

Living in Hackney Scrutiny Commission 19th February 2020 Item 5 – Evidence gathering for review - Development of new homes by Housing Associations and approaches to existing stock	Item No 5
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OUTLINE

This item is intended to help enable the Commission to answer the core question below within its review around Housing Associations:

- **What is the scale and nature of development by Housing Associations in Hackney, and what approaches are providers taking to their existing stock?**
 - What approaches are Housing Associations taking to building new homes in the borough, what types of affordable homes are being delivered?
 - What approaches are Housing Associations taking to new tenancies
 - What is the scale of any disposal of affordable housing stock in the borough by Housing Associations, and how effective is the Council's 'Sales Protocol' in preventing the loss of affordable units?

Context

The terms of reference for this review drew on evidence of a general move by Housing Associations towards a wider range of development activity. This has seen providers developing more homes for open market and shared ownership sale and for Affordable Rent (where rent levels are linked with open market rates rather than social rent). This has been in a context of cuts in Government funding in the form of reduced subsidy for the delivery of new affordable homes.

The Affordable Rent model was intended to help fill the funding gap, through a switch from a capital subsidy (housing grant) to a predominately revenue model (a greater reliance on rent). Since its introduction in 2011/12, Affordable Rent has taken over Social Rent as the most common tenure for new affordable housing supply in England¹. There has also been increases in the share of total income which providers draw from market and shared ownership sales activity.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847661/Affordable_Housing_Supply_2018-19.pdf

There have been well documented concerns about the affordability of the Affordable Rent model for low income households, particularly in high cost areas.

The GLA manages the delivery of the Affordable Homes Programme in London, in negotiation with the Government. The previous London Mayor's alteration to the London Plan allowed for schemes with GLA funding to have up to 80% of market rents (with an average of 65% overall). Hackney was one of nine Councils which launched but lost a legal challenge to this, seeking the ability to determine its own affordable rent levels for development in its areas.

Under the current London Mayor's Affordable Homes Programme for 2016-21, the 90,000 new homes which it is expected to support start-up of will be made up of London Affordable Rent (a rent benchmarked against social rents), London Living Rent (a ward-specific rent linked with average incomes set at levels intended to help households save a home-buying deposit to buy a home) and London Shared Ownership.

In addition to the national and regional policy developments above, the terms of reference for the review also noted a greater trend of Housing Associations accessing private finance to build more private homes for market sale, thereby generating surpluses for potential investment in new affordable housing development. This is often referred to as the 'cross-subsidy' model. The model has been one of the enablers of continued delivery of affordable housing, despite cuts in grant. The model also helped lead to significant increases in surpluses generated in the sector.

The Commission's review is timed at a point when the cross-subsidy model for the delivery of new affordable housing, is under pressure. The model is predicated on a buoyant housing market, whereas London has seen more modest growth (with falls at the higher end). Perhaps more significantly, there have been significant falls in property transactions, making it more difficult to sell homes.

There has been commentary on the impact of this, in terms of significant reductions in the surpluses generated by the providers leading in this model, homes being left unsold, and an announcement by the Housing Association which delivered the greatest development in 2018, that it was putting a pause on further work. The cross-subsidy model has been labelled as broken by both the Mayor of London and (separately) by a leading provider to a Commons Select Committee, amongst calls for a return to greater levels of Government grant.

In light of these developments, the Commission felt it would be timely within this review to seek to explore the types and extent of new affordable housing being delivered by Housing Associations in Hackney, and the extent of its accessibility (affordability) to families in housing need.

Members also wish to gauge approaches towards existing stock.

For the purposes of this item, this is firstly in relation to the types of tenancies Housing Associations are providing for existing units when they are newly let.

Secondly, Members hope to explore the extent and nature of any disposals (sales) of affordable housing units in Hackney by Housing Associations, and the effectiveness of the Council's work in seeking to prevent this impacting on supply in the borough.

[During scoping discussions for this review](#), the Commission was advised of a voluntary Sales Protocol, agreed between the Council and Housing Associations which sought to best ensure that units used for affordable housing were maintained as such and – failing that – that any receipts gained from any disposals through were reinvested back into the borough. It is intended that this item enables Members to explore any general approaches towards disposals followed by Housing Associations, and the effectiveness of the protocol in place.

Guests expected:

Guests from a number of Housing Associations are expected for this item, in addition to relevant Council Officers and Lead Members.

Housing Associations and the Council's Regeneration Division provided papers, which are enclosed (page numbers detailed)/

From Housing Associations:

- John Cockerham (Director of Customer Service Operations) and Alistair Smyth, Head of External Affairs, **Guinness Partnership** – paper submission pages 67 – 70.
- Dawn Harrison (Director of Housing and Neighbourhoods) and Olukunle Olujide (Director of Development), **Islington and Shoreditch Housing Association (ISHA)** - paper submission pages 71 – 72.
- Elaine Ambrose, Business Development Manager, **L&Q** – paper submission pages 73 - 74
- Chyrel Brown (Chief Operating Officer) and Rob Marcantoni, (Commercial & Property Director), **One Housing Group** – paper submission pages 75 - 78
- Ashling Fox, Chief Operating Officer, **Peabody** – paper submission pages 79 - 84
- Kimberley De Vergori (Head of Housing) and Conan Farningham (Head of Land and Planning), **Sanctuary** – paper submission pages 35 – 37 (single paper covering items 4 and 5)

From the Council – paper submission pages 85 - 88

- Cllr Sem Moema – within remit of executive lead on housing association relationships and accountability

- James Goddard, Interim Director, Regeneration

ACTION

Members are asked to review papers in advance of the meeting. They are invited to hear any opening comments from guests, before asking questions in a group discussion.