment of the evidence provided are carried out internally by the Council where the developments proposed are for 50 units or less. Checks on the appraisals submitted for proposed developments of more than 50 units are carried out by a range of external companies which are familiar with the market in Hackney, and which the Council has confidence in to be sufficiently robust in their approach in assessing the viability approach, which has been adopted by the developer.
- 5.33. The Commission has been advised that when carrying out these assessments, the Council uses a range of data sets and market advice from external agencies. These include the Land Registry, a data tool giving local market data, and liaison with estate agents operating locally. This is to help ensure that the service can effectively check that the assumptions made within a viability assessment are valid.

Our Findings on Viability

- 5.34. During the review the Commission has identified a number of concerns that it has around the area of viability.
- 5.35. **Estimated value on scheme completion.** The first of these is around the figure used in appraisals for the estimated value of the scheme, after completion. As portrayed in Figure 2, to gauge the viability of a scheme (and in so doing measuring how close to the 50% affordable housing policy target a scheme is able to comply with) the larger the end value compared to the costs incurred in building it, the higher the affordable housing provision seen to be viable may be.
- 5.36. Considering this and the will of Members that as much affordable housing gain is made from development as is truly viable, the Commission was keen to be assured that viability appraisals did not undervalue end value estimations. If they did there could be risk of securing less affordable housing than possible.

- 5.37. Members' interest in this area has been increased further by the evidence gained throughout the review.
- 5.38. Among other concerns around viability appraisals, one Registered Provider said that the Council may be able to help address a decline in the shares of units being provided by development as affordable housing, by asking for viability assessments upon the completion of scheme, when the values of the properties plus the costs expended on them were clearer. This view was supported by the expert academic giving evidence to the Commission.
- 5.39. Another Registered Provider said that Developers were increasingly releasing new developments in phases. They said that this capitalised on the trends of increasing values, post the submission of viability appraisals at Planning Application stage showing that a lower number of affordable units were achievable than actually were the case.
- 5.40. Apparent phasing of developments lends greater weight, the Commission feels, to ensuring that levels of affordable housing are benefited by any acceleration in value, which may have occurred between the Planning Application stage, and the completion point.
- 5.41. In their submission to the Commission Strategic Property Services advised that where developments provided significantly less than policy levels of affordable housing, a mechanism would be put in place within relevant planning documents to allow for a further appraisal to take place. The report intimated that this was usually most appropriate to larger phased developments or developments which had taken more than 18 months to 2 years to be completed.
- 5.42. In response to a question regarding this, the service has confirmed that no re-appraisals have been done following the completion of developments. A handful of schemes have the review mechanism incorporated into the relevant planning documents, but at the point of this review, none of these had been triggered.
- 5.43. The service stated in their response that in general these review mechanisms are only applied to larger schemes, which might be phased. They also said that the majority of applicants resist the incorporation of these mechanisms and that if consent is refused based on the developer not agreeing to the review mechanism, that there is a very real risk that they could successfully appeal the decision.
- 5.44. The Commission does appreciate that the Council is operating in a difficult environment in which to achieve its policy target of obtaining 50% affordable housing from larger developments. An approach which could be interpreted at appeals stage as being over-zealous could result in appeals to the Planning Inspectorate which are successful, bringing financial costs to the Council and therefore residents. It could also conceivably bring a reduced amount of affordable housing gain than may have been achieved through a more collaborative approach.
- 5.45. We also do not question the commitment and motivation of officers in trying to maximise the affordable housing gain from development through checking and scrutinising the appraisals put forward.

- 5.46. However, we do feel that a clearer and more consistent process should be in place around the instances in which the Council will insist on review mechanisms being put in place within planning agreement documents. This could help make the Economic Viability Appraisal process more transparent, and reduce the risk of developers resisting the incorporation of these agreements being less likely to have them imposed than those who are more compliant.
- 5.47. In addition, we would question any view that a revisit at the end of a scheme is only relevant for schemes which start 18 months to 2 years after planning permission is granted. This could risk affordable housing gain not benefiting from the large rises in property prices seen in Hackney over shorter periods than this.
- 5.48. Our conviction on this has been enhanced further by a Planning Consultant experienced in working on behalf of Private Developers (and others) advising the Commission that the “Council should always ensure that review mechanisms were built into planning consent documents. In the current market, this could ensure that the local authority captured the benefits of rising land values¹³”.

Recommendation 1: A clearer position on when a review will be required as part of a planning consent for a development.

The Commission recommends that the Council produces a clear policy stating the circumstances and criteria where conditionality should be added to a planning application to allow for a planning re-appraisal, should a development not be implemented (started) or completed within a defined period.

We would suggest that this defined period should be less than the 18-month – 2-year period, which the service reported as being an appropriate time period for a re-appraisal should the scheme not have been implemented.

We note the difference between the implementation of a scheme (the start of it being built) and completion (the finished article).

As a preference, the Commission would suggest that re-appraisals are done at the point of completion, rather than initiation. In the current climate of rising prices, this could help better ensure that all acceleration in property values are translated into affordable housing gain.

We ask that a progress update on this work is given to the Commission in January 2016.

We ask that the work is complete by June 2016.

- 5.49. **Profit levels.** Another concern of Members was around the advice it received that competitive returns (profit levels) from schemes are typically a minimum of 20% of the final value of the scheme, after completion.
- 5.50. As portrayed in Figure 2, the ‘competitive return’ or profit, is set aside from the net income that development achieves, before a position is reached on the amount of affordable housing

¹³ Minutes of Living in Hackney Scrutiny Commission meeting 11th November 2014 - <http://mginternet.hackney.gov.uk/documents/s40441/Draft%20Minutes%20of%20Living%20in%20Hackney%20Scrutiny%20Commission%20Meeting%2011th%20November.pdf>

contribution which might be possible to deliver as part of a scheme. This means that the likelihood of gaining affordable housing at policy target levels recedes as the level of competitive return expected from a scheme is increased.

- 5.51. The Commission was keen to explore the basis on which this assumption was made, and whether or not the Council may be able to set an expectation to developers that a lower competitive return should be incorporated into Economic Viability Appraisal calculations. Certainly as a Commission we would generally feel that an expectation of a minimum 20% return from a development appears excessive.
- 5.52. In response to questions asked, the Council service responsible to assessing viability appraisals confirmed that, in their view, the Council needed to accept a 20% profit level within the appraisals which it assessed. They reported that an approach of accepting a profit level of 20% had been incorporated into a wide range of external documentation, including the recognised toolkits which had been produced for producing appraisals.
- 5.53. They reported that if a planning application was refused on the grounds of a developer setting an expectation for a 20% profit level, then the Council's assessment would be found to be unsound in the event of a developer appealing to the Planning Inspectorate against the Council's decision.
- 5.54. This was not to say that thorough checks were not carried out around the assumptions put forward by a developer. The service assured the Commission that almost all appraisals proposing less than 50% affordable housing were challenged. This could be along the lines of challenging the existing value of the site which was given, the estimated end value of the scheme and or the reported costs of building the development. The service advised that their role was to seek as much affordable housing contribution as was possible and viable without being seen to have prevented development.
- 5.55. The view that a minimum 20% return is a widely accepted assumption within viability appraisals, has been given further credibility by external contributors to the review.
- 5.56. In their written submission, the London Borough of Lambeth said that developers are legally able to negotiate affordable housing contributions where providing levels at policy target level for the borough would see them generate insufficient financial return. They stated that the 'accepted minimum return is 20%.
- 5.57. The External Planning Consultant giving evidence to the review advised the Commission that a 20% profit level from developments was a generally accepted expectation. Indeed, he advised the Commission that in some cases the returns incorporated into plans could be up to 30%.
- 5.58. In addition, the Commission has been advised that a recognised tool-kit developed for the GLA and used by a wide range of local authorities to measure viability, was revised in 2014 to give a guide of a 20% profit level rather than the 17% guidance previously given¹⁴.
- 5.59. The Commission has found the 20% return expectation a difficult issue to grapple with. The National Planning Policy Framework (which the Government states 'acts as guidance for local

¹⁴ Details of the GLA's Affordable Housing Development Control Toolkit are given here - <https://www.london.gov.uk/priorities/planning/publications/affordable-housing-development-control-toolkit>

planning authorities...making decisions about planning applications') states that the requirements applied to a development should make it deliverable by still allowing for 'competitive returns'. It does not give any benchmark as to what a competitive return might constitute.

- 5.60. However, seemingly separately of this, a common approach has been established (outside of nationally-set policy) where a profit level of 20% has been rendered a figure to provide this 'competitive return', and a level of income generation which makes financial institutions willing to lend¹⁵.
- 5.61. We are therefore unclear as to whether the 20% profit level assumption is one that could be challenged at a national level. We are not aware of any tests of this that have been made by ourselves or any other London borough, through a planning application being refused on the basis of a 20% (or higher) return expectation, and being put to appeal to the Planning Inspectorate. We are aware of a scheme in Reading where on appeal, the Planning Inspectorate found that a 20% margin provided a competitive return and the developer was able to provide 2 affordable units instead of the 40 targeted by the local authority¹⁶.
- 5.62. We are also aware that on a London level, the Mayor of London has the power to assume decision making rights over applications where they are of 'strategic importance' to London.¹⁷ This would usually be in relation to larger schemes. Perhaps the most pertinent of any recent examples is the Mount Pleasant development on Royal Mail land. In this case we understand that Royal Mail made a request to the Mayor of London that he act as the planning authority, to which he agreed. The conditions which were applied to the planning consent given by the Mayor were, we understand, a subject of contention of the boroughs where the development would be, specifically around the numbers of affordable homes delivered, and the extent to which those which would be delivered would be genuinely affordable to local people.
- 5.63. However, we would welcome more investigation into whether the Council could apply a lower than 20% profit level to new development.
- 5.64. The Commission noted with great interest the renewed focus on viability by the London Borough of Islington. Islington advised the Commission that they were soon to consult on a dedicated Supplementary Planning Document on Viability¹⁸.
- 5.65. If implemented, the policy would set out how viability matters would be dealt with, and the expectations that the Council would have around the levels of disclosure of the developer. Among other positions, the document accepts the need for developer return to be at a level to enable schemes to proceed and for finance to be secured. However, the policy also gives the view that the buoyancy of the market in Islington and the greater availability of finance post the financial crisis of 2008/09, has now created an environment where 'the profit required for the market component of a residential development to proceed is likely to be significantly less than 20%'.

¹⁵ On this point, a Member raised a view that the review's finding that there is a general consensus among various authorities that developments should provide a particular level of return, could be interpreted as there having been a level of market intervention by these authorities.

¹⁶ <http://blog.shelter.org.uk/2014/08/looking-to-avoid-providing-affordable-housing/>

¹⁷ <http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=8&cad=rja&uact=8&ved=0CEAQFjAH&url=http%3A%2F%2Fwww.parliament.uk%2Fbriefing-papers%2Fsn01416.pdf&ei=nBWQVLyHONHlapi1glgH&usg=AFQjCNEjCp5prQM4MFRxDMVWfAy4dvlq2w&bvm=bv.81828268,d.d2s>

¹⁸ http://www.islington.gov.uk/services/planning/planningpol/pol_supplement/Pages/Development-Viability-Discussion-Paper-and-Questionnaire.aspx

- 5.66. The Commission welcomes this move by Islington to challenge a seemingly widely held approach that a 20% profit margin from new development is an established benchmark. Members are keen that progress in this is monitored and that if successfully implemented, that the Executive in Hackney explore the possibility of implementation here.

Recommendation 2 – Keeping under review Islington’s and acceptable expectations of profit from new developments

A view widely expressed during the review has been that a 20% return from new developments is a generally accepted expectation. This is to allow for developer profit and to satisfy the criteria of financial institutions lending money to enable development. Council services said that rejecting a viability appraisal based on there being a profit level of 20% would not be seen as a sound approach if the case went to appeal. Another borough specifically mentioned a 20% profit as an accepted minimum return from developments, and said that developers could negotiate where they were able to show that providing affordable homes at policy target levels would impact on their ability to generate sufficient returns. A Planning Consultant advised the Commission that a 20% profit level was the norm but that this could be higher in some cases.

In addition, during this short review we have heard of one example of the Planning Inspectorate deciding in a developer’s favor when the developer claimed a 20% profit level to constitute a fair return. We are also aware of a high profile case highlighting the ability of the Mayor of London to take over planning jurisdiction on applications of ‘strategic importance’ to London, including in cases where a developer makes a request for him to do so. This could conceivably include in cases where the Council rejects applications due to a view that the profit levels expected from them are excessive.

This said, the Commission welcomes Islington’s approach of challenging the assumption that a 20% profit level is an accepted benchmark. Members share a view that in areas where there is a buoyant land and housing market, and in an environment where the financial environment has improved, that a 20% level of return could conceivably be established as constituting an excessive demand.

As Commission Members we certainly feel that it is excessive.

We fall short of asking that the Council moves to immediately adopt a similar stance. We appreciate that there is a balance to play in terms of seeking as much affordable housing as possible while not opening the way for losses at appeal nor preventing development (it remains the case that the private sector remains the largest deliverer of affordable homes in Hackney).

However, the Commission does recommend that the Islington approach on profit levels is kept under review. If Islington’s Development Viability Supplementary Planning Document is implemented we ask that after a 6 month the Council works with Islington to ascertain its effectiveness, and to feedback to the Commission on whether we can or should take a similar approach on the profit levels which we deem to be appropriate.

- 5.67. The Commission was concerned to hear from a Private Planning Consultant giving evidence to the review that although 20% was generally accepted as a standard return from a development, that in some cases developers in their viability appraisals could state return expectations of up to 30%.

- 5.68. Members are keen that a ceiling be established in Hackney, which would set acceptable returns from a development at a maximum of 20%.

Recommendation 3 – A ceiling level of profit at 20%

The Commission notes national planning policy guidance that demands should not be put upon developments which prevent them from being viable, including allowing for a competitive return. In general, the Commission has heard that a 20% developer return is widely regarded as a level equal to a competitive return. As per recommendation 2, we do maintain a keen interest on any ability to challenge this level downwards.

However the Commission also asks that the Council consider the impact on housing development in the Borough of the Council introducing an absolute cap on levels of developer returns on schemes. This would be with the objective of introducing a cap of 20% (subject to considering national policy constraints).

We ask that a progress update on this work is given to the Commission in January 2016.

We ask that the work is complete by June 2016.

- 5.69. **Small and Medium Sized Businesses excluded from the market.** We have heard during this review that the housing development market is dominated by a few large firms. We have heard that smaller enterprises would find it difficult to enter this market.
- 5.70. Members have been advised that one substantive barrier for small and medium sized businesses would be difficulties in raising finance; developing land into housing has become more risky, and finance is often only practically available to larger companies.
- 5.71. Another barrier would be procurement and tendering rules that are prohibitively costly for smaller firms. On this barrier, Officers felt if restrictions were less onerous, that more firms would enter the market.
- 5.72. It has not been in the scope of this review to investigate any changes to procurement and tendering rules which could better enable market entry by smaller business. However, the Commission would welcome any wider policy changes which might allow for a more accessible market in which a greater range of providers could compete. We would hope that this, in addition to giving commercial opportunity to a more diverse group, could possibly secure the involvement of businesses less insistent upon returns of 20% or more.
- 5.73. **Transparency of viability.** At the start of the review Members reported broad concerns in the community around viability assessments. This in some cases included a perception that the Council was not being as transparent as it could in its work with developers. This impression may have been caused by the details of Economic Viability Appraisals going unpublished in some cases. As part of the review Members wanted to explore any options for getting further detail around viability appraisals into the public domain.
- 5.74. This could help the process become a more transparent one, where the Developers can be better held to account over the appraisals and cost assumptions they have made as part of an application for development.

- 5.75. Members were very assured to hear senior officers feeding into the review saying that they would welcome being able to release more viability details into the public domain. The Commission however was advised that the Council was bound by laws around commercial confidentiality relating to what information it disclosed into the public domain.
- 5.76. At present and from a very short trawl of public planning documents, it appears that the Council does share some headline information around the impact that reviews of viability appraisals have had. An example is given in Figure 3, which gives both the breakdown of housing types to be delivered within a new scheme, along with (and not captured below) an explanation around the various tests that were carried out and the outcome of these. We welcome that the Council is already releasing some information, and the work that it can be seen to be doing around effectively challenging proposals to ensure greater amounts of affordable homes for residents.

Figure 3: Case example of viability information given in public planning document

This is a section of a paper going to Planning Sub Committee, outlining the details of a proposed scheme for Members of the Committee to consider, before a decision is made on whether planning consent should be given.

This table shows that the development would deliver 4 affordable housing units (two for social rent and two for intermediate rent). The total number of units delivered would be 24, giving a proposed affordable housing level of 17%.

This will be mixed use development, with both business space and residential units.

RESIDENTIAL USE DETAILS: Type	Residential Type	No. of Bedrooms per Unit				Totals
		Studio	1	2	3	
Private	Flats		5	8	7	20
Affordable Rent	Flats		1	1		2
Intermediate	Flats		1	1		2
Totals			7	10	7	24

At later stage, the report explains that an Economic Viability Appraisal submitted as part of the application was assessed by the Council. This included checks around the assumed income generation in rent from the office element of the scheme, the predicated sales revenues from the residential units, and the costs to be expended on the scheme in terms of construction costs, planning obligations, developer profit, and others. The report explains that reviews by the Council of the construction costs given in the developer's Economic Viability Appraisal led to these being reduced. Other costs were considered to be reasonable.

The outcome of the viability review and the challenge to the estimates of the construction costs was to increase the number of affordable units from 3 to 4.

- 5.77. The Commission also accepts that there is a challenge around the amount of information which it is able to release within legislation although we cannot nor do not seek to reach a full view on the extent to which this can be tested (we do note drives by local campaign groups to allow for full release of viability information which we are broadly supportive of).
- 5.78. However, the Review has perhaps thrown a light on the extent to which the Council may be able to go further in terms of the information that it currently shares in the public domain around viability appraisals and assessments.
- 5.79. The Private Planning Consultant (working in a number of different boroughs) said that while all Councils were bound by commercial confidentiality issues, others released more information in public documents than Hackney. As examples, Islington enclosed full viability appraisals and assessments within public planning documentation, with sections that they were not able to publish redacted (hidden). Camden gave a summary position of the viability appraisal in public documents.

5.80. The examples here give the Commission hope that a new approach could be developed in Hackney, to share more information around viability than is the case currently.

Recommendation 4 – More substantial sharing of Economic Viability Appraisals and the review of them by the Council within public planning documentation.

Planning applications for developments of 10 units or more units which do not meet a Hackney borough wide requirement of 50% affordable housing, are subject to a Financial Viability Appraisal submission to the Council. This appraisal needs to lay out the evidence to show why 50% is not viable, and give a position on the level of affordable housing which is deliverable as part of a scheme.

The Council carries out checks of the assumptions and data within these assessments to gauge whether any additional affordable housing could be gained from a development while not undermining the deliverability of the scheme.

The Commission has been advised during the review that in almost all cases, Appraisals proposing less than 50% affordable housing are challenged and that negotiation then follows on a true level of affordable housing that is possible. We have been persuaded during the last few months that the service area of the Council responsible for carrying out these reviews or procuring a review to be made by an external provider, are thorough and committed to gaining levels of affordable housing as close to policy targets as is viable.

However, we appreciate and share the concerns of some residents around the transparency of a process which shields from view both the details of Viability Appraisals and, to some extent, the work of the Council in challenging the initial assessments and proposals put forward.

Ideally, the Commission would welcome full transparency; full disclosure of Viability Appraisals and the details of the challenges made. However, we appreciate the view that information within them can be subject to commercial confidentiality. This may limit the extent to which the Council is able to share the information submitted, in cases where the party submitting the assessment states that they are not willing for it to be made public.

4A – Requests for full disclosure

As a first part of this recommendation we ask that as a policy, the Council always seek agreement from parties submitting a viability assessments to make them available within relevant public planning application documents. For assurance and transparency purposes, public planning documents for development applications of 10 units or more but offering less than 50% affordable housing should have two standard sections of wording added to them with room for officers to designate a yes or a no to each.

The first should be named ‘Request made for full viability assessment to be published’. The second should be named ‘Permission granted for release of viability assessment’.

Full viability assessments and appraisals should be enclosed within the public planning documents where the developer has agreed to this request.

We ask that a progress update on this work is given to the Commission in January 2016.

We ask that this policy be in place by June 2016.

The elements of the recommendation below would be effective in cases where the developer has not agreed to the request for disclosure

4B – Identifying an approach to share as much viability assessment detail as is possible

We have been made aware of examples of approaches that other boroughs take towards the sharing of details of viability assessments. These include:

- Enclosing full details within public planning documentation but with details that are not possible to publish without the consent of the developer, redacted.
- Giving as detailed a summary of viability assessment details within the report as possible, which is not deemed to impact on the duty of the Council around commercial confidentiality.

We ask that the Planning Service, (informed by legal guidance) establish the most effective approach to enable further information to be shared than is the case currently where full disclosure is not possible, and that this be added to public planning documentation. This could be through one of the examples mentioned above (the enclosure of a full viability assessment within an application but with confidential information redacted or a summary of the viability assessment and work done in challenge of it).

We ask that by June 2016 the Council has an approach in place around the levels of information from viability appraisals that it will publish in instances where the developer has not agreed to full disclosure.

We ask that a progress update on this work is given to the Commission in January 2016.

- 5.81. As a final note on transparency, the Commission was recently advised by the Cabinet Member for Regeneration that a redesign of the Council's Planning would start in early 2015. The Commission was advised that this would look to enlarge and broaden the Pre Application Advice Service, the element of the Planning Service which offers guidance and advice before the formal planning application starts. We understand that larger developers use this service most heavily.
- 5.82. The Commission sees this as a sound approach; when used in the most effective way the Pre Application Advice service can bring early identification of the issues that developers need to address within their proposed plans in order for them to be more likely to be accepted at Committee stage. For example this could include steps to mitigate the noise generated by the users of a development, or the height of a proposed building. It is positive that developers would get to know these expectations at the start of the process as it would allow for increased certainty, reduce risk and make the later planning processes more straightforward.
- 5.83. There are also efficiencies for the Council in this approach; the Commission understands that the Council is only able to make charges for formal planning services, which recoup around 15% of the money expended on them. However, charges for pre-planning advice are more recoverable. In the current financial climate The Commission sees value in seeking to implement a fee structure for its pre planning services catering for larger developments, which better reflect the costs expended on them by the Council.
- 5.84. However, while generally supportive of a widening of the Pre Application Advice element of the Planning Service we ask that the revised approach give full consideration to how this can be made a fully transparent process. We are aware that at present proposed developments of a

larger nature and which are the recipients of the Pre Planning Advice service are the subject of a Pre Application Advice presentation to Planning Sub Committee. We would welcome feedback on how the new arrangements will continue to offer transparency and accountability.

Recommendation 5 – Considering Member Involvement in any expanded Pre Application Advice Service.

The Commission was recently advised by the Cabinet Member for Regeneration that a redesign of the Council's Planning Service would start in early 2015. The Commission was advised that this would look to enlarge and broaden the Pre Application Advice Service.

While the Commission is generally persuaded of the benefits that this change would offer both Developer and the Council, we would be concerned to ensure that this larger function be fully transparent to residents, through Member Scrutiny and or public meetings.

We are aware of a current approach being piloted, where larger proposed developments receiving the Pre Application Advice Service are subjects of presentations to Planning Sub Committee. This approach appears to be a sound one.

We only ask that the Planning Service gives consideration to how the newly broadened Pre Application Advice function can continue to offer transparency and accountability. Options could include making the current pilot model permanent, or involving relevant Ward Councillors and or the Chair of Planning Sub Committee in one or more Pre Application Meetings. It may be appropriate to apply different processes according to development size.

The Commission asks that a response be available by June 2016.

We ask that a progress update on this work is given to the Commission in January 2016.

- 5.85. **Land value measures used within viability appraisals.** The Commission understands that a measure of the value of the land where a development is proposed forms a key determinant of the amount of affordable housing, which may be seen to be viable. The higher that it is, and the shorter the 'gap' between the value before development and the value of a development on completion, the lower the affordable housing gain is likely to be.
- 5.86. During this review a concern was raised involving planning applications for new housing developments where it was claimed that it was not financially viable to deliver 50% affordable housing as part of them, when the newly units being developed would be sold for substantial amounts of money.
- 5.87. This concern was particularly pertinent in cases where it was known that developers had bought a piece of land a considerable amount of time previously, for an amount far less than its current value. However, within Economic Viability Appraisals the value of the land was considered at today's values, which often put it at a level, deeming 50% affordable housing to be unviable.
- 5.88. In questions asked about this, both internal Council services and external parties giving evidence said that the Council would always need to accept Viability Appraisals which considered land values at today's prices and not those that may have been paid for them sometime previously.

- 5.89. To portray this, a hypothetical example was given to the Commission of a developer having bought a plot of land 20 years ago for £200,000. If the Council insisted that the value that should be applied to the land should be the price that a developer paid for it 20 years ago and not its value today, then a viability appraisal would be far more likely to show that high levels of affordable housing gain were possible. However, we were advised and have been convinced that an assessment along these lines would not stand up to challenge, and even if it did, a developer would sell the land for today's value rather than write off massive amounts of profit and develop on the site themselves. Once sold at market value, a viability appraisal for a redevelopment would be based on the land being of that value.
- 5.90. It was also pointed out to the Commission that the Council was capitalising on rising land values itself, in terms of using this to help fund its own regeneration of estates and other initiatives.
- 5.91. This was not to say that the Council could not challenge land values expressed in Viability Appraisals where its research suggested these to be artificially high. We were advised that the Council does this and an example was given to the Commission where the 'existing use value' (the value of land in its current form) expressed in a Viability Appraisal for a recently proposed development was negotiated down from £4 million to £1.3 million.
- 5.92. However, we do accept that as an authority we cannot ask that developers translate amounts that they have made through the maturity of their investment in land, to be translated into affordable housing gain.
- 5.93. This said, we are keen to try to ensure that the 'starting' values included within Economic Viability Appraisals are as fair as possible. The approach to determining starting values, while fitting within national policy, should also be the most conducive as possible towards the Council's aim of 50% affordable housing gain from development.
- 5.94. We are not experts on viability, but our interpretation is that in terms of calculating the current land value within a viability appraisal, that different measures can be applied. These are Existing Use Value (plus a premium) and Alternative Use Value.
- i. Existing Use Value – the current value of a site plus an incentive
 - ii. Alternative use Value – a valuation being applied to a site informed by it being used for a different purpose than currently.
- 5.95. We heard from Islington that their proposed Supplementary Planning Document on Viability would state that the value of land for the site on which a development was proposed would in general not be based on alternative use values (the value of a site currently used as a church but where a developer bases the value on it being a hotel for example), on the value that was paid for the site, or a particular amount which is sought by the land owner.
- 5.96. Rather, the value would be based on existing use value. This would help ensure that a granting of planning permission did not have a negative impact on the amount of affordable housing which was shown to be viable.
- 5.97. We share Islington's view that uplift in land values due to a local authority giving planning permission for a redevelopment of a site should benefit not only the developer but also residents of the borough in the form of affordable housing. We would like the Council to work

towards establishing an approach or a set of policies, which are most conducive to allowing the borough and local residents to benefit from changes in planning conditions applied to land.

- 5.98. We understand from the submission to the Commission by the Strategic Property Services area of the Council that, the use of Existing Use Values in Viability Appraisals is usually the most appropriate and recommended measure. However, we do suggest that a clearer approach be defined around the Council insisting that Existing Use Values would be expected as the standard measure for current value estimates, in almost all cases.

Recommendation 6 – Present land value measures used within viability assessment and policies to best allow local residents to benefit from changes in planning conditions applied to land.

The Commission understands that a measure of the value of the land where a development is proposed forms a key determinant of the amount of affordable housing, which may be seen to be viable. The higher that it is, and the shorter the ‘gap’ between the value before development and the value of a development on completion, the lower the affordable housing gain is likely to be.

We are keen to try to ensure that the ‘starting’ values included within Economic Viability Appraisals are as fair as possible. The approach to determining starting values, while fitting within national policy, should also be the most conducive as possible towards the Council’s aim of 50% affordable housing gain from development.

We are not experts on viability, but our interpretation is that in terms of calculating the current land value within a viability appraisal, that different measures can be applied. These are Existing Use Value (plus a premium) and Alternative Use Value.

- Existing Use Value – the current value of a site plus an incentive
- Alternative use Value – a valuation being applied to a site informed by it being used for a different purpose than currently.

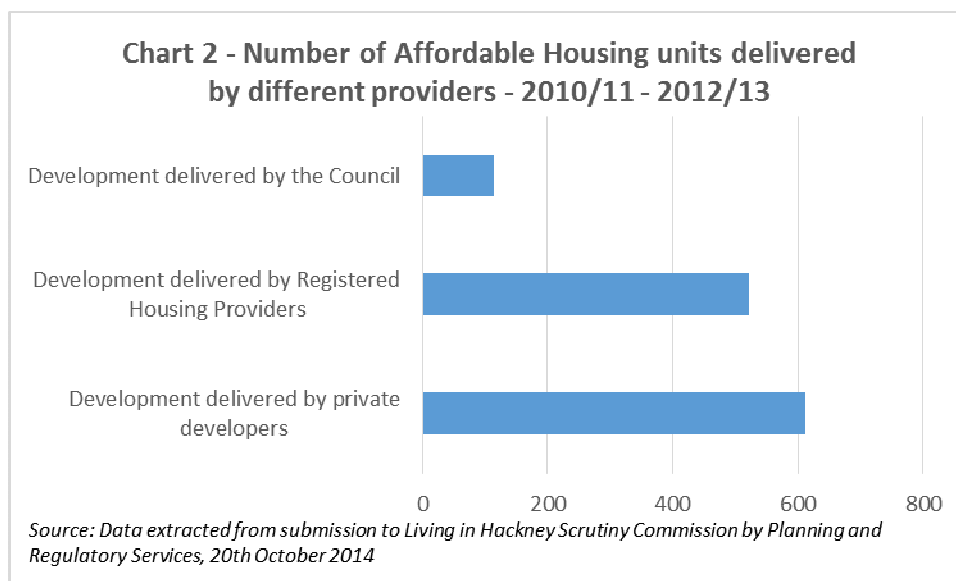
We feel that any uplift in land value due to a local authority giving planning permission for a redevelopment of a site should benefit not only the developer but also residents of the borough in need of affordable housing.

The Commission asks that the Council works towards establishing an approach or a set of policies, which are most conducive to allowing local residents to benefit from changes in planning conditions applied to land. We suggest that the Council asks that Existing Use Value measures form the basis of the benchmark value for Economic Viability Appraisal processes.

We ask that proposed policies are in place by June 2016.

We ask that a progress update on this work is given to the Commission in January 2016.

- 5.99. **Challenges working with developers.** Private developments account for the highest numbers of affordable housing units delivered in the borough. While the Council is not able to obtain the levels of affordable housing from the private sector that we target, the private sector remains a vital one which the Council needs to work with if it is to continue providing high numbers of affordable homes relative to those delivered in most other areas of the country.



- 5.100. However, this review has demonstrated to the Commission that there are challenges to working with the private sector around affordable housing gain.
- 5.101. It has been pointed out to us that level of provision of affordable housing relies on subsidy. When Housing Associations build and deliver new 'affordable' housing units they usually rely at least in part on subsidy by way of 'Affordable Housing' grant from Government (distributed in London by the GLA). When the Council delivers its own new homes for social rent and Shared Ownership it relies partly on generating income from the open market sale of other homes (and other income streams), which subsidises the 'discount' applied to the affordable homes.
- 5.102. The affordable housing contributed by private developments is subsidised by money, which would otherwise be received by developers as profit. We have been advised and are persuaded that the core aim of developers in general is to maximise profit, which the provision of affordable housing has a negative impact upon. It is reasonable therefore to reach the view that the Council needs to work to ensure that the affordable housing levels and type and size of housing units claimed to be viable as part of new developments, are as significant as they can be and as relevant to housing need as possible.
- 5.103. We have been assured during the review that the Council is committed to doing this and is successful in doing so. We were advised that the relevant service area of the Council challenges nearly every one of the Economic Viability Appraisals proposing less than 50% affordable housing, and have been given specific examples where greater affordable housing gain has been achieved as a result.
- 5.104. However, the review has raised a concern amongst Members around the reliance by the Council on external input into the assessment of Economic Viability Appraisals, and the extent to which this input can always be guaranteed to be impartial.
- 5.105. We have been advised that in cases where Economic Viability Appraisals have been submitted as part of planning applications for developments of 50 units or more, assessments are made on the Council's behalf by a range of external companies.

- 5.106. For developments of a lower size, the Council carries out checks itself. However, it relies on a range of external guidance in this, including from private business such as estate agents.
- 5.107. The Commission was advised that in both these cases, that the Council relies on the expertise of Officers to ensure that developers were not able to use their relationships within the sector to provide lower than otherwise levels of affordable housing. When referring work externally they did so appropriately and not to a company who had a close relationship with the developer. When the Council sought advice on the values of units on a development or other factors, they used their knowledge of the industry to avoid seeking this from a supplier who worked with the developer in question.
- 5.108. The Commission does not doubt the commitment of Officers to ensure that the advice that it receives when assessing Economic Viability Appraisals for accuracy is impartial. In addition, there is nothing that we have seen to suggest that the Council is not successful in doing this. The Council is one of the best performers in the shares of development that it gains as affordable housing.
- 5.109. However, we are not entirely comfortable with elements of Viability Appraisal checks being apparently quite strongly informed by the informal knowledge of Officers around the workings of the private market and the relationships within it.
- 5.110. We have a further concern that the resources of the Council to test and scrutinise Economic Viability Appraisals which are submitted, might not be a match for those of private developers who in some cases may use the process to try to actively avoid providing the levels of affordable housing which are possible.
- 5.111. In response to these concerns, the Commission sees value in a process, which disallows those providing the Council with services and advice from also providing services to private developers operating in the borough, in more formal terms.
- 5.112. In addition, the Commission feels that a joined up, more consistent and potentially more cost effective approach to the assessment of Economic Viability Appraisals involving other boroughs with similar aims as this one on affordable housing gain from private developments, could be beneficial to the boroughs concerned. We wonder if pooling resources and mutually agreeing on the external agencies used for advice and procured services, could give boroughs a greater and more influential voice in the market, and through an approved Viability provider scheme, reduce the risk of conflicts of interests arising. Based on the evidence heard during the Commission meeting where other boroughs attended, we would suggest that Islington and Lambeth might be supportive of this proposal.
- 5.113. As a final observation on ways to mitigate the risks of working with private agencies, the Commission noted with interest that the London Borough of Southwark procure the Government's District Valuer Services (part of the Valuation Agency Office) to carry out assessments of the Economic Viability Appraisals submitted for larger schemes. This Government body provides property advice and valuations across the public sector and services.
- 5.114. The Commission would welcome an exploration whether any cross borough approach could benefit from the use of this service. However, irrespective of whether a cross borough

approach proves to be viable, we ask that the Council investigate the benefits or otherwise that our use of District Valuer Services could offer.

Recommendation 7 – Exploring a joint viability appraisal model with other boroughs.

The Commission feels that a joined up approach to the assessment of Economic Viability Appraisals with boroughs with similar aims as this one on affordable housing, could be beneficial. We wonder if pooling resources and mutually agreeing on the external agencies used for advice and procured services, could give boroughs a greater voice in the market, and through an approved provider scheme, reduce the risk of conflicts of interests arising. Based on the evidence heard during the Commission meeting where other boroughs attended, we would suggest that Islington and Lambeth might be supportive of this proposal.

The Commission has also reached a view that the Council faces challenges in ensuring that the external input which feeds into the checking of Viability Appraisals, is impartial. We have been advised by officers working in the field that there is a reliance on the knowledge base in the service to ensure that work is not procured from, and advice not received from, private agencies who have a relationship with the developer in question.

We have also heard of another borough's (Southwark) experience in procuring the Government's District Valuer Services (part of the Valuation Agency Office) to carry out assessments of the Economic Viability Appraisals submitted for larger schemes. This Government body provides property advice and valuations across the public sector and services.

Considering all the above we ask that the Council:

- **Considers the merits or otherwise of establishing a joined up approach to Viability with other boroughs with similar aims.**
- **Considers whether the suggestions above around using a set of approved providers, or District Valuer Services, could benefit a joined up scheme.**
- **Feeds back to the Commission on the above, and, if applicable, a plan to engage other boroughs in this approach.**

If a joined up approach is not deemed to be appropriate, we ask that the Council still investigate and feedback to the Commission, the benefits or otherwise that our use of District Valuer Services could offer. This should include a discussion with Simon Bevan, the Director of Planning, London Borough of Southwark who championed the service.

We ask that a response to the above be available by June 2016.

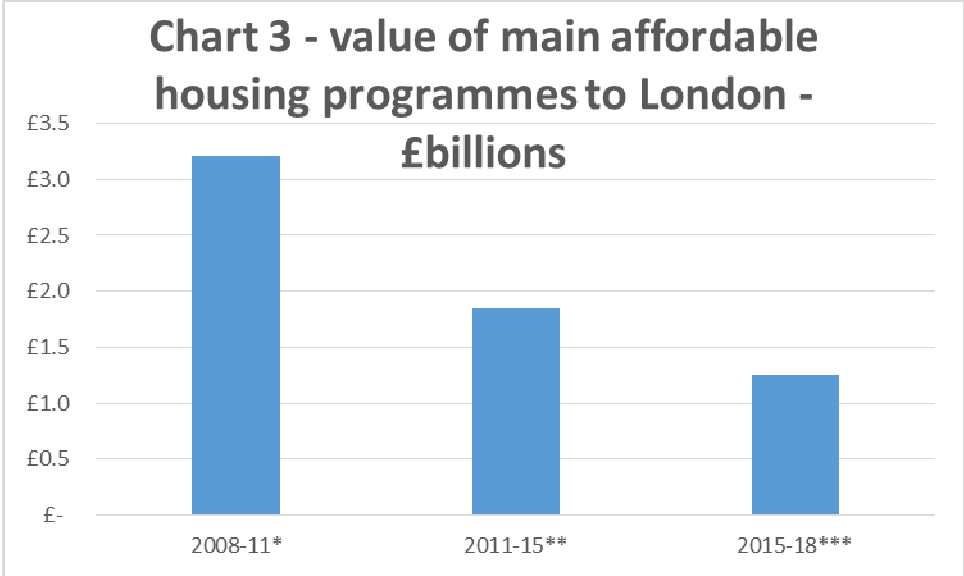
We ask that a progress update on this work is given to the Commission in January 2016.

Core Question B - What challenges do Registered Housing Providers face around the delivery of affordable housing developments in Hackney?

- 5.115. The Commission has been shown that, while the Council has continued to perform very well on the delivery of affordable housing units, and has a very full pipeline of planned future housing completions, that the number of units delivered by Registered Housing Providers is expected to fall from 2015 onwards.
- 5.116. The figures provided to the Commission were quite stark. A programme of funding for the period 2011-15 (the Affordable Homes and the National Affordable Housing grant programmes) both helped to fund the completion of, on average, 714 new affordable homes per year for this period. This is compared with an expected total of 158 affordable units planned so far as part of the 2015-18 Affordable Housing Programme.
- 5.117. This section explores the challenges that have contributed to this reduction in activity, and the Commission’s assessment of the policy and funding solution put forward to us around how the Council may be able to better support Registered Housing Providers build more homes in Hackney.

Challenge 1 – Reduction in subsidy in an increasingly expensive market.

5.118. The projected reductions in the levels of affordable home completions by Registered Housing Providers has coincided with a 60% reduction in the level of grant funding available for the development of new homes. Government funding for new affordable homes has and will be delivered across three funding rounds for the period 2008 – 2018. Chart 3 compares the level of funding received by London for the three periods¹⁹.



* Through National Affordable Housing Programme

¹⁹ Sourced from:
www.londoncouncils.gov.uk/London%2520Councils/Networks/Item7RegionalHousingPo.doc&rct=j&frm=1&q=&esrc=s&sa=U&ei=_oi2U__gMrLe7Aaz6IDIDw&ved=0CBQQFjAA&usg=AFQjCNGa4b6ECjniQzfUqd1LpIFR4y9IMw
www.london.gov.uk/sites/default/files/London%20Housing%20Strategy%20Dec11_0.pdf
www.london.gov.uk/priorities/housing-land/increasing-housing-supply/mayor-housing-covenant-2015-2018

*** Through National Affordable Homes Programme*

**** Through Affordable Homes Programme*

- 5.119. Unsurprisingly, the vast reduction in subsidy from 2011 and again from 2015 was mentioned by most Registered Housing Providers feeding into the review, as the most significant challenge to them delivering affordable housing in Hackney and elsewhere.
- 5.120. **A greater challenge for those rejecting the 'affordable rent' model.** The reduction in government grant was part of a new funding model for the delivery of affordable housing where a new Affordable Rent product would make up the main type of new housing supply²⁰. Affordable rents could be charged at up to a maximum of 80% of market rent (rather than at the lower levels of rent charged previously). The creation of the Affordable Rent model was intended to help fill the funding gap in the fall in the subsidy received by Registered Providers, with a switch from a capital subsidy (housing grant) to a predominately revenue model (a greater reliance on rent).
- 5.121. We are aware, and are supportive of, the Council working with Registered Housing Providers and with the GLA to try to ensure that, despite national policy changes, new units delivered in Hackney do not charge 80% market level rents. Rents charged at these levels do not offer genuinely affordable housing to swathes of residents in housing need in the borough.
- 5.122. The Council was one of the first boroughs in London to negotiate with the GLA and discuss with Registered Housing Providers an affordable rent framework for the 2015 – 18 programme which had the objective of making homes developed by Registered Housing Providers through the affordable housing programme more affordable for low income Hackney residents. This sets out that the rent level for capped rent homes should be no more than 50% of market rent (inclusive of service charge), where market rent levels are to be calculated on the basis of lower quartile rents. In instances where this is below the target rent level (exclusive of service charge) for a given property the target rent level, plus service charge, shall apply. The rent level for discounted rent homes is agreed to be no more than 80% of market rent for that property (inclusive of service charge), noting that where this is above the applicable Local Housing Allowance for a given property, the Local Housing Allowance level (inclusive of service charge), shall apply.
- 5.123. We also welcomed the finding that some of the Registered Housing Providers that we heard from, were also uneasy with the real affordability of homes funded using grant from the Affordable Housing Programme and aimed to continue delivering housing which was genuinely affordable to residents.
- 5.124. However, we also heard that charging rents at truly affordable levels while at the same time no longer receiving the level of grant which was previously used to fund this approach, causes financial challenge and increase financial risk for Registered Housing Providers. In the past a developing Registered Provider could receive a maximum of £115,000 in grant per housing unit delivered in London. This subsidy now stands at a maximum £20,000. If this shortfall is not made up by higher rents then other avenues would need to be explored.
- 5.125. The reduction in grant and the impact this has on increasing Registered Housing Provider rent levels, is exacerbated by the vastly increased cost of land in the borough. More than one

²⁰ <http://www.homesandcommunities.co.uk/ourwork/affordable-rent>

Registered Housing Provider said that Hackney used to be a cost effective inner London borough in which to develop affordable housing; land was available, and for sale at lower prices than in West London and in neighboring boroughs. However, Hackney was now a prime location for development, reflected in high land values and intense competition for the fewer available sites with private developers. All mentioned the cost of land as very often prohibitory to greater delivery of grant funded affordable housing.

Reduction in subsidy in an increasingly expensive market – grounds for Council support.

- 5.126. More than one Registered Housing Provider expressed a view that the Council should consider the offer of a financial subsidy in order to allow them to continue to develop genuinely affordable housing. Using the money received by the Council from sales of Council homes under the Right to Buy Scheme, and or from the funding received by the borough in the event of new housing being built here (New Homes Bonus), were the funding streams most usually suggested.
- 5.127. The Commission was sympathetic to this view. We were really pleased to hear of the clear commitment that particular housing providers had towards owning and managing stock in Hackney and of continuing to deliver genuinely affordable housing here. We appreciate that this is set within an environment of increasing costs, financial risk, lower subsidy and housing benefit uncertainty.
- 5.128. In addition, we were given as an example the approach of Islington, who provide grants to Registered Housing Providers to enable them to deliver genuinely affordable housing in the borough, rather than units at 'affordable rent' levels.
- 5.129. Commission Members have been keen to explore whether Hackney could follow a similar approach.
- 5.130. However, despite our wish to support agencies committed to providing genuinely affordable housing to our residents, we have reached a judgment that using Council financial resources to subsidise the work of Independent Registered Providers, is not an approach that we are able to endorse.
- 5.131. We have been advised that the Council takes an approach of reinvesting its Right to Buy Receipts to help fund its estate regeneration programme. This programme is part of a long term Council commitment to addressing housing supply and improving estates and housing affordability issues in Hackney, and involves the direct delivery of new homes for Social Rent and Shared Ownership, partly subsidized by the sale of other units on the open market. This approach results in developing Council owned long term assets which can be used to house Hackney residents.
- 5.132. We have been persuaded of the strength of the management and record of delivery of this programme. We therefore feel unable to make recommendations which could redirect some of the finding which has made these achievements possible.

Estates Regeneration Programme

The Council's borough-wide estate regeneration programme is one of the country's largest and established schemes for building homes for social renting, Shared Ownership, and private sale. It aims to build 2,492 homes by 2020. 48 per cent of these homes will be for sale on the open market.

The proceeds from the market sale of 48% of these homes, the intelligent use of land already owned by the Council, and the reinvestment of monies received via Right to Buy Sales, will allow the Council to deliver 900 units for Social Rent. The remainder of affordable units will be available for Shared Ownership. No units delivered by the Council will be for 'affordable rent' (up to 80% of market rent).

The Council has won external praise for its approach to its own house building²¹. Principle among these have been the fact that the Council's programme is already well in-train with an experienced team in place and new units already delivered. This table provided to the Commission shows that by the end of 2013/14, that over 1000 affordable homes had been delivered by Council schemes.

Table 5: Hackney Affordable housing delivery Council schemes 2010/11-2013/14:

New Affordable Homes on Council Regeneration Projects	2010/11	2011/12	2012/13	2013/14	Total
Haggerston - Social rent	0	0	0	185	185
Haggerston - LCHO	0	0	48	0	48
Woodberry Down - SR	33	111	277	0	421
Woodberry Down - LCHO	0	135	0	0	135
Council ERP - SR	43	127	31	0	201
Council ERP - LCHO	0	0	0	20	20
Total	76	373	356	205	1,010

ERP = Estate Regeneration Programme, LCHO = Low Cost Home Ownership, SR = Social Rent

Site visit to an estate regeneration site.

To help give further insight into the work of the Council in the direct delivery of new and improved affordable housing provision, the Commission carried out a visit to a site which encompasses part of the Council's Six Estates regeneration programme. This site previously contained one housing block, Bridge House, and a set of garages.

At the point of the Commission's visit, the garages had been demolished, and replaced with 40 new homes (Brooklime House and Chervil House), half of which were for Social Rent and the other half for Shared Ownership. Bridge House still stood, but would be demolished and replaced by a new housing block, comprising quality housing units.

This site visit enabled the Commission to witness how this programme offers an opportunity to replace poor quality, expensive-to-maintain housing estates with new, high quality, mixed tenure developments, which meet the current and future expectations of tenants and others. We play tribute to this work.



Claydon McKenzie, Chair of Living in Hackney, on a site visit to a regenerated estate.

²¹ An example is this Inside Housing article www.insidehousing.co.uk/building-hackneys-empire/7004514.article

If not through Council subsidy, how can Registered Providers be supported to continue delivering in Hackney

- 5.133. We have reached a view that we cannot recommend a move to locally financially subsidise Registered Providers to support their delivery of affordable housing.
- 5.134. However, we fully appreciate the difficult market in which Registered Housing Providers are operating within. Principal issues appear to be a large reduction in subsidy from central government and the GLA in tandem with land costs and competition for available sites in Hackney rising sharply.
- 5.135. In this regard, Hackney is to some extent a victim of its own success; as one provider advised the Commission, the vast improvements to the transport and other infrastructure had helped push values to a level which made affordable housing development increasingly difficult to achieve.
- 5.136. This said, while we understand that land prices in Hackney have increased at a higher rate than in many other areas of London, we have also heard that the issue of prohibitively high development costs are applicable to other inner London boroughs also.
- 5.137. Our own officers have advised that the reduction in delivery of affordable housing by Registered Providers in Hackney in forthcoming years would be replicated in other high cost inner city areas as Registered Providers find it increasingly difficult to deliver within these areas under the new funding model. One Registered Provider said that their focus had needed to move away from development in inner London, to development in outer London areas.
- 5.138. This is a key concern for the Commission. Housing that is genuinely affordable is crucial in all areas of London, including the high cost areas of Hackney and other inner city boroughs.
- 5.139. The cost of land on the open market falls outside the Council's control, as does the level of subsidy from central and regional government that is available to Registered Housing Providers trying to deliver truly affordable housing in the borough. What we hope might be possible is for the Council to play a lobbying role on the shape of subsidy that Registered Housing Providers receive for new affordable homes delivered. We feel that the higher costs for delivering in inner London should be reflected within the subsidy that is received for development here.

Recommendation 8 – Lobbying for a fairer subsidy for inner London affordable housing units.

Registered Housing Providers looking to develop here are operating within a difficult environment. Principal issues appear to be a large reduction in subsidy from government in tandem with land costs and competition for available sites in Hackney rising sharply.

However, the prohibitively high cost of development is not restricted to Hackney alone. We have heard during this review that the reduction in delivery of affordable housing by Registered Providers in Hackney in forthcoming years would be replicated in other inner city areas as providers found it increasingly difficult to deliver within these areas under the new affordable housing funding model.

One Registered Provider said that their focus had needed to move away from development in inner London, to development in outer London areas.

We understand that, at present, the amount of subsidy received by Registered Housing Providers to

enable them to develop affordable housing units in London, does not differ according to cost of land in the location that the unit is being delivered within.

We are concerned that at present the Mayor of London's affordable housing regime does not take into account the higher costs of delivering within inner London, and will lead to a more uneven spread of affordable housing in the capital.

The Commission asks that the Council considers a piece of work which highlights to the Mayor of London the impact that the current funding arrangements have, and makes suggestions as to how it should be improved.

We consider that taking into account the varying land costs in inner and outer London within funding allocations, would be a fairer approach, and one which would be more likely to help secure a better spread of affordable housing across all the areas of London in need of it.

We ask that this work be in place by June 2016.

We ask that a progress update on this work is given to the Commission in January 2016.

Other challenges faced by Registered Housing Providers

Viability

- 5.140. Another key concern raised by Registered Housing Providers attending the Commission was around the Economic Viability Appraisal process.
- 5.141. The area of viability, in addition to impacting on the levels of affordable housing from new private development, also appears to be a key issue affecting the ability of Registered Providers to compete for land with private developers.
- 5.142. In an environment where developers are able to provide affordable housing at levels lower than 50% where they are able to show that it is not financially viable to provide more, there was a concern that some developers would outbid Registered Providers for land, before negotiating down the level of affordable homes required.
- 5.143. There was skepticism around the effectiveness of the Three Dragons model used by many Councils, and endorsed by the GLA, to assess the levels of affordable housing gain from new developments which were viable.
- 5.144. We share the concerns above. They have again highlighted how the area of Economic Viability Appraisals is a central influence on the delivery of affordable housing. It reinforces the need for appraisals put forward by private developers to be strongly and robustly scrutinised to ensure that the levels of affordable housing gain said to be possible from them are accurate.
- 5.145. We would add that there also appeared to be a concern around the capacity of the Council to scrutinise in enough depth the Economic Viability Appraisals put forward by private developers. As covered in the earlier section, we have not found evidence of this (although we do feel that implementing the recommendations made earlier in this report could bring improvements to some processes and to levels of transparency).
- 5.146. However, besides making a reference to viability within this section, we would direct the reader to the earlier section and recommendations covering this topic in more detail.

Section 106 Mortgagee Agreements Clause

- 5.147. Section 106 Agreements, also known as planning obligations, are agreements between developers and local planning authorities that are negotiated as part of a condition of planning consent. All parties (including Registered Housing Providers) developing on a large scale in Hackney would need to agree and sign to the conditions contained within an agreement.
- 5.148. More than one Registered Housing Provider mentioned a standard section – the mortgagee exclusion clause - contained within Section 106 Agreements written by the Council, as being a hindrance to their ability to access loans with which to develop affordable housing. Our understanding is that this clause is included to protect the Council from financial loss in the event of a Registered Provider entering receivership.
- 5.149. The concern that Registered Providers had was around the clause giving a period of six months for the Council to seek another provider in the case of a developing Registered Provider entering receivership.
- 5.150. The providers advised the Commission that, in their view, setting a period of 28 days to do this would not bring any additional risk to the Council; it was very unlikely that any Registered Provider would enter receivership, and if this did happen, it would be very possible to find an alternative provider within the 28 day period.
- 5.151. It was estimated by one Registered Provider that setting a 6 month period in the clause had the effect of preventing Registered Providers from borrowing around two thirds of what would be possible if the clause gave a period of 28 days. This made the existing challenge of competing with private developers for land, a greater one.
- 5.152. As a Commission we do not have the knowledge to make an assessment of any detrimental effect that a review of the Section 106 mortgagee exclusion clause could have. However, we would ask that the Council gives consideration to the views expressed, and makes an assessment of whether it can amend the wording to make it more conducive to the borrowing capabilities of Registered Housing Providers.

Recommendation 9 – Review of the Section 106 mortgagee exclusion clause

More than one Registered Housing Provider mentioned a standard section – the mortgagee exclusion clause - contained within Section 106 Agreements written by the Council, as being a hindrance to their being able to access loans with which to develop affordable housing. Our understanding is that this clause is included to protect the council from financial loss in the event of a Registered Provider entering receivership.

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clause gave a period of 28 days. This made the existing challenge of competing with private developers for land, a greater one.

As a Commission we do not have the knowledge to make an assessment of any detrimental effect that a review of the Section 106 mortgagee exclusion clause could have. We would not recommend any action which would risk the sound financial practice which the Council has achieved.

However, we would ask that by June 2016 the Council gives consideration to the views expressed, and makes an assessment of whether it can amend the wording to make it more conducive to the borrowing capabilities of Registered Housing Providers.

We ask that a progress update on this work is given to the Commission in January 2016.

Core Question C - What views and concerns do residents have towards new housing developments, housing opportunity in general, and what do they feel the Council should be doing?

- 5.153. The findings of this section are informed by the results drawn from a survey designed and delivered by the Commission, with the support of officers across the Council.
- 5.154. The survey sought to collect views towards the housing market in Hackney, the role and the approach that the Council should take towards new housing developments, and levels of support for actions which the Council may feasibly be able to take to increase the number of new homes which are genuinely affordable to residents on lower incomes.

5.155. The survey was advertised on the Council website and within the Council newspaper. The Communications Team of the Council worked to get details of the survey in the local press. Members of the Commission visited three separate sites of the borough to seek responses in person.



Cllr Sophie Cameron collecting responses in Stoke Newington

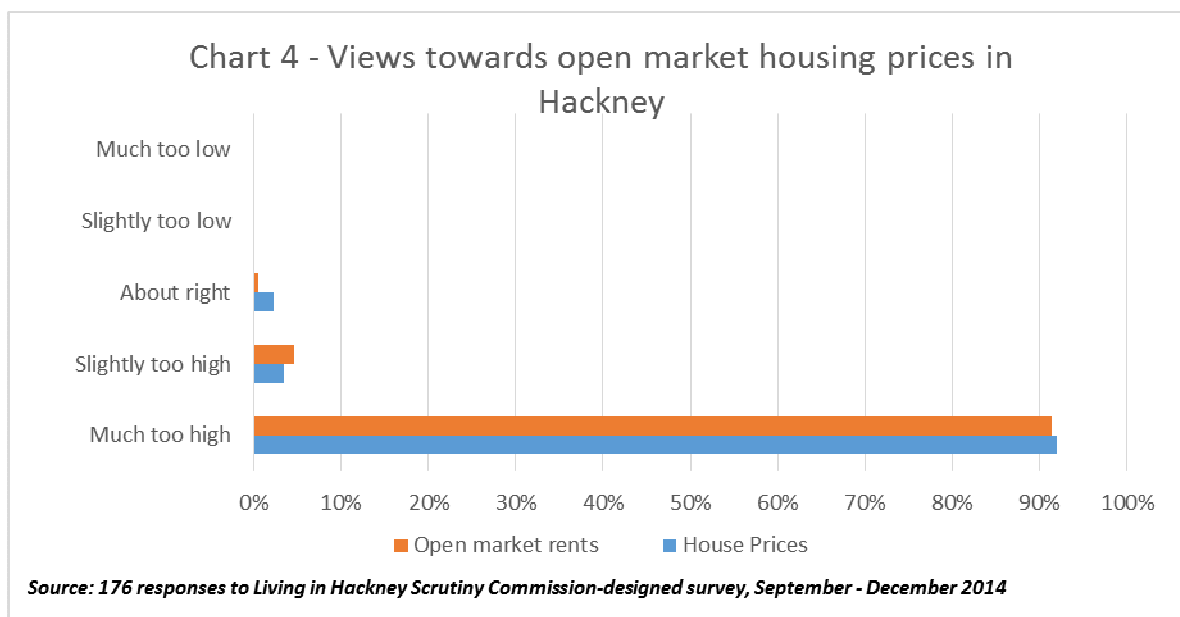
5.156. We are hugely thankful to the 176 Hackney residents completing the survey. We are also very appreciative of Officers within the Housing Regeneration and Policy and Partnerships areas of the Council who were a valuable source of advice on this product.

5.157. At this point we should acknowledge that the survey cannot be treated as fully representative and valid, due to both the relatively low numbers of responses and the likely unrepresentativeness of the sample. However, we still feel that the findings offer a valuable indication of views towards the housing market in Hackney and the role that the Council should be taking towards it.

5.158. **Concern around the price of housing.** The first substantive finding is that there is a high degree of concern with the level of house prices and private rents in the borough. Respondents were asked the two questions below:

- *Do you think house prices in Hackney are too high, too low or about right?*
- *And do you think the prices charged to rent homes on the open market in Hackney are too high, too low or about right?*

5.159. In response to both of these questions, over 90% of respondents said the prices were much too high. When considering those selecting the slightly too high option, those saying that prices were too high stood at 95% or more on each measure. No respondents said that either house prices or the prices of private rents were too low.



- 5.160. **Need for more housing.** The Commission wished to seek resident views around the types of housing, if any, that they feel are needed in Hackney. This could help Members gain an understanding of the priorities that the Council and partners should have around the future delivery of housing in Hackney.
- 5.161. The survey listed a number of housing types, and asked residents if they felt more or less of these were needed in Hackney. Residents could say more or a lot more were needed, less or a lot less were needed, or that the current numbers were about right.
- 5.162. The table below shows the question wording, the way that the categories of housing types were named in the survey, and the wording that will be ascribed to them during this analysis.

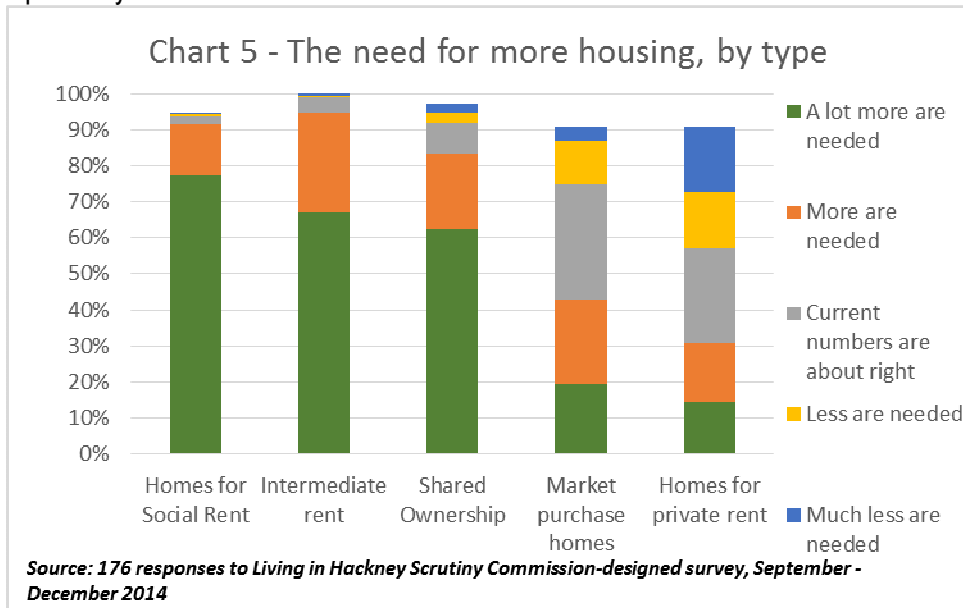
Table 3 – categories of housing types within survey, and terms used for them in analysis.

Question 7 – For each of the following housing types, please indicate whether more or less are needed in Hackney	
Categories in survey	Name given to categories within this analysis
Homes for households currently waiting for housing by the Council, at rent levels which they can afford	Homes for Social Rent
Homes to buy on the open market	Market purchase homes
Homes for rent for households who can afford more than Social Rent but who struggle to pay market rents	Intermediate rent
Low cost home ownership properties (mainly Shared Ownership) for households who want to buy a property but are priced out of mainstream owner-occupation	Shared Ownership
Homes to rent from private landlords	Homes for private rent

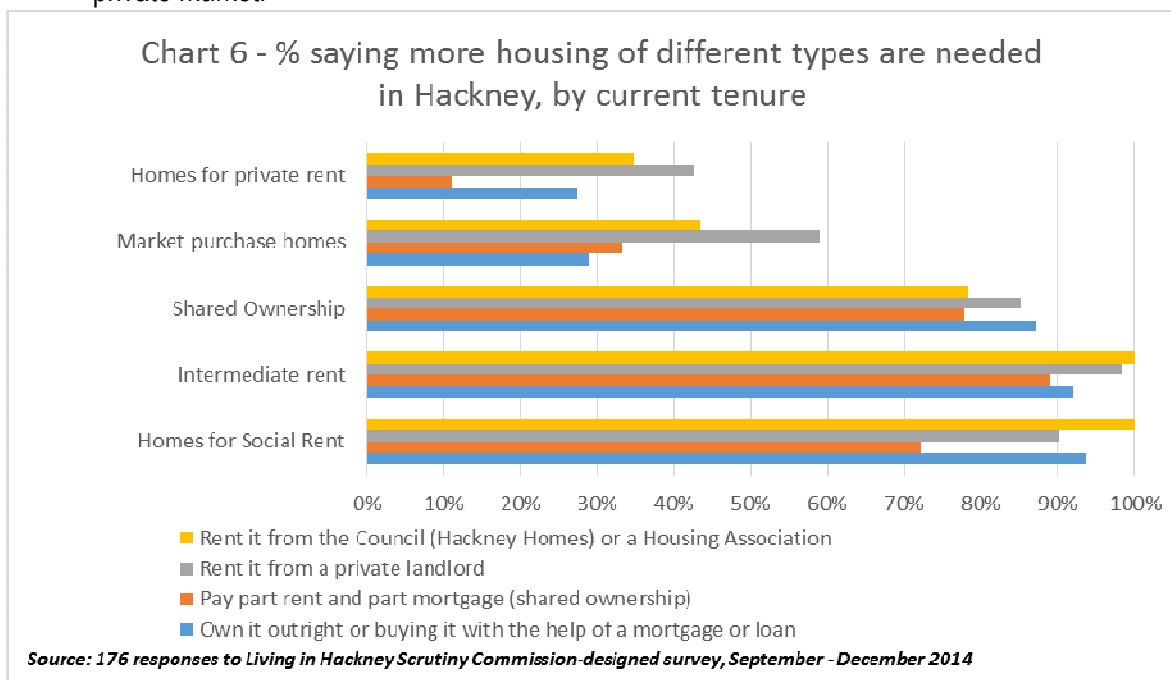
- 5.163. The majority of residents answering the survey said that more homes for social rent, for intermediate rent, and for Shared Ownership, were needed. The call for more social rented

units is particularly stark; 77% of respondents said that a lot more were needed, with a further 14% saying more were needed.

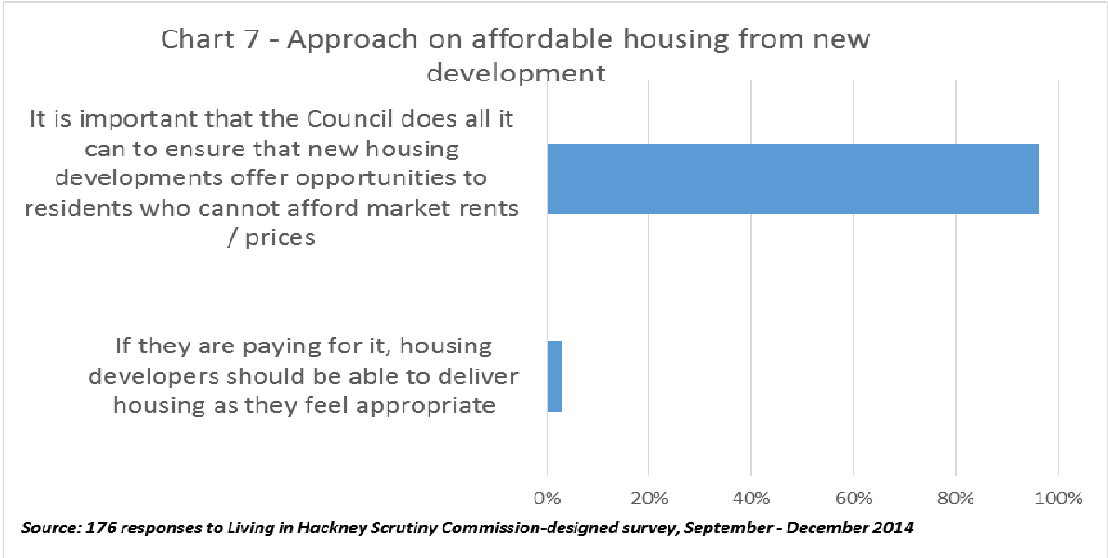
- 5.164. There was also a wide ranging view that other types of subsidised housing were needed; a total of 95% said more or a lot more intermediate rented homes were needed, and 84% said the same for Shared Ownership properties.
- 5.165. Less respondents felt that more open market housing was needed; with 43% and 31% saying that more or a lot more market purchase homes and homes for private rent were needed respectively.



- 5.166. Chart 5 shows the percentages saying that more housing of various types were needed, by their current tenure. It shows that residents in all types of accommodation are most likely to feel that subsidised forms of housing are more in need of increase than provision on the private market.



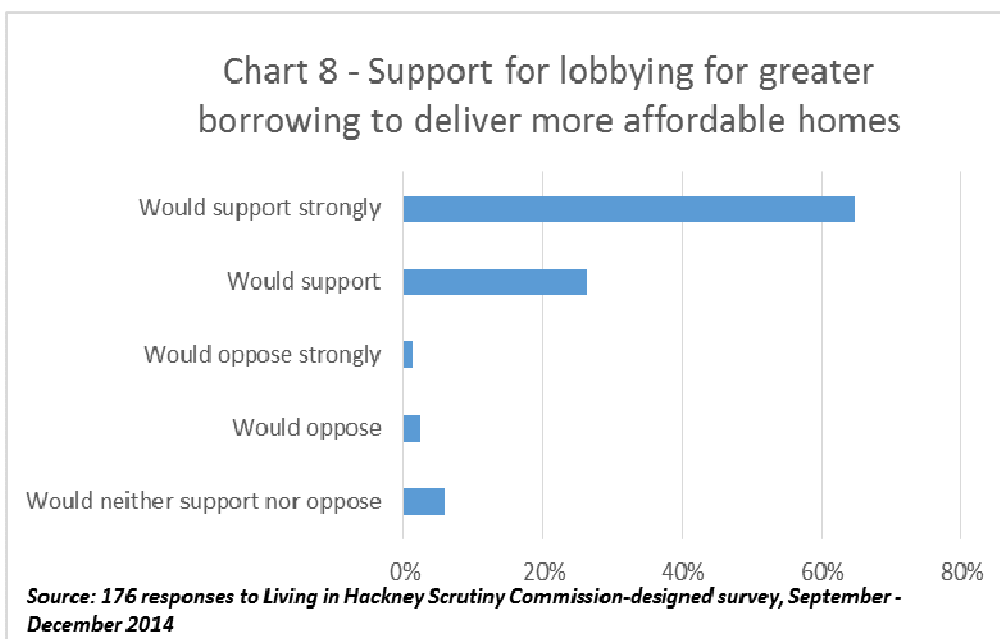
- 5.167. **Council role in affordable housing gain from private development.** The first part of the findings section measured the performance of the Council in the levels of housing that it gains from private developments. It also makes recommendations about possible ways that, through the Viability Appraisal Process, the Council may be able to better challenge cases where developers propose affordable housing levels that are lower than policy targets.
- 5.168. As part of the Review the Commission also wanted to gauge whether the views in the community around the Council doing it all it can on gaining affordable housing from development matches our and also, we believe, the Council's view.
- 5.169. The chart below shows a response to a question as to whether the Council should do all it can to ensure affordable housing gain from new developments or if developers should be able to deliver the housing units they feel to be appropriate.



- 5.170. There appears to be broad consensus on the view that the Council has a large role to play in working with developers to ensure that new developments offer units that are accessible to those who cannot afford open market prices. 96% of respondents said that it was important that the Council did all it could to achieve this.
- 5.171. We do not see it as a surprising that the will of residents appears to be for the Council to pursue the gain of affordable housing from new developments. However, we do feel that the survey demonstrates that on this issue, the Council and residents are united, and that the mandate is there for the Council to continue to hold developers to account around obligations on affordable housing.
- 5.172. **The Council being able to do more itself.** The Commission was keen that the survey explored levels of support for various achievable actions which the Council could take which could help lead to the delivery of more genuinely affordable homes.
- 5.173. We are aware that the Council has one of the most ambitious and successful direct housing delivery programmes in the country. This programme rejects the model of 'affordable rent' (up to 80% of market rent), and follows a plan of delivering half of all new homes for Social Rent

and Shared Ownership subsidised by (among other sources) the sale of the remainder on the open market.

- 5.174. We have also heard before and during the review that delivering these schemes relies on the ability to borrow money. The Council does this through making use of the borrowing allowed within the Housing Revenue Account (HRA) system.
- 5.175. At present there is a cap on the levels of borrowing allowed. This is irrespective of the ability of a Council to demonstrate a sound and externally validated business plan outlining how the money spent on delivering more affordable housing units would be repaid.
- 5.176. We are aware that the Council would welcome greater borrowing capacity; which would allow it do more affordable house building, more quickly. There was also a widespread view from the boroughs attending the Commission meeting in December that Councils could be more effective in their delivery of affordable housing if the HRA borrowing cap was raised or removed.
- 5.177. Respondents to the survey were asked the question 'would you support the Council lobbying the government to lift certain restrictions on borrowing limits and, if successful, using this added freedom to build more council homes for social rent and Shared Ownership/equity housing.'
- 5.178. Support for this was high; 91% of respondents said that they would strongly support or support this action. Only 3% said that they would be opposed.



- 5.179. This finding indicates that there is a united view, within the Council, other similar Councils, and amongst our residents, that local authorities should be given greater freedoms around borrowing limits, if this freedom enabled greater delivery of affordable housing.

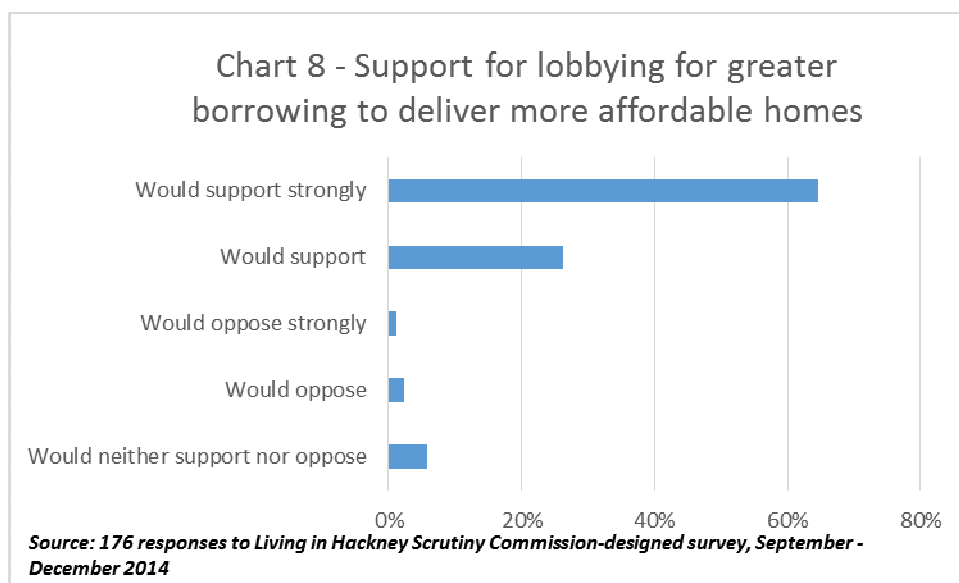
Recommendation 10 – That the Council continues to make a case for greater borrowing with which to deliver its own new affordable housing

There appears to be a united view amongst residents that more affordable housing is needed in Hackney.

We are also aware that the Council would welcome greater borrowing capacity; which would allow it do more affordable house building, more quickly. There was also a widespread view from the boroughs attending the Commission meeting in December that Councils could be more effective in their delivery of affordable housing if the HRA borrowing cap was raised or removed.

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Support for this was high; 91% of respondents said that they would strongly support or support this action. Only 3% said that they would be opposed.



The survey evidence combined with other data collected during this review indicates that there is a united view - within the Council, other similar Councils, and amongst our residents - that local authorities should be given greater freedom around borrowing limits, if this freedom enabled greater delivery of affordable housing.

We appreciate that any additional borrowing should be supported by valid and sound business plans. The sound financial management practices of the Council and its current record of delivery on direct affordable house building gives us strong confidence that greater borrowing would not bring an intolerable level of risk.

Using the evidence gained from this review, and from any other relevant sources, the Commission asks that the Council develops a lobbying campaign, drawing on the support of other boroughs, to raise or remove the Housing Revenue Account borrowing cap.

This campaign should be in place by June 2016.

We ask that a progress update on this work is given to the Commission in January 2016.

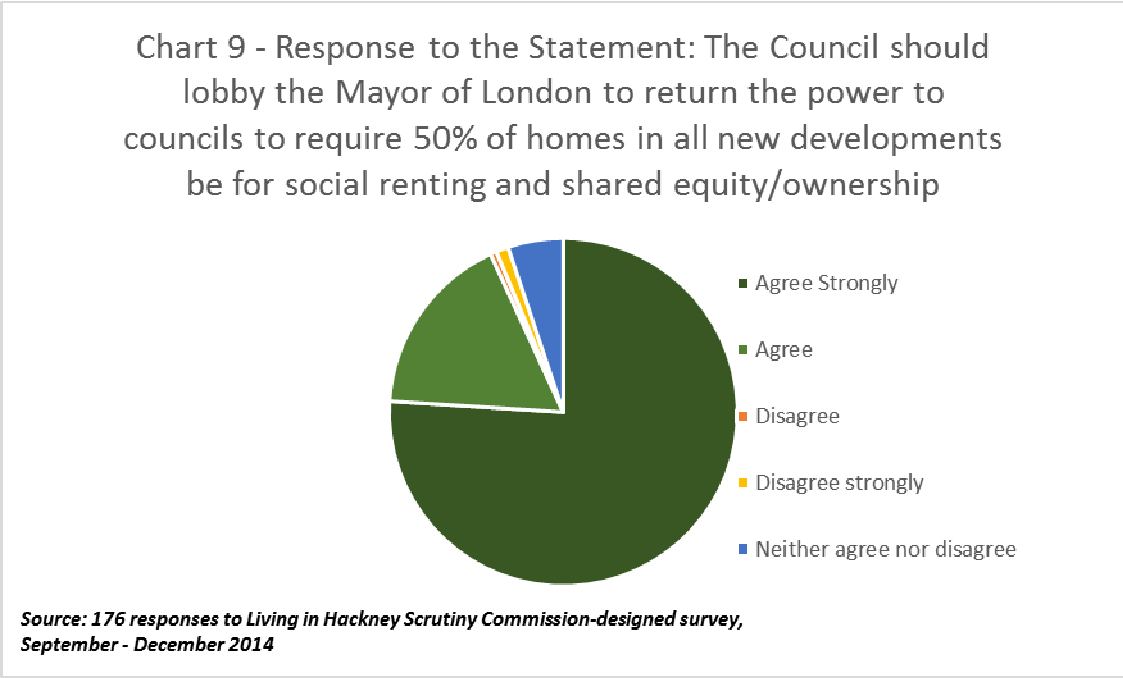
- 5.180. **The Council having more powers to insist that the affordable housing delivered in Hackney is genuinely affordable to residents.** The Commission is aware and supportive of the steps that the Council has taken aiming to prevent the delivery of housing units in the borough which, while labelled under national policy as affordable housing, can charge rent levels of up to 80% of market rent. We also commend the work of Registered Housing Providers operating here rejecting the affordable rent model. The Council does not see housing of this type as genuinely affordable to many residents, and the Commission is in agreement with this.

- 5.181. However, despite the efforts of the Council and a number of Registered Housing Providers, we feel that on a wider level, the Council should be given powers to better insist that the housing delivered in Hackney under the affordable housing category should be of a type that is genuinely affordable to more of our residents.

- 5.182. As with the lifting of the borrowing cap, this would also require legislative changes which better allowed Councils to set requirements around the types of units which should be delivered as part of the 50% affordable housing target for the borough.

- 5.183. This appears to be supported by the residents. Respondents to the survey were asked how strongly they agreed or disagreed with the statement ‘the Council should lobby the Mayor of London to return the power to councils to require 50% of homes in all new developments be for social renting and shared equity/ownership’.

- 5.184. 93% of respondents agreed strongly or agreed. Only 2% disagreed with this course of action.



Recommendation 11 – That the Council continues to make a case for being able to better protect residents from the affordable rent (up to 80% of market rent) model from accounting for shares of overall affordable housing provision in Hackney.

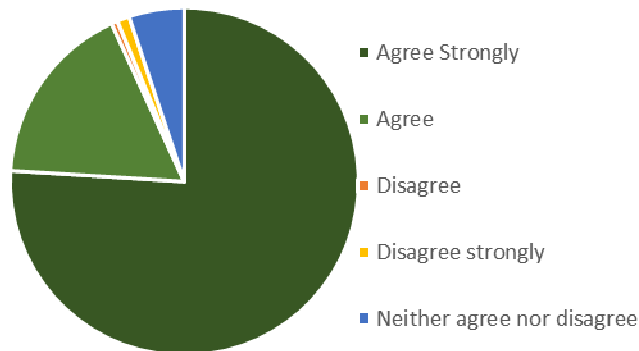
The Commission is aware and supportive of the steps that the Council has taken aiming to prevent the delivery of housing units in the borough which, while labelled under national policy as affordable

housing, can charge rent levels of up to 80% of market rent. The Council does not see housing of this type as genuinely affordable to many residents, and the Commission is in agreement with this.

We feel that on a wider level more formal powers should be available to the Council to better insist that the housing delivered in Hackney under the affordable housing category should be of a type that is genuinely affordable to more of our residents. This would require legislative changes.

This view appears to be one shared by our residents, with 93% of respondents agreeing that the Council should lobby the Mayor of London to return the power to councils to require 50% of homes in all new developments be for social renting and shared equity/ownership.

Chart 9 - Response to the Statement: The Council should lobby the Mayor of London to return the power to councils to require 50% of homes in all new developments be for social renting and shared equity/ownership



Source: 176 responses to Living in Hackney Scrutiny Commission-designed survey, September - December 2014

Using the evidence gained from this review and elsewhere, the Commission asks that the Council develops a lobbying campaign to allow Councils to insist that the affordable housing delivered as part of new development encompasses units for Social Rent and Shared Equity housing, and not units for rent at up to 80% of market rents.

Other boroughs should be involved with this campaign, which should be in place by June 2016

We ask that a progress update on this work is given to the Commission in January 2016.

Housing Aspiration

5.185. The Commission was keen that the survey gave residents the opportunity to give their views towards their current housing situation and any aspiration for change.

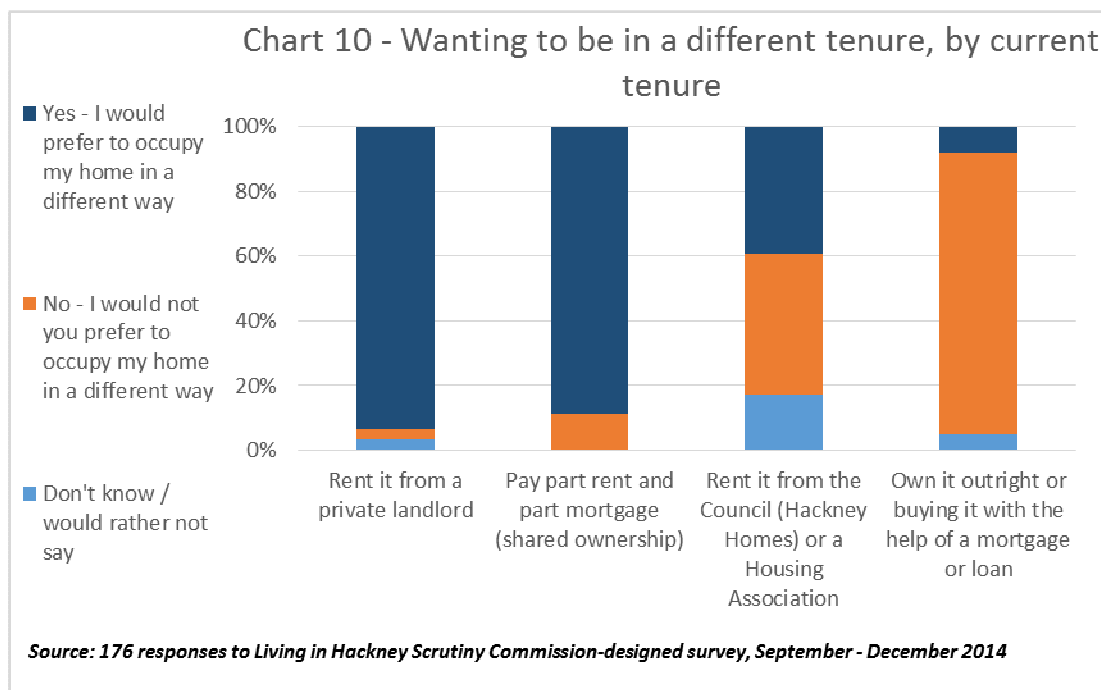
5.186. **Current tenure.** Excluding the 7 answering 'Other / don't know / would rather not say' to the relevant question, 168 respondents to the survey provided information on their current tenure.

Table 4 – Current tenure

Responses to the survey question 'In which of these ways do you occupy your accommodation?'	
Own it outright or buying it with the help of a mortgage or loan	62

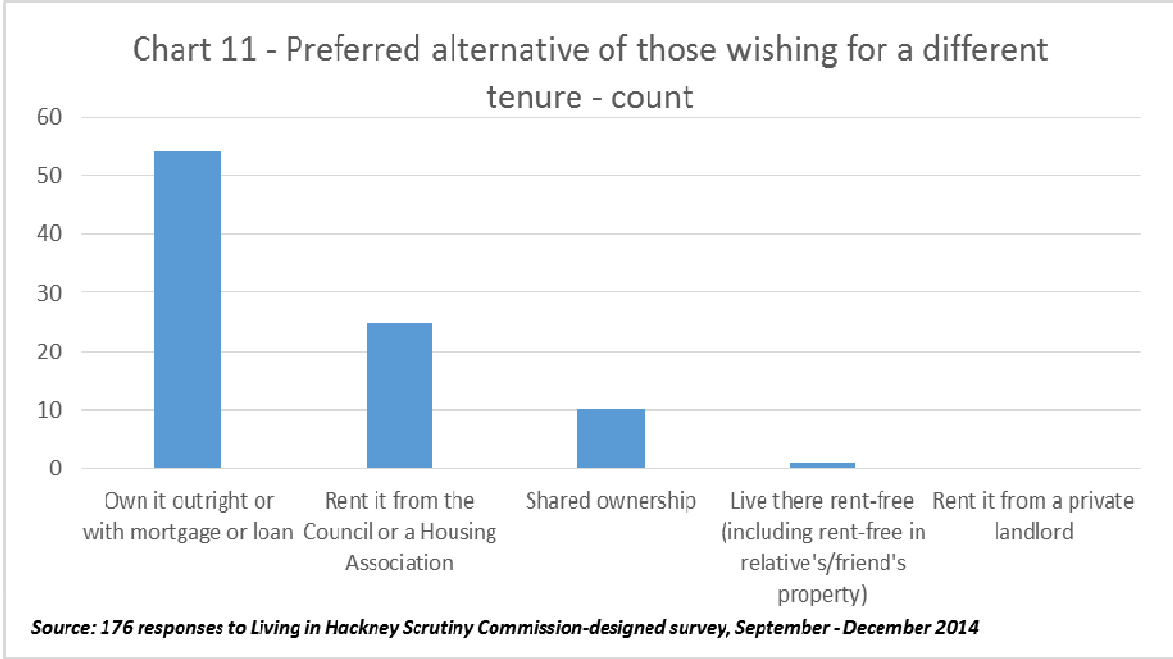
Rent it from a private landlord	61
Rent it from the Council (Hackney Homes) or a Housing Association	23
Pay part rent and part mortgage (Shared Ownership)	18
Live there rent-free (including rent-free in relative's/friend's property; excluding squatting)	4
Total	168

- 5.187. **Aspiration for change.** Following the question above, residents were asked whether they would like to occupy their home in a different way.
- 5.188. It is perhaps most relevant that data on aspiration for tenure change is presented in a way which groups the responses given by the current tenure of the respondent. This will help indicate which tenure types residents are most and least positive about remaining within.
- 5.189. However, in doing this there is a challenge around the survey sample size. As laid out in table 4, while a reasonable number of respondents were owner occupiers (62) and private renters (61), the numbers completing the survey who rented from the Council or a Housing Association (23), or who lived in Shared Ownership accommodation (18) were smaller. The responses from all of these groups can only offer a very indicative insight, particularly for those in Shared Ownership and in Council or Housing Association rented accommodation
- 5.190. Those living rent free (4) were such a small number that we feel unable to use this data to produce even an indicative insight into tenure satisfaction for this group. This group is not considered within the chart below.



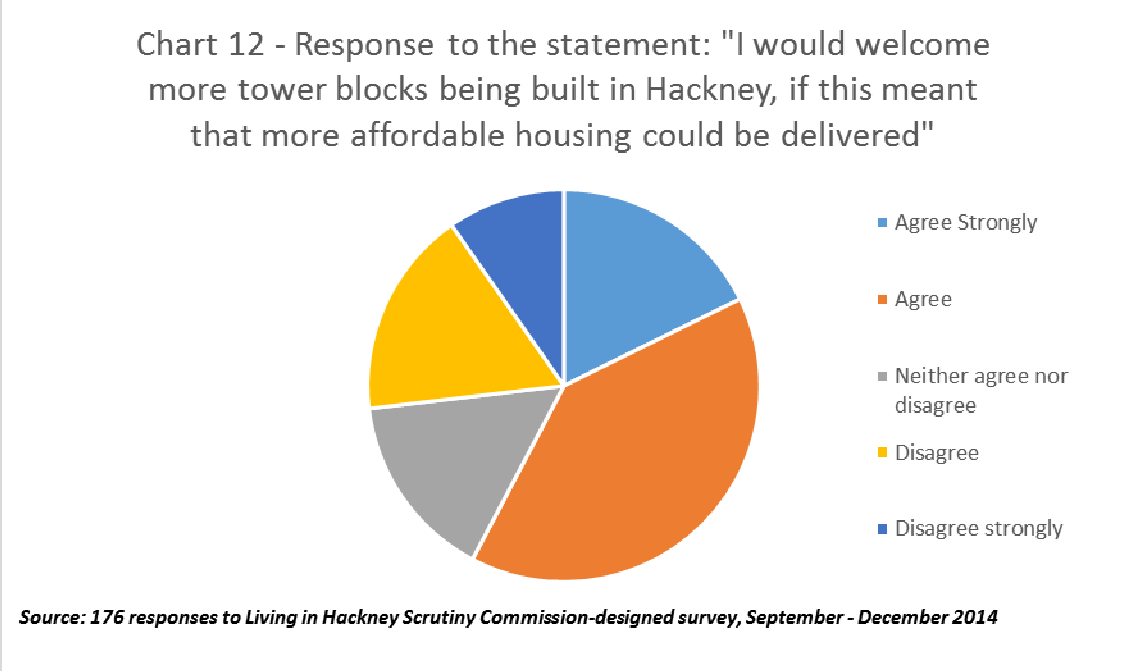
- 5.191. The chart shows that 93% (57 out of 61) respondents currently living in private rented accommodation, would like to occupy their home in a different way.

- 5.192. Owner occupation appears to be, perhaps unsurprisingly, the tenure that residents are most happy about remaining in; only 8% of respondents living in this tenure said that they would like to change their occupation status.
- 5.193. As mentioned earlier; the numbers of respondents to the survey living in Shared Ownership, or in Council or Housing Association rented accommodation were small. However, of those responding, a majority of Shared Ownership residents (16 out of 18, or 89%) said that they would prefer to occupy their home in a different way.
- 5.194. Of those living in the other subsidised housing category – renting from the Council or a Housing Association – there appears to be greater satisfaction; a lower 39% (9 out of 23) said that they would prefer to live in a different tenure.
- 5.195. **Alternative tenure preference.** In total, 90 residents surveyed said that they would like to occupy their home in a different way. The chart below shows the breakdown of answers when these 90 respondents were asked the way that they would most prefer to occupy their accommodation.



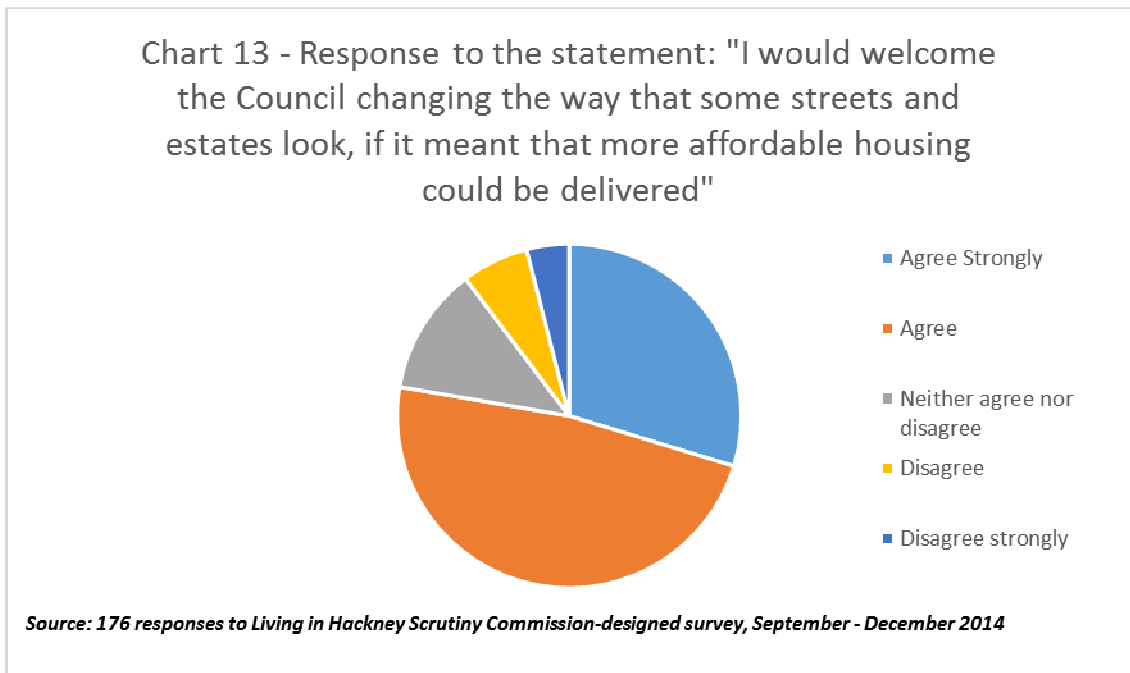
- 5.196. The analysis shows a clear aspiration for home ownership in the borough.
- 5.197. Subsidised types of housing also fare well as preferred options. 25 of the 90 wanting a change said that their preference would be to rent from the Council or a Housing Association. A further 10 said they would like a change to a Shared Ownership unit.
- 5.198. No single respondent would choose living in the private rented sector as an alternative to their current housing situation.
- 5.199. The findings that we have collected on tenure satisfaction and the wish for tenure change are perhaps unsurprising. However, they still, we feel confirm the importance of the Council continue its work on the provision of genuinely affordable housing.

- 5.200. In addition, while in the current climate we may need to accept the private rented sector playing a key role within the housing sector, we clearly see that the preference is for other types of housing. With open market prices out of reach for many residents, subsidised forms of housing will need to play a key role to cater for the needs and aspirations of our residents.
- 5.201. **Views and tolerance of further densification.** The analysis of the survey suggests there to be a common view that more affordable housing is needed in Hackney. There also appears to be support for the Council working to gain greater financial capacity with which to deliver more new affordable homes, as well as continuing to hold developers to account over their obligations.
- 5.202. However, in addition to collecting views on whether more affordable housing units are needed, the Commission was keen to gauge how open residents may be towards some changes in the borough which could conceivably be required in order for any great increases in affordable house building to be achieved. The space of the borough is finite, and we appreciate that conversations may be needed over the approach that the local area should take towards addressing the increasing demand for housing.
- 5.203. To this end, the Commission asked questions around whether residents would accept some visual changes to the borough if more affordable housing could be delivered as a result, and another to test whether residents may feel that the borough has already been developed enough.
- 5.204. Residents were asked whether they would be welcoming of more tower blocks being delivered in Hackney, if this meant that more affordable housing could be delivered. A majority - 58% - agreed or agreed strongly that they would. Just over a quarter (27%) disagreed or disagreed strongly with this approach.

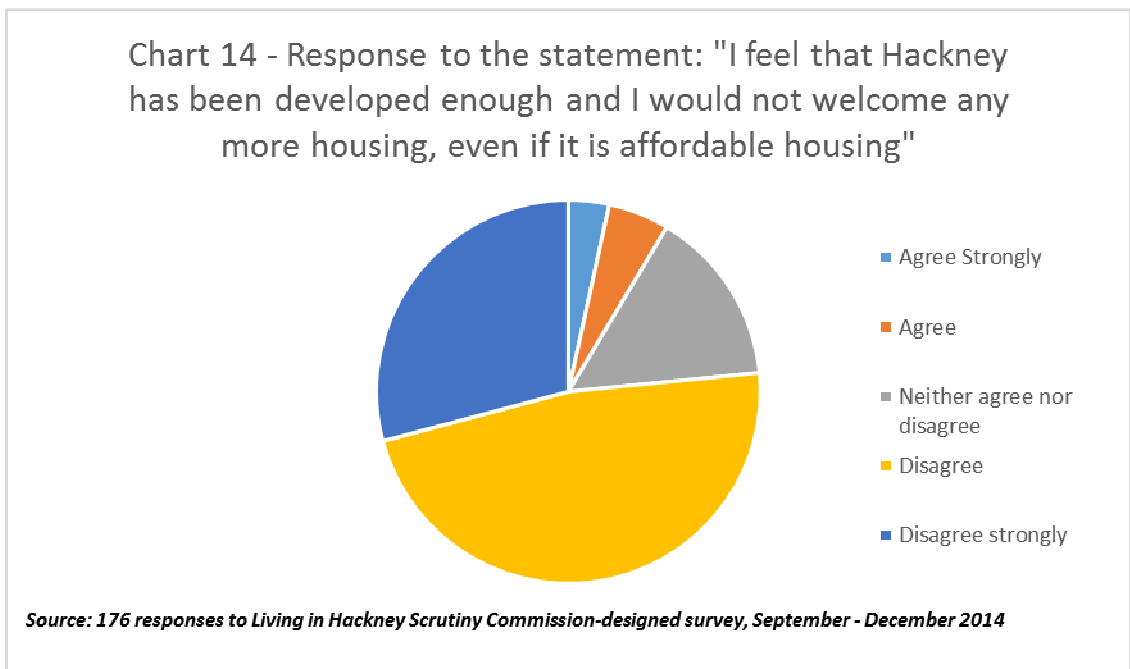


- 5.205. Another question asked residents if they would welcome the Council changing the way that some streets and estates look, if it meant that more affordable housing could be delivered. The

findings here were more emphatic; 78% of respondents agreed that they would welcome this approach. Only 10% disagreed.



5.206. Residents were also asked about over-development and whether they agreed with a statement that the borough had been developed enough and that they would not welcome any more housing, even affordable housing. Perhaps not surprisingly considering the other findings of the survey, there was a broad consensus against this view; only 9% agreed with the statement. 77% disagreed.



5.207. As with the other results presented from the survey, the findings here cannot be treated as offering a fully accurate picture on attitudes towards greater densification. A more scientific (and expensive) approach would be needed to ensure that the responses collected provided a

representative picture of the views of the vast range of residents living here. The importance of this debate perhaps warrants this work.

- 5.208. However, this indicative analysis does appear to suggest a consensus could be sought on how the need for more affordable housing could be accommodated. On this, we hope that our review could act as the start of a renewed conversation.

6 CONTRIBUTORS AND MEETINGS

- 6.1. The review's dedicated webpage includes links to the terms of reference for the review. This can be found at <http://www.hackney.gov.uk/new-housing-development>

6.2. Meetings of the Commission

- 6.3. The following people gave evidence at Commission meetings or attended to contribute to the discussion panels.

Commission date	Name	Title	Organisation
9th September 2014	Mark Hanson	Head of Development	Guinness Trust
9th September 2014	Zano Jongloy	Officer	A2Dominion
9th September 2014	Iain Taylor	Regional Development Director	Circle Housing
9th September 2014	Angela Wood	Director of Development	Family Mosaic
9th September 2014	Michael Edwards	Senior lecturer in economics and planning	University College London
11th November 2014	Simon Bevan	Director of Planning	London Borough of Southwark
11th November 2014	Su Gomer	Lead Commissioner, Housing Division	London Borough of Lambeth
11th November 2014	Cllr Richard Livingstone	Cabinet Member for Housing	London Borough of Southwark
11th November 2014	Michael Kelleher	Head of Housing Investment and Sites	London Borough of Haringey
11th November 2014	Cllr James Murray	Executive Member for Housing and Development	London Borough of Islington
11th November 2014	Jackie Odunoye	Service Head, Strategy, Regeneration and Sustainability	London Borough of Tower Hamlets
11th November 2014	Cllr Mark Williams	Cabinet Member for Regeneration, Planning and Transport	London Borough of Southwark
11th November 2014	Tim Gaskell	Director	CMA Planning Ltd

7 MEMBERS OF THE SCRUTINY COMMISSION

- Councillor **Claydon McKenzie** (Chair)
 Councillor **Sharon Patrick** (Vice Chair)
 Councillor **Jon Burke**

Councillor **Michelle Gregory**

Councillor **Sophie Cameron**

Councillor **Vincent Stops** (a non-participator in this review due to his role of Chair of Planning Sub Committee)

Overview and Scrutiny Officer: **Tom Thorn** ☎ 020 8356 8186

Legal Comments: To be confirmed

Financial Comments: To be confirmed

Lead Director: Charlotte Graves (Housing) and Gifty Edila (Legal, HR and Regulatory Services) ☎ 020 8356 3670 and 020 8356 3265

Relevant Cabinet Member: **Cllr Philip Glanville** (Cabinet Member for Housing) and **Cllr Guy Nicholson** (Cabinet Member for Regeneration)